
CAPITAL CITY ELDERLY L.P.
01-052-HT
FINANCIAL STATEMENTS
DECEMBER 31, 2018

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Independent Auditors' Report

Partners
Capital City Elderly L.P.
Jefferson City, Missouri

Report On The Financial Statements

We have audited the accompanying financial statements of Capital City Elderly L.P., which comprise the balance sheet as of December 31, 2018 and 2017, and the related statements of profit and loss, partners' equity 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.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Capital City Elderly L.P. as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, shown on pages 19 through 24, is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information, except for page 24, has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for page 24, the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The accompanying other information presented on page 24 has been prepared from the tax return information of Capital City Elderly L.P. and has not been subjected to audit, review or compilation procedures, and accordingly, we express no opinion or any other form of assurance on it.

RubinBrown LLP

March 20, 2019

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BALANCE SHEET
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Assets

		December 31,	
		2018	2017
Current Assets			
1120	Cash - operations	\$ 4,005	\$ 2,594
1130	Tenant accounts receivable	1,681	347
1190	Miscellaneous current assets - AHRMA subscriber savings account	320	—
1200	Prepaid expenses	13,173	12,300
1100T	Total Current Assets	19,179	15,241
Deposits Held In Trust - Funded			
1191	Tenant deposits held in trust	17,605	17,173
Restricted Deposits And Funded Reserves			
1310	Escrow deposits	90	776
1320	Replacement reserve	141,810	133,054
1330	Other reserves (Note 3)	36,681	36,440
1300T	Total Deposits	178,581	170,270
Fixed Assets (Note 4)			
1410	Land improvements	324,872	324,872
1420	Building	4,396,079	4,417,452
1450	Furniture for project/tenant use	156,300	156,487
1465	Office furniture and equipment	5,306	5,306
1480	Motor vehicles	1,633	1,633
1400T	Total Fixed Assets	4,884,190	4,905,750
1495	Less: Accumulated depreciation	2,250,070	2,160,589
1400N	Net Fixed Assets	2,634,120	2,745,161
Other Assets			
1520	Deferred costs (Note 2)	45,180	45,724
1000T	Total Assets	\$ 2,894,665	\$ 2,993,569

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BALANCE SHEET
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Liabilities

		December 31,	
		2018	2017
Current Liabilities			
2110	Accounts payable - operations	\$ 2,480	\$ 1,849
2170	Mortgage payable - first mortgage (short-term) (Note 4)	17,750	17,750
2190	Miscellaneous current liabilities - advances from affiliate of general partner (Note 5)	7,000	22,196
2190	Miscellaneous current liabilities - accrued compensated absences	2,607	4,242
2210	Prepaid revenue	1,625	1,335
2122T	Total Current Liabilities	31,462	47,372
Deposit And Prepayment Liabilities			
2191	Tenant deposits held in trust (contra)	15,916	15,891
Long-Term Liabilities			
2320	Mortgage payable - first mortgage (Note 4)	411,208	428,958
2000T	Total Liabilities	458,586	492,221
Partners' Equity			
3130	Partners' equity	2,436,079	2,501,348
2033T	Total Liabilities And Partners' Equity	\$ 2,894,665	\$ 2,993,569

CAPITAL CITY ELDERLY L.P.
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STATEMENT OF PROFIT AND LOSS
For The Year Ended December 31, 2018

Part 1	Description of Account	Acct. No.	Amount
Rent Revenue 5100	Rent Revenue - Gross Potential	5120	\$ 211,100
	Tenant Assistance Payments	5121	\$ —
	Rent Revenue - Stores and Commercial	5140	\$ —
	Garage and Parking Spaces	5170	\$ —
	Flexible Subsidy Revenue	5180	\$ —
	Miscellaneous Rent Revenue	5190	\$ —
	Excess Rent	5191	\$ —
	Rent Revenue/Insurance	5192	\$ —
	Special Claims Revenue	5193	\$ —
	Retained Excess Income	5194	\$ —
	Total Rent Revenue	5100T	\$ 211,100
Vacancies 5200	Apartments	5220	\$ 4,503
	Stores and Commercial	5240	\$ —
	Rental Concessions	5250	\$ 944
	Loss to Lease	5260	\$ 2,548
	Garage and Parking Space	5270	\$ —
	Miscellaneous	5290	\$ —
	Total Vacancies	5200T	\$ 7,995
	Net Rental Revenue <i>Rent Revenue Less Vacancies</i>	5152N	\$ 203,105
Supportive Services 5390	Supportive Services Revenue	5390	\$ —
Financial Revenue 5400	Financial Revenue - Project Operations	5410	\$ —
	Revenue from Investments - Residual Receipts	5430	\$ —
	Revenue from Investments - Replacement Reserve	5440	\$ 901
	Revenue from Investments - Miscellaneous	5490	\$ 431
	Total Financial Revenue	5400T	\$ 1,332
Other Revenue 5900	Laundry and Vending Revenue	5910	\$ 2,879
	Tenant Charges	5920	\$ 786
	Interest Reduction Payments Revenue	5945	\$ —
	Cable TV / Internet Access Revenue	5954	\$ —
	Miscellaneous Revenue	5990	\$ 362
	Total Other Revenue	5900T	\$ 4,027
	Total Revenue	5000T	\$ 208,464
Administrative Expenses 6200/6300	Conventions and Meetings	6203	\$ 85
	Management Consultants	6204	\$ —
	Advertising and Marketing	6210	\$ 1,201
	Other Renting Expenses	6250	\$ —
	Office Salaries	6310	\$ 4,360
	Office Expenses	6311	\$ 3,680
	Office or Model Apartment Rent	6312	\$ —
	Leased Furniture	6313	\$ —
	Management Fee/Bookkeeping/Accounting Services	6320	\$ 17,670
	Manager or Superintendent Salaries	6330	\$ 5,591
	Administrative Rent Free Unit	6331	\$ —
	Legal Expense - Project	6340	\$ 2,081
	Audit Expense	6350	\$ 7,200
	Telephone Expense	6360	\$ 4,639
	Bad Debts	6370	\$ —
Miscellaneous Administrative Expenses	6390	\$ 156	
	Total Administrative Expenses	6263T	\$ 46,663
Utilities Expense 6400	Fuel Oil/Coal	6420	\$ —
	Electricity	6450	\$ 19,550
	Water	6451	\$ 5,599
	Gas	6452	\$ 368
	Sewer	6453	\$ 4,412
	Cable TV / Internet Access	6454	\$ 1,181
	Total Utilities Expense	6400T	\$ 31,110
	Total Expenses (Carry Forward to Page 2)		\$ 77,773

			Balance Carried Forward	\$ 77,773
Operating Maintenance Expenses 6500	Payroll	6510	\$ 13,208	
	Supplies	6515	\$ 5,620	
	Contracts	6520	\$ 18,330	
	Operating and Maintenance Rent Free Unit	6521	\$ —	
	Garbage and Trash Removal	6525	\$ 2,275	
	Security Payroll/Contract	6530	\$ 5,995	
	Security Rent Free Unit	6531	\$ —	
	Heating/Cooling Repairs and Maintenance	6546	\$ 1,859	
	Snow Removal	6548	\$ 1,303	
	Vehicle and Maintenance Equipment Operation and Repairs	6570	\$ 1,526	
	Maintenance Tools and Equipment	6571	\$ —	
	Pool Supplies and Pool Maintenance/Contracts	6572	\$ —	
	Exterminating	6573	\$ 1,620	
	Elevator Maintenance/Contracts	6574	\$ 2,518	
	Vacant Unit Preparation	6580	\$ 4,880	
	Miscellaneous Operating and Maintenance Expenses	6590	\$ 43	
	Total Operating and Maintenance Expenses	6500T		\$ 59,177
Taxes and Insurance 6700	Real Estate Taxes	6710	\$ —	
	Payroll Taxes (Project's Share)	6711	\$ 1,829	
	Property and Liability Insurance (Hazard)	6720	\$ 12,596	
	Fidelity Bond Insurance	6721	\$ —	
	Workmen's Compensation	6722	\$ 564	
	Health Insurance and Other Employee Benefits	6723	\$ 10,209	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790	\$ —	
	Total Taxes and Insurance	6700T		\$ 25,198
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$ —	
	Interest on Notes Payable (Long-Term)	6830	\$ —	
	Interest on Notes Payable (Short-Term)	6840	\$ —	
	Mortgage Insurance Premium/Service Charge	6850	\$ —	
	Miscellaneous Financial Expenses	6890	\$ —	
Total Financial Expenses	6800T		\$ —	
Supportive Services 6990	Supportive Services Expenses	6990		\$ —
	Total Cost of Operations before Depreciation and Amortization	6000T		\$ 162,148
	Profit (Loss) before Depreciation and Amortization	5060T		\$ 46,316
	Depreciation Expense	6600	\$ 111,041	
	Amortization Expense	6610	\$ 544	
	Total Depreciation and Amortization			\$ 111,585
	Operating Profit or (Loss)	5060N		\$ (65,269)
Corporate or Mortgagor Entity Expenses 7100	Entity Revenue	7105	\$ —	
	Officer's Salaries	7110	\$ —	
	Asset Management, Partnership and Incentive Performance Fee	7115	\$ —	
	Legal Expenses	7120	\$ —	
	Federal, State, and Other Income Taxes	7130	\$ —	
	Fidelity and Bond Expense	7135	\$ —	
	Interest Income	7140	\$ —	
	Interest on Notes Payable (subordinate/surplus cash/non-MHDC loans)	7141	\$ —	
	Interest on Mortgage Payable (subordinate/surplus cash/non-MHDC loan)	7142	\$ —	
	Other Expenses	7190	\$ —	
Net Entity Expenses	7100T		\$ —	
Profit or Loss (Net Income or Loss)	3250		\$ (65,269)	

Miscellaneous or other Income and Expense Sub-account Groups. If miscellaneous or other income and/or expense sub-accounts (5190, 5290, 5490, 5990, 6390, 6590, 6790, 6890 and 7190) exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the miscellaneous income or expense.

Part II

1. Total mortgage principal payments required during the audit year (12 monthly payments). (Account 7001)	\$ 17,750
2. Total of 12 monthly deposits in the audit year into the Replacement Reserve account. (Account 7002)	\$ 17,541
3. Replacement Reserve or Residual Receipts releases which are included as expense items on this Profit and Loss Statement. (Account 7003)	\$ 6,371
4. Debt Service for other loans (surplus cash / non-MHDC / partner loans) (Account 7145)	\$ —

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STATEMENT OF PROFIT AND LOSS (Continued)
For The Year Ended December 31, 2017

Part 1	Description of Account	Acct. No.	Amount
Rent Revenue 5100	Rent Revenue - Gross Potential	5120	\$ 206,900
	Tenant Assistance Payments	5121	\$ —
	Rent Revenue - Stores and Commercial	5140	\$ —
	Garage and Parking Spaces	5170	\$ —
	Flexible Subsidy Revenue	5180	\$ —
	Miscellaneous Rent Revenue	5190	\$ —
	Excess Rent	5191	\$ 7
	Rent Revenue/Insurance	5192	\$ —
	Special Claims Revenue	5193	\$ —
	Retained Excess Income	5194	\$ —
	Total Rent Revenue	5100T	\$ 206,907
Vacancies 5200	Apartments	5220	\$ 7,407
	Stores and Commercial	5240	\$ —
	Rental Concessions	5250	\$ 77
	Loss to Lease	5260	\$ 1,706
	Garage and Parking Space	5270	\$ —
	Miscellaneous	5290	\$ —
	Total Vacancies	5200T	\$ 9,190
	Net Rental Revenue Rent Revenue Less Vacancies	5152N	\$ 197,717
Supportive Services 5390	Supportive Services Revenue	5390	\$ —
Financial Revenue 5400	Financial Revenue - Project Operations	5410	\$ —
	Revenue from Investments - Residual Receipts	5430	\$ —
	Revenue from Investments - Replacement Reserve	5440	\$ 908
	Revenue from Investments - Miscellaneous	5490	\$ 308
	Total Financial Revenue	5400T	\$ 1,216
Other Revenue 5900	Laundry and Vending Revenue	5910	\$ 2,597
	Tenant Charges	5920	\$ 611
	Interest Reduction Payments Revenue	5945	\$ —
	Cable TV / Internet Access Revenue	5954	\$ —
	Miscellaneous Revenue	5990	\$ —
	Total Other Revenue	5900T	\$ 3,208
	Total Revenue	5000T	\$ 202,141
Administrative Expenses 6200/6300	Conventions and Meetings	6203	\$ 291
	Management Consultants	6204	\$ —
	Advertising and Marketing	6210	\$ 11
	Other Renting Expenses	6250	\$ 35
	Office Salaries	6310	\$ 4,980
	Office Expenses	6311	\$ 4,133
	Office or Model Apartment Rent	6312	\$ —
	Leased Furniture	6313	\$ —
	Management Fee/Bookkeeping/Accounting Services	6320	\$ 17,490
	Manager or Superintendent Salaries	6330	\$ 5,395
	Administrative Rent Free Unit	6331	\$ —
	Legal Expense - Project	6340	\$ 2,244
	Audit Expense	6350	\$ 7,000
	Telephone Expense	6360	\$ 4,352
	Bad Debts	6370	\$ —
Miscellaneous Administrative Expenses	6390	\$ 130	
	Total Administrative Expenses	6263T	\$ 46,061
Utilities Expense 6400	Fuel Oil/Coal	6420	\$ —
	Electricity	6450	\$ 19,906
	Water	6451	\$ 4,839
	Gas	6452	\$ 432
	Sewer	6453	\$ 4,330
	Cable TV / Internet Access	6454	\$ 1,010
	Total Utilities Expense	6400T	\$ 30,517
	Total Expenses (Carry Forward to Page 2)	6400T	\$ 76,578

Project Name: Capital City Elderly L.P.

		Balance Carried Forward	\$	76,578
Operating Maintenance Expenses 6500	Payroll	6510	\$	19,129
	Supplies	6515	\$	14,200
	Contracts	6520	\$	38,095
	Operating and Maintenance Rent Free Unit	6521	\$	—
	Garbage and Trash Removal	6525	\$	2,210
	Security Payroll/Contract	6530	\$	6,735
	Security Rent Free Unit	6531	\$	—
	Heating/Cooling Repairs and Maintenance	6546	\$	1,356
	Snow Removal	6548	\$	441
	Vehicle and Maintenance Equipment Operation and Repairs	6570	\$	2,090
	Maintenance Tools and Equipment	6571	\$	—
	Pool Supplies and Pool Maintenance/Contracts	6572	\$	—
	Exterminating	6573	\$	1,620
	Elevator Maintenance/Contracts	6574	\$	4,154
	Vacant Unit Preparation	6580	\$	6,460
Miscellaneous Operating and Maintenance Expenses	6590	\$	44	
Total Operating and Maintenance Expenses	6500T		\$	96,534
Taxes and Insurance 6700	Real Estate Taxes	6710	\$	—
	Payroll Taxes (Project's Share)	6711	\$	2,080
	Property and Liability Insurance (Hazard)	6720	\$	12,290
	Fidelity Bond Insurance	6721	\$	—
	Workmen's Compensation	6722	\$	407
	Health Insurance and Other Employee Benefits	6723	\$	11,246
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790	\$	—
Total Taxes and Insurance	6700T		\$	26,023
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$	—
	Interest on Notes Payable (Long-Term)	6830	\$	—
	Interest on Notes Payable (Short-Term)	6840	\$	—
	Mortgage Insurance Premium/Service Charge	6850	\$	—
	Miscellaneous Financial Expenses	6890	\$	—
Total Financial Expenses	6800T		\$	—
Supportive Services 6900	Supportive Services Expenses	6990	\$	—
Total Cost of Operations before Depreciation and Amortization	Total Cost of Operations before Depreciation and Amortization	6000T	\$	199,135
	Profit (Loss) before Depreciation and Amortization	5060T	\$	3,006
	Depreciation Expense	6600	\$	125,072
	Amortization Expense	6610	\$	544
	Total Depreciation and Amortization			\$
Operating Profit or (Loss)	5060N		\$	(122,610)
Corporate or Mortgagor Entity Expenses 7100	Officer's Salaries	7110	\$	—
	Asset Management, Partnership and Incentive Performance Fee	7115	\$	—
	Legal Expenses	7120	\$	—
	Federal, State, and Other Income Taxes	7130	\$	—
	Interest Income	7140	\$	—
	Interest on Notes Payable (subordinate/surplus cash/non-MHDC loans)	7141	\$	—
	Interest on Mortgage Payable (subordinate/surplus cash/non-MHDC loan)	7142	\$	—
	Other Expenses	7190	\$	—
Net Entity Expenses	7100T		\$	—
Profit or Loss (Net Income or Loss)	3250		\$	(122,610)
Miscellaneous or other Income and Expense Sub-account Groups. If miscellaneous or other income and/or expense sub-accounts (5190, 5290, 5490, 5990, 6390, 6590, 6790, 6890 and 7190) exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the miscellaneous income or expense.				
Part II				
1. Total mortgage principal payments required during the audit year (12 monthly payments). (Account 7001)			\$	17,750
2. Total of 12 monthly deposits in the audit year into the Replacement Reserve account. (Account 7002)			\$	17,197
3. Replacement Reserve or Residual Receipts releases which are included as expense items on this Profit and Loss Statement. (Account 7003)			\$	35,793
4. Debt Service for other loans (surplus cash / non-MHDC / partner loans) (Account 7145)			\$	—

CAPITAL CITY ELDERLY L.P.
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STATEMENT OF PROFIT AND LOSS (Continued)

	<u>Account</u>	<u>For The Years</u> <u>Ended December 31,</u>	
		<u>2018</u>	<u>2017</u>
5490 - Revenue From Investments			
5490-010 - Interest on other reserves	5490-020	\$ 431	\$ 308

CAPITAL CITY ELDERLY L.P.
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STATEMENT OF PARTNERS' EQUITY
For The Years Ended December 31, 2018 And 2017

	Limited Partner	General Partner	Total
Allocation Percentage	99.99%	0.01%	100.00%
Balance - January 1, 2017	\$ 2,624,134	\$ (176)	\$ 2,623,958
Net Loss	(122,598)	(12)	(122,610)
S1100-010 Balance - December 31, 2017	2,501,536	(188)	2,501,348
3250 Net Loss	(65,262)	(7)	(65,269)
3130 Balance - December 31, 2018	\$ 2,436,274	\$ (195)	\$ 2,436,079

CAPITAL CITY ELDERLY L.P.
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STATEMENT OF CASH FLOWS

Page 1 Of 2

		For The Years	
		Ended December 31,	
		2018	2017
Cash Flows From Operating Activities			
Receipts:			
S1200-010	Rental receipts	\$ 202,061	\$ 198,440
S1200-020	Interest receipts	1,332	1,216
S1200-030	Other operating receipts	4,027	3,208
S1200-040	Total Receipts	207,420	202,864
Disbursements:			
S1200-050	Administrative	18,411	22,923
S1200-070	Management fee	17,670	17,490
S1200-090	Utilities	31,110	30,517
S1200-100	Salaries and wages	24,794	28,022
S1200-110	Operating and maintenance	45,969	77,405
S1200-140	Property insurance	13,789	12,567
S1200-150	Miscellaneous taxes and insurance	12,602	13,733
S1200-160	Tenant security deposits	407	535
S1200-230	Total Disbursements	164,752	203,192
S1200-240	Net Cash Provided By (Used In) Operating Activities	42,668	(328)
Cash Flows From Investing Activities			
S1200-245	Net withdrawals from mortgage escrow account	686	287
S1200-250	Net (deposits to) withdrawals from reserve for replacement account	(8,756)	41,011
S1200-255	Net deposits to other reserve accounts	(241)	(213)
S1200-330	Net purchases of fixed assets	—	(22,610)
S1200-350	Net Cash Provided By (Used In) Investing Activities	(8,311)	18,475
Cash Flows From Financing Activities			
S1200-360	Mortgage principal payments	(17,750)	(17,750)
S1200-455	Entity financing activities:		
S1200-456	Net repayments to affiliate of general partner (S1200-457)	(15,196)	(6,470)
S1200-460	Net Cash Used In Financing Activities	(32,946)	(24,220)
S1200-470	Net Increase (Decrease) In Cash	1,411	(6,073)
S1200-480	Beginning Of Period Cash	2,594	8,667
S1200T	End Of Period Cash	\$ 4,005	\$ 2,594

CAPITAL CITY ELDERLY L.P.
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STATEMENT OF CASH FLOWS

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		For The Years Ended December 31,	
		2018	2017
Reconciliation Of Net Loss To Net Cash			
Provided By (Used In) Operating Activities			
3250	Net loss	\$ (65,269)	\$ (122,610)
	Adjustments to reconcile net loss to net cash from operating activities:		
6600	Depreciation	111,041	125,072
6610	Amortization	544	544
	(Increase) decrease in assets:		
S1200-490	Tenant accounts receivable	(1,334)	223
S1200-520	Prepaid expenses	(1,193)	(277)
S1200-530	Cash restricted for tenant security deposits	(432)	(300)
	Increase (decrease) in liabilities:		
S1200-540	Accounts payable	631	(4,727)
S1200-560	Accrued liabilities	(1,635)	1,482
S1200-580	Tenant security deposits held in trust	25	(235)
S1200-590	Prepaid revenue	290	500
S1200-610 Net Cash Provided By (Used In) Operating Activities		\$ 42,668	\$ (328)

CAPITAL CITY ELDERLY L.P.
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NOTES TO FINANCIAL STATEMENTS
December 31, 2018 And 2017

1. Organization And Summary Of Significant Accounting Policies

Organization

Capital City Elderly L.P. (the Partnership) was originally organized on April 13, 2001 between Community Investment Group, II, LLC (the “Limited Partner”) and Capital City Elderly Housing Corporation (the “General Partner”) as a limited partnership, and amended and restated in its entirety in August 2001. The Partnership was formed to acquire an interest in real property located in Jefferson City, Missouri and to construct and operate a one-building, 50-unit apartment complex for the elderly (the Project). On January 28, 2016, the Limited Partner assigned its interest in the Partnership to Herron Apartments Investment Corporation (the “Substitute Limited Partner”). The Project is regulated by the Missouri Housing Development Commission (MHDC) as to rent charges and operating methods. Construction commenced in August 2001 and was substantially completed by September 2002.

The regulatory agreement with MHDC stipulates that Net Earnings, as defined in the Acts and Regulations, may be declared or made only as of or after the end of an annual fiscal period. Net Earnings are defined by MHDC as the difference between Project Income and the payment of all operating expenses, taxes, insurance, reserve payments, payments necessary to maintain all escrow accounts fully funded, if any, and debt service. Any undistributed amounts are cumulative and may be distributed in subsequent years if future operations provide Surplus Cash in excess of current requirements. In addition, the Partnership is required to deposit all Surplus Cash in excess of the cumulative allowable distributions into a residual receipts fund.

The Project has qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Project as to occupant eligibility and unit gross rents, among other requirements. The Project’s low-income housing credits will be contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in the recapture of previously taken tax credits, plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Limited Partner.

CAPITAL CITY ELDERLY L.P.

Notes To Financial Statements *(Continued)*

Estimates And Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Tenant Accounts Receivable

Tenant accounts receivable are stated at the amount management expects to collect from balances outstanding at year end. Based on management's assessment of the credit history with tenants having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year end will be immaterial.

Restricted Deposits And Funded Reserves

The restricted deposits and funded reserves are money market funds and are valued at cost since they are readily convertible to cash.

Rental Property

Rental property is stated at cost, less accumulated depreciation. Depreciation is provided using straight-line and accelerated methods over the estimated useful lives of the assets ranging from 5 to 40 years.

The Partnership, using its best estimates based on reasonable and supportable assumptions and projections, reviews its building, property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable. There were no impairment losses recognized for the years ended December 31, 2018 or 2017.

Development Fees

Development fees incurred for the development of the Project have been capitalized and added to the depreciable basis of the building.

Capitalized Interest

Interest during construction amounting to \$19,039 has been capitalized and added to the depreciable basis of the building.

Ground Lease Costs

Ground lease costs are capitalized and amortized over the 99-year lease term.

CAPITAL CITY ELDERLY L.P.

Notes To Financial Statements (Continued)

Tax Credit Costs

Tax credit costs are capitalized and were amortized using the straight-line method over the 10-year tax credit period.

Syndication Costs

Costs incurred in the syndication of the Limited Partner interest are recorded as an offset against capital raised.

Rental Revenue

The rental property is generally leased to tenants under one-year noncancellable operating leases. Rental revenue is recognized on a straight-line basis over the terms of the leases.

Income Taxes

Under provisions of the Internal Revenue Code (the Code) and applicable state laws, the Partnership is not directly subject to federal and state income taxes. The results of its operations are includable in the tax returns of its partners. Therefore, no provision for income tax expense has been included in the accompanying financial statements.

The following is a reconciliation between the net loss based on accounting principles generally accepted in the United States of America included in the accompanying statements of profit and loss and the Partnership's income (loss) as stated in its federal income tax returns for the years ended December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Net loss as shown in financial statements	\$ (65,269)	\$ (122,610)
Excess of depreciation and amortization deducted for financial statement purposes over depreciation and amortization deducted on tax return	99,447	113,582
Deferred rental income	290	500
Net income (loss) as shown on tax return	<u>\$ 34,468</u>	<u>\$ (8,528)</u>

Subsequent Events

Management evaluates subsequent events through the date the financial statements are available for issue, which is the date of the Independent Auditors' Report.

CAPITAL CITY ELDERLY L.P.

Notes To Financial Statements (Continued)

2. Deferred Costs

Deferred costs consist of:

	<u>2018</u>	<u>2017</u>
Deferred tax credit costs	\$ 22,470	\$ 22,470
Ground lease costs	53,884	53,884
	<u>76,354</u>	<u>76,354</u>
Less: Accumulated amortization	31,174	30,630
	<u>\$ 45,180</u>	<u>\$ 45,724</u>

3. Other Reserves

Other reserves consist of:

	<u>2018</u>	<u>2017</u>
Operating reserve escrow	\$ 8,144	\$ 8,090
Rent-up reserve escrow	28,537	28,350
	<u>\$ 36,681</u>	<u>\$ 36,440</u>

The operating reserve and rent-up reserve are to be used to meet any cash deficit in the operation of the Project during the life of the loan from MHDC.

4. Mortgage Note Payable

Construction and permanent financing is provided through HOME funds by the Missouri Housing Development Commission under a loan commitment of \$710,000. The nonrecourse loan is secured by a first deed of trust on the property and does not bear interest. Effective March 1, 2003, monthly payments of principal of \$1,479 are due. The loan matures February 1, 2043. As of December 31, 2018 and 2017, \$428,958 and \$446,708, respectively, was payable.

CAPITAL CITY ELDERLY L.P.

Notes To Financial Statements (Continued)

The scheduled maturities of the mortgage note payable as of December 31, 2018 are as follows:

<u>Year</u>	<u>Amount</u>
2019	\$ 17,750
2020	17,750
2021	17,750
2022	17,750
2023	17,750
Thereafter	340,208
	<u>\$ 428,958</u>

5. Related Party Transactions

The Project is managed by the Housing Authority of the City of Jefferson, Missouri (JCHA), an affiliate of the General Partner. Under this agreement, JCHA is to receive a fee of \$30 per occupied unit per month. This fee amounted to \$17,670 and \$17,490 for the years ended December 31, 2018 and 2017, respectively. There were no fees payable as of December 31, 2018 or 2017.

JCHA periodically advances funds to the Project to cover the costs of operations. The balance outstanding as of December 31, 2018 and 2017 was \$7,000 and \$22,196, respectively.

The Partnership has entered into an Incentive Management Fee Agreement with the General Partner for its services in managing the business of the Partnership. In consideration for such services, the General Partner shall receive an annual, noncumulative fee of 85% of remaining Net Annual Cash Flow, as defined in the Partnership Agreement. The fee shall not exceed \$30,000 per year. No such fee was paid or accrued by the Partnership in 2018 or 2017.

The Partnership has executed a 99-year ground lease agreement with JCHA. The agreement is subject to various use restrictions and operating requirements, as defined in the agreement. Upon expiration of the agreement, the Partnership has an option to purchase the property. As JCHA acts as the Land Clearance for Redevelopment Authority of Jefferson City, Missouri and also holds the fee title to the property, the property is exempt from the payment of real estate taxes as long as JCHA continues to hold the property.

CAPITAL CITY ELDERLY L.P.

Notes To Financial Statements (*Continued*)

The Partnership Agreement provides for various guarantees and obligations of the General Partner and certain affiliated entities.

6. Commitments

The Partnership has entered into a regulatory agreement with MHDC which regulates, among other things, the rents which may be charged for apartment units in the Project, prohibits the sale of the Project without MHDC consent, limits the annual distribution of cash flow to the partners and otherwise regulates the relationship between the Partnership and MHDC.

A land use restriction agreement filed with MHDC requires that at least 40% of the residential units shall be set aside and made available for rental solely to eligible low-income individuals or families, as defined in the Code.

CAPITAL CITY ELDERLY L.P.
01-052-HT

SUPPORTING DATA REQUIRED BY MHDC
December 31, 2018

Schedule Of Escrow Deposits And Replacement Reserves

Replacement Reserve	
Balance - January 1, 2018	\$ 133,054
Monthly deposits	17,541
Interest earned	901
Release of funds	<u>(9,686)</u>
Balance - December 31, 2018, confirmed by mortgagee	<u>\$ 141,810</u>
Insurance Escrow	<u>\$ 90</u>

Distributions and Residual Receipts

PROJECT NAME	FISCAL PERIOD ENDED:	PROJECT NUMBER
Capital City Elderly L.P.	12/31/2018	01-052-HT
Part A - Compute Surplus Cash		
Cash		
1. Cash (Accounts 1120, 1170, 1191 minus Account 2105) (S1300-010)	\$ 21,610	
2. Tenant subsidy due for period covered by financial statement (1135)	\$ —	
3. Other (Describe) (S1300-030)	\$ —	
(a) Total Cash (Add Lines 1, 2, and 3) (S1300-040)	\$ 21,610	
Current Obligations		
4. Accrued mortgage interest payable (S1300-050)	\$ —	
5. Delinquent mortgage principal payments (S1300-060)	\$ —	
6. Delinquent deposits to reserve for replacements (S1300-070)	\$ —	
7. Accounts payable - 30 days (S1300-075)	\$ 2,480	
8. Loans and notes payable (due within 30 days) (S1300-080)	\$ —	
9. Deficient tax insurance or MIP escrow deposits (S1300-090)	\$ —	
10. Accrued expenses (not escrowed) (S1300-100)	\$ 2,607	
11. Prepaid revenue (2210)	\$ 1,625	
12. Tenant security deposits liability (2191)	\$ 15,916	
13. Other current obligations (Describe) (S1300-110)	\$ —	
(b) Total Current Obligations (Add Lines 4 through 13) (S1300-140)	\$ 22,628	
(c) Surplus Cash (Deficiency) [Line (a) minus Line (b)] (S1300-150)	\$ (1,018)	
Part B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
1. Surplus Cash	\$ None	
Limited Dividend Projects		
2a. Annual distribution earned during fiscal period covered by the statement (S1300-160)	\$ —	
2b. Distribution accrued and unpaid as of the end of the prior fiscal period (S1300-170)	\$ —	
2c. Distributions and entity expenses paid during fiscal period covered by statement (S1300-180)	\$ —	
3. Distribution earned but unpaid (Line 2a plus 2b minus 2c) (S1300-190)	\$ —	
4. Amount available for distribution during next fiscal period (S1300-200)	\$ —	
5. Deposit due residual receipts (S1300-210)	\$ —	

CAPITAL CITY ELDERLY L.P.
01-052-HT

**COMPUTATION OF DISTRIBUTIONS TO OWNERS AND
REQUIRED DEPOSIT TO RESIDUAL RECEIPTS**

Development Name: Capital City Elderly L.P.	Fiscal Period	From: <u>January 1, 2018</u> To: <u>December 31, 2018</u>
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A. Annual distribution earned during fiscal period covered by the statement:

		Line Item
Current Equity	*\$ 4,662,934	(1)
Multiply percent per regulatory agreement	x 8%	(2)
Annual distribution earned for: <u>2018</u>	=\$ 373,035	(3)

B. Distribution accrued and unpaid as of the end of the prior fiscal period:

Distributions earned per Regulatory Agreement at 12/31, or end of accounting year, if different, for years:

2017	\$ 371,615	
2016	\$ 370,195	
2015	\$ 368,775	
2014	\$ 367,355	
2013	\$ 365,935	
2012	\$ 364,515	
2011	\$ 363,095	
2010 and prior years	\$ 2,853,640	
Total prior year distributions earned	\$ 5,425,125	(4)
Less: Distributions made to partners in prior years	-\$	(5)
Less: Partnership Management Review Fee	-\$ 22,500	(6)

Distributions accrued and unpaid as of period covered by statement:	=\$ 5,402,625	(7)
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C. Distributions paid during period covered by statement:

To partners	\$ —	(8)
Other: Partnership Management Review Fee	\$ —	(9)
Total distributions paid during period covered by statement	=\$ —	(10)

D. Amount to be carried as distributions earned but unpaid:

Line (3) + Line (7) - Line (10) =	**\$ 5,775,660	(11)
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E. Amount available for distribution during next fiscal period:	\$ None	(12)
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F. Deposits due residual receipts:

If Line (11) is greater than Line (12), enter zero (\$0), else enter Line (12) - Line (11), and deposit amount within 60 days of fiscal year end into joint account with mortgagee (MHDC).	\$ —	(13)
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* Current equity represents initial equity investment plus mortgage principal reduction through end of fiscal period.

** Distributions may only be made to the extent that there is surplus cash available as shown in Part E.

CAPITAL CITY ELDERLY L.P.
01-052-HT

SUPPORTING DATA REQUIRED BY MHDC (Continued)
December 31, 2018

Schedule Of Fixed Assets

	Balance January 1, 2018	Additions	Deductions	Balance December 31, 2018
1410 Land improvements	\$ 324,872	\$ —	\$ —	\$ 324,872
1420 Building	4,417,452	—	21,373	4,396,079
1450 Furniture for project/tenant use	156,487	—	187	156,300
1465 Office furniture and equipment	5,306	—	—	5,306
1480 Motor vehicles	1,633	—	—	1,633
Total	4,905,750	—	21,560	4,884,190
1495 Accumulated depreciation	2,160,589	111,041	21,560	2,250,070
1400N Net Book Value	\$ 2,745,161	\$ (111,041)	\$ —	\$ 2,634,120

CAPITAL CITY ELDERLY L.P.
01-052-HT

SUPPORTING DATA REQUIRED BY MHDC (Continued)
December 31, 2018

Funds In Financial Institutions

A. Funds Held By Mortgagor, Regular Operating Account

Central Trust Bank, (checking)⁽¹⁾ \$ 4,005

B. Funds Held By Mortgagor In Trust, Tenant Security Deposits

Central Trust Bank, (savings)⁽¹⁾ 17,605

Funds Held By Mortgagor, TOTAL 21,610

D. Funds Held By Mortgagee, MHDC (In Trust)

1. Insurance Escrow, Missouri Housing Development
Commission⁽¹⁾ 90

2. Reserve Fund For Replacements, Missouri Housing Development
Commission⁽¹⁾ 141,810

3. Operating Reserve Escrow, Missouri Housing Development
Commission⁽¹⁾ 8,144

4. Rent-up Reserve Escrow, Missouri Housing Development
Commission⁽¹⁾ 28,537

Funds Held By Mortgagee, TOTAL 178,581

Total Funds In Financial Institutions

\$ 200,191

⁽¹⁾ Balances audited as of December 31, 2018

**CAPITAL CITY ELDERLY L.P.
01-052-HT**

**SUPPORTING DATA REQUIRED BY MHDC (Continued)
December 31, 2018**

**Schedule Of Eligible And Allocated Federal And
State Tax Credits (Unaudited)
TIN #: 43-1923274**

Credit Year	Calendar Year	Annual Federal LIHTC		Annual State LIHTC	
		Allocated	Eligible	Allocated	Eligible
1	2003	\$ 374,500	\$ 304,700	\$ 374,500	\$ 304,700
2	2004	374,500	374,500	374,500	374,500
3	2005	374,500	374,500	374,500	374,500
4	2006	374,500	374,500	374,500	374,500
5	2007	374,500	374,500	374,500	374,500
6	2008	374,500	374,500	374,500	374,500
7	2009	374,500	374,500	374,500	374,500
8	2010	374,500	374,500	374,500	374,500
9	2011	374,500	374,500	374,500	374,500
10	2012	374,500	374,500	374,500	374,500
11	2013	N/A	69,800	N/A	69,800
12	2014	N/A		N/A	
13	2015	N/A		N/A	
14	2016	N/A		N/A	
15	2017	N/A		N/A	

CAPITAL CITY ELDERLY L.P.
01-052-HT

MANAGING AGENT CERTIFICATION
For The Year Ended December 31, 2018

We hereby certify that we have examined the accompanying financial statements and supplementary information of Capital City Elderly L.P. and, to the best of our knowledge and belief, the same is complete and accurate.

Housing Authority of the City of Jefferson,
Missouri

By: 
Signature of Signer

Cynthia Quetsch
Printed Name of Signer

Executive Director
Title of Signer

44-6005933
Employer Identification Number


Signature of Individual Responsible for
Management of Property

Michelle Wessler
Printed Name of Individual
Responsible for Management of
Property

March 20, 2019
Date

S3200-005

Auditors' Transmittal Letter

S3200-010 Audit Firm RubinBrown LLP

S3200-020 Lead Auditor First Name Tracy

S3200-030 Lead Auditor Middle Name Lynn

S3200-040 Lead Auditor Last Name Senf

S3200-050 Auditor Street Address Line 1 One North Brentwood

S3200-060 Auditor Street Address Line 2 _____

S3200-070 Auditor City St. Louis

S3200-080 Auditor State Missouri

S3200-090 Auditor Zip Code 63105

S3200-100 Auditor Zip Code Extension _____

S3200-110 Auditor Telephone Number (314) 290-3300

S3200-120 Auditor Firm TIN 43-0765316

S3200-130 Date Of Independent Auditors' Report March 20, 2019