

**Seniors on Broadway LP
(A Colorado Limited Partnership)**

Financial Statements

December 31, 2020 and 2019

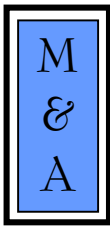
**Seniors on Broadway LP
(A Colorado Limited Partnership)**

Financial Statements

December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

**To the Partners
Seniors on Broadway LP
Eagle, Colorado**

Report on the Financial Statements

We have audited the accompanying financial statements of Seniors on Broadway LP (the "Partnership"), a Colorado limited partnership, which comprise the balance sheets as December 31, 2020 and 2019, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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INDEPENDENT AUDITOR'S REPORT

**To the Partners
Seniors on Broadway LP
Eagle, Colorado**

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seniors on Broadway LP as of December 31, 2020 and 2019, and the results of its operations, the changes in partners' capital, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
March 12, 2021**

Seniors on Broadway LP
(A Colorado Limited Partnership)
Balance Sheets
December 31, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents - Unrestricted	\$ 97,248	\$ 89,569
Cash and cash equivalents - Restricted	75,288	71,266
Accounts receivable - Tenants, net	944	1,053
Fixed assets, net	2,057,099	2,131,847
Total Assets	\$ 2,230,579	\$ 2,293,735
 LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 12,131	\$ 8,325
Accrued interest payable	403,572	350,283
Due to Eagle County	8,457	6,075
Tenant security deposits	7,600	7,600
Note payable - Eagle County (net of unamortized debt issuance costs)	1,294,189	1,293,418
Total Liabilities	1,725,949	1,665,701
PARTNERS' CAPITAL	504,630	628,034
Total Liabilities and Partners' Capital	\$ 2,230,579	\$ 2,293,735

The accompanying notes are an integral part of these financial statements.

Seniors on Broadway LP
(A Colorado Limited Partnership)
Statements of Operations
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES		
Tenant rents	\$ 105,317	\$ 105,776
Other income	50	12
Total Revenues	<u>105,367</u>	<u>105,788</u>
OPERATING EXPENSES		
Repairs and maintenance	26,925	17,541
Utilities	24,260	21,364
General and administration	36,116	33,798
Management fees	8,076	8,076
Insurance	4,605	3,762
Total Operating Expenses	<u>99,982</u>	<u>84,541</u>
INCOME (LOSS) from OPERATIONS	5,385	21,247
OTHER INCOME (EXPENSES)		
Investment earnings	19	107
Depreciation	(74,748)	(74,748)
Interest expense	(54,060)	(52,407)
Net Other Income (Expenses)	<u>(128,789)</u>	<u>(127,048)</u>
NET INCOME (LOSS)	<u>\$ (123,404)</u>	<u>\$ (105,801)</u>

The accompanying notes are an integral part of these financial statements.

Seniors on Broadway LP
(A Colorado Limited Partnership)
Statements of Changes in Partners' Capital
For the Years Ended December 31, 2020 and 2019

	<u>General Partner</u>	<u>Limited Partner</u>	<u>Total</u>
Balance - January 1, 2019	\$ (18)	\$ 733,853	\$ 733,835
Net income (loss) for the year	<u>(11)</u>	<u>(105,790)</u>	<u>(105,801)</u>
Balance - December 31, 2019	(29)	628,063	628,034
Net income (loss) for the year	<u>(12)</u>	<u>(123,392)</u>	<u>(123,404)</u>
Balance - December 31, 2020	<u><u>\$ (41)</u></u>	<u><u>\$ 504,671</u></u>	<u><u>\$ 504,630</u></u>

The accompanying notes are an integral part of these financial statements.

Seniors on Broadway LP
(A Colorado Limited Partnership)
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities:		
Cash received for rent	\$ 105,426	\$ 107,470
Other cash receipts	50	12
Cash paid for goods and services	(93,794)	(83,523)
Net Cash Provided (Used) By Operating Activities	11,682	23,959
Cash Flows From Investing Activities:		
Investment income received	19	107
Net Cash Provided (Used) By Investing Activities	19	107
Net Increase (Decrease) in Cash and Cash Equivalents	11,701	24,066
Cash and Cash Equivalents - January 1	160,835	136,769
Cash and Cash Equivalents - December 31	\$ 172,536	\$ 160,835
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	\$ 97,248	\$ 89,569
Cash and cash equivalents - Restricted	75,288	71,266
Cash and Cash Equivalents - Ending	\$ 172,536	\$ 160,835
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	\$ 5,385	\$ 21,247
Adjustments to reconcile:		
(Increase) decrease in accounts receivable, net	109	1,194
Increase (decrease) in accounts payable	3,806	372
Increase (decrease) in due to Eagle County	2,382	646
Increase (decrease) in tenant security deposits	-	500
Total Adjustments	6,297	2,712
Net Cash Provided (Used) By Operating Activities	\$ 11,682	\$ 23,959

The accompanying notes are an integral part of these financial statements

**Seniors on Broadway LP
(A Colorado Limited Partnership)
Notes to the Financial Statements
December 31, 2020 and 2019**

1. Organization

Seniors on Broadway LP (the "Partnership") is a Colorado limited partnership which was formed pursuant to a partnership agreement adopted September 14, 2007, and amended and restated October 1, 2007 (the "Partnership Agreement"). The Partnership is to develop, own, and operate a 14-unit apartment project known as "Seniors on Broadway" (the "Project") and located in Eagle, Colorado. The General Partner of the Partnership is Seniors on Broadway LLC; a Colorado limited liability corporation (the "General Partner") whose sole member, Golden Eagle Elderly Housing Corporation ("Golden Eagle"), is a component unit of Eagle County, Colorado (the "County"). The Limited Partner is NDC Corporate Equity Fund VII, L.P.; a Delaware limited partnership (the "Limited Partner"). Units within the Project is rented to low-income senior citizen tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided under section 42 of the Internal Revenue Code.

In accordance with the Partnership Agreement, profits and losses from operations, and low-income housing tax credits are allocated 99.99% to the Limited Partner and 0.01% to the General Partner.

Pursuant to the Partnership Agreement, the Limited Partner is required to provide capital contributions totaling \$1,926,381; subject to potential adjustments based, among other occurrences, on the amount of low income housing tax credits ultimately allocated to the Project. At December 31, 2020 and 2019, all required capital contributions had been made by the Limited Partner.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The Partnership utilizes the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

B. Cash Equivalents

For the purposes of the Statement of Cash Flows, the Partnership defines cash equivalents as all cash, money market, and savings accounts, plus all investments with original maturities of three months or less.

C. Restricted Assets

Certain of the Partnership's assets are classified as restricted assets because their use is limited to specific purposes by legally binding commitments. At December 31, 2020 and 2019, the Partnership held cash balances restricted for tenant security deposits and certain funding requirements imposed by the Partnership Agreement.

D. Tenant Security Deposits

Tenant security deposits are placed into an interest-bearing account and are generally held until termination of the underlying tenant lease, at which time some or all of the deposit may be returned to the lessee.

Seniors on Broadway LP
(A Colorado Limited Partnership)
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

2. Summary of Significant Accounting Policies (continued)

E. Allowance for Uncollectible Accounts

The Partnership uses the allowance method to recognize the potential uncollectibility of receivables, including amounts due from tenants. At December 31, 2020, the Partnership has recorded an allowance of \$2,202 to provide for amounts which management determined may not be collectible (2019 – \$3,188).

F. Fixed Assets

Fixed assets with an initial cost in excess of \$5,000 are recorded at cost. Depreciation of the building structures and major improvements is computed using the straight-line method over an estimated useful life of 40 years.

G. Debt Issuance Costs

Debt issuance costs incurred in connection with obtaining long-term financing for construction of the Project are capitalized and amortized to interest expense over the 40-year term of the underlying promissory note using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

H. Revenues and Revenue Recognition

The Partnership's primary source of revenue is rentals attributable to residential leases, which is recorded when due from residents, generally upon the first day of each month. Rental payments received in advance are deferred until earned. Leases are for periods of up to one year, with rental payments due monthly. The Partnership has determined that rental revenues are exempted from generally accepted accounting principles governing contracts with customers, but are subject to current and future lease standards.

I. Income Taxes

In accordance with federal and state income tax regulations, taxes are levied on the partners in their individual capacity. Consequently, no provision for federal or state income taxes is reflected in the accompanying financial statements of the Partnership.

The income returns of the Partnership are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Partnership's returns are no longer subject to examination for tax years prior to 2017 and for tax years prior to 2016 by the Colorado Department of Revenue.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates

K. Subsequent Events

Management has evaluated subsequent events through March 12, 2021; the date these financial statements were available to be issued.

Seniors on Broadway LP
(A Colorado Limited Partnership)
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)

3. Restricted Cash

The Partnership's restricted cash balance at December 31, 2020 and 2019 is comprised of the following:

	<u>2020</u>	<u>2019</u>
Operating and Replacement Reserve funds	\$ 67,175	\$ 63,654
Tenant security deposits	8,113	7,612
Total - Restricted Cash	<u>\$ 75,288</u>	<u>\$ 71,266</u>

The Partnership Agreement calls for the Partnership to establish an Operating Reserve Fund deposit account for \$32,000 to be used to fund operating and debt service deficits from the operation of the Project. The Partnership Agreement also calls for the Partnership to establish a Reserve Fund for Replacements deposit account, to be funded by monthly deposits of \$292 following Completion of the Project, and to be used to make capital improvements and repairs to the Project having useful lives of one year or more. As of December 31, 2020 and 2019, all required reserves had been established and were funded in accordance with of the Partnership Agreement.

4. Fixed Assets

At December 31, 2020 and 2019, the Partnership's fixed assets were comprised of the following:

	<u>2020</u>	<u>2019</u>
Buildings and improvements, at cost	\$ 2,989,928	\$ 2,989,928
Less: Accumulated depreciation	(932,829)	(858,081)
Fixed Assets, net	<u>\$ 2,057,099</u>	<u>\$ 2,131,847</u>

5. Note Payable – Eagle County

The Partnership executed a promissory note with the County on October 1, 2007, in the principal amount of \$1,315,000. The note, which matures December 31, 2050, is secured by a deed of trust on all constructed leasehold improvements related to the Project. Interest accrues and compounds annually at a fixed rate of 3.2% per annum, which approximates the effective interest rate.

The promissory note calls for annual principal payments to be made on or before June 1 to the extent available from the Project's Residual Receipts for the immediately preceding year.

For the purposes of the promissory note, "Residual Receipts" is defined to include all rents, revenues, consideration or income (including capital contributions) derived by the Partnership in connection with or relating to the leasing or operation of the residential units of the Project, including any revenue derived from any refinancing of the Project, less customary and reasonable costs and expenses in connection with the operation and maintenance of the Project; all payments of Asset Management Fees, General Partner Management Fees and any deferred Developer Fees; and all amounts reserved by Borrower as a replacement reserve and an operating reserve for the Project as required by the Limited Partner. Payments are to first be applied to reduce accrued and unpaid interest and then outstanding principal.

**Seniors on Broadway LP
(A Colorado Limited Partnership)
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)**

5. Note Payable – Eagle County (continued)

At December 31, 2020, the principal balance outstanding on the promissory note was \$1,315,000 (2019 – \$1,315,000). Interest expense of \$53,289 was incurred for 2020 in respect of the note (2019 – \$51,637), with accrued interest payable at December 31, 2020 of \$403,572 (2019 – \$350,283). The note is reported on the December 31, 2020 balance sheet net of unamortized debt issuance costs of \$20,811 (2019 – \$21,582).

6. Gross Potential Rent

Gross Potential Rent (“GPR”) represents the maximum possible rental income of the project assuming all units are occupied at all times during the fiscal year. The Partnership’s GPR and Tenant Rents for 2020 and 2019 are as follows:

	2020	2019
Gross Potential Rent	\$ 106,356	\$ 106,356
Less: Concessions	(150)	-
Less: Vacancy	(889)	(580)
Tenant Rents	\$ 105,317	\$ 105,776

7. Ground Lease

On October 1, 2007, the Partnership entered into a long-term ground lease agreement with the County for the land upon which the Project is constructed. The lease, which has an initial term of 55 years, calls for annual base rent of \$1. Additionally, “Contingent Rent” of \$20,000 per year is payable from the Project’s Residual Receipts.

Under the terms of the lease agreement, "Residual Receipts" is defined to include all rents, revenues, consideration or income (including capital contributions) derived by the Partnership in connection with or relating to the leasing or operation of the residential units of the Property, including any revenue derived from any refinancing of the Project, less customary and reasonable costs and expenses in connection with the operation and maintenance of the Property; all payments of Asset Management Fees, General Partner Management Fees and any deferred Developer Fees and all payments on the Mortgage Loans as required by the Mortgage Loan Documents; and all amounts reserved by the Partnership as a replacement reserve and an operating reserve for the Project as required by the Limited Partner or any Lender. On or before June 1 of each year, the Partnership is required to (i) pay to the County all Contingent Rent for the immediately preceding lease year and any accrued and unpaid Contingent Rent from prior Lease Years, to the extent available from Residual Receipts and (ii) provide the County with an accounting of the calculation thereof. Accrued Contingent Rent does not bear interest.

At December 31, 2020 and 2019, the Partnership owed no Contingent Rent to the County under the land lease agreement.

**Seniors on Broadway LP
(A Colorado Limited Partnership)
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)**

8. Asset Management Agreement

On October 1, 2007, the Partnership executed an Asset Management Agreement with NDC Housing and Economic Development Corporation (the "Asset Manager"), a Virginia non-profit corporation and a partner in the Limited Partner. Under the terms of the agreement, the Asset Manager is to receive a monthly asset management fee in compensation for the provision of services to assure that the Limited Partner receives sufficient information from the Partnership on the operation of the Project and to protect the Limited Partner's investment in the Project. The asset management fee is \$100 per month and is payable in accordance with the Asset Management Fee Agreement.

During 2020, the Asset Manager earned asset management fees totaling \$1,200 (2019 – \$1,200).

At December 31, 2020, \$1,200 of asset management fees were payable to the Asset Manager (2019 – \$0).

9. General Partner Management Agreement

Pursuant to the General Partner Management Agreement entered into on October 1, 2007, the General Partner receives an annual management fee of \$5,000 for its provision of various property management services related to the Project. The management fee is payable from available cash flow in accordance with the Partnership Agreement.

During 2020 and 2019, the General Partner earned no management fees. As of December 31, 2020 and 2019, no management fees were payable to the General Partner under the terms of this agreement.

10. Incentive Management Agreement

Pursuant to the Incentive Management Agreement executed October 1, 2007, the General Partner receives an annual, non-cumulative, incentive management fee equal to 10% of gross annual Project revenues. The fee, which is non-cumulative and is to be earned and payable from distributable cash flow in accordance with the Partnership Agreement, is to compensate the General Partner for management of the Partnership's operations and assets.

During 2020 and 2019, the General Partner earned no incentive management fees. As of December 31, 2020 and 2019, no incentive fees were payable to the General Partner.

11. Property Management Agreement

Effective July 1, 2015, the Partnership entered into a management agreement with Eagle County Housing and Development Authority ("ECHDA"), a component unit of the County, to provide for the day-to-day administration of the Project. The contract, which had an initial 3-year term, was amended in 2018 to renew the arrangements through June 30, 2021. Under the terms of the agreement, the monthly management fee is \$673, with subsequent increases not to exceed 3% per annum.

For 2020, the Partnership paid management fees totaling \$8,076 (2019 – \$8,076) to ECHDA under the terms of the management agreement.

**Seniors on Broadway LP
(A Colorado Limited Partnership)
Notes to the Financial Statements
December 31, 2020 and 2019
(Continued)**

12. Low-Income Housing Tax Credits

As of December 31, 2020, the Partnership had generated an aggregate of \$2,060,520 (2019 – \$2,060,520) of low-income housing tax credits ("Tax Credits"). Generally, such credits become available for use by its partners pro rata over a ten-year credit period, which began in 2008. In order to qualify for the Tax Credits, the Project must comply with various federal and state requirements which include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for another 15 years after the above period ends. The Partnership does not anticipate generating any additional Tax Credits in future years.

13. Related Party Transactions

Reimbursements to the County during 2020 and 2019 were as follows:

	<u>2020</u>	<u>2019</u>
Repairs and maintenance	\$ 1,445	\$ 656
Utilities	22,418	20,285
General and administration	21,974	22,972
Insurance	4,605	3,762
Total	<u>\$ 50,442</u>	<u>\$ 47,675</u>

14. Subsequent Event

The spread of COVID-19 may have operational, economic, and financial impacts on the Partnership. The significance and duration of the potential impacts cannot be reasonably estimated at this time.