Seniors on Broadway LP
(A Colorado Limited Partnership)

Financial Statements

December 31, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Partners
Seniors on Broadway LP
Eagle, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of Seniors on Broadway LP (the "Partnership"), a Colorado limited partnership, which comprise the balance sheets as December 31, 2016 and 2015, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
To the Partners
Seniors on Broadway LP
Eagle, Colorado

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seniors on Broadway LP as of December 31, 2016 and 2015, and the results of its operations, the changes in partners' capital, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
February 27, 2017

Seniors on Broadway LP
(A Colorado Limited Partnership)
Balance Sheets
December 31, 2016 and 2015

	2016	2015
ASSETS		
Cash and cash equivalents - Unrestricted	$ 30,705	$ 25,376
Cash and cash equivalents - Restricted	60,535	57,004
Accounts receivable - Tenants, net	3,859	2,573
Accounts receivable - Other	2,861	4,218
Fixed assets, net	2,356,092	2,430,840
Deferred costs, net	11,467	22,932
Total Assets	$ 2,465,519	$ 2,542,943
LIABILITIES AND PARTNERS' CAPITAL		
LIABILITIES:		
Accounts payable and accrued expenses	$ 10,118	$ 9,522
Accrued interest payable	200,127	153,146
Due to Eagle County	2,824	76
Tenant security deposits	7,600	7,600
Note payable - Eagle County (net of unamortized debt issuance costs)	1,291,106	1,290,335
Total Liabilities	1,511,775	1,460,679
PARTNERS' CAPITAL	953,744	1,082,264
Total Liabilities and Partners' Capital	$ 2,465,519	$ 2,542,943

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

Seniors on Broadway LP
(A Colorado Limited Partnership)
Statements of Operations
For the Years Ended December 31, 2016 and 2015

	2016	2015
REVENUES		
Tenant rents	$ 104,927	$ 105,764
Other income	22	588
Total Revenues	104,949	106,352
OPERATING EXPENSES		
Repairs and maintenance	33,361	23,500
Utilities	15,750	16,823
General and administration	38,347	35,765
Management fees	8,076	8,076
Insurance	4,000	2,722
Total Operating Expenses	99,534	86,886
INCOME (LOSS) from OPERATIONS	5,415	19,466
OTHER INCOME (EXPENSES)		
Investment earnings	30	30
Depreciation	(74,748)	(74,748)
Amortization	(11,465)	(11,465)
Interest expense	(47,752)	(46,295)
Net Other Income (Expenses)	(133,935)	(132,478)
NET INCOME (LOSS)	$ (128,520)	$ (113,012)

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

Seniors on Broadway LP
(A Colorado Limited Partnership)
Statements of Changes in Partners' Capital
For the Years Ended December 31, 2016 and 2015

	General Partner	Limited Partner	Total
Balance - January 1, 2015	$ 28	$ 1,195,248	$ 1,195,276
Net income (loss) for the year	(11)	(113,001)	(113,012)
Balance - December 31, 2015	17	1,082,247	1,082,264
Net income (loss) for the year	(13)	(128,507)	(128,520)
Balance - December 31, 2016	$ 4	$ 953,740	$ 953,744

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

Seniors on Broadway LP
(A Colorado Limited Partnership)
Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Cash received for rent	$ 103,641	$ 107,827
Other cash receipts	22	588
Cash paid for goods and services	(94,833)	(83,799)
Net Cash Provided (Used) By Operating Activities	8,830	24,616
Cash Flows From Investing Activities:		
Investment income received	30	30
Net Cash Provided (Used) By Investing Activities	30	30
Net Increase (Decrease) in Cash and Cash Equivalents	8,860	24,646
Cash and Cash Equivalents - January 1	82,380	57,734
Cash and Cash Equivalents - December 31	$ 91,240	$ 82,380
Cash and Cash Equivalents - Ending is comprised of:		
Cash and cash equivalents - Unrestricted	$ 30,705	$ 25,376
Cash and cash equivalents - Restricted	60,535	57,004
Cash and Cash Equivalents - Ending	$ 91,240	$ 82,380
Reconciliation of Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:		
Income (loss) from operations	$ 5,415	$ 19,466
Adjustments to reconcile:		
(Increase) decrease in accounts receivable, net	(1,286)	2,290
(Increase) decrease in prepaid expenses	1,357	1,355
Increase (decrease) in accounts payable	596	1,886
Increase (decrease) in due to Eagle County	2,748	(154)
Increase (decrease) in tenant security deposits	-	(227)
Total Adjustments	3,415	5,150
Net Cash Provided (Used) By Operating Activities	$ 8,830	$ 24,616

1. Organization

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

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

Pursuant to the Partnership Agreement, the Limited Partner is required to provide capital contributions totaling $1,926,381; subject to potential adjustments based, among other occurrences, on the amount of low income housing tax credits ultimately allocated to the Project. At December 31, 2016, and 2015, all required capital contributions had been made by the Limited Partner.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

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

B. Cash Equivalents

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

C. Restricted Assets

Certain of the Partnership's assets are classified as restricted assets because their use is limited to specific purposes by legally binding commitments. At December 31, 2016 and 2015, the Partnership held cash balances restricted for tenant security deposits and certain funding requirements imposed by the Partnership Agreement.

D. Tenant Security Deposits

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

2. Summary of Significant Accounting Policies (continued)

E. Allowance for Uncollectible Accounts

The Partnership uses the allowance method to recognize the potential uncollectibility of receivables, including amounts due from tenants. At December 31, 2016, the Partnership has recorded an allowance of $1,327 to provide for amounts which management determined may not be collectible (2015 – $1,327).

F. Fixed Assets

Fixed assets are recorded at cost. Depreciation of the building structures and major improvements is computed using the straight-line method over an estimated useful life of 40 years.

G. Deferred Costs

Deferred tax credit costs include fees paid by the Partnership in connection with obtaining approved tax credit status for the Project. Such costs are capitalized as deferred costs and amortized on a straight-line basis over 10 years, which represents the term of the tax credits.

H. Debt Issuance Costs

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

I. Revenue Recognition

Rental revenue attributable to residential leases is recorded when due from residents, generally upon the first day of each month. Rental payments received in advance are deferred until earned. Leases are for periods of up to one year, with rental payments due monthly.

J. Income Taxes

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

The income returns of the Partnership are subject to examination by the Internal Revenue Service and the Colorado Department of Revenue. The Partnership's returns are no longer subject to examination for tax years prior to 2013 and for tax years prior to 2012 by the Colorado Department of Revenue.

K. Subsequent Events

Management has evaluated subsequent events through February 27, 2017; the date these financial statements were available to be issued.

2. Summary of Significant Accounting Policies (continued)

L. Use of Estimates

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

3. Restricted Cash

The Partnership's restricted cash balance at December 31, 2016 and 2015 is comprised of the following:

	2016	2015
Operating and Replacement Reserve funds	$ 52,935	$ 49,404
Tenant security deposits	7,600	7,600
Total - Restricted Cash	$ 60,535	$ 57,004

The Partnership Agreement calls for the Partnership to establish an Operating Reserve Fund deposit account for $32,000 to be used to fund operating and debt service deficits from the operation of the Project. The Partnership Agreement also calls for the Partnership to establish a Reserve Fund for Replacements deposit account, to be funded by monthly deposits of $292 following Completion of the Project, and to be used to make capital improvements and repairs to the Project having useful lives of one year or more. As of December 31, 2016 and 2015, all required reserves had been established and were funded in accordance with of the Partnership Agreement.

4. Fixed Assets

At December 31, 2016 and 2015, the Partnership's fixed assets were comprised of the following:

	2016	2015
Buildings and improvements, at cost	$ 2,989,928	$ 2,989,928
Less: Accumulated depreciation	(633,836)	(559,088)
Fixed Assets, net	$ 2,356,092	$ 2,430,840

5. Deferred Costs

The Partnership's deferred costs balance at December 31, 2016 and 2015 is comprised of the following:

	2016	2015
Deferred tax credit costs	$ 114,655	$ 114,655
Less: Accumulated amortization	(103,188)	(91,723)
Deferred costs, net	$ 11,467	$ 22,932

6. Note Payable – Eagle County

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

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

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

At December 31, 2016, the principal balance outstanding on the promissory note was $1,315,000 (2015 – $1,315,000). Interest expense of $46,981 was incurred for 2016 in respect of the note (2015 – $46,981), with accrued interest payable at December 31, 2016 of $200,127 (2015 – $153,146). The note is reported on the December 31, 2016 balance sheet net of unamortized debt issuance costs of $23,894 (2015 – $24,665).

7. Gross Potential Rent

Gross Potential Rent ("GPR") represents the maximum possible rental income of the project assuming all units are occupied at all times during the fiscal year. The Partnership's GPR and Tenant Rents for 2016 and 2015 are as follows:

	2016	2015
Gross Potential Rent	$ 105,916	$ 106,596
Less: Concessions	(538)	(516)
Less: Vacancy	(451)	(316)
Tenant Rents	$ 104,927	$ 105,764

8. Ground Lease

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

8. Ground Lease (continued)

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

At December 31, 2016 and 2015, the Partnership owed no Contingent Rent to the County under the land lease agreement.

9. Asset Management Agreement

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

During 2016, the Asset Manager earned asset management fees totaling $1,200 (2015 – $1,200).

At December 31, 2016, no asset management fees were payable to the Asset Manager (2015 – $0).

10. General Partner Management Agreement

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

During 2016 and 2015, the General Partner earned no management fees. As of December 31, 2016 and 2015, no management fees were payable to the General Partner under the terms of this agreement.

11. Incentive Management Agreement

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

11. Incentive Management Agreement (continued)

During 2016 and 2015, the General Partner earned no incentive management fees. As of December 31, 2016 and 2015, no incentive fees were payable to the General Partner.

12. Property Management Agreement

Effective January 1, 2010, the Partnership entered into a management agreement with Eagle County Housing and Development Authority ("ECHDA"), a component unit of the County, to provide for the day-to-day administration of the Project. The contract, which had an initial 3-year term, was amended in 2013, 2014 and 2015 to renew the arrangements through June 30, 2018. Under the terms of the agreement, an annual management fee of $7,860 was due for 2010, with subsequent increases not to exceed 3% per annum.

For 2016, the Partnership paid management fees totaling $8,076 (2015 – $8,076) to ECHDA under the terms of the management agreement.

13. Low-Income Housing Tax Credits

The Partnership expects to generate an aggregate of $2,060,520 of low-income housing tax credits ("Tax Credits"). Generally, such credits become available for use by its partners pro rata over a ten-year credit period, which began in 2008. In order to qualify for the Tax Credits, the Project must comply with various federal and state requirements which include, but are not limited to, renting to low-income tenants at rental rates which do not exceed specified percentages of area median gross income for the first 15 years of operation. The Partnership has also agreed to maintain and operate the Project as low-income housing for another 15 years after the above period ends. Because the Tax Credits are subject to ongoing 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 may result in generating a lesser amount of Tax Credits than expected.

As of December 31, 2016, the Partnership had generated cumulative Tax Credits totaling $1,807,860 (2015 – $1,601,808).

The Partnership anticipates generating additional Tax Credits in future years as follows:

2017	206,052
2018	46,608
Total	$ 252,660

14. Related Party Transactions

Reimbursements to the County during 2016 and 2015 were as follows:

	2016	2015
Repairs and maintenance	$ 439	$ 1,016
General and administration	27,567	25,426
Insurance	4,000	2,722
Total	$ 32,006	$ 29,164

15. Change in Accounting for Debt Issuance Costs

Effective in 2016, the Partnership adopted Accounting Standards Update No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* ("ASU 2015-03"), issued by the Financial Accounting Standards Board. ASU 2015-03 requires that the Partnership change the presentation of debt issuance costs on its financial statements, such that, effective January 1, 2016, debt issuance costs are presented as a reduction of long-term debt instead of being presented as an asset on the balance sheet, and to report amortization of debt issuance costs as interest expense. Implementation of ASU 2015-03 is to be applied retrospectively to all prior periods presented.

Accordingly, the December 31, 2015 balance sheet has been restated to reclassify $24,665 of unamortized debt issuance costs from Deferred Costs to an equivalent reduction in the Partnership's long-term debt.