

Capital City Elderly, LP

**MHDC Project No.: 01-052-HT
Financial Statements and Supplemental Information
with Report of Independent Auditors**

December 31, 2020 and 2019



Report of Independent Auditors

To the Partners of

Capital City Elderly, LP:

Report on the Financial Statements

We have audited the accompanying financial statements of Capital City Elderly, LP, a Missouri limited partnership, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that 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 auditors consider 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, LP as of December 31, 2020 and 2019, 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

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information 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 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, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole

The schedule of eligible and allocated federal and state tax credits, mortgagor certification, and the managing agent certification have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2021 on our consideration of Capital City Elderly, LP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Capital City Elderly, LP's internal control over financial reporting and compliance.

Novogradec & Company LLP

Austin, Texas

February 15, 2021

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 BALANCE SHEETS
 December 31, 2020 and 2019

Assets

		December 31,	
		2020	2019
Current Assets			
1120	Cash - operations	\$ —	\$ 2,570
1130	Tenant accounts receivable	1,590	353
1190	Miscellaneous current assets (Supplemental Schedule > \$1,000)	320	320
1200	Miscellaneous prepaid expenses (Supplemental Schedule > \$1,000)	15,646	14,113
1100T	Total Current Assets	17,556	17,356
Deposits Held in Trust - Funded			
1191	Tenant deposits held in trust	13,680	15,902
Restricted Deposits And Funded Reserves			
1310	Escrow deposits	(1,643)	27
1320	Replacement reserve	82,926	136,607
1330	Other reserves	37,133	36,942
1300T	Total Deposits	118,416	173,576
Fixed Assets			
1420	Buildings	4,432,906	4,411,568
1450	Furniture for project/tenant use	156,300	156,300
1465	Office furniture and equipment	5,306	5,306
1480	Motor vehicles	1,633	1,633
1490	Miscellaneous fixed assets	328,529	325,820
1400T	Total Fixed Assets	4,924,674	4,900,627
1495	Less: Accumulated depreciation	2,418,616	2,337,632
1400N	Net Fixed Assets	2,506,058	2,562,995
Other Assets			
1520	Intangible assets	44,092	44,636
1500T	Total Other Assets	44,092	44,636
1000T	Total Assets	\$ 2,699,802	\$ 2,814,465

see accompanying notes

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 BALANCE SHEETS (CONTINUED)
 December 31, 2020 and 2019

Liabilities

		December 31,	
		2020	2019
Current Liabilities			
2105	Bank overdraft - operations	\$ 4,181	\$ —
2110	Accounts payable - operations	2,143	6,334
2113	Accounts payable - entity	7,000	7,000
2123	Accrued management fee payable	6,911	—
2170	Mortgage payable - first mortgage (short-term)	17,750	17,750
2190	Miscellaneous current liabilities (Supplemental Schedule > \$1,000)	4,518	2,764
2210	Prepaid revenue	2,723	1,629
2122T	Total Current Liabilities	45,226	35,477
Deposit And Prepayment Liabilities			
2191	Tenant deposits held in trust (contra)	13,600	15,841
Long-Term Liabilities			
2320	Mortgage payable - first mortgage	375,708	393,458
2300T	Total Long-Term Liabilities	375,708	393,458
2000T	Total Liabilities	434,534	444,776
Partners' Equity			
3130	Partners' equity	2,265,268	2,369,689
2033T	Total Liabilities And Partners' Equity	\$ 2,699,802	\$ 2,814,465

see accompanying notes

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
STATEMENT OF INCOME
For the Year Ended December 31, 2020

	Description of Account	Acct. No.	Amount
Rent Revenue 5100	Rent Revenue - Gross Potential	5120	\$ 220,000
	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	\$ 220,000
Vacancies 5200	Apartments	5220	\$ 19,350
	Stores and Commercial	5240	\$ —
	Rental Concessions	5250	\$ 1,198
	Loss to Lease	5260	\$ 1,976
	Garage and Parking Space	5270	\$ —
	Miscellaneous	5290	\$ —
	Total Vacancies	5200T	\$ 22,524
Net Rental Revenue <i>Rent Revenue Less Vacancies</i>		5152N	\$ 197,476
Supportive Services - 5390	Supportive Services Revenue (attach Schedule)	5390	\$ —
Financial Revenue 5400	Financial Revenue - Project Operations	5410	\$ 45
	Revenue from Investments - Residual Receipts	5430	\$ —
	Revenue from Investments - Replacement Reserve	5440	\$ 633
	Revenue from Investments - Miscellaneous	5490	\$ 191
	Total Financial Revenue	5400T	\$ 869
Other Revenue 5900	Laundry and Vending Revenue	5910	\$ 2,343
	Tenant Charges	5920	\$ 17,506
	Interest Reduction Payments Revenue	5945	\$ —
	Cable TV / Internet Access Revenue	5954	\$ —
	Miscellaneous Revenue	5990	\$ 1,053
	Total Other Revenue	5900T	\$ 20,902
Total Revenue		5000T	\$ 219,247
Administrative Expenses 6200/6300	Conventions and Meetings	6203	\$ 159
	Management Consultants	6204	\$ —
	Advertising and Marketing	6210	\$ 2,378
	Other Renting Expenses	6250	\$ 91
	Office Salaries	6310	\$ 7,634
	Office Expenses	6311	\$ 3,021
	Office or Model Apartment Rent	6312	\$ —
	Leased Furniture	6313	\$ —
	Management Fee/Bookkeeping/Accounting Services	6320	\$ 16,470
	Manager or Superintendent Salaries	6330	\$ 8,615
	Administrative Rent Free Unit	6331	\$ —
	Legal Expense - Project	6340	\$ 106
	Audit Expense	6350	\$ 5,500
	Telephone Expense	6360	\$ 4,728
	Bad Debts	6370	\$ 16,134
	Miscellaneous Administrative Expenses	6390	\$ 4,082
Total Administrative Expenses	6263T	\$ 68,918	
Utilities	Electricity	6450	\$ 14,620
	Water	6451	\$ 6,005
	Gas	6452	\$ 411
	Sewer	6453	\$ 4,432
	Cable TV / Internet Access	6454	\$ 1,281
	Total Utilities Expense	6400T	\$ 26,749
	Total Expenses (Carry Forward to Page 2)		

see accompanying notes

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
STATEMENT OF INCOME (CONTINUED)
For the Year Ended December 31, 2020

		Balance Carried Forward		\$ 95,667
Operating Maintenance Expenses 6500	Payroll	6510	\$ 19,640	
	Supplies	6515	\$ 8,817	
	Contracts	6520	\$ 23,029	
	Operating and Maintenance Rent Free Unit	6521	\$ —	
	Garbage and Trash Removal	6525	\$ 2,413	
	Security Payroll/Contract	6530	\$ 7,886	
	Security Rent Free Unit	6531	\$ —	
	Heating/Cooling Repairs and Maintenance	6546	\$ 1,239	
	Snow Removal	6548	\$ 2,616	
	Vehicle and Maintenance Equipment Operation and Repairs	6570	\$ 504	
	Maintenance Tools and Equipment	6571	\$ —	
	Pool Supplies and Pool Maintenance/Contracts	6572	\$ —	
	Exterminating	6573	\$ 2,220	
	Elevator Maintenance/Contracts	6574	\$ 6,770	
	Vacant Unit Preparation	6580	\$ 8,570	
	Miscellaneous Operating and Maintenance Expenses	6590	\$ 171	
	Total Operating and Maintenance Expenses	6500T		\$ 83,875
Taxes and Insurance 6700	Real Estate Taxes	6710	\$ —	
	Payroll Taxes (Project's Share)	6711	\$ 2,542	
	Property and Liability Insurance (Hazard)	6720	\$ 14,397	
	Fidelity Bond Insurance	6721	\$ 44	
	Workmen's Compensation	6722	\$ 670	
	Health Insurance and Other Employee Benefits	6723	\$ 13,440	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790	\$ —	
		Total Taxes and Insurance	6700T	
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$ —	
	Interest Attributable to Debt Issuance Costs	6822	\$ —	
	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 -	Supportive Services Expenses (attach Schedule)	6990	\$ —	\$ —
	Total Cost of Operations before Depreciation and Amortization	6000T		\$ 210,635
	Profit (Loss) before Depreciation and Amortization	5060T		\$ 8,612
	Depreciation Expense	6600	\$ 112,489	
	Amortization Expense	6610	\$ 544	
		Total Depreciation and Amortization		
	Operating Profit or (Loss)	5060N		\$ (104,421)
Corporate or Mortgagor Entity Expenses 7100	Entity Revenue	7105	\$ —	
	Officer's Salaries	7110	\$ —	
	Asset Management, Partnership, & Incentive Performance Fee	7115	\$ —	
	Legal Expenses	7120	\$ —	
	Federal, State, and Other Income Taxes	7130	\$ —	
	Fidelity & Bond Expense	7135	\$ —	
	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		\$ (104,421)
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.				
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)				\$ 18,250
3. Replacement Reserve or Residual Receipts releases which are included as expense items on this Profit and Loss Statement. (Account 7003)				\$ 17,848
4. Debt Service for other loans (surplus cash / non-mhdc / partner loans) (Account 7145)				\$ —

see accompanying notes

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
STATEMENT OF INCOME (CONTINUED)
For the Year Ended December 31, 2019

	Description of Account	Acct. No.	Amount
Rent Revenue 5100	Rent Revenue - Gross Potential	5120	\$ 214,600
	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	\$ 35
	Rent Revenue/Insurance	5192	\$ —
	Special Claims Revenue	5193	\$ —
	Retained Excess Income	5194	\$ —
	Total Rent Revenue	5100T	\$ 214,635
Vacancies 5200	Apartments	5220	\$ 6,285
	Stores and Commercial	5240	\$ —
	Rental Concessions	5250	\$ 242
	Loss to Lease	5260	\$ 1,884
	Garage and Parking Space	5270	\$ —
	Miscellaneous	5290	\$ —
	Total Vacancies	5200T	\$ 8,411
	Net Rental Revenue <i>Rent Revenue Less Vacancies</i>	5152N	\$ 206,224
Supportive Services - 5390	Supportive Services Revenue (attach Schedule)	5390	\$ —
Financial Revenue 5400	Financial Revenue - Project Operations	5410	\$ 209
	Revenue from Investments - Residual Receipts	5430	\$ —
	Revenue from Investments - Replacement Reserve	5440	\$ 1,010
	Revenue from Investments - Miscellaneous	5490	\$ 261
	Total Financial Revenue	5400T	\$ 1,480
Other Revenue 5900	Laundry and Vending Revenue	5910	\$ 3,067
	Tenant Charges	5920	\$ 402
	Interest Reduction Payments Revenue	5945	\$ —
	Cable TV / Internet Access Revenue	5954	\$ —
	Miscellaneous Revenue	5990	\$ 21,892
	Total Other Revenue	5900T	\$ 25,361
	Total Revenue	5000T	\$ 233,065
Administrative Expenses 6200/6300	Conventions and Meetings	6203	\$ 856
	Management Consultants	6204	\$ —
	Advertising and Marketing	6210	\$ 1,709
	Other Renting Expenses	6250	\$ 138
	Office Salaries	6310	\$ 9,283
	Office Expenses	6311	\$ 3,916
	Office or Model Apartment Rent	6312	\$ —
	Leased Furniture	6313	\$ —
	Management Fee/Bookkeeping/Accounting Services	6320	\$ 17,520
	Manager or Superintendent Salaries	6330	\$ 8,172
	Administrative Rent Free Unit	6331	\$ —
	Legal Expense - Project	6340	\$ 341
	Audit Expense	6350	\$ 7,400
	Telephone Expense	6360	\$ 4,455
	Bad Debts	6370	\$ —
	Miscellaneous Administrative Expenses	6390	\$ 2,825
Total Administrative Expenses	6263T	\$ 56,615	
Utilities	Electricity	6450	\$ 15,355
	Water	6451	\$ 6,597
	Gas	6452	\$ 401
	Sewer	6453	\$ 4,470
	Cable TV / Internet Access	6454	\$ 1,253
	Total Utilities Expense	6400T	\$ 28,076
	Total Expenses (Carry Forward to Page 2)		\$ 84,691

see accompanying notes

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
STATEMENT OF INCOME (CONTINUED)
For the Year Ended December 31, 2019

		Balance Carried Forward		\$ 84,691
Operating Maintenance Expenses 6500	Payroll	6510	\$ 17,125	
	Supplies	6515	\$ 7,431	
	Contracts	6520	\$ 22,653	
	Operating and Maintenance Rent Free Unit	6521	\$ —	
	Garbage and Trash Removal	6525	\$ 2,343	
	Security Payroll/Contract	6530	\$ 5,983	
	Security Rent Free Unit	6531	\$ —	
	Heating/Cooling Repairs and Maintenance	6546	\$ 1,938	
	Snow Removal	6548	\$ 3,273	
	Vehicle and Maintenance Equipment Operation and Repairs	6570	\$ 960	
	Maintenance Tools and Equipment	6571	\$ —	
	Pool Supplies and Pool Maintenance/Contracts	6572	\$ —	
	Exterminating	6573	\$ 1,629	
	Elevator Maintenance/Contracts	6574	\$ 4,728	
	Vacant Unit Preparation	6580	\$ 3,690	
Miscellaneous Operating and Maintenance Expenses	6590	\$ 24		
Total Operating and Maintenance Expenses	6500T		\$ 71,777	
Taxes and Insurance 6700	Real Estate Taxes	6710	\$ —	
	Payroll Taxes (Project's Share)	6711	\$ 2,576	
	Property and Liability Insurance (Hazard)	6720	\$ 13,388	
	Fidelity Bond Insurance	6721	\$ —	
	Workmen's Compensation	6722	\$ 436	
	Health Insurance and Other Employee Benefits	6723	\$ 14,643	
	Miscellaneous Taxes, Licenses, Permits and Insurance	6790	\$ —	
Total Taxes and Insurance	6700T		\$ 31,043	
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$ —	
	Interest Attributable to Debt Issuance Costs	6822	\$ —	
	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 -	Supportive Services Expenses (attach Schedule)	6990	\$ —	\$ —
	Total Cost of Operations before Depreciation and Amortization	6000T		\$ 187,511
	Profit (Loss) before Depreciation and Amortization	5060T		\$ 45,554
	Depreciation Expense	6600	\$ 111,400	
	Amortization Expense	6610	\$ 544	
	Total Depreciation and Amortization			\$ 111,944
	Operating Profit or (Loss)	5060N		\$ (66,390)
Corporate or Mortgagor Entity Expenses 7100	Entity Revenue	7105	\$ —	
	Officer's Salaries	7110	\$ —	
	Asset Management, Partnership, & Incentive Performance Fee	7115	\$ —	
	Legal Expenses	7120	\$ —	
	Federal, State, and Other Income Taxes	7130	\$ —	
	Fidelity & Bond Expense	7135	\$ —	
	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		\$ (66,390)
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.				
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)				\$ 17,892
3. Replacement Reserve or Residual Receipts releases which are included as expense items on this Profit and Loss Statement. (Account 7003)				\$ 24,105
4. Debt Service for other loans (surplus cash / non-mhdc / partner loans) (Account 7145)				\$ —

see accompanying notes

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 STATEMENTS OF PARTNERS' EQUITY
 For the Years Ended December 31, 2020 and 2019

Account	Limited Partner	General Partner	Total Partners' Equity
Allocation Percentage	99.99%	0.01%	100.00%
Balance, January 1, 2019	\$ 2,436,274	\$ (195)	\$ 2,436,079
Net loss	(66,383)	(7)	(66,390)
Balance, December 31, 2019	\$ 2,369,891	\$ (202)	\$ 2,369,689
3250 Net loss	(104,411)	(10)	(104,421)
3130 Balance, December 31, 2020	\$ 2,265,480	\$ (212)	\$ 2,265,268

see accompanying notes

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (104,421)	\$ (66,390)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation expense	112,489	111,400
Amortization expense	544	544
Change in tenant security deposits held in trust	2,222	1,703
Change in accounts receivable	(1,237)	1,328
Change in prepaid expenses	(1,533)	(940)
Change in accounts payable	(4,191)	3,854
Change in security deposits payable	(2,241)	(75)
Change in prepaid rent	1,094	4
Change in accrued expenses	8,665	157
Net cash provided by operating activities	11,391	51,585
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(55,552)	(40,275)
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in bank overdraft	4,181	-
Payment of mortgage	(17,750)	(17,750)
Net cash used in financing activities	(13,569)	(17,750)
Net change in cash, cash equivalents and restricted cash	(57,730)	(6,440)
Cash, cash equivalents and restricted cash at beginning of year	176,146	182,586
Cash, cash equivalents and restricted cash at end of year	\$ 118,416	\$ 176,146
Cash and cash equivalents	\$ -	\$ 2,570
Restricted cash	118,416	173,576
Total cash, cash equivalents and restricted cash	\$ 118,416	\$ 176,146

see accompanying notes

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

1. Organization

Capital City Elderly, LP (the “Entity”), a Missouri limited partnership, was formed April 13, 2001. The Entity was formed to acquire an interest in real property and to construct and operate a 50-unit apartment complex for the elderly located in Jefferson City, Missouri known as Ted Herron Apartments (the “Property”). The Property is rented to low-income tenants and is operated in a manner necessary to qualify for the federal low-income housing tax credit program as described in Internal Revenue Code Section 42.

In prior years, Community Investment Group II, LLC (the “Original Limited Partner”) transferred and assigned its rights, title, and interest in the Entity to Herron Apartments Investment Corporation (the “Limited Partner”).

The general partner is Capital City Elderly Housing Corporation (the “General Partner”). Pursuant to the Amended and Restated Agreement of Limited Partnership dated August 1, 2001, and the subsequent amendments (“the Partnership Agreement”), profits, losses and tax credits are allocated 0.01% to the General Partner and 99.99% to the Limited Partner.

The Property is regulated by the Missouri Housing Development Commission (“MHDC”) as to rent charges and operating methods. 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 Property 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 Entity is required to deposit all Surplus Cash in excess of the cumulative allowable distributions into a residual receipts fund.

Pursuant to the terms of the Partnership Agreement, the Original Limited Partner was required to provide capital contributions totaling \$4,381,330, subject to potential adjustments based on the amount of low-income housing tax credits ultimately allocated to the Property in addition to other potential occurrences as more fully explained in the Partnership Agreement. As of December 31, 2020 and 2019, no capital contributions remained outstanding.

2. Summary of significant accounting policies and nature of operations

Basis of accounting

The Entity prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America.

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Cash and cash equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, funding of operating deficits, repairs or improvements to the buildings, and annual insurance payments.

Concentration of credit risk

The Entity maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Entity has not experienced any losses in such accounts. The Entity believes it is not exposed to any significant credit risk on cash and cash equivalents.

Accounts receivable

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method. For the years ended December 31, 2020 and 2019, bad debt expense of \$16,134 and \$0, respectively, was incurred.

Fixed assets and depreciation

Fixed assets are recorded at cost. Buildings, which include building improvements, are depreciated over their estimated useful life of 40 years using the straight-line method. Land improvements are depreciated over their estimated useful life of 15 years using the straight-line method. Furniture and equipment are depreciated over their estimated useful life of 5 years using the straight-line method. Depreciation expense for the years ended December 31, 2020 and 2019 was \$112,489 and \$111,400, respectively.

Impairment of long-lived assets

The Entity reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation technique. No impairment losses were recognized during 2020 or 2019.

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Cash distributions

Cash distributions are limited by agreements between the Entity and MHDC to the extent of surplus cash as defined by MHDC. Undistributed amounts are cumulative and may be distributed in subsequent years if future operations provide surplus cash in excess of current requirements. For the years ended December 31, 2020 and 2019, no distributions were made to the partners.

Income taxes

Income taxes on Entity income are levied on the partners at the partner level. Accordingly, all profits and losses of the Entity are recognized by each partner on its respective tax return.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Entity to report information regarding its exposure to various tax positions taken by the Entity. Management has determined whether any tax positions have met the recognition threshold and has measured the Entity's exposure to those tax positions. Management believes that the Entity has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Entity are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Revenue recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other revenue includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned. Advance receipts of revenue are deferred and classified as liabilities until earned.

Economic concentrations

The Entity operates one property in Jefferson City, Missouri. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

Impact of COVID-19 pandemic

The ongoing COVID-19 pandemic has caused an economic downturn on a global scale, disrupted global supply chains, and created significant uncertainty, volatility, and disruption across economies and financial markets. The severity and extent of the impact of COVID-19 on the Entity's operations will depend on a number of factors, including, but not limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Entity's tenants, all of which are highly uncertain and cannot be predicted at this time. The Entity's future results could be adversely impacted by delays in rent collections. Significant uncertainty remains regarding the ongoing effects of the COVID-19 pandemic on the Entity's operations. Management is unable to reasonably estimate the impact of COVID-19 on its financial condition, results of operations or cash flows.

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

2. Summary of significant accounting policies and nature of operations (continued)

Subsequent events

Subsequent events have been evaluated through February 15, 2021, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

3. Restricted deposits and funded reserves

Escrow deposits

Pursuant to a regulatory agreement between the Entity and MHDC, required monthly payments to the mortgagee include amounts for deposit to mortgage escrow funds. These are held by the mortgagee for future payment of real estate taxes and property and mortgage insurance. This fund is restricted in accordance with the provisions of the regulatory agreement. As of December 31, 2020 and 2019, the escrow deposits had a deficit balance of \$1,643 and a balance of \$27, respectively.

Replacement reserve

Pursuant to a regulatory agreement between the Entity and MHDC, annual deposits of \$18,250 are made to the replacement reserve account. These deposits are held by the mortgagee until MHDC approval is obtained for use of the funds to repair or replace certain assets of the Property. As of December 31, 2020 and 2019, the balance was \$82,926 and \$136,607, respectively.

Other reserves

Pursuant to a regulatory agreement between the Entity and MHDC, an operating reserve and a rent-up reserve were established to meet any cash deficits in the operation of the Property during the life of the loan from MHDC. The Entity must have approval from MHDC before funds from the reserves are released. As of December 31, 2020 and 2019, the operating reserve balance was \$8,245 and \$8,202, respectively. As of December 31, 2020 and 2019, the rent-up reserve balance was \$28,888 and \$28,740, respectively.

Residual receipts reserve

Pursuant to a regulatory agreement between the Entity and MHDC, surplus cash in excess of the cumulative allowable distributions are deposited into the residual receipts reserve account. These deposits are held by MHDC until approval is obtained for use of the funds. As of December 31, 2020 and 2019, the residual receipts reserve had not been funded.

4. Mortgage payable – first mortgage

In 2003, the Entity obtained construction and permanent financing (the “Permanent Loan”) in the amount of \$710,000 from MHDC. The nonrecourse loan is secured by a first deed of trust on the Property. The Permanent Loan does not bear interest and matures on February 1, 2043. Principal payments of \$1,479 are due monthly. As of December 31, 2020 and 2019, \$393,458 and \$411,208, respectively, was payable.

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 NOTES TO FINANCIAL STATEMENTS
 December 31, 2020 and 2019

4. Mortgage payable – first mortgage (continued)

Future minimum principal payment requirements over the next five years and thereafter are as follows:

Year ending December 31,	
2021	\$ 17,750
2022	17,750
2023	17,750
2024	17,750
2025	17,750
Thereafter	<u>304,708</u>
Total	<u>\$ 393,458</u>

5. Related party transactions

Property management fee

The Entity entered into a management agreement with the Housing Authority of the City of Jefferson, Missouri (the “Management Agent”), a related party of the General Partner, for services rendered in connection with the leasing and operation of the Property. The Management Agent fee for its services is \$30 per occupied unit per month. During 2020 and 2019, property management fees of \$16,470 and \$17,520, respectively, were incurred. As of December 31, 2020 and 2019, property management fees of \$6,911 and \$0, respectively, were payable.

Related party advances

The Housing Authority for the City of Jefferson, Missouri (“JCHA”), a related party of the General Partner, advanced funds to the Entity to cover operating costs. As of December 31, 2020 and 2019, \$7,000 remained payable both years.

Ground lease

The Entity entered into a 99-year ground lease agreement with JCHA, an affiliate of the General Partner, for \$53,884. The lease was prepaid by the Entity. Upon expiration of the agreement, the Entity 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. Deferred ground lease costs have been recorded for the full amount and are being amortized on a straight-line basis over the life of the lease, with amortization expense being recognized on the statement of operations. For 2020 and 2019, the ground lease amortization expense was \$544 each year.

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

5. Related party transactions (continued)

Incentive management fee

Pursuant to the Partnership Agreement, the Entity pays an incentive management fee to the General Partner for its services in managing the business of the Entity. In consideration for such services, the General Partner shall receive an annual noncumulative fee of 85% of the Net Annual Cash Flow, as defined in the Partnership Agreement., subject to available cash flow. The fee shall not exceed \$30,000 per year. During 2020 and 2019, no incentive management fee was incurred.

6. Low-income housing tax credits

The Entity expects to generate an aggregate of \$3,745,000 of federal low-income housing tax credits and \$3,745,000 of state low-income housing tax credits (“Tax Credits”). Generally, such credits become available for use by its partners pro-rata over a ten-year period, which began in 2004. The year in which the credit period begins is determined on a building-by-building basis within the Entity. In order to qualify for these credits, the Property must comply with various federal and state requirements. These requirements 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 Entity has also agreed to maintain and operate the Property as low-income housing for an additional 15 years beyond the initial 15-year compliance period. Because the Tax Credits are subject to compliance with certain requirements, there can be no assurance that the aggregate amount of Tax Credits will be realized, and failure to meet all such requirements or to correct noncompliance within a specified time period may result in generating a lesser amount of Tax Credits than expected in future years, and/or recapture of Tax Credits previously allocated. A reduction of future credits or recapture would require credit deficit payments to the Limited Partner under the terms of the Partnership Agreement.

As of December 31, 2013, the complete amount of Tax Credits, \$7,490,000, had been fully allocated to the Entity.

The Entity does not anticipate generating additional Tax Credits in future years.

7. Commitments

The Entity 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 Entity 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.

SUPPLEMENTARY INFORMATION

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
Schedule of Funds in Financial Institutions
December 31, 2020

Funds in Financial Institutions as of December 31, 2020

A. Funds Held by Mortgagor, Regular Accounts:		
Central Trust Bank, checking	\$0	
B. Funds Held by Mortgagor, in Trust, Tenant Security Deposit:		
Central Trust Bank, savings	<u>13,680</u>	
Funds Held by Mortgagor, TOTAL		<u>\$13,680</u>
C. Funds Held by Mortgagee, in Trust:		
1. Tax and Insurance Escrow, MHDC	(\$1,643)	
2. Reserve Fund for Replacements, MHDC	82,926	
3. Operating Reserve Escrow, MHDC	8,245	
4. Rent-up Reserve Escrow, MHDC	<u>28,888</u>	
Funds Held by Mortgagee, TOTAL		<u>\$118,416</u>
TOTAL Funds in Financial Institutions		<u><u>\$132,096</u></u>

Balances audited/verified as of December 31, 2020

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 Schedule of Changes in Property and Equipment
 December 31, 2020

Assets				
Asset Description	12/31/2019 Balance	Additions	Deletions	12/31/2020 Balance
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	325,820	6,164	3,455	328,529
Buildings	4,411,568	49,388	28,050	4,432,906
Building Improvements	-	-	-	-
Equipment	6,939	-	-	6,939
Furniture	156,300	-	-	156,300
TOTALS	<u>\$ 4,900,627</u>	<u>\$ 55,552</u>	<u>\$ 31,505</u>	<u>\$ 4,924,674</u>

Accumulated Depreciation				
Asset Description	12/31/2019 Balance	Current Provisions	Deletions	12/31/2020 Balance
Land	\$ -	\$ -	\$ -	\$ -
Land Improvements	322,454	478	3,455	319,477
Buildings	1,853,218	111,437	28,050	1,936,605
Building Improvements	-	-	-	-
Equipment	5,660	574	-	6,234
Furniture	156,300	-	-	156,300
TOTALS	<u>\$ 2,337,632</u>	<u>\$ 112,489</u>	<u>\$ 31,505</u>	<u>\$ 2,418,616</u>

Net Book Value at 12/31/2020
\$ -
\$ 9,052
\$ 2,496,301
\$ -
\$ 705
\$ -
<u>\$ 2,506,058</u>

see report of independent auditors

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 TIN # 43-1923274
 Schedule of Eligible and Allocated Federal and State Tax Credits (Unaudited)
 December 31, 2020

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	-	69,800	-	69,800
12	2014	-	-	-	-
13	2015	-	-	-	-
14	2016	-	-	-	-
15	2017	-	-	-	-

see report of independent auditors

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
Schedule of Escrow Deposits and Replacement Reserves
Supporting Schedule Required by HUD & MHDC
December 31, 2020

Replacement Reserves

Balance, January 1, 2020	\$ 136,607
Monthly deposits	18,250
Interest earned	633
Release of funds	<u>(72,564)</u>
Balance, December 31, 2020	
Confirmed by mortgagee	<u>\$ 82,926</u>

Mortgage Escrow Deposits

Insurance escrow	\$ (1,643)
Other reserves	<u>37,133</u>
Total mortgage escrow deposits	<u>\$ 35,490</u>

**COMPUTATION OF SURPLUS CASH,
DISTRIBUTIONS AND RESIDUAL RECEIPTS**

Project Name	Fiscal Period Ended	Project Number
Capital City Elderly, LP	December 31, 2020	01-052-HT

PART A - COMPUTE SURPLUS CASH

CASH	1. Cash (<i>Accounts 1120, 1170, 1191</i>)	\$ 13,680	
	2. Tenant subsidy vouchers due for period covered by financial statement	\$ -	
	3. Other (<i>Describe</i>) (S1300-030)	\$ -	
	<i>(a) Total Cash (Add Lines 1, 2, and 3)</i>		\$ 13,680
CURRENT OBLIGATIONS	4. Accrued mortgage interest payable	\$ -	
	5. Delinquent mortgage principal payments	\$ -	
	6. Delinquent deposits to reserve for replacements	\$ -	
	7. Accounts payable (<i>due within 30 days</i>)	\$ 2,143	
	8. Loans and notes payable... (<i>due within 30 days</i>)	\$ -	
	9. Deficient Tax Insurance or MIP Escrow Deposits	\$ -	
	10. Accrued expenses (<i>not escrowed</i>)	\$ 4,518	
	11. Prepaid Rents (<i>Account 2210</i>)	\$ 2,723	
	12. Tenant security deposits liability (<i>Account 2191</i>)	\$ 13,600	
	13. Other: current obligations (S1300-110) - Bank Overdraft	\$ 4,181	
<i>(b) Less Total Current Obligations (Add Lines 4 through 13)</i>		\$ 27,165	
<i>(c) Surplus Cash (Deficiency) (Line (a) minus Line (b))</i>		\$ (13,485)	

PART B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

1. Surplus Cash		\$ -
LIMITED DIVIDEND PROJECTS	2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	
	2b. Distributions Accrued and Unpaid as of the End of the Prior Fiscal Period	
	2c. Distributions Paid During Fiscal Period Covered by Statement	
	3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (<i>Line 2a plus 2b minus 2c</i>)	\$ -
4. Amount Available for Distribution During Next Fiscal Period		\$ -

MARK TO MARKET

5. Incentive Performance Fee Payable		
6. Percentage Surplus Cash Split		
7. Surplus Cash Available for Second Mortgage Payments	\$ -	
8. Surplus Cash Available for Distribution		\$ -
9. Deposit Due Residual Receipts <i>be deposited with Mortgagee within 60 days after Fiscal Period ends</i>	<i>(Must</i>	-)

PREPARED BY		REVIEWED BY	
LOAN TECHNICIAN		LOAN SERVICER	
DATE		DATE	

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 COMPUTATION OF DISTRIBUTIONS TO OWNERS AND
 REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

Development Name: Capital City Elderly, LP
 MHDC #: 01-052-HT

Fiscal Period	from: <u>January 1, 2020</u> to: <u>December 31, 2020</u>
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A. Annual distribution earned during fiscal period covered by statement:

Current Equity *	4,698,434 (1)
Distribution percent per Regulatory Agreement	8% (2)
Annual distribution earned for: <u>2020</u>	\$375,875 (3)

B. Distributions 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:

2019	\$ 374,455
2018	\$ 373,035
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	\$ 6,172,615 (4)
Less: Distributions made to partners in prior years	(5)
Less: Other Partnership management review fee	\$ 22,500 (6)

**Distributions accrued and unpaid as of period covered
 by statement:**

\$ 6,150,115 (7)

C. Distributions paid during period covered by statement:

To partners	(8)
Other (explain)	(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) **

\$ 6,525,990 (11)

E. Amount available for distribution during next fiscal period:

Surplus Cash (from form HUD-93486, Line 1. of Part B)

\$ - (12)

F. Deposit due to Residual Receipts account:

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)

* 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, LP
 MHDC PROJECT NO. 01-052-HT
 STATEMENT OF CASH FLOWS - HUD BASIS
 For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES

S1200-010	Rental receipts	\$ 197,333
S1200-020	Interest receipts	869
S1200-030	Other operating receipts	20,902
S1200-040	Total receipts	219,104

CASH PAID FOR:

S1200-050	Administrative expenses	(38,636)
S1200-070	Management fee expense	(9,559)
S1200-090	Utilities expenses	(26,749)
S1200-100	Salaries and wages expense	(52,541)
S1200-110	Operating and maintenance expenses	(64,235)
S1200-140	Property insurance expense	(15,974)
S1200-160	Tenant security deposits	(19)
S1200-230	Total disbursements	(207,713)

S1200-240	Net cash provided by (used in) operating activities	11,391
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CASH FLOWS FROM INVESTING ACTIVITIES

S1200-245	Net deposits to the mortgage escrow account	1,670
S1200-250	Net deposits to the reserve for replacement account	53,681
S1200-255	Net deposits to other reserves	(191)
S1200-330	Net purchase of fixed assets	(55,552)
S1200-350	Net cash provided by (used in) investing activities	(392)

CASH FLOWS FROM FINANCING ACTIVITIES

S1200-360	Principal payments - first mortgage (or bonds)	(17,750)
S1200-455	Entity/construction financing activities	4,181
S1200-460	Net cash provided by (used in) financing activities	(13,569)

S1200-470	NET INCREASE (DECREASE) IN CASH & EQUIVALENTS	(2,570)
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S1200-480	BEGINNING OF PERIOD CASH	2,570
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S1200T	END OF PERIOD CASH	\$ -
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see report of independent auditors

CAPITAL CITY ELDERLY, LP
 MHDC PROJECT NO. 01-052-HT
 STATEMENT OF CASH FLOWS - HUD BASIS (CONTINUED)
 For the Year Ended December 31, 2020

RECONCILIATION OF NET PROFIT (LOSS) TO NET		
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
3250	NET PROFIT OR (LOSS)	\$ (104,421)
ADJUSTMENTS TO RECONCILE NET PROFIT (LOSS) TO NET CASH		
PROVIDED BY (USED IN) OPERATING ACTIVITIES		
6600	Depreciation expense	112,489
6610	Amortization expense	544
Changes in asset and liability accounts		
Decrease (increase) in assets		
S1200-490	Decrease (increase) in tenant accounts receivable	(1,237)
S1200-520	Decrease (increase) in prepaid expenses	(1,533)
S1200-530	Decrease (increase) in cash restricted for tenant security deposits	2,222
Increase (decrease) in liabilities		
S1200-540	Increase (decrease) in accounts payable	(4,191)
S1200-560	Increase (decrease) in accrued liabilities	8,665
S1200-580	Increase (decrease) in tenant security deposits held in trust	(2,241)
S1200-590	Increase (decrease) in prepaid revenue	1,094
		1,094
S1200-610	NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 11,391

see report of independent auditors

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Partners of Capital City Elderly, LP,
and the County of Cole, Missouri:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Capital City Elderly, LP, which comprise the balance sheet as of December 31, 2020, and the related statements of operations, changes in partners' capital, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 15, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Capital City Elderly, LP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Capital City Elderly, LP's internal control. Accordingly, we do not express an opinion on the effectiveness of Capital City Elderly, LP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Capital City Elderly, LP's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

Austin, Texas

February 15, 2021

REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE

To the Partners of Capital City Elderly, LP,
and the County of Cole, Missouri:

Report on Compliance for The Major Program

We have audited Capital City Elderly, LP's compliance with the compliance requirements of the major program that could have a direct and material effect on Capital City Elderly, LP's major U.S. Department of Treasury ("DOT") program for the year ended December 31, 2020. Capital City Elderly, LP's major program and the related direct and material compliance requirements are as follows:

Name of Major Program

Direct and Material Compliance Requirements

Coronavirus Relief Fund

Distributions to owners, equity skimming, cash receipts, cash disbursements, management functions, and unauthorized loans of project funds

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its DOT program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Capital City Elderly, LP's major DOT program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on the major DOT program occurred. An audit includes examining, on a test basis, evidence about Capital City Elderly, LP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major DOT program. However, our audit does not provide a legal determination of Capital City Elderly, LP's compliance.

Opinion on The Major DOT Program

In our opinion, Capital City Elderly, LP complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major DOT program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Capital City Elderly, LP is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Capital City Elderly, LP's internal control over compliance with the requirements that could have a direct and material effect on the major DOT program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major DOT program and to test and report on internal control over compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Capital City Elderly, LP's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the major program requirements. Accordingly, this report is not suitable for any other purpose.

Novogradac & Company LLP

Austin, Texas

February 15, 2021

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND RECOMMENDATIONS
December 31, 2020

Findings – Financial Statements Audit


Our audit disclosed no findings that are required to be reported.

see report of independent auditors

CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
MORTGAGOR CERTIFICATION
For the years ended December 31, 2020 and 2019

I hereby certify that I have examined the accompanying financial statements and supplemental data of Capital City Elderly, LP and, to the best of my knowledge and belief, the same is complete and accurate.

Capital City Elderly, LP
(A Missouri Limited Partnership)



Signature

February 15, 2021

Date

Name of Signatory	<u>Cynthia Quetsch</u>
Title of Certifying Official	<u>President of the General Partner</u>
Employer Identification Number of the owner	<u>43-1923274</u>
Auditee Telephone Number	<u>(573) 635-6163</u>


CAPITAL CITY ELDERLY, LP
MHDC PROJECT NO. 01-052-HT
MANAGING AGENT CERTIFICATION
For the years ended December 31, 2020 and 2019

I hereby certify that I have examined the accompanying financial statements and supplemental data of Capital City Elderly, LP and, to the best of my knowledge and belief, the same is complete and accurate.

Housing Authority for the City of Jefferson, Missouri

By: 
Cynthia Quetsch
Executive Director

44-6005933
Employer Identification Number


Signature of Individual Responsible for
Management of Property

Michelle Wessler
Printed Name of Individual Responsible for
Management of Property

February 15, 2021
Date