Tax Return Review-Partnership Income Form 1065 with K1

Tax Return Series April 2019





Objective

Understand the meaning of "Self Employed"

Learn to use Fannie Mae's Form 1084 to calculate supportable income using tax returns.

Complete Fannie Mae's Cash Flow Analysis Form 1084

- 1065 K1 Review (Section 7)
- 1065 Review (Section 8)
- Solvency/Liquidity Test



Tax Forms-

Filing status:		S. Individual Income				Head of household	o. 1545-007	lifying widow(e	er)			s space.
Your first name				ast name						ur socia	al security nu	mber
Debbie			1	Design	ner						XXX-XX-	XXXX
Your standard d		on connectite can chain yo	u as a de	pendent	You were	bom before Janu	ary 2, 1954	You	are bili	nd		
If Joint return, sp	ouse's	frst name and initial	1	.ast name	9				Spi	ouse's s	ocial security	numb
		ion: Someone can claim your				ouse was born b	ofore Januar	y 2, 1954	×	Full-yea	ar health care	coveraç
Spouse is bit		Spouse itemizes on a separand street). If you have a P.O. b				illen		Apt. no.			Dection Cam	nalan
840 Cott	ont	rail Way						Apt. No.		e Inst.)	You	
City, town or po Hurst TX		ce, state, and ZIP code. If you hav 3.0.1	e a foreig	n address	s, attach Schedu	e 6.			If n	nore tha e inst. ar	an four depend nd ✓ here ▶	dents,
Dependents ((2) Soc	tal security number	(3) Relations	nip to you	(4) < f q	ualifies fo	or (see Inst.):	
(1) First name		Last name		"		''		Child tax			redit for other de	pendent
										_		
Jigii ,	Under pomect,	senaities of perjury, I declare that I have and complete. Declaration of preparer	examined (other than	this return (taxpayer) i	and accompanying is based on all infor	schedules and state mation of which pre	ments, and to carer has any	the best of my knowledge.	knowled	ge and be	ollof, they are tr.	ю,
nere .		our signature			Date	Your occupation		-	If the I	RS sent	you an Identity	Protecti
oint return? See instructions.						Designer				see Inst.)		Ш
(eep a copy for	S	pouse's signature. If a joint return,	both mu	ıst sign.	Date	Spouse's occup	ation		If the I	RS sent	you an Identity	Protecti
our records.	_								here (s	ee Inst.)		П
Paid	P	reparer's name	Prepare	r's signat	ure		PTIN	1	Firm's E	IN	Check If:	
Preparer	_										3rd Party	
Jse Only	F	mm's name ▶ Self-Pr	epare	d			Phone	10.			Self-emp	loyed
,		rm's address 🕨									- 40	**
For Disclosure, i	Privac	y Act, and Paperwork Reduction	Act Not	ice, see s	separate Instruc	tions.					Form 10	40 (201
Form 1040 (2018))											Page
	1	Wages, salaries, tips, etc. Attact	Form(s)	W-2 .					1			
	2a	Tax-exempt Interest	2a			b Taxat	le Interest		2b		4,	219.
Mtach Form(s) N-2. Also attach	3a	Qualified dividends	3a			b Ordin	ary dMdend	s	3b			
Form(s) W-2G and 1099-R if tax was	4a	IRAs, pensions, and annuities .	4a			b Taxat	le amount		4b			
vithheld.	5a	Social security benefits	5a			b Taxat	le amount		5b			
	6	Total Income. Add lines 1 through 5.							6		167,	233.
	7	Adjusted gross income. If you subtract Schedule 1, line 36, fro		adjustme	nts to income, e	enter the amount	from line 6	; otherwise,	7		167,	222
Standard Deduction for—	8	Standard deduction or Itemized		ns /fmm S	Chadula A\				8			000.
Single or married	9	Qualified business income dedu							9		,	
filing separately, \$12,000	10	Taxable Income. Subtract lines				nter-0			10		155,	233.
Married filing jointly or Qualifying	11	a Tax (see Inst.) 31,545. (che					3 🗆	1			•	
widow(er),	1	b Add any amount from Schedu						. 🕨 🗆	11		31.	545.
\$24,000	12	a Child tax credit/credit for other depo	endents		b Add any	amount from Sched	ule 3 and chec	k here 🕨 🗌	12			
Head of	12										31,	545.
Head of household, \$18,000	13	Subtract line 12 from line 11. If 2		ss, enter -	0				13			
Head of household, \$18,000	13 14	Subtract line 12 from line 11. If a Other taxes. Attach Schedule 4	tero or les	ss, enter -	0		: : :		13			0.
Head of household, \$18,000 If you checked any box under Standard	13 14 15	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14	tero or let								31,	0. 545.
Head of household, \$18,000 If you checked any box under	13 14	Other taxes, Attach Schedule 4 Total tax, Add lines 13 and 14 Federal income tax withheld from	tero or les		1099				14		31,	
Head of household, \$18,000 If you checked any box under Standard deduction,	13 14 15	Other taxes, Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld from Refundable credits: a EIC (see ins	tero or let				orm 8863 _		14		31,	
Head of household, \$18,000 If you checked any box under Standard deduction,	13 14 15 16 17	Other taxes, Attach Schedule 4 Total tax, Add lines 13 and 14 Federal income tax withheld fror Refundable credits: a EIC (see his Add any amount from Schedule	tero or let	 W-2 and	1099 b Sch. 8812	c	orm 8963		14 15 16		31,	
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Head of household, \$18,000 If you checked any box under Standard deduction, see instructions.	13 14 15 16 17 18	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal Income tax withheld fro Retundable credits: a EIC (see his Add any amount from Schedule Add lines 16 and 17. These are: If line 18 is more than line 15, su	tero or let m Forms t) 6 your total	W-2 and payment	1099	ne amount you ov			14 15 16 17 18		31,	
Head of household, \$14,000 lt you checked any box under Standard deduction, see instructions.	13 14 15 16 17 18 19 20a	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld fro Refundable credits: a EIC (see his Add any amount from Schedule Add lines 16 and 17. These are it if line 18 is more than line 15, us. Amount of line 19 you want refu	tero or let	W-2 and payment to 15 from you. If Fo	1099	ne amount you ov	erpald .		14 15 16 17 18		31,	
Haad of household, \$15,000 if you checked any box under Standard deduction, see instructions. Refund	13 14 15 16 17 18 19 20a ► b	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld fror Retundable oredits: a EIC (see the Add any amount from Schedule Add lines 16 and 17. These are; If line 18 is more than line 15, su, Amount of line 19 you want few? Routing number X X X X	tero or let m Forms t) 5 your total ibtract lin mded to X X X	payment e 15 from you. If Fo	1099	ne amount you owned, check here	erpaid .	Savings	14 15 16 17 18		31,	
Head of household, \$15,000 if you checked any box under Standard deduction, see Instructions. Refund	13 14 15 16 17 18 19 20a • b	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld for Retundable credits: a EIC (see his Add any amount from Schedule Add lines 16 and 17. These are it line 16 is more than line 15, is. Amount of line 19 you want refurence for the seed of the	tero or let m Forms forms your total ibtract lin inded to X X X X	payment e 16 from you. If Fo	1099	ne amount you ov	erpaid .	Savings	14 15 16 17 18		31,	
Haad of household, \$18,000 if you checked any box under Standard deduction, see instructions. Refund Direct deposit? See instructions.	13 14 15 16 17 18 19 20a ► b	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld for Redundable credit: a EIC (see his Add any amount from Schedule Add lines 16 and 17. These are: If line 18 is more than line 15, su Amount of line 19 you want replic Routing number X X Account number X X Account number X X Account number X X	tero or let	payment e 15 from you. If Fo X X X X	b Sch. 8612	ne amount you oved, check here	erpaid .	Savings	14 15 16 17 18 19 20a			545.
Head of household, \$15,000 If you checked any box under Standard deduction, see instructions. Refund Direct deposit? See Instructions.	13 14 15 16 17 18 19 20a ► b ► d 21	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld for Retundable credits: a EIC (see his Add any amount from Schedule Add lines 16 and 17. These are: If tine 16 is more than line 16, s. Amount of tine 19 you want refu Routing number \[\begin{array}{c} \b	tero or let	payment e 15 from you. If Fo X X X X	b Sch. 8612	ne amount you over the company of th	erpaid .	Savings	14 15 16 17 18			545
Haad of household, \$14,000 if you chacked any box under Standard declarations. Refund Direct deposit? See instructions.	13 14 15 16 17 18 19 20a > b > d 21 22 23	Other taxes. Attach Schedule 4 Total tax. Add lines 13 and 14 Federal income tax withheld for Redundable credit: a EIC (see his Add any amount from Schedule Add lines 16 and 17. These are: If line 18 is more than line 15, su Amount of line 19 you want replic Routing number X X Account number X X Account number X X Account number X X	tero or les	payment e 15 from you. If Fo X X X X X 2 2019 estille 15. Fo	b Sch. 8612	ne amount you oved, check here	erpaid .	Savings X	14 15 16 17 18 19 20a	719 TTW		545

Form	10	65	_			. Return of					OMB No. 1545-0123			
Depart	ment of	the Treasury ue Service	For cale	noaryear20 ▶ Gotow	HB, OF VWW.ii	tax year beginning rs.gov/Form1065 fo	r instructions ar	018, end nd the l	ding , 20 latest information,		2018			
		lness activity		Name of p							D Employer identification number			
Desig	ın			Dallas De							23-1234567			
B Prin	cipal prod	luct or service	Type	Number, s	street, a	and room or sulte no. It	a P.O. box, see ins	tructions	S.		E Date business started			
Desig			or Print	1000 Mill S	Street	Suite 500					04/2009			
C Bus	iness co	ide number	Print	City or tow	wn, sta	te or province, country	, and ZIP or foreign	postal c	ode		F Total assets (see Instructions)			
	6543	22		Dallas, TX	7 25 20	1					\$ 277,540			
	0343	32		Dallas, TA	2520						\$ 211,540			
										hange	(5) Amended return			
				(1) 🗹 Ca		(2) Accrua								
						ch person who was	a partner at any t	ime du	ring the tax year		4			
				1-3 are attac	cnea.				ou. Con instructions for		<u> </u>			
Caut	ion: Inc	dude only	trade or b	iusiness in		and avenues on	lean 1a through	nn hali	and Can instructions for		information		65111	
	1a									г	Final K-1 Amended	16-1	OMB No. 1545-012	
	b	Returns a			Sch	edule K-1			2018			Cur	rent Year Income,	Ī
	2	Balance. Cost of g				m 1065)					Deductions, Cred			
	3	Gross pro			Depar	tment of the Treasury al Revenue Service		Enr cale	andar year 2018, or tax year	1	Ordinary business income (loss)		Credits	7
	4	Ordinary				beginning	/ / 2018			2	111,414 Net rental real estate income (loss)			+
Ě	5	Net farm			_			_		1	Net remained estate income (icos)			
Income	6	Net gain				tner's Share o dits, etc.			tions, and separate instructions.	3	Other net rental income (loss)	16	Foreign transactions	†
_	7	Other inc							•					1
_	8	Salaries a			F	art I Informat			iership	4	Guaranteed payments			
ê	10	Guarante			Α.	Partnership's employe	23-123456			5	42,000 Interest income			+
Tage	11	Repairs a	and main	tenance	В	Partnership's name, a			ode		8			
5	12	Bad debt				las Designers LL				6a	Ordinary dividends	1		1
g	13	Rent				0 Mill Street Suit	e 500			6b	Qualified dividends			4
i i	14 15	Taxes an Interest			Dali	las, TX 25201				00	Qualified dividends			
(see Instuctions for Imitations)	16a	Deprecia			С	IRS Center where part	nership flied return			6c	Dividend equivalents	t		+
ž.	b	Less depr			e-fil	e								1
Deductions	17	Depletion			D	Check If this is a p	oublicly traded partne	ership (P	TP)	7	Royalties			
ŧ	18 19	Retireme			P	art I Informat	ion About the	Partn	ier	8	Net short-term capital gain (loss)	17	Atternative minimum tax (AMT) item	is
ğ	20	Employee Other de			E	Partner's identifying no				t				
පී	21	Total de			\perp		XXX-XX-XX			9a	Net long-term capital gain (loss)			1
	22	Ordinary			F	Partner's name, addre bie Designer	ss, city, state, and Zi	IP code		9b	Collectibles (28%) gain (loss)			+
Ħ	23	Interest d				Cottontrail Way				1	Collectibles (2874) gain (1085)			
ã.	24	Interest of				st, TX 73301				9c	Unrecaptured section 1250 gain	18	Tax-exempt income and	†
Tax and Payment	25 26	BBA AAF Other tax			\perp							1	nondeductible expenses	
2	27	Total bal			G	General partner or member-manager	TTC X	Limited	partner or other LLC	10	Net section 1231 gain (loss)	С	89	D
ā	28	Payment	(see inst	ructions)	l _H	■ Domestic partner	П	Eoreign	partner	11	Other Income (loss)	ł		
<u>a</u>	29	Amount				parate	_	. orongo	parent		, ,			†
_	30	Overpay	ment. If enalties of		н	What type of entity is t								1
C:		knowled	ine and hel	lef It is true	12	If this partner is a retire				_		19 A	Distributions 78,75	
Sig		Informat	tion of whic	h preparer	J	Partner's share of prof Begin	it, loss, and capital (s ining	see Instr	uctions): Ending			А	/8,/5	J
Her	е	N _				Profit	35.000000 %	\perp	35.000000 %	12	Section 179 deduction	L		1
			ignature of			Loss	35.000000 %		35.000000 %	L		20	Other Information	1
Paid		1	pe prepare			Capital	35.000000 %		35.000000 %	13	Other deductions			
	parer		countant	Account	ĸ	Partner's share of liabi	Itles:			Α	245	Α		8
Use	Only		ddress >		"	Turbic Surface of Habi	Beginning		Ending					
For P	aperwo	ork Reduct				Nonrecourse	\$	7,280	\$ 0					1
	-	_	_			Qualified nonrecourse	_			14	Self-employment earnings (loss)			+
						financing	\$	0	s 46.293	A	Ser-employment earnings (loss)			
					L	Partner's capital accor	•	-	40,200					t
						Beginning capital acco			13,698	L				
						Capital contributed du Current year increase			110,287	*Se	e attached statement for add	dition	al information.	4
						Withdrawais & distribu			78,750)					
						Ending capital account		_	45,235	₽				
										only (1
							GAAP [Secti	on 704(b) book	💆				1
						Other (explain)				For IRS Use				
					м	Did the partner contrib	oute property with a b	oulit-in a	ain or loss?	ě				
						Yes	X No							
					ب		atement (see Instruct			Ļ				╛
					For P	aperwork Reduction A	ct Notice, see Instr	uctions	for Form 1065. www.irs.	gov/Fo	m1065 Cat. No. 11394R		Schedule K-1 (Form 1065) 20:	18



You'll Need Calculators-

	oad and save PDF first before entering data. ch calculation as calculators are updated periodically.	
Borrower Name	Loan Number	Genworth 💥.
Property Address		
	10.15.6	

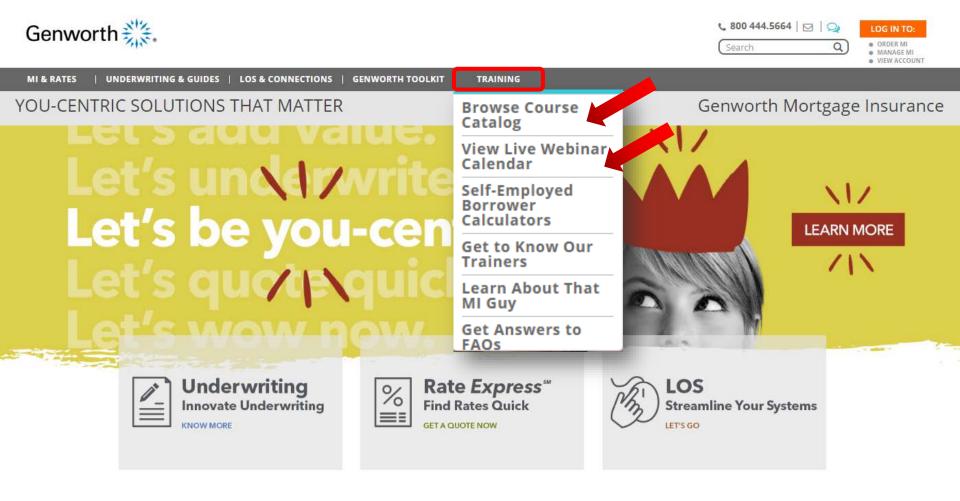
Calculator and Quick Reference Guide: Fannie Mae Cash Flow Analysis Please use the following quick reference guide to assist you in completing Fannie Mae Form 1084. It provides suggested guidance only and does not replace Fannie Mae instructions or applicable guidelines.

IDC	or entries with the marker (+/-) type a " for entering a negative amount. E			2017	NOTES
	Form 1040 or IRS Schedule 1		2018	2017	NOTES
1	W-2 Income from Self-Employment (Line 5)	+			*Only add back the eligible
2	Schedule B - Interest and Ordinary Dividends				"Other" deductions, such as Amortization or Casualty Loss
	a. Interest Income from Self-Employment (Line 1)	+			Amortization of Casasity Los.
	b. Dividends from Self-Employment (Line 5)	+			
3	Schedule C - Profit or Loss from Business: Sole Proprietorship				
	a. Net Profit or Loss (Line 31)	+/-			
	b. Nonrecurring Other (Income) Loss/Expenses (Line 6)	+/-			
	c. Depletion (Line 12)				
	d. Depreciation (Line 13)	+			
	e. Non-deductible Meals and Entertainment Expenses (Line 24b)	-			
	f. Business Use of Home (Line 30, Check applicable guidelines)	+			
	g. Amortization/Casualty Loss (Only add back Amort/CL - Review Schedule C Page 2, Part V*)	+			
	Business Miles (Page 2, Part IV, Line 44a OR Related 4562, Line 30)				
	X Depreciation Rate (2017 and 2018-25¢)		0.25	0.25	
	= Total Mileage Depreciation	+			
	Subtotal Schedule C	=			
4	Schedule D - Capital Gains and Losses				
	a. Recurring Capital Gains (from Self-Employment)	+			
5	Schedule E - Supplemental Income and Loss				
	Note: A lender may use Fannie Mae Rental Income Worksheets (I form to calculate individual rental income (loss) reported on Sche		937 or Form 1038) or	a comparable	
	a. Royalties Received (Line 4)	+			
	b. Total Expenses (Line 20)	-			
	c. Depletion (Line 18)	+			
	Subtotal Schedule E	=			
5	Schedule F - Profit or Loss from Farming				
	a. Net Farm Profit or Loss (Line 34)	+/-			
	b. Non-Tax Portion Ongoing Coop and CCC Payments (Line 3, 4, 6(a-b))	+/-			
	c. Nonrecurring Other (Income) or Loss (Lines 5c & 8)	+/-			
	d. Depreciation (Line 14)	+			
	e. Amortization/Casualty Loss/Depletion (Line 32*)	+			
	f. Business Use of Home (Line 32, Check applicable guidelines)	+			
		_			1

	ıll functionality, download PDF first before entering data. Please download before each lation as calculators are updated periodically.			
	er(s) Name(s) Loan Number	Gen	worth 🎇	
Proper	ly Address		·	
C	alculator and Quick Reference Gu	uide:		
Li	quidity (Acid Test or Quick Ratio)			
sugg refer	e use the following calculator and quick reference guide to assist you in evaluating liquidity: ested guidance only and does not replace Lender, Investor or GSE instructions or applicable enced below are from the applicable business return's Schedule L. If a Partnership did not con , Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from th	e guidelines. Plea nplete a Schedule	se note all lines	
Liqu	uidity (Acid Test or Quick Ratio)	2018	2017	
1	Cash (P/Tship, S-C and Corp: Line 1d)			
2	Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d])			
3	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*			
4	Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)*			
5	Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d)			
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d)			
7	Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d)			
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.			
	ck your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities or Other Marketable Securities.	Please note: If Lines 5	s to calculate result. 5, 6 and 7 total zero, the n error message, but the	



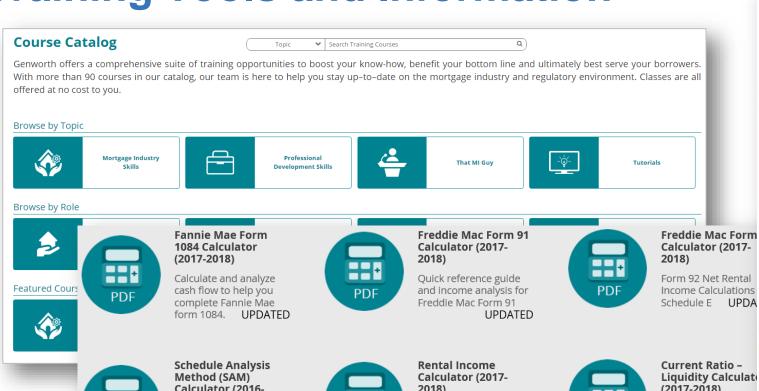
Training Tools and Information



new.mi.Genworth.com



Training Tools and Information





'.mi.genworth.com/

Calculator (2016-2017)

Calculate qualifying income from tax returns.



2018)

Assists in calculating rental income from IRS form 1040 Schedule E. UPDATED



Current Ratio -**Liquidity Calculate** (2017-2018)

Calculate working ca liquidity against curr liabilities. UPDA



Recorded webinars

on your time!

LIVE WEBINAR

CALENDAR

DOWNLOAD

FULL

COURSE

CATALOG

Self-Employed **Borrower Tools**



Quick Ratio -**Liquidity Calculator** (2017-2018)

Calculate an



Fannie Mae Rental **Guide (Calculator** 1037)

Use this worksheet to



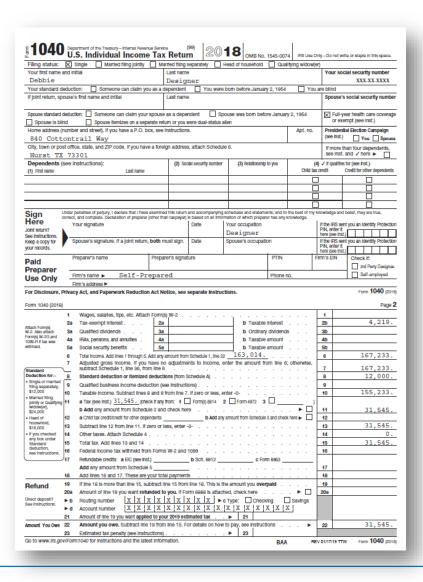
Fannie Mae Renta **Guide (Calculator** 1038)

Worksheet for

Fannie Mae's 1084

Pleas	ull functionality, download and save PDF first before entering die edownload before each calculation as calculators are updated ser Name Loan Number Address	ata. perioc	lically.		G	enworth 💥
~	alculator and Quick R	of	oron	~~	Guid	· ·
					Guide	ᠸ.
Fa	nnie Mae Cash Flow	А	nalys	IS		
	e use the following quick reference guide to assist yo				e Mae Form 10	84. It provides
sugg	ested guidance only and does not replace Fannie Ma	e ins	tructions or a	ppli	cable guideline	s.
	For entries with the marker (+/-) type a '-' for entering a negative amount. E	xample			2017	NOTES
	Form 1040 or IRS Schedule 1		2018		2017	NOTES
1	W-2 Income from Self-Employment (Line 5)	+				*Only add back the eligible
2	Schedule B - Interest and Ordinary Dividends			_		"Other" deductions, such as Amortization or Casualty Loss.
	a. Interest Income from Self-Employment (Line 1)	+		_		Amortization of Casaatty Loss.
	b. Dividends from Self-Employment (Line 5)	+				
3	Schedule C - Profit or Loss from Business: Sole Proprietorship					
	a. Net Profit or Loss (Line 31)	+/-				
	b. Nonrecurring Other (Income) Loss/Expenses (Line 6)	+/-		_		
	c. Depletion (Line 12)	+		_		
	d. Depreciation (Line 13)	+				
	e. Non-deductible Meals and Entertainment Expenses (Line 24b)	-				
	f. Business Use of Home (Line 30, Check applicable guidelines)	+				
	g. Amortization/Casualty Loss (Only add back Amort/CL -	+				
	Review Schedule C Page 2, Part V*)	L.		_		
	Business Miles (Page 2, Part IV, Line 44a OR Related 4562, Line 30)					
	X Depreciation Rate (2017 and 2018-25¢)		().25	0.25	
	= Total Mileage Depreciation	+		_		
	Subtotal Schedule C	=				
4	Schedule D - Capital Gains and Losses			_		
	a. Recurring Capital Gains (from Self-Employment)	+				
5	Schedule E - Supplemental Income and Loss					
	Note: A lender may use Fannie Mae Rental Income Worksheets (138) o	r a comparable	
	form to calculate individual rental income (loss) reported on Sch		i.			-
	a. Royalties Received (Line 4)	+		\dashv		
	b. Total Expenses (Line 20)	-		-		
	c. Depletion (Line 18)	+		_		
_	Subtotal Schedule E	=				
6	Schedule F - Profit or Loss from Farming		I	_		
	a. Net Farm Profit or Loss (Line 34)	+/-		-		
	b. Non-Tax Portion Ongoing Coop and CCC Payments (Line 3, 4, 6(a-b))	+/-				
	c. Nonrecurring Other (Income) or Loss (Lines 5c & 8)	+/-		_		
	d. Depreciation (Line 14)	+				
	e. Amortization/Casualty Loss/Depletion (Line 32*)	+				
	f. Business Use of Home (Line 32, Check applicable guidelines)	+				
	Subtotal Schedule F	=				
	Note: IRS Form 4797 (Sales of Business Property) is not included applicable, a lender may include analysis of the sale and related	on this	s worksheet due ing capital gain:	to its	infrequent use. If	
	This calculator can be found at new.mi.genworth.com/self				culators.	Page 1 of 4

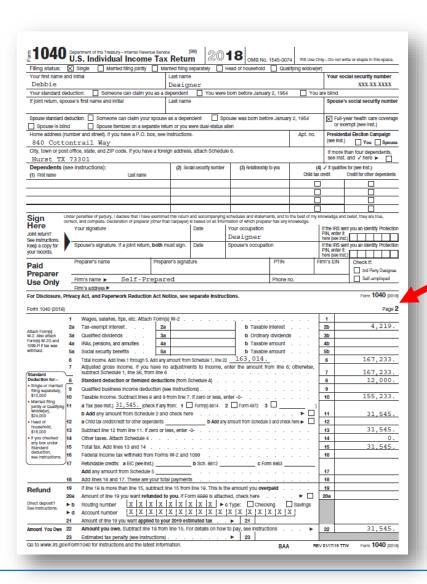
The Case Study...



- Debbie is a Designer
- She is a 35% member of an LLC
- Her reported taxable Income is a small amount of interest, Alimony and a K1 from Dallas Designers LLC



The 1040



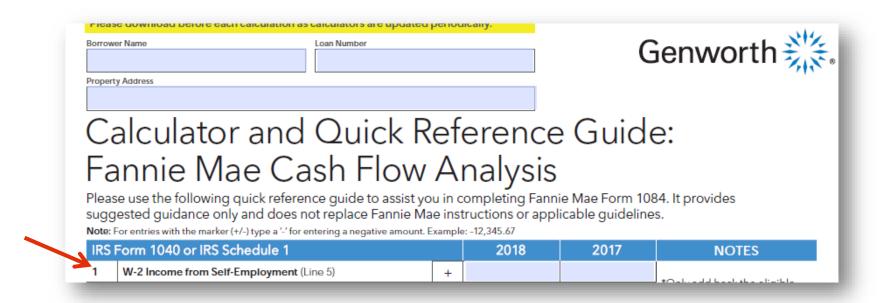
Review for:

- Identifiers
 - Name
 - Address
 - Social Security Number
- All pages and schedules
- Any Red Flags
- Date
 - Most recent
- Signatures



Calculator and Quick Reference Guide

Access Your Quick Reference Guide 1084 Form and the Case Study



Form 1040

Review for:

- Wages are now reported on line 1

Filing status:		S. Individual Income	Marri	ad filing :	onorotok 🗔	Head of househol	0. 1545-007	litying widov		and white of a	taple in this spa
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for: s are now reported on line w Line 6 ere a Schedule 1?			∋ 1		Filing status: Your first name and Debbile Your standard ded, If joint return, spou Spouse is blind Home address (num 840 Cottor City, town or post of Hurst TX 7 Dependents (see (1) First name	Single N initial Software Single N initial Software N initial Software N initial N initial S	meone can claim you as dirittal cone can claim your spot selemizes on a separate tryou have a P.O. box, si full pounds a P.O. box, si full pounds a full pounds a full pounds and full pounds	Married fling separately Last name Designer a dependent	Head of hous Free born before Spouse was bot s allen (3) Rels	ehold Ou January 2, 1954 In before January distribution by you it statuments, and it proposed with the un statum	sitying widow(er) You are You are Apt. no. (4) Onlid but cred	Pour social blind Spouse's so Full-year or exemp Presidential i (see inst.) If more than see inst. an if qualifies for sit Cre	dit for other dependents
					Reep a copy for your records. Paid Preparer Use Only	Spouse's signat Preparer's name Firm's name ▶ Firm's address ▶	Self-Prepa	parer's signature	Spouse's or	PTIN Phone	Pili her Firm'	N, enter It re (see Inst.) 's EIN	ou an identity Protection Check if: 3rd Party Designee Self-employed
	1	Wages, salaries, tips, etc. Attach F		W-2		i .			•	1		—	4,219
tach Form(s)	2a	Tax-exempt interest	2a				Taxable in		•	2b		—	4,219
-2. Also attach orm(s) W-2G and	3a	Qualified dividends	3a			- 	Ordinary d		•	3b			
99-R if tax was	4a	IRAs, pensions, and annuities .	4a			- 	Taxable ar		•	4b			
urineid.	5a	Social security benefits	5a			→ -	Taxable ar	nount	•	5b			65.000
_	6	Total income. Add lines 1 through 5. Ad	id any ar	mount from Sched	\$12,000 10		, 014.	9 from line 7. If zero or less	s. enter -0-	0	10	_	155,233.
					Direct deposit? See instructions. 21 Amount You Owe 22	b Add any at a Child tax ore Subtract line Other taxes. Total tax. Ad Federal inco Retundable or Add any am Add lines 16 if line 18 is re a Amount of line Bouting num d Account nun Amount of line Stiffmated tax	dibradit from Schedule 2 and dibradit for other dependent of the following the first from the first from the first from the first from Forestax withheld from Forestax withheld from Forestax withheld from Forestax withheld from Forestax from	ms W-2 and 1099 b Sch. 8812 lotal payments It line 15 from line 18. This is to you. If Form 8986 is att X X X X X X X X your 2019 estimated tax om line 15. For details on h s).	s the amount trom s s the amount y ached, check h c Type: X X X > 21	c Form 8863 _	1:	2 3 4 5 5 6 6 7 8 8 9 9 3a	31,545. 31,545. 31,545. 31,545.



Schedule 1

	SCHEDULE 1 (Form 1040) Department of the Treasury Internal Revenue Service	Additional Income and Adjustments to Income ▶ Attach to Form 1040. ▶ Go to www.irs.gov/Form1040 for instructions and the latest information.	2018	4
	Name(s) shown on Form 1040 Debbie Designer		Your social security numbe XXX - XX - XXXX	er -
	Income 10 11 12	Reserved	. 1-9b . 10 . 11 9,600 . 12	0.
Alimony receive	ed		11	9,600.
	16a	Reserved	. 16b	
1- 1	C	Dogga and supply		
1e. Income from Oth		□ Does not apply		
 Alimony Automobile Allowance Boarder Income Capital Gains 	 Child Support Disability Foster Care Housing or Parso 	• Notes Receivable • Mortgage Credit Certificate • Mortgage Differential • Payments • Notes Receivable • Public Assistance • Retirement (e.g., Pension, IRA)	 Royalty Payment Separate Mainter Social Security Trust 	
NOTE: Reveal alimony, for this loan.	child support, sepa	rate maintenance, or other income ONLY IF you want it co	nsidered in determini	ing your qualification
Income Source – use li	ist above			Monthly Income
		v		\$
		•		\$
		•		\$
		Provide TC	OTAL Amount Here	\$
	36	Add lines 23 through 35	. 36	
	For Paperwork Reduction	n Act Notice, see your tax return instructions.	Schedule 1 (Form 1040) 2	2018

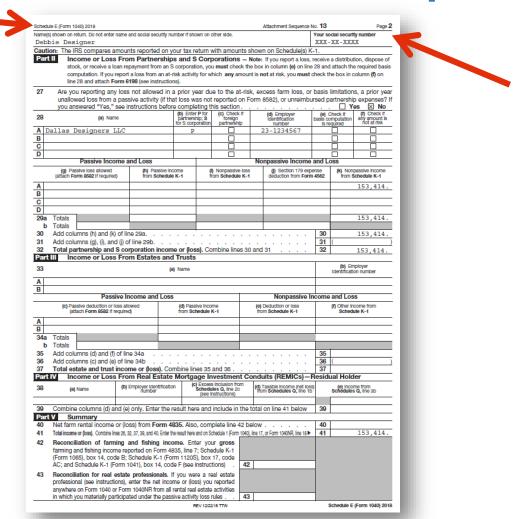
Are You Using Alimony To Qualify? Is It Regular And Reoccurring?



Schedule 1

		HEDULE 1 m 1040)	Additional Income and Adjustments to Income	OMB No. 1545-0074
	Depart	rtment of the Treasury	► Attach to Form 1040. ► Go to www.irs.gov/Form1040 for instructions and the latest information.	2018 Attachment Sequence No. 01
	Name	e(s) shown on Form 10	40	Your social security number
	De	bbie Designe	er	XXX-XX-XXXX
	Add	ditional 1-9b	Reserved	1–9b
	Inc	ome ¹⁰	Taxable refunds, credits, or offsets of state and local income taxes	10
	IIIO	11	Alimony received	9,600.
		12	Business income or (loss). Attach Schedule C or C-EZ	12
		13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ □	13
		14	Other gains or (losses). Attach Form 4797	14
		15a	Reserved	15b
		16a	Reserved	16b
		17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17 153,414.
		18	Farm income or (loss). Attach Schedule F	18
		19	Unemployment compensation	19
		20a	Reserved	20h
17	Rental real estate	e, rovalties,	partnerships, S corporations, trusts, etc. Attach Schedule E	17 153,414.
		22	Combine the amounts in the far right column. If you don't have any adjustments to	
				22 163,014.
	Adju	ustments 23	Educator expenses	
		ncome ²⁴	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 24	
		25	Health savings account deduction. Attach Form 8889 . 25	
		26	Moving expenses for members of the Armod Forces Attach Form 3903	
		27		
		28	Self-employed SEP, SIMPLE, and qualified	k at the E
		29	Self-employed health insurance deduction	n at the L
		30	Penalty on early withdrawal of savings	
		31a	Alimony paid b Recipient's SSN ► 31a	
		32	IRA deduction	
		33	Student loan interest deduction	
		34	Reserved	
		35	Reserved	
		36	Add lines 23 through 35	36
	For F		on Act Notice, see your tax return instructions.	Schedule 1 (Form 1040) 2018
	Polif	apolwork neduct	REV 12/21/18 TTW	Schedule i (FOITH 1040) 2016

Schedule E to Validate Ownership



Please Note - There Is No Page 1 Of Schedule E In This Example



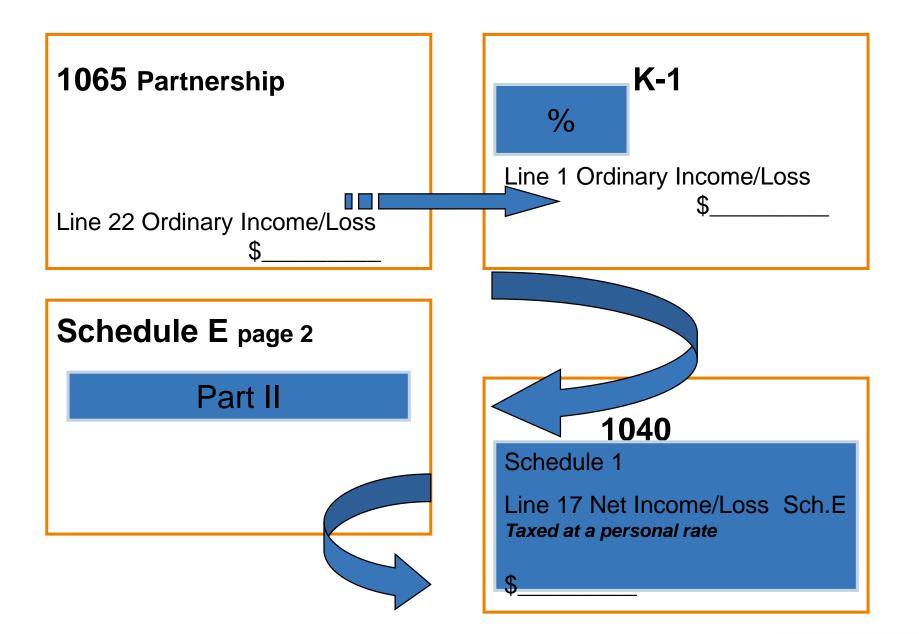
Schedule E to Validate Ownership

Vame(s)	shown on r	return. Do not enter name	and social security nu	ımber if sho	wn on oth	er side.		Your socia	al securit	Page 2 v number	
	ie Des							XXX-X			
			ints reported on v	our tay re	turn wit	h amounts	shown on Schedule(s)	K-1			
Part							Note: If you report a los		dietributi	ion dispose of	
T GIT							ne box in column (e) on li				
		•					nt is not at risk, you mu s				
		28 and attach Form								(,,	
27	Ara 110	ranartina anu laa	o not allowed in		ar dua	to the ot vie	k, excess farm loss,	ar basis lis	-itation		
21							orm 8582), or unreim				
										es X No	
	jou un			(b) Enter	P for	(c) Check if	(d) Employer	(e) Che		(f) Check if	
28		(a) Name		partnersh for S corpo		foreign partnership	identification number	basis comp is requ		any amount is not at risk	
A Da	llas I	Designers LLC		P							
В		2021311012 220		_			25 1251557	1 7	i		
С									1		
D											
		Passive Income	and Loss	· I							
		ssive loss allowed	(h) Passive in			lonpass	his indica	ates	the	re is a	1065
	(attach Fo	orm 8582 if required)	from Schedule	e K-1	fron	Sched	ino maio	4100		10 10 u	1000
Α										153,414.	
В											
С											
D											
29a	Totals									153,414.	
b	Totals										
	Add colu	imne (h) and (k) of E	ine 29a					30		153,414.	
31	Add colu	umns (g), (i), and (j) o	of line 29b					31 ()	

1065 K-1

005 K-1		Schedule K-1	2018	P	Final K-1 Amended	f Cur	
		(Form 1065) Department of the Treasury Internal Revenue Service	For calendar year 2018, or tax year		Ordinary business income (loss) 111,414	15	Credits
		beginning	/ / 2018 ending / /	2	Net rental real estate income (loss)		
		Credits, etc.	f Income, Deductions, • See back of form and separate Instructions	3	Other net rental income (loss)	16	Foreign transactions
			on About the Partnership	4	Guaranteed payments		
		A Partnership's employer	23-1234567	5	42,000 Interest income		
		B Partnership's name, ac Dallas Designers LL(1000 Mill Street Suite		6a	Ordinary dividends		
		Dallas, TX 25201		6b	Qualified dividends		
		c IRS Center where partre-file	ership filed return ubliciy traded partnership (PTP)		Dividend equivalents Royalties		
						Ļ	
		E Partner's identifying nu	on About the Partner		Net short-term capital gain (loss)	17	Alternative minimum tax (AMT) items
		F Partner's name, addres	XXX-XX-XXXX is, city, state, and ZIP code	9a	Net long-term capital gain (loss)		
Debbie is 3	35% owner	Debbie Designer 840 Cottontrail Way			Collectibles (28%) gain (loss)		To a constitution and
		Hurst, TX 73301			Unrecaptured section 1250 gain	18	nondeductible expenses
		G General partner or member-manager	LLC X Limited partner or other LLC member	10	Net section 1231 gain (loss)	С	890
		H X Domestic partner	Foreign partner	11	Other Income (loss)	<u> </u>	
			ns partner? Individual ment plan (IRA/SEP/Keogh/etc.), check here	-		19	Distributions
			t, loss, and capital (see instructions):			Α	78,750
		Profit	35.000000 % 35.000000 %	_	Section 179 deduction	L	
		Loss Capital	35.000000 % 35.000000 % 35.000000 %		Other deductions	20	Other Information
				Α	245	Α	8
1b. Current Employment/Self Employment and Income	■ Does not apply		Beginning Ending \$ 7,280 \$ 0	<u>)</u>			
Employer or Business Name	Phone ()	_	\$ \$ \$ 0 \$ 46,293		Self-employment earnings (loss)		
Street			analysis: t \$ 13,698	3			
City	StateZI	P	g the year . \$ \$		ee attached statement for add	ditiona	al information.
Position or Title	Check if this statement ap	oplies:	\$ 45,235				
Start Date / (mm/yyyy)	I am employed by a family n		GAAP Section 704(b) book	8			
How long in this line of work? Years Months	property seller, real estate as party to the transaction.	gent, or other	e property with a built-in gain or loss?	For IRS			
Check if you are the Business OI have an ownership share		ncome (or Loss)	No ment (see instructions)		umitos out to account		Cobadula V J Francisco
Owner or Self-Employed OI have an ownership share	of 25% or more. \$		Notice, see instructions for Form 1065. www.ir	rs.gov/Fo	rm1065 Cat. No. 11394R		Schedule K-1 (Form 1065) 2018





Form 1065 / Partnership Return

- Five pages long
- First page follows the typical tax form pattern:
 - Income listed
 - Deductions taken
 - Taxable income/loss derived
- Second, third- fifth pages are Schedules
 - Every partnership completes the schedules, so they are part of the form

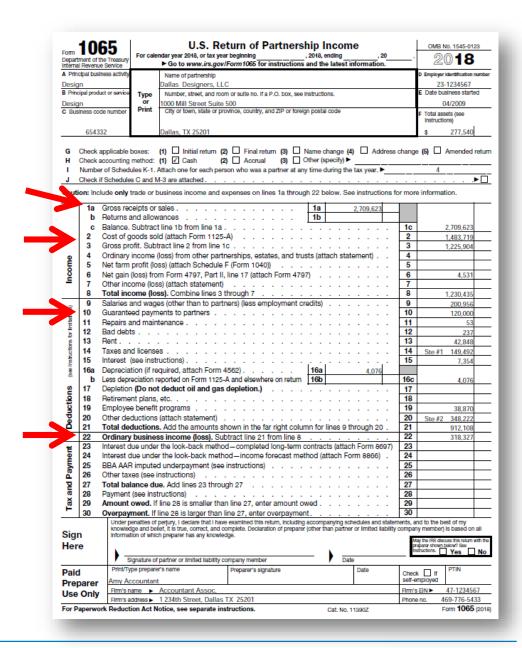
Partnership 1065

Check for trends or changes

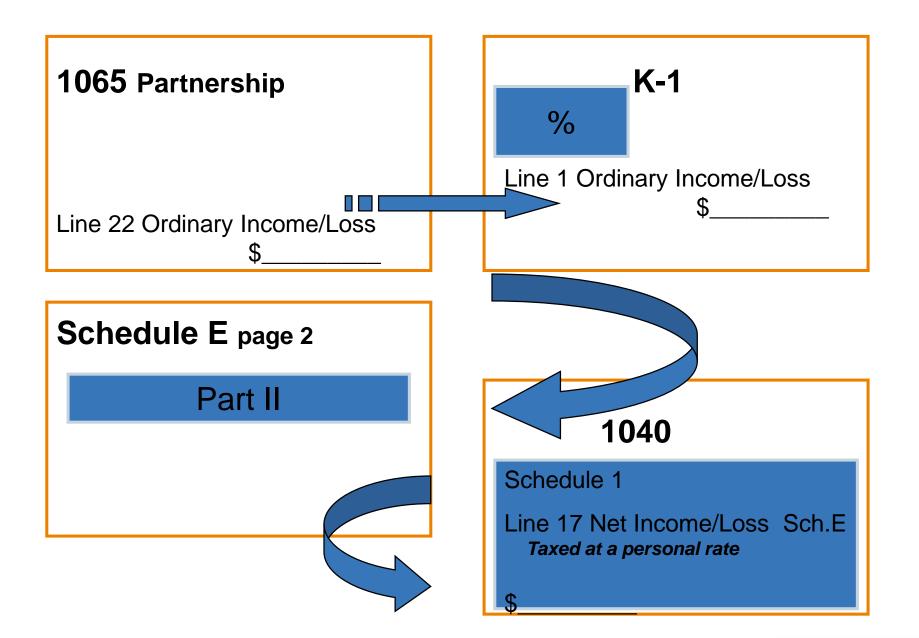
- Gross receipts
- Cost of Goods Sold
- Gross Profit
- Bottom line "Ordinary Income"

Note:

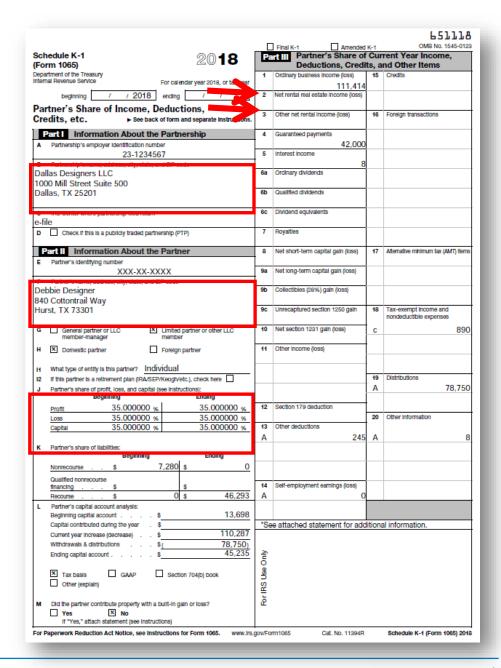
- Guaranteed Payments can be found on Line 10
- This is compensation paid to the owners and has nothing to do with distributions



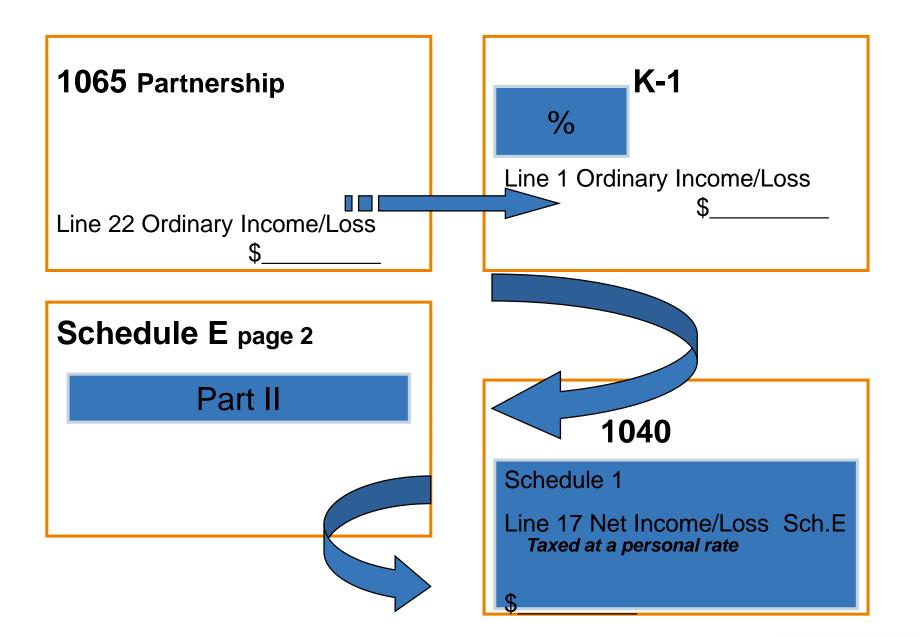




Partnership K-1



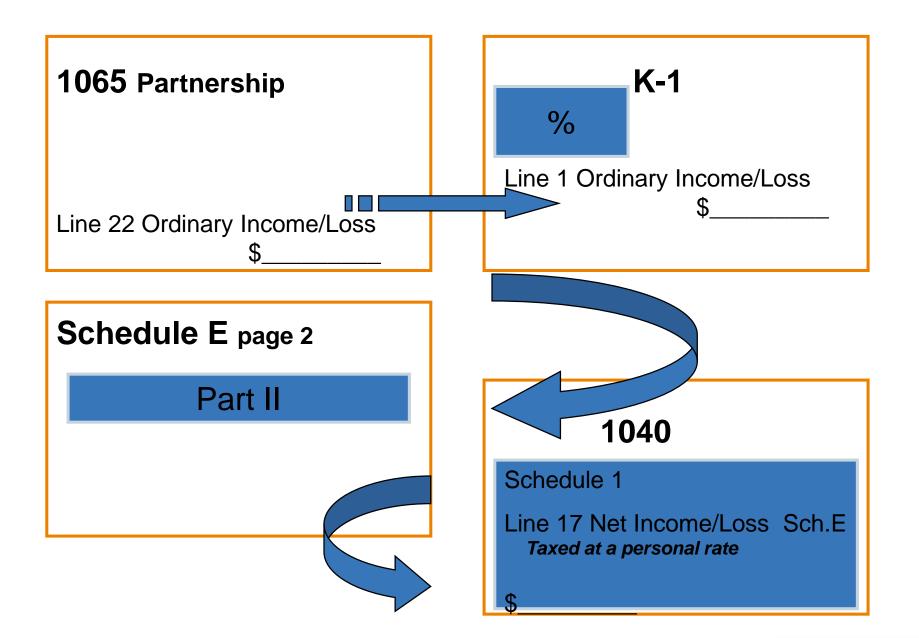




Review Schedule E

Schedu	Schedule E (Form 1040) 2018 Attachment Sequence No. 13 Page 2										
Name(s	s) shown on re	eturn. Do not enter name a	and social security nu	mber if sho	wn on (other side.			Your so	cial securi	ty number
Debl	bie Des	igner							XXX-	XX-XXX	XX
Cauti	on: The IF	RS compares amour	its reported on y	our tax re	eturn v	with amounts s	show	vn on Schedule(s) K	-1.		
Part	Part II Income or Loss From Partnerships and S Corporations — Note: If you report a loss, receive a distribution, dispose of										
	stock, or receive a loan repayment from an S corporation, you must check the box in column (e) on line 28 and attach the required basis										
	computation. If you report a loss from an at-risk activity for which any amount is not at risk, you must check the box in column (f) on										
	line	28 and attach Form 6	198 (see instruction	18).							
27		u reporting any loss									
		ved loss from a pass									
	you ans	swered "Yes," see ir	istructions befor	e comple (b) Enter		his section		(-D) Francisco			es 🗵 No
28		(a) Name		partnersh	ip; S	foreign	(d) Employer identification		(e) Check if basis computation		any amount is
A D	allag D	esigners LLC		for S corporation		partnership	number 23-1234567		is required		not at risk
	allas L	esigners LLC		P	2 23		23-1234507		\dashv		
C									+		
B C D										H	
		Passive Income a	nd Loss				No	onpassive Income	and Lo	oss	
	(g) Pas	ssive loss allowed	(h) Passive inc	ome (i) Nonpassive loss (j) Section 179			(j) Section 179 exp	expense (k) Nonpassive inco		passive income	
	(attach Fo	rm 8582 if required)	from Schedule	K-1	fi	rom Schedule K-1		deduction from Form	4562	from Schedule K-1	
Α											153,414.
В											
B C D											
29a	Totals										153,414.
b	Totals								100		
30		ımns (h) and (k) of lir							30		153,414.
31		ımns (g), (i), and (j) o							31	()
32	32 Total partnership and S corporation income or (loss). Combine lines 30 and 31										





Income Analysis Form 1084, Section 7

	SCHEDULI (Form 1040) Department of the Internal Revenue	e Treasury	Additional Income and Adjustments to Income ► Attach to Form 1040. ► Go to www.irs.gov/Form1040 for instructions and the latest information.		OMB No. 1545-0074 20 18 Attachment Sequence No. 01	
	Name(s) shown Debbie I			1	ocial security number	
	Addition		Reserved	1-9b		
	Income	10	Taxable refunds, credits, or offsets of state and local income taxes	10		
	income	11	Alimony received	11	9,600.	
		12	Business income or (loss). Attach Schedule C or C-EZ	12	· · ·	
		13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ □	13		
		14	Other gains or (losses). Attach Form 4797	14		
		15a	Reserved	15b		
		16a	Reserved	16b		
		17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	153,414.	
		18	Farm income or (loss). Attach Schedule F	18		
		19	Unemployment compensation	19		
		20a	Reserved	20b		
		21	Other income. List type and amount	21		
		22	Combine the amounts in the far right column. If you don't have any adjustments to income, enter here and include on Form 1040, line 6. Otherwise, go to line 23	22	163,014.	
	Adjustmen	ts 23	Educator expenses		· · · · · · · · · · · · · · · · · · ·	
	to Income	24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 24			
		25	Health savings account deduction Attach Form 9890 25			
•	Rental real estate, royalties,	partn	erships, S corporations, trusts, etc. Attach Sched	ule E	17	153,41
		27	Deductible part of self-employment tax. Attach Schedule SE 27			
		28	Self-employed SEP, SIMPLE, and qualified plans 28			
		29	Self-employed health insurance deduction 29			
		30	Penalty on early withdrawal of savings 30			
		31a	Alimony paid b Recipient's SSN ▶ 31a			
		32	IRA deduction			
		33	Student loan interest deduction			
		34	Reserved			
		35	Reserved			
		36	Add lines 23 through 35	36		
	For Paperwo	rk Reduct	ion Act Notice, see your tax return instructions.	Sche	edule 1 (Form 1040) 2018	
			REV 12/21/18 TTW			

Review Line 17 to determine if a Schedule E has been filed. This does NOT automatically prove the borrower is Self Employed. Sch. E may disclose K1's from Partnerships, LLC's, S-Corp's and CMO's... But it may be reported as Rental Income.



Income Analysis Form 1084 - Section 7

IRS	Form 1065 - Partnership Income	2018	2017	
7	Schedule K-1 Form 1065 - Partner's Share of Income			
	a. Ordinary Income/Loss (Line 1)	+/-		
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-		
	c. Guaranteed Payments to Partner (Line 4)	+		

1	Ordinary business income (loss)
	111,414



19	Distributions
Α	78,750

As a Lender, you must determine the Investors Guidelines and use prudent underwriting analysis. We believe this method to be a best practice.



L	Partner's capital account analysis:		
	Beginning capital account	\$	13,698
	Capital contributed during the year	\$	
	Current year increase (decrease) .	\$	110,287
	Withdrawals & distributions	\$(78,750)
	Ending capital account	\$	45,235



The partment of the Treasury internal Revenue Service A Principal business activity Design B Principal product or service Design C Business code number U.S. Return of Partnership Income 2018, or lax year beginning 2018, ending 3018 and the latest in 3018 Annual Principal	20 2 0 18 ormation. D Employer Identification number 23-1234567 E Date Dustines started 04/2009 F Total assets (see	Schedule K-1 (Form 1065) Department of the Treasury Internal Revenue Service Per calendar year 2018, or tax year beginning / / 2018 ending / 2018, or tax year beginning / / 2018 ending / 2018, or tax year later than 1000 ending / 2018 ending / 2
1 Balance at beginning of year	. 38,626	6 Distributions: a Cash 225,000
2 Capital contributed: a Cash		b Property
b Property .		/ Other decreases (itemize):
3 Net income (loss) per books	. 315,109	
4 Other increases (itemize):		8 Add lines 6 and 7
5 Add lines 1 through 4	. 353,735	9 Balance at end of year. Subtract line 8 from line 5 128,735
7 Other income (loss) (attach statement) 9 Salaries and wages (other than to partners) (less employment credits) 10 Guaranteed payments to partners 11 Repairs and maintenance 12 Bad debts 13 Rent 14 Taxes and licenses 15 Interest (see instructions) 16a Depreciation (if required, attach Form 4562) 17 Depletion (Do not deduct oil and gas depletion.) 18 Retirement plans, etc. 19 Employee benefit programs 20 Other deductions (attach statement) 21 Total deductions, add the amounts shown in the far right column for lines 9 th 22 Ordinary business income (loss). Subtract line 21 from line 8 11 Interest due under the look-back method —income forecast method (attach Form 4562). 23 Interest due under the look-back method —income forecast method (attach Form 4562). 24 Interest due under the look-back method —income forecast method (attach Form 4562). 25 BBA AAR imputed underpayment (see instructions). 26 Other taxes (see instructions) 27 Total balance due. Add lines 23 through 27 28 Payment (see instructions). 29 Amount owed. If line 28 is larger than line 27, enter amount owed. 29 Overpayment. If line 28 is larger than line 27, enter overpayment. 20 Under prematise or prejury. Idealars that heave examined this return, including accompanying soft knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than partner information of which preparer has any knowledge. Print Type preparer's name Preparer 20 Print Type preparer's name Preparer's signature 21 Preparer's signature 22 Prim's address ▶ 1234th Stroet, Dallas TX 25201 23 For Paperwork Reduction Act Notics, see separate instructions. 24 Cat. No. 11	10	Debbie Designer 840 Cottontrail Way Hurst, TX 73301 9c Unrecaptured section 1250 gain 18 Tax-exempt income and nonescutifities encoused 19 Unrecaptured section 1250 gain 18 Tax-exempt income and nonescutifities encoused 19 Unrecaptured section 1250 gain 18 Tax-exempt income and nonescutifities encoused 12 If this partner is a retirer A Tax exempt income and nonescutifities encoused 12 If this partner is a retirer A Tax exempt income and nonescutifities encoused 12 If this partner is a retirer A Tax exempt income and nonescutifities encoused 12 If this partner is a retirer A Tax exempt income and nonescutifities encoused 12 If this partner is a retirer A Tax exempt income and nonescutifities encoused 12 If this partner is a retirer A Tax exempt income and nonescutifities 13 If this partner is a retirer A Tax exempt income and nonescutifities 13 If this partner is a retirer A Tax exempt income and nonescutifities 13 If this partner is a retirer A Tax exempt income and nonescutifities 13 If this partner is a retirer A Tax exempt income and nonescutifities 14 Section 179 occupied 20 Other intormation 20 Other i

Income Analysis Form 1084 - Section 7

IRS	Form 1065 - Partnership Income	2018	2017	
7	Schedule K-1 Form 1065 - Partner's Share of Income			
	a. Ordinary Income/Loss (Line 1)	+/-		
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-		
	c. Guaranteed Payments to Partner (Line 4)	+		

1	Ordinary business income (loss)
	111,414



19	Distributions
Α	78,750

As a Lender you must determine the Investors guidelines and use prudent underwriting analysis. We believe this method to be a best practice.



L	Partner's capital account analysis:		
	Beginning capital account	\$	13,698
	Capital contributed during the year	\$	
	Current year increase (decrease) .	\$	110,287
	Withdrawals & distributions	\$(78,750)
	Ending capital account	\$	45,235



Analyzing K1's and Business Returns

Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1

The version of Schedule K-1 that is utilized to report a borrower's share of income (or loss) is based on how the business reports earnings for tax purposes:

- partnership reported on IRS Form 1065, Schedule K-1;
- S corporation reported on IRS Form 1120S, Schedule K-1; and
- LLC reported on either IRS Form 1065 or IRS Form 1120S, Schedule K-1, depending on how the federal income tax returns are filed for the LLC.

The lender must use caution when including income that the borrower draws from the borrower's partnership or S corporation as qualifying income. Ordinary income, net rental real estate income, and

B3-3.3-07: Income or Loss Reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1 (06/28/2016)



vided

- If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow.
- If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income
 from the business consistent with the level of business income being used to qualify, then no further
 documentation of access to the income or adequate business liquidity is required. But if the Schedule
 K-1 does not reflect a documented, stable history, then the lender must confirm adequate business
 liquidity, as discussed below.

Fannie Mae 2019 Selling Guide B3-3.3-07, Income Or Loss Reported On IRS Form 1065 Or 1120S, Schedule K1 (06/28/2016)



Balance Sheet

Sch	edule L Balance Sheets per Books	Beginning (of tax year	End of ta	x year
	Assets	(a)	(b)	(c)	(d)
1	Cash		195,931		208,105
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts				
3	Inventories				
4	U.S. government obligations				
5	Tax-exempt securities				
6	Other current assets (attach statement)				
7a	Loans to partners (or persons related to partners)				
b	Mortgage and real estate loans				
8	Other investments (attach statement)				25,000
9a	Buildings and other depreciable assets	Ste #6 56,364		64,127	
b		51,616	4,748	41,250	22,877
10a	Depletable assets				
b	Less accumulated depletion				
11	Land (net of any amortization)				
12a	Intangible assets (amortizable only)	42,761		42,761	
b	Less accumulated amortization	25,286	17,475	27,616	15,145
13	Other assets (attach statement)		Ste #7 3,252		6,413
14	Total assets		221,406		277,540
	Liabilities and Capital				
15	Accounts payable				
16	Mortgages, notes, bonds payable in less than 1 year				
17	Other current liabilities (attach statement) .		Ste #8 20,800		45,844
18	All nonrecourse loans				
19a	Loans from partners (or persons related to partners)				
b	Mortgages, notes, bonds payable in 1 year or more				
20	Other liabilities (attach statement)		Ste #9 161,980		102,961
21	Partners' capital accounts		38,626		128,735
22	Total liabilities and capital		221,406		277,540

Liquidity

Generally Accepted Accounting Principles

Calculator and Quick Reference Guide: Liquidity (Acid Test or Quick Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from the tax form.

Liq	Liquidity (Acid Test or Quick Ratio)		2017
1	Cash (P/Tship, S-C and Corp: Line 1d)		
2	Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d])		
3	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*		
4	Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)*		
5	Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d)		
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d)		
7	Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d)		
	Acid Test Ratio	0.00	0.00
	A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	0.00	0.00
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support		

*Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result. Please note: If Lines 5, 6 and 7 total zero, the calculator will show an error message, but the business is solvent.

Liquidity - Current Ratio

Generally Accepted Accounting Principles

Calculator and Quick Reference Guide: Liquidity (Current or Working Capital Ratio)

Please use the following calculator and quick reference guide to assist you in evaluating liquidity from business returns. It provides suggested guidance only and does not replace Lender, Investor or GSE instructions or applicable guidelines. Please note all lines referenced below are from the applicable business return's Schedule L. If a Partnership did not complete a Schedule L (check Form 1065, Schedule B, Question 4 to verify one was not required), you cannot calculate liquidity from the tax form.

Liq	Liquidity (Current or Working Capital Ratio)		2017
1	Cash (P/Tship, S-C and Corp: Line 1d)		
2	Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d])		
3	Inventories (Line 3)		
4	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*		
5	Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)*		
6	Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d)		
7	Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d)		
8	Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d)		
	Current Ratio	0.00	0.00
	A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	0.00	0.00

^{*}Check your lender/investor policy on whether to include Government Obligations, Tax-Exempt Securities and/or Other Marketable Securities.

Click gray buttons to calculate result. Please note: If Lines 6, 7 and 8 total zero, the calculator will show an error message, but the business is solvent.



Balance Sheet

Quick Ratio or Acid Test

Current Assets: (Cash #1 + Acct Receivable #2 + #4+ #5 +Other Current Assets #6)

Current Liabilities: (Acct Pay. #15 + MNB #16 + Other Current Liabilities #17)

	Assets	(a)	(b)	(c)	(d)
1	Cash		195,931	\rightarrow	208,10
2a	Trade notes and accounts receivable				
b	Less allowance for bad debts			\rightarrow	
3	Inventories				
4	U.S. government obligations			\rightarrow	
5	Tax-exempt securities				
6	Other current assets (attach statement)			\rightarrow	
5	Accounts payable			\rightarrow	
6	Mortgages, notes, bonds payable in less than 1 year				
7	Other current liabilities (attach statement) .		Ste #8 20,800	\rightarrow	45,84

Current Assets: \$765 + 0 + 0 + 0 + 0 = \$208,105

Current Liabilities: \$0 + \$0 + \$3,800 = \$45,844

Liquidity

Generally Accepted Accounting Principles

Liq	uidity (Acid Test or Quick Ratio)	2018
1	Cash (P/Tship, S-C and Corp: Line 1d)	\$ 208,105.00
2	Tradenotes/Accounts Receivable Without Bad Debt (P/Tship, S-C and Corp: Line 2b[d])	
3	US Government Obligations and/or Tax-Exempt Securities (Lines 4 and 5)*	
4	Other Current Assets (Other Marketable Securities; P/Tship, S-C and Corp: Line 6d)*	
5	Accounts Payable (P/Tship: Line 15d, S-C or Corp: Line 16d)	
6	Mortgages, Notes or Bonds Payable in Less Than 1 Year (P/Tship: Line 16d, S-C or Corp: Line 17d)	
7	Other Current Liabilities (P/Tship: Line 17d, S-C or Corp: Line 18d)	\$ 45,844.00
	Acid Test Ratio A result of one or greater is generally sufficient to confirm adequate business liquidity to support the withdrawal of earnings.	208,105.00 45,844.00

Calculator and Quick Reference Guide

Access your Cash Flow Quick Reference Guide Form - page two

IRS Form 1065 - Partnership Income			2018
7	Schedule K-1 Form 1065 - Partner's Share of Income		
	a. Ordinary Income/Loss (Line 1)	+/-	
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-	
	c. Guaranteed Payments to Partner (Line 4)	+	

Note - The Requirement To Evidence Access To Income Has Since Been Removed By Fannie Mae

1	Ordinary business income (loss)								
	111,414								
19	Distributions								
Α	78,750								

Partner's capital acci Beginning capital acci		\$	13,698
Capital contributed d	uring the year	\$	
Current year increase	(decrease) .	\$	110,287
Withdrawals & distrib	utions	\$(78,750)
Ending capital accou	nt	\$	45,235

Acid Test Ratio	208
A result of one or greater is generally sufficient to confirm adequate business liquidity to support	45,
the withdrawal of earnings.	

		_			651118 OMB No. 1545-0123
Schedule K-1	@@46		Final K-1 Amended Partner's Share of		
(Form 1065)	2018		Partner's Share of Deductions, Cred		
Department of the Treasury		1	Ordinary business income (loss)		Credits
	lendar year 2018, or tax year	•	111,414	1	Credita
beginning / / 2018 endin	n / /	2	Net rental real estate income (loss)	-	
		-	, , ,		
Partner's Share of Income, Dedu		3	Other net rental income (loss)	16	Foreign transactions
Credits, etc. ▶ See back of form	n and separate Instructions.	-			
Part Information About the Part	mership	4	Guaranteed payments	1	
A Partnership's employer identification number		1	42.000		
23-1234567		5	Interest Income	1	
B Partnership's name, address, city, state, and ZIP	code	†	8	3	
Dallas Designers LLC		6a	Ordinary dividends	1	
1000 Mill Street Suite 500					
Dallas, TX 25201		6b	Qualified dividends	1	
C IRS Center where partnership filed return		6c	Dividend equivalents	1	
e-file					
D Check if this is a publicly traded partnership	(PTP)	7	Royalties		
Part I Information About the Part	ner	8	Net short-term capital gain (loss)	17	Alternative minimum tax (AMT) items
E Partner's identifying number					
XXX-XX-XXXX		9a	Net long-term capital gain (loss)		
F Partner's name, address, city, state, and ZIP cod	8	L			
Debbie Designer		9b	Collectibles (26%) gain (loss)		
840 Cottontrail Way					
Hurst, TX 73301		9c	Unrecaptured section 1250 gain	18	Tax-exempt Income and nondeductible expenses
				1	
G General partner or LLC X Limite	ed partner or other LLC	10	Net section 1231 gain (loss)	C	890
member-manager memb		_		1	
H X Domestic partner	gn partner	11	Other Income (loss)		
		_		1	
If What type of entity is this partner? Individual				49	Distributions
12 If this partner is a retirement plan (IRA/SEP/Keogl		-		1	
J Partner's share of profit, loss, and capital (see ins	tructions): Ending			Α	78,750
	•	12	Section 179 deduction	+	
Profit 35.000000 %	35.000000 %	12	Section 179 deduction	20	Other information
Loss 35.000000 % Capital 35.000000 %	35.000000 % 35.000000 %	13	Other deductions	20	Other information
Capital 35.000000 %	35.000000 %	A			8
K Partner's share of liabilities:		А	245	Α	0
R Partner's snare of liabilities: Beginning	Ending				
Nonrecourse \$ 7,280		-		1	
	0				
Qualified nonrecourse financing \$		14	Self-employment earnings (loss)	1	
	\$ 46,293	A	Con-employment carmings (icos)		
L Partner's capital account analysis:	70,200				
Beginning capital account \$	13.698				
Capital contributed during the year . \$		*86	e attached statement for add	dition	al information.
Current year Increase (decrease) \$	110,287	_			
Withdrawais & distributions \$1	78,750)				
Ending capital account \$	45,235	<u>~</u>			
outprise sussessment		For IRS Use Only			
X Tax basis ☐ GAAP ☐ Sec	ction 704(b) book	8			
Other (explain)	- Fortal work	l s			
- ours (expose)		œ			
M Did the partner contribute property with a built-in	gain or loss?	ě			
Yes X No		1			

Can We Use Ordinary Income/Rental Income From K-1? Was There A Distribution? Was Liquidity Verified?

Fannie Mae Selling Guide

Selling Guide

➤ Guide Table of Contents

B3-3.1-09: Other Sources of Income (12/04/2018)

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Published March 6, 2019

This topic provides information on documenting and qualifying a borrower's income from sources other than wages and salaries, including:

Schedule K-1 Income

Social Security Income

Temporary Leave Income

Tip Income

Trust Income

Unemployment Benefits Income

VA Benefits Income

Less Than 25% Ownership

Schedule K-1 Income

For borrowers who have less than 25% ownership of a partnership, S corporation, or limited liability company (LLC), ordinary income, net rental real estate income, and other net rental income reported on IRS Form 1065 or IRS Form 1120S, Schedule K-1 may be used in qualifying the borrower provided the lender can confirm the business has adequate liquidity to support the withdrawal of earnings. If the Schedule K-1 provides this confirmation, no further documentation of business liquidity is required.

The following table provides verification of income requirements for Schedule K-1 borrowers with less than 25% ownership of a partnership, an S corporation, or an LLC.

√	Verification of Schedule K-1 Income								
	If the Schedule K-1 reflects a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then no further documentation of access to the income or adequate business liquidity is required. The Schedule K-1 income may then be included in the borrower's cash flow.								
	If the Schedule K-1 does not reflect a documented, stable history of receiving cash distributions of income from the business consistent with the level of business income being used to qualify, then the lender mus confirm the business has adequate liquidity to support the withdrawal of earnings. The lender may use discretion in the method used to confirm the business has adequate liquidity.								
	If the borrower has a two-year history of receiving "guaranteed payments to the partner" from a partnership or an LLC, these payments can be added to the borrower's cash flow.								
	Note : An exception to the two-year requirement of receiving "guaranteed payments to the partner" is a borrower has recently acquired nominal ownership in a professional services partnership (for example, a medical practice or a law firm) after having an established employment history with the partnership. In this situation, the lender may rely on the borrower's guaranteed compensation. This must be evidenced by the borrower's partnership agreement and further supported by evidence of current year-to-date income.								

IRS	IRS Form 1065 - Partnership Income							
7	Schedule K-1 Form 1065 - Partner's Share of Income							
	a. Ordinary Income/Loss (Line 1)	+/-	111,414.00					
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-						
	c. Guaranteed Payments to Partner (Line 4)	+						

Rental Income - Partnership or S Corp

Depute	December 20 10) mant of the Treesury I Revenue Sarvice			► See inst	ran S Corpora tructions on back. 5, Form 1065-B, or Form			OMB No. 1545	5-1 196
Nam e							Employ	eridentification nu	mper
1	rental value and day	ys with perso	nal use.	See instructions	ental real estate prope . See page 2 to list add	ditional properties.		erofdays rente	d at fai
	state, ZIP code	or each	prope	rty—street, city	/ Type— Enter code 1- see page 2 for list	8 Fair Rental D)ays	Personal Use	Days
Α						0.00			
В	7/1			Vi.				100	77.7
C						- 2 - 2			
D	20 20			37	71 17 27	E 12	50 B	19 38	917
	D	DESCRIPTION .	-			roperties			
2	Rental Real Estate Gross rents		2	A	В	C		D	
	Rental Real Estate								
3	Advertising		3						
		4 10 104	4				3		\top
5	Cleaning and mainte	nance	5						
	Commissions		6						
	Insurance		7			Ę.	3		
	Legal and other profe		8						
	Interest		9			1			
	Repairs		10			3	9		
	Taxes		11				\perp		
	Utilities		12			S.			
	Wages and salaries		13			-			—
	Depreciation (see ins		14				\perp		
15	Other(list)►		1 ⊢			8	1		+
			15	-			-		+
			1 ⊢				+		+
16	Total expenses for ea	ch property.							+
	Add lines 3 through 1:		16						
17	income or (Loss)					9	9 - 9		
	property. Subtract line:								
18a	Total gross rents. Ad	ld gross rent:	s from li	ne 2, columns A t	through H		18a		
					Athrough H		48b		
	estate activities .	ar er esse ^t			disposition of proper		19		
20a					art nerships, estates, a y (from Schedule K-1)		20a		
b	Identify below the par Attach a schedule if n				h net income (loss) is s	hown on line 20a.			
						Arms and			
	(1) Name			(2) Er	mployer identification r	number			
94	Not upptal actato inc.	omo (bes) O	ombire	lines 100 through	h 20a. Enter the result	born and on:	21		
21	 Form 1065 or 112 Form 1065-B: Par 	0S: Schedule			nzoa, enter the result	nere and on.	-11	1000	

Fannie Mae Form 1039

Fannie Mae Form 1039

		nnieMae				
	_		ncome Worksheet			
		I Income from Investment Property(s): O	ualifying Impact of	Mortgag		
	mentation RS Form 88	Required: 25 (filed with either IRS Form 1065 or 1120S) C	OR.	Enter	Property Address	Property Address
	ease Agree					
Ente	r the mortga	gee and the mortgage loan account number.		Enter	Mortgagee/#	Mortgagee/#
		ing IRS Form 8825, determine the number of n				
f Fail		are not reported, the property is considered to be in			is evidence of a shorter	term of service.
_		Result: The number of months the property w		Result		
Step	2. Calculate	e monthly property cash flow using Step 2A: IR	8825 (IRS Form 1065		Agreement.	
A1	Enter gros	s rents received.	8023 (INS FOITH 1003	Enter		T
A2		otal expenses.		Subtract		
A3		insurance expense.		Add		
44		mortgage interest paid.		Add		
45		tax expense.		Add		
A6		homeowners' association dues.		Add		
		must be specifically identified on Form 8825 in order to ad	d It back			
A7	_	depreciation expense or depletion.		Add		
A8	Add back any one-time extraordinary expense (e.g., casualty loss). There must be evidence of the nature of the one-time extraordinary expense.					
	Equals adj	usted rental income.		Total		
49	Divide by	the number of months the property was in serv	vice (Step 1 Result).	Divide		
		usted monthly rental income.		Total		
A10		roposed PITIA (for subject property) or existing	PITIA (for non-	Subtract		
	subject pr	Result: Monthly property cash flow:		Result		
	Step 25		. Lease Agreement	nesuit		-
	This	method is used in certain circumstances (e.g., when		ed subsequ	ent to the most recent	tax filing or
			ation for using a lease a	greement).		
B1		gross monthly rent (from the lease agreement)		greement). Enter		
B1	For multi-u	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon	ne of all rental units.	Enter		
	For multi-u Multiply g	gross monthly rent (from the lease agreement)	ne of all rental units. The remaining 25%		x.75	x.75
	For multi-u Multiply g accounts fo	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75).	ne of all rental units. The remaining 25%	Enter	x.75	x .75
B2	For multi-u Multiply g accounts fo Equals adj	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75). r vocancy loss, maintenance, and management expe	ne of all rental units. The remaining 25% enses.	Enter Multiply Total	x.75	x.75
B2	For multi-u Multiply g accounts fo Equals adj Subtract p subject pr	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), or vacancy loss, maintenance, and management expeusated monthly rents. erroposed PITIA (for subject property) or existing opperty).	ne of all rental units. The remaining 25% enses.	Enter Multiply Total Subtract	x.75	x.75
B2 B3	For multi-u Multiply g accounts fo Equals adj Subtract p subject pr Step 28	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), r vacancy loss, maintenance, and management expeused usted monthly rents. roposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow:	ne of all rental units. The remaining 25% enses. PITIA (for non-	Enter Multiply Total Subtract Result	x.75	x.75
B2 B3	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 28 3. Determ	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vacancy loss, maintenance, and management expo- usted monthly rents. croposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investor ine qualifying impact of the mortgaged investor.	ne of all rental units. The remaining 25% enses. PITIA (for non-	Enter Multiply Total Subtract Result cpense.	x.75	x.75
B2 B3 Step	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 2B 3. Determ	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incom ross monthly rent or market rent by 75% (.75), in vocancy loss, maintenance, and management expeusated monthly rents. incoposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investne pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative, include this loss, not to pp 2A or 2B is negative.	ne of all rental units. The remaining 25% enses. PITIA (for non-	Enter Multiply Total Subtract Result cpense.	x.75	x.75
B2 B3 Step If the expe	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 28 3. Determ result of St nse, in the o	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vacancy loss, maintenance, and management expo- usted monthly rents. croposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investor ine qualifying impact of the mortgaged investor.	ne of all rental units. The remaining 25% enses. PITIA (for non- ment property PITIA e) a exceed the monthly	Enter Multiply Total Subtract Result pense. PITIA	x.75	x.75
B2 B3 Step If the expe	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 28 3. Determ result of St nse, in the or	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), r vacancy loss, maintenance, and management expu- usted monthly rents. rroposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investing pe 2A or 2B is negative, include this loss, not to lebt-to-income ratio	ne of all rental units. The remaining 25% enses. PITIA (for non- ment property PITIA e) a exceed the monthly	Enter Multiply Total Subtract Result pense. PITIA	x.75	x.75
B2 Step If the expe If the Do n	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 28 3. Determ result of St result of St ot include it ortant: This	gross monthly rent (from the lease agreement) nit properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), or vacancy loss, maintenance, and management expe- usted monthly rents. proposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investing pe 2A or 2B is negative, include this loss, not to lebt-to-income ratio pe 2A or 2B is positive, the full amount of the fi in the debt-to-income ratio. worksheet provides a means of calculating an offset worksheet provides a means of calculating an offset	ne of all rental units. The remaining 25% susses. PITIA (for non- ment property PITIA e) D exceed the monthly PITIA expense has bee to the monthly PITIA. T	Enter Multiply Total Subtract Result opense. PITIA on offset.	net income to the borro	ower's qualifying income
B2 B3 Step If the expe If the Do n Impo	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 2B 3. Determ result of St nse, in the c result of St or include it ortant: This ional requires	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vocancy loss, maintenance, and management expousted monthly rents. croposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investing p2 Aor 2B is negative, include this loss, not to lebt-to-income ratio op 2A or 2B is positive, the full amount of the in the debt-to-income ratio. worksheet provides a means of calculating an offset ments apply (e.g., two-year history vs. one-year hists tents apply (e.g., two-year history vs. one-year hists	ne of all rental units. The remaining 25% enses. PITIA (for non- ment property PITIA e: D exceed the monthly PITIA expense has bee to the monthly PITIA. Tryy). Refer to the Self-En	Enter Multiply Total Subtract Result Opense. PITIA on offset. o add any n oployment	net income to the borro	wer's qualifying incoming Guide.
83 Step If the expe if the Do n	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 28 3. Determ result of St result of St ot include it ortant: This	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vacancy loss, maintenance, and management expeusated monthly rents. roposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investrue po 2A or 2B is negative, include this loss, not to lebt-to-income ratio po 2A or 2B is positive, the full amount of the fa in the debt-to-income ratio. worksheet provides a means of calculating an offset ments apply (e.g., two-year history vs. one-year history Monthly Income and	ne of all rental units. The remaining 25% susses. PITIA (for non- ment property PITIA e) D exceed the monthly PITIA expense has bee to the monthly PITIA. T	Enter Multiply Total Subtract Result Opense. PITIA on offset. o add any n oployment	net income to the borro	ower's qualifying income
B3 Step If the expe If the Do n Impo	For multi-u Multiply g accounts fc Equals adj Subtract y subject pr Step 28 3. Determ result of St snse, in the c result of St to t include it rtant: This ional requirer Data Entry	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying income ross monthly rent or market rent by 75% (.75), r vocancy loss, maintenance, and management expousted monthly rents. roposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investing p2 A or 28 is negative, include this loss, not to lebt-to-income ratio oper 2A or 28 is positive, the full amount of the fi in the debt-to-income ratio. worksheet provides a means of calculating an offset ments apply (e.g., two-year history vs. one-year histor Monthly Income and Combined Housing Expenses	ne of all rental units. The remaining 25% susses. PITIA (for non- ment property PITIA e) Dexceed the monthly PITIA expense has bee to the monthly PITIA. T Mortgage Lia	Enter Multiply Total Subtract Result pense. PITIA on offset. o add any n pployment sibilities	set income to the borro Income topic in the Sel	ower's qualifying income ling Guide. Estate Owned
B3 Step If the expe If the Do n Impo	For multi-u Multiply g accounts for Equals adj Subtract p subject pr Step 2B 3. Determ result of St nse, in the c result of St or include it ortant: This ional requires	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), ir vocancy loss, maintenance, and management expeused monthly rents. roposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investrue p2 Aor 28 is negative, include this loss, not to lebt-to-income ratio ep 2A or 28 is positive, the full amount of the fi in the debt-to-income ratio. worksheet provides a means of calculating an offset ments apply (e.g., two-year history us, one-year histor Monthly Income and Combined Housing Expenses Enter the amount of the negative monthly property cash flow in "Subject Net Cash."	ne of all rental units. The remaining 25% enses. PITIA (for non- ment property PITIA e: D exceed the monthly PITIA expense has bee to the monthly PITIA. Tryy). Refer to the Self-En	Enter Multiply Total Subtract Result quense. PITIA o add any n ployment in bilities tions, identitions, identitions.	het income to the borro income topic in the Sell Real	wer's qualifying incoming Guide.
B3 Step If the expe If the Do n Impo	For multi-u Multiply g accounts fc Equals adj Subtract y subject pr Step 28 3. Determ result of St snse, in the c result of St to t include it rtant: This ional requirer Data Entry	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vacancy loss, maintenance, and management expeusated monthly rents. ropposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investing the part of the mortgaged investing the part of the mortgaged investing the part of the part of the mortgaged investing the mortgaged investing the part of the part of the mortgaged investing the part of th	ne of all rental units. The remaining 25% enses. PITIA (for non- ment property PITIA e. De exceed the monthly PITIA expense has bee to the monthly PITIA. Tory). Refer to the Self-En Mortgage Lia For refinance transact	Enter Multiply Total Subtract Result quense. PITIA o add any n ployment in bilities tions, identitions, identitions.	het income to the borro income topic in the Sel Real ify If REO Schedule that the "Net Re reflects either	wer's qualifying income ing Guide. Estate Owned is completed, confirm ental income" field
B3 Step If the expe If the Do n Impo addit DU I	For multi-u Multiply g accounts fe Equals adj Subtract p subject pr Step 28 3. Determ result of St nose, in the c result of St to tinclude it vitant: This sonal requires Data Entry	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vacancy loss, maintenance, and management expeusated monthly rents. roposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investrate pe 2A or 2B is negative, include this loss, not to lebt-to-income ratio. pe 2A or 2B is positive, the full amount of the fa in the debt-to-income ratio. worksheet provides a means of calculating an offset ments apply (e.g., two-year history vs. one-year history Monthly Income and Combined Housing Expenses Enter the amount of the negative monthly property cash flow in "Subject Net Cash." if the monthly property cash flow is positive, enter 50.00.	ne of all rental units. The remaining 25% Inses. PITIA (for non- ment property PITIA e) exceed the monthly PITIA expense has bee to the monthly PITIA. To yo), Refer to the Self-En Mortgage Liz For refinance transact the mortgage as a sub- lien.	Enter Multiply Total Subtract Result quense. PITIA on offset. o add any n pployment abilities tions, identiject proper	income to the borro income topic in the Sel Real ify If REO Schedule that the "Net Re reflects either • the amount	weer's qualifying income ling Guide. Estate Owned is completed, confirm ental income" field at of the property cash
B3 Step If the expe If the Do n Impo addit DU I	For multi-u Multiply g accounts for Equals adj Subtract p Step 28 3. Determ r ersult of St onse, in the c result of St or include it writant: This ional require Data Entry	gross monthly rent (from the lease agreement) int properties, combine the monthly qualifying incon ross monthly rent or market rent by 75% (.75), in vacancy loss, maintenance, and management expeusated monthly rents. ropposed PITIA (for subject property) or existing operty). Result: Monthly property cash flow: ine qualifying impact of the mortgaged investing the part of the mortgaged investing the part of the mortgaged investing the part of the part of the mortgaged investing the mortgaged investing the part of the part of the mortgaged investing the part of th	ne of all rental units. The remaining 25% sinses. PITIA (for non- ment property PITIA e) exceed the monthly PITIA expense has bee to the monthly PITIA. T nyy). Refer to the Self-En Mortgage Lis For refinance transact the mortgage as a sult	Enter Multiply Total Subtract Result quense. PITIA on offset. o add any n pployment abilities tions, identiject proper	het income to the borro income topic in the Sel Real ify If REO Schedule that the "Net Re reflect either the amoun flow if it is	wer's qualifying income ing Guide. Estate Owned is completed, confirm ental income" field

09.30.2014

2	Net rental real estate income (loss)
3	Other net rental income (loss)

IRS Form 1065 - Partnership Income

	Schedule K-1 (Form 1065)		2018	Part III P	Partner's Share of Deductions, Credi	Cun ts, a	rent Year Income, nd Other Items
	Department of the Treasury Internal Revenue Service		For calendar year 2018, or tax year		ousiness income (loss)	15	Credits
	Partner's Share of			2 Net rental	real estate income (loss)		
Net rental real estate income (loss)	Credits, etc.		of form and separate instructions.	3 Other net	rental income (loss)	6	Foreign transactions
	A Partnership's employer			4 Guarantee	ad payments 42,000		
		23-123456	57	5 Interest in			
3 Other net rental income (loss)	Partnership's name, address, city, state, and ZIP code Dallas Designers LLC 1000 Mill Street Suite 500			6a Ordinary o	dividends		
	Dallas, TX 25201			6b Qualified	dividends		
	C IRS Center where partre-	ership filed return		6c Dividend	equivalents		
	D Check if this is a pr	ublicly traded partne	ership (PTP)	7 Royalties			
	Part II Information		Partner	8 Net short-	term capital gain (loss)	17	Alternative minimum tax (AMT) items
	E Partner's identifying nu	XXX-XX-XX		9a Net long-t	term capital gain (loss)		
10/F D	E Dartner's name artifres	s nitu stata and 7			(26%) gain (loss)		
orm 1065 - Partnership Income			2018		d section 1250 gain	18	Tax-exempt Income and
Schedule K-1 Form 1065 - Partner's Share of Incom	ie				1231 gain (loss)	С	nondeductible expenses 890
					e (loss)		
a. Ordinary Income/Loss (Line 1)		+/-	111,41	14.00		19	Distributions
b. Net Rental Real Estate; Other Net Income (Loss) (L	Lines 2, 3)	+/-		0.00	deduction	Α	78,750
c. Guaranteed Payments to Partner (Line 4)		+			tions	1	Other Information
	K Partner's share of liabili		Ending		245	Α	8
	Nonrecourse	Beginning \$	7,280 \$ 0				
	Qualified nonrecourse financing	\$	\$		oyment earnings (loss)		
	Recourse L Partner's capital accou	s nt analysis:	0 \$ 46,293	A	42000		
	Beginning capital accou Capital contributed duri		13,698	*See attache	ed statement for add	ditiona	al information.
	Current year Increase (c Withdrawals & distribut		110,287				
	Ending capital account	\$	45,235	Only			
		GAAP	Section 704(b) book	8			
	Other (explain)			For IRS			
		ute property with a t No tement (see Instruct	_	Œ			
	For Paperwork Reduction Ad	t Notice, see Instr	uctions for Form 1065. www.irs.g	gov/Form1065	Cat. No. 11394R		Schedule K-1 (Form 1065) 2018



			Final K-1 Amended	K-1	OMB No. 1545-0123
	edule K-1 2018 m 1065)	Pa	Partner's Share of Deductions, Credi	te a	rent Year Income,
Depar	tment of the Treasury	1	Ordinary business income (loss)		Credits
Intern	al Revenue Service For calendar year 2018, or tax year	-	111,414		
	beginning / / 2018 ending / /	2	Net rental real estate income (loss)		
Par	tner's Share of Income, Deductions,	_	Other and anniel language forms		Fooder brown diver
Cre	dits, etc. ▶ See back of form and separate Instructions.	3	Other net rental income (loss)	16	Foreign transactions
P	art I Information About the Partnership	4	Guaranteed payments		
Α	Partnership's employer identification number	<u> </u>	42,000		
╙	23-1234567	5	Interest income		
B	Partnership's name, address, city, state, and ZIP code as Designers LLC	6a	Ordinary dividends		
	as Designers EEC 0 Mill Street Suite 500	00	Ordinary dividends		
	as, TX 25201	6b	Qualified dividends	1	
c e-fil	IRS Center where partnership filed return e	6c	Dividend equivalents		
D	Check if this is a publicly traded partnership (PTP)	7	Royalties		
P	Information About the Partner Partner's identitying number	8	Net short-term capital gain (loss)	17	Alternative minimum tax (AMT) items
F	XXX-XXXX Partner's name, address, city, state, and ZIP code	9a	Net long-term capital gain (loss)		
Mar	y Homeowner	9b	Collectibles (26%) gain (loss)		
	alloping Hill Road as,TX 75432	9c	Unrecaptured section 1250 gain	18	Tax-exempt Income and
\perp				1	nondeductible expenses
G	General partner or LLC Imited partner or other LLC member-manager member	10	Net section 1231 gain (loss)	С	890
н	▼ Domestic partner □ Foreign partner	11	Other Income (loss)		
н	What type of entity is this partner? Individual			ł	
12	If this partner is a retirement plan (IRA/SEP/Keogh/etc.), check here			19	Distributions
J	Partner's share of profit, loss, and capital (see instructions):			Α	78,750
	Beginning Ending	12	Section 179 deduction	ļ	
	Profit 35.000000 % 35.000000 % Loss 35.000000 % 35.000000 %	12	Section 1/9 deduction	20	Other information
	Loss 35.000000 % 35.000000 % Capital 35.000000 % 35.000000 %	13	Other deductions	-	Curci mornason
	00.00000 N	Α	245	Α	8
ĸ	Partner's share of liabilities:			İ	
	Beginning Ending				
	Nonrecourse \$ 7,280 \$ 0				
	Qualified nonrecourse financing \$ \$	14	Self-employment earnings (loss)		
	Recourse \$ 0 \$ 46,293	Α	42000		
L	Partner's capital account analysis:				
	Beginning capital account \$ 13,698				
	Capital contributed during the year . \$ Current year increase (decrease) \$ 110.287	*Se	e attached statement for add	litiona	al information.
	Current year increase (decrease) \$ 110,287 Withdrawals & distributions \$(78,750)				
	Ending capital account \$ 45,235	≥			
		5			
	▼ Tax basis	8			
	Other (explain)	or IRS Use Only			
		Ę			
м	Did the partner contribute property with a built-in gain or loss?	ß			
	Yes X No If "Yes," attach statement (see instructions)				
					Onbarbile M. J. (France 1007) 2011
FOR P	aperwork Reduction Act Notice, see Instructions for Form 1065. www.irs.	gov/Fo	rm1065 Cat. No. 11394R		Schedule K-1 (Form 1065) 2018

Before you give credit for the Guaranteed Payments, does this business appear to be capable of paying it in the future?

Could we look at the Balance Sheet again?

		Dallas,TX 7543	2		9c	Unrecaptured section 1250 gain	18	Tax-exempt income and nondeductible expenses
		G General pa member-m		Limited partner or other LLC member	10	Net section 1231 gain (loss)	С	890
		H X Domestic r	artner	Coreion partner	11	Other Income (loss)	<u></u>	
IRS	Form 1065 - Partnership Income			2018			19	Distributions
7	Schedule K-1 Form 1065 - Partner's Share of Income					ction 179 deduction	A	78,750
	a. Ordinary Income/Loss (Line 1)		+/-	111,414.	00	her deductions	†	Other Information
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines	s 2, 3)	+/-	0.	00			
	c. Guaranteed Payments to Partner (Line 4)		+	42,000.	00	f-employment earnings (loss) 42000		
		Beginning capit	al account	\$ 13,698				
		•	ted during the year rease (decrease)	110,287	*Se	e attached statement for add	dition	al information.
		Withdrawals & o		\$(78,750)				
		Ending capital a	ccount	\$ 45,235	Ju C			
		X Tax basis	GAAP	Section 704(b) book	8			
		Other (expl	ain)		For IRS			
				y with a built-in gain or loss?	ě			
		Yes	X No					
Guara	inteed payments to partners					10		120,000

Schedule K-1

Credits, etc.

Dallas Designers LLC 1000 Mill Street Suite 500 Dallas, TX 25201

Department of the Treasury

beginning / / 2018

Partnership's employer identification number

C IRS Center where partnership filed return

Partner's identifying number

Mary Homeowner

7 Galloping Hill Road

Partner's Share of Income, Deductions,

Part I Information About the Partnership

D Check if this is a publicly traded partnership (PTP)

Part II Information About the Partner

F Partner's name, address, city, state, and ZIP code

23-1234567

XXX-XX-XXXX

(Form 1065)

Part | Partner's Share of Current Year Income.

42,000

Ordinary business income (loss)

Net rental real estate income (loss)

3 Other net rental income (loss)

6a Ordinary dividends

6b Qualified dividends

6c Dividend equivalents

8 Net short-term capital gain (loss)

9a Net long-term capital gain (loss)

9b Collectibles (28%) gain (loss)

Deductions, Credits, and Other Items

16 Foreign transactions

17 Atternative minimum tax (AMT) items

2018

For calendar year 2018, or tax year

ending / /

▶ See back of form and separate instruction

10

8	Form 1065 - Adjustments to Business Cash Flow		
>	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	
	c. Depreciation (Line 16c, including 8825 Line 14)	+	
	d. Depletion (Line 17)	+	
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 0.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.0
	Total Partnership Income		\$ 153,414.0

a. Ordinary (Income) Loss from Other Partnerships (Line 4) +/-

4 Ordinary income (loss) from other partnerships, estates, and trusts (attach statement) . . . 4

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
>	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	
	c. Depreciation (Line 16c)	+	
	d. Depletion (Line 17)	+	
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 0.0

5	Net farm profit (loss) (attach Schedule F (Form 1040))	5	
6	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	6	4,531
7	Other income (loss) (attach statement)	7	

8	Form 1065 - Adjustments to Business Cash Flow				
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00		
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)		
	c. Depreciation (Line 16c, including 8825 Line 14)	+			
	d. Depletion (Line 17)	+			
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+			
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-			
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-			
	Subtotal	=	(\$ 4,531.00)		
	Percent Ownership (From Schedule K-1)		%		
	Total Form 1065	=	\$ 0.00		
	Total Partnership Income		\$ 153,414.00		

c. Depreciation (Line 16c)	+	

16a	Depreciation (if required, attach Form 4562)	16a	4,076		
b	Less depreciation reported on Form 1125-A and elsewhere on return	16b		16c	4,076

8	Form 1065 - Adjustments to Business Cash Flow			
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00	
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)	
	c. Depreciation (Line 16c, including 8825 Line 14)	+	4,076.00	
	d. Depletion (Line 17)	+		
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+		
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-		
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-		
	Subtotal	=	(\$ 455.00)	
	Percent Ownership (From Schedule K-1)		%	
	Total Form 1065	=	\$ 0.00	
	Total Partnership Income		\$ 153,414.00	

d. Depletion (Line 17) +

IRS Form 1065 - Partnership Income			2018
7	Schedule K-1 Form 1065 - Partner's Share of Income		
	a. Ordinary Income/Loss (Line 1)	+/-	111,414.00
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-	0.00
	c. Guaranteed Payments to Partner (Line 4)	+	42,000.00
8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	4,076.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	(\$ 455.00)
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 153,414.00



The statement must be reviewed to determine if "other deductions" includes amortization and/or casualty losses. None have been identified in this return.

FORM 1065	OTHER DEDUCTIONS	STATEMENT 2
DESCRIPTION		AMOUNT
ADVERTISING		46,498
AMORTIZATION EXPENSE		2,330
AUTOMOBILE		19,639
BANK SERVICE		
CHARGES		17,951
CLIENT GIFTS		20
COMPUTER APPLICATIONS		12,568
COMPUTER		
EQUIPMENT		6,691
CONTINUING EDUCATION		1,021
EMPLOYEE SCREENING		6,988
INSURANCE		12,445
LEGAL AND PROFESSIONAL		21,934
LICENSES AND		
PERMITS		6,230
MEALS AND ENTERTAINMENT		2,543
MISCELLANEOUS EXPENSE		386
MOVING EXPENSE		227
OFFICE SUPPLIES		7,300
PAYROLL PROCESSING		17,760
POSTAGE AND		74.0
DELIVERY		716
RECRUITING COSTS		17,049
ROYALTIES		132,752
SECURITY		773
TELEPHONE AND INTERNET		12,181
UTILITIES		2,220
TOTAL TO FORM 1065, LINE 20		348,222



e. Amortization/Casualty (Review Attachment Related to Line 20*)

+

IRS	Form 1065 - Partnership Income		2018
7	Schedule K-1 Form 1065 - Partner's Share of Income		
	a. Ordinary Income/Loss (Line 1)	+/-	111,414.00
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-	0.00
	c. Guaranteed Payments to Partner (Line 4)	+	42,000.00
8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	4,076.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	2,330.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-	
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 1,875.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 153,414.00

f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)

16 Mortgages, notes, bonds payable in less than 1 year

IRS Form 1065 - Partnership Income			2018
7	Schedule K-1 Form 1065 - Partner's Share of Income		
	a. Ordinary Income/Loss (Line 1)	+/-	111,414.00
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-	0.00
	c. Guaranteed Payments to Partner (Line 4)	+	42,000.00
8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	4,076.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	2,330.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-	0.00
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	
	Subtotal	=	\$ 1,875.00
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 153,414.00

g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)

IRS	Form 1065 - Partnership Income		2018
7	Schedule K-1 Form 1065 - Partner's Share of Income		
	a. Ordinary Income/Loss (Line 1)	+/-	111,414.00
	b. Net Rental Real Estate; Other Net Income (Loss) (Lines 2, 3)	+/-	0.00
	c. Guaranteed Payments to Partner (Line 4)	+	42,000.00
8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	4,076.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	2,330.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	-	0.00
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	-	2,542.00
	Subtotal	=	(\$ 667.00)
	Percent Ownership (From Schedule K-1)		%
	Total Form 1065	=	\$ 0.00
	Total Partnership Income		\$ 153,414.00

Sch	edule M-1 Reconciliation of Inco Note: The partnership ma	
1	Net income (loss) per books	315,109
2	Income included on Schedule K, lines 1, 2, 3c,	
3	5, 6a, 7, 8, 9a, 10, and 11, not recorded on books this year (itemize): Guaranteed payments (other than health insurance)	120,000
4	Expenses recorded on books this year not included on Schedule K, lines 1 through 13d, and 16p (itemize):	120,000
a	Depreciation \$	
b	Travel and entertainment \$ 2,542	2,542
5	Add lines 1 through 4	437,651

	OI OW	/nersnip	Schedule K-1 (Form 1065)	2018	P	Final K-1 Amended Art III Partner's Share of Deductions, Credi	Cur	OMB No. 1545-01: rent Year Income,	23
		-	Department of the Treasury		1	Ordinary business income (loss)		Credits	4
				lar year 2018, or tax year		111,414			\Box
			beginning / / 2018 ending	/ /	2	Net rental real estate income (loss)			
			Partner's Share of Income, Deducti Credits, etc. ► See back of form as	ons, d separate instructions.	3	Other net rental income (loss)	16	Foreign transactions	7
			Part I Information About the Partne	rship	4	Guaranteed payments			7
			Partnership's employer identification number 23-1234567		5	42,000 Interest Income			4
			B Partnership's name, address, city, state, and ZIP cod	9	†	8			
			Dallas Designers LLC		6a	Ordinary dividends			П
			1000 Mill Street Suite 500 Dallas, TX 25201		6b	Qualified dividends			+
			C IRS Center where partnership flied return e-file		6c	Dividend equivalents			1
			D Check if this is a publicly traded partnership (PTF)	7	Royalties			1
			Part II Information About the Partne E Partner's identifying number	r	8	Net short-term capital gain (loss)	17	Atternative minimum tax (AMT) iten	ns
			XXX-XXXX F Partner's name, address, city, state, and ZIP code		9a	Net long-term capital gain (loss)			
			Mary Homeowner 7 Galloping Hill Road			Collectibles (28%) gain (loss)			
	Dortnor's share	of profit, loss, and capital (s	Dallas,TX 75432			Unrecaptured section 1250 gain	18	Tax-exempt Income and nondeductible expenses	
•	Partifer 5 Strate		_	her LLC	10	Net section 1231 gain (loss)	С	89	10
		Beginning	Ending		44	Other Income (loss)	ł		
		Degilling	Litaling		Ι"	Card around possy			_
	Profit		ı	6 ere		Cura statina (casy	1	Distributions	4
	Profit	35.000000 %	35.000000 9	,			19 A	Distributions 78,75	0
	Profit Loss	35.000000 % 35.000000 %	ı	00000 %		Section 179 deduction	Α	78,75	iO
		35.000000 %	35.000000 9	00000 %	12		A 20	78,75 Other information	50
	Loss	35.000000 % 35.000000 %	35.000000 9 35.000000 9 35.000000 9	00000 % 00000 % 00000 %	12	Section 179 deduction Other deductions	A 20	78,75 Other information	
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1065 Summary

8	Form 1065 - Adjustments to Business Cash Flow		
	a. Ordinary (Income) Loss from Other Partnerships (Line 4)	+/-	0.00
	b. Nonrecurring Other (Income) or Loss (Lines 5, 6 & 7)	+/-	(4,531.00)
	c. Depreciation (Line 16c, including 8825 Line 14)	+	4,076.00
	d. Depletion (Line 17)	+	0.00
	e. Amortization/Casualty (Review Attachment Related to Line 20*)	+	2,330.00
	f. Mortgages or Notes Payable in Less than 1 Year (Schedule L, Line 16d**)	_	0.00
	g. Non-deductible Travel and Entertainment Expenses (Schedule M-1, Line 4b)	_	2,542.00
	Subtotal	=	(\$ 667.00)
	Percent Ownership (From Schedule K-1)		35.00 %
	Total Form 1065	=	(\$ 233.45)
	Total Partnership Income		\$ 153,180.55

Self-Employment Fannie Mae

Analysis of Borrower's Business Income

When a borrower is relying upon self-employed income to qualify for a mortgage and the requirements that permit the lender to waive business tax returns are not met, the lender must prepare a written evaluation of its analysis of the borrower's business income. The lender must evaluate the borrower's business through its knowledge of other businesses in the same industry to confirm the stability of the borrower's business income and estimate the potential for long-term earnings.

The purpose of this analysis is to:

- consider the recurring nature of the business income, including identification of pass-through income that may require additional evaluation;
- measure year-to-year trends for gross income, expenses, and taxable income for the business;
- determine (on a yearly or interim basis) the percentage of gross income attributed to expenses and taxable income; and
- determine a trend for the business based on the change in these percentages over time.

The lender may use Fannie Mae's *Comparative Income Analysis* (<u>Form 1088</u>) or any other method of trend analysis that enables it to determine a business's viability, as long as the method used fairly presents the viability of the business and results in a degree of accuracy and a conclusion that is comparable to that which would be reached by use of Form 1088.

A copy of the written analysis and conclusions must be retained in the individual mortgage file.

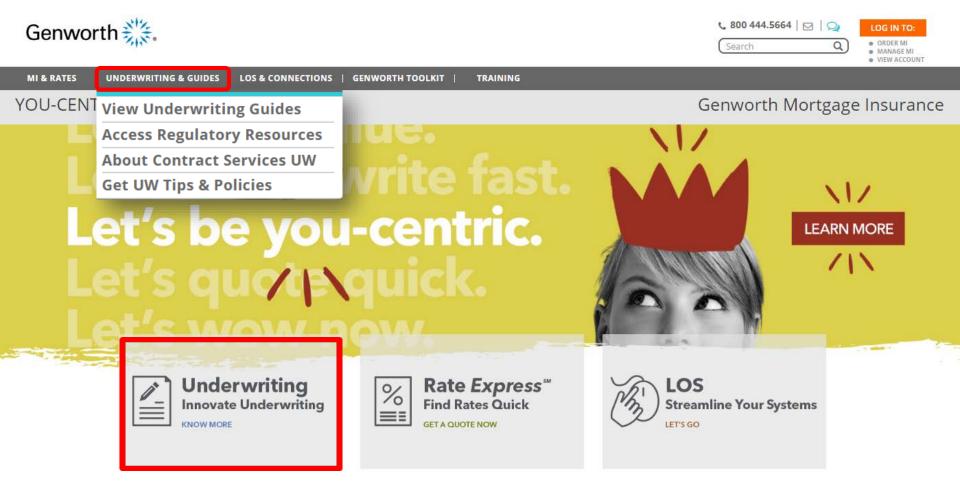
Fannie Mae 2018 Selling Guide B3-3.2-01, Underwriting Factors And Documentation For A Self-Employed Borrower (12/04/2018)

Form 1088 Trend Analysis

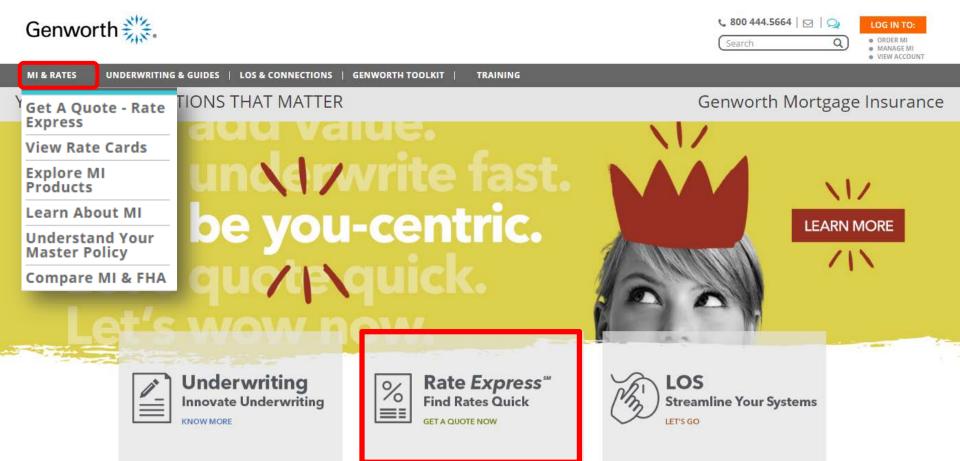
Fannie Mae	Comparative Income Analysis
Borrower Name	
Company Name	
General Instructions: This Form is to be used to compare the term is defined as follows:	e borrower's business over a period of years. Each
Gross Income: Gross receipts or Sales (-) Returns and Allowance Expenses: Cost of goods sold (+) Total deductions Taxable Income: from IRS Form 1040, Schedule C = Net Profit or Loss (Sole Proprietor IRS Form 1065 = Ordinary Income or Loss (Partnership) IRS Form 1120(S) = Ordinary Income or Loss (S Corporation) IRS Form 1120(S) = Ordinary Income or Loss (S Corporation) IRS Form 1120 = Taxable Income (Corporation)	
Calculation Instructions: Determine year-to-year trends in gro	ss income, expenses, and taxable income as described below.
Gross Income Step 1. Enter the gross income figure from each year's statement Step 2. Determine the percentage change in gross income from o (a) calculating the dollar difference between the two years (b) dividing the dollar difference by the previous year's gro Enter the percentage of increase or decrease where indica	ne year to the next by , and then ss income.
Year Year	Year
Gross 100%	100%
% Change (+) or (-) % change**	(+) or (-) % change**
Expenses Step 1. Enter the expense income figure from each year's stateme Step 2. Determine what percentage expenses are of gross income income for each year. Enter the results where indicated. Step 3. Determine the percentage change in expenses from one y (a) calculating the dollar difference between the two year's (b) dividing the dollar difference by the previous year's exp Enter the percentage of increase and decrease where indice	by dividing the expense amount by the dollar amount of gross ear to the next by , and then enses.
Year Year	Year
Expenses %*	%"
% Change (+) or (-) % change**	(+) or (-) % change**
"The expenses and taxable income each period as a percentage of "The percentage change for each item from the previous period."	f gross income for that period.
© 2016 Fannie Mae. Trademarks of Fannie Mae. Form	1088 July 1998

nnie Mae's Comparative Income Analysis Form (Form 1088) leads the lend percentage increases (or decreases) in gross income, expenses and taxab able income trend.			
is form can be used with any business return, including Sole Proprietor (RC C-EZ), Partnership (RS Form 1065), S-Corp (IRS Form11205) and Corpo did below shows the line numbers for each form where the information can	rate (IRS F		
FannieMae Comparative Income Analysis			
Company Name			
General Instructions: This form is to be used to compare the borrower's business over a period of years. Each item is as follows. Group Income — Gross receipts or Sales (- Beturns and Allowances; Expenses — Cost of goods sold (+) Total Deduction	Form	2015, -14, -13 & -12 Line	Gross
Taxable Income from Schedule C = Net Profit or loss (Sole Proprietorship); Form 1065 - Ordinary Income or Loss (Partnership); Form 1120 - Taxable Income (Corporation); Form 1120(s) = Taxable Income (S Corporation)	Sched C	3	
Calculation Instructions: Determine year-to-year trends in gross income, expenses, and taxable income as described bald Gross Income	C- EZ	1	Incom
Step 1. Enter the gross income figure from each year's statement where indicated. Step 2. Determine the percentage change in gross income from one year to the next by — ealculating the follar difference between the two years; and	P/T	1c	ne
 dividing the dollar difference by the previous year's gross income. Enter percentage of increase or decrease where indicated. Be sure to indicate + or 	S-Corp	1c	
Gross Income 8 100% 4 100% 6	Corp	1c	
% change (+! (-) %** (+! !-) %**		I	I
Expenses Step 1. Enter the expense income figure from each year's statement where indicated.	Form	2015, -14, -13 & -12 Line	Ε×
Step 1. Enter the expense income ispare from each year's sistensiant where incidence. Step 2. Determine what percentage expenses are of gross income by dividing the expense amount by the dollar amount income for each year. Enter the results where indicated.	Sched C	4 + 28	pens
Step 3. Determine the percentage change in expenses from one year to the next by — excludering the dollar difference between the two years, and	C- EZ	2	8
dividing the dollar difference by the previous year's expenses. First the necessary of increase and decrease where indicated. Be sure to indicate + or	P/T	2 + 21	
Exbouses #	S-Corp	2 + 20	ł
% change (+) (-) %** (+ (-1 %**			
Taxable Income Step 1. Enter the taxable income figure from each year's statement where indicated.	Corp	2 + 27	l
Step 2. Determine what percentage taxable income is of gross income by dividing the dollar amount of taxable income dollar amount of gross income. Enter the results where indicated.		2015, -14, -13 & -12	ı
Step 3. Determine the percentage change in taxable income from one year to the next by — • calculating the dollar difference between the two years; and	Form	Line	axa
dividing the dolar difference by the previous year's taxable income. Enset the percentage of increase or decrease where indicated. Be sure to indicate + or	Sched C	31	D e
Tauple	C- EZ	3	Taxable incom
Income 9 96* \$ %* 6	P/T	22	ğ
% change (+) (-)%** (+) (- %** * The expenses and taxable income each period as a percentage of gross income for that period.	S-Corp	21	100
* The expenses and taxable income each period as a percentage of gross income for that period. * The percentage change for each item from the previous period. The Taxable Income Trend is increasing level decreasing.	Corp	30	İ
THE TAXABLE INCOME THEM IS DEVELOPING.		1	ī

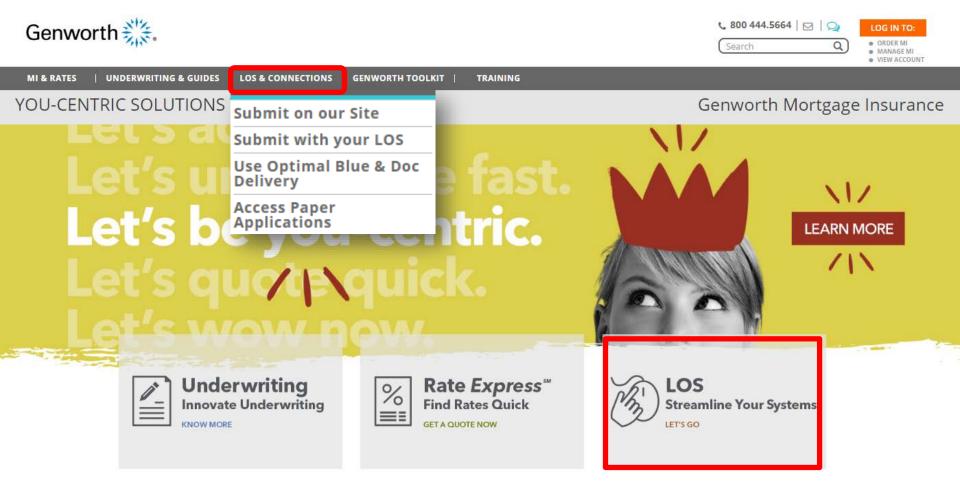
Genworth Underwriting Guidelines



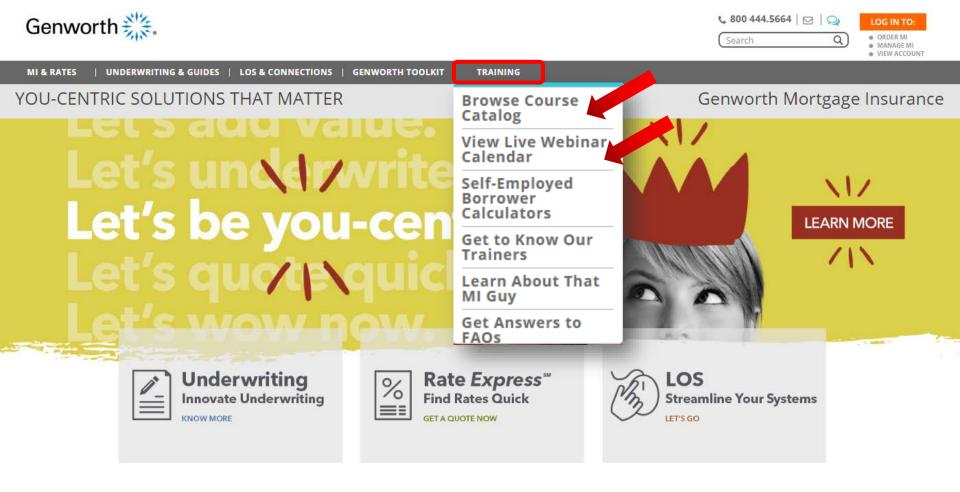
Genworth Rate Express®



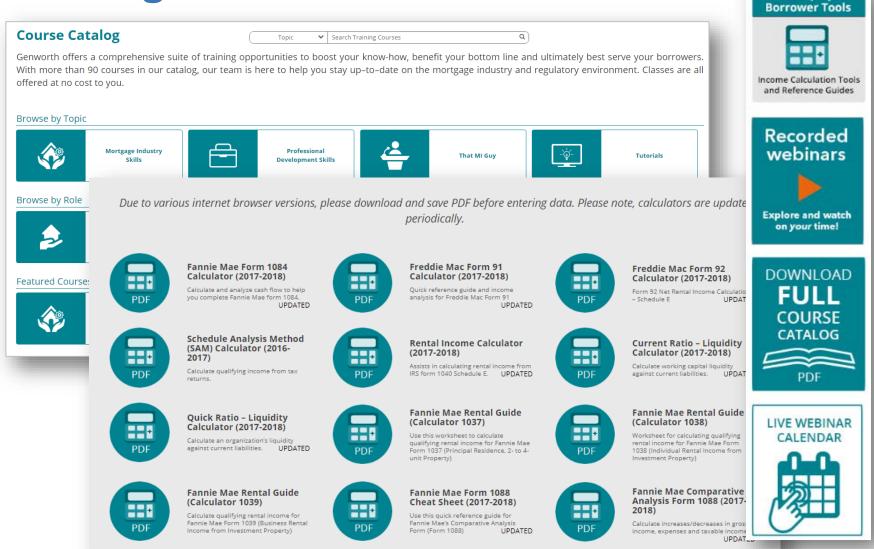
LOS Connections



Training Tools and Information

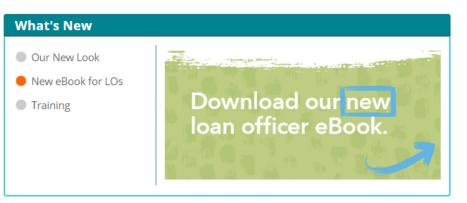


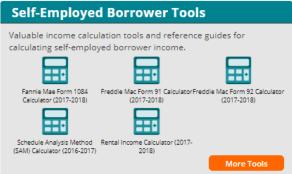
Training Tools and Information



Self-Employed

Additional MI Site Information









Master Policy Agreement

Partner with us. A master policy agreement is the first step to submitting MI loans to Genworth.

GET STARTED

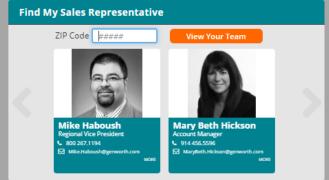


Contract Services Agreement

Offset fixed underwriting costs as you adjust to the latest industry demands! Request a contract services underwriting agreement.

GET STARTED







Your Genworth Resources

- > ActionCenter®: 800 444.5664
- Your Local Genworth Regional Underwriter
- Your Genworth Sales Representative



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