

# Carver Park Tax Credit Limited Partnership

Financial Report

December 31, 2018

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

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## INDEPENDENT AUDITOR'S REPORT

To the Partners  
Carver Park Tax Credit Limited Partnership  
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Carver Park Tax Credit Limited Partnership, which comprise the balance sheets as of December 31, 2018 and 2017, and the related statements of operations, 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 the 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 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 audits 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we 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 Carver Park Tax Credit Limited Partnership as of December 31, 2018 and 2017, and the results of its operations, changes in partners' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

May 14, 2019

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## BALANCE SHEETS

December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 259,845	\$ 156,425
Restricted cash	591,347	538,970
Accounts receivable	28,376	22,934
Prepaid expenses	25,001	25,627
Rental property, net	<u>7,142,721</u>	<u>7,749,620</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 8,047,290</u></u>	<u><u>\$ 8,493,576</u></u>
<b>LIABILITIES AND PARTNERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable	\$ 7,492,718	\$ 7,557,655
Accounts payable	59,146	25,824
Accrued interest	6,266,253	5,804,157
Accrued expenses	102,000	64,203
Accrued real estate taxes	33,395	0
Prepaid rents	2,498	10,143
Tenants' security deposits payable	<u>62,662</u>	<u>65,786</u>
Total liabilities	14,018,672	13,527,768
<b>PARTNERS' EQUITY</b>	<u>(5,971,382)</u>	<u>(5,034,192)</u>
<b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	<u><u>\$ 8,047,290</u></u>	<u><u>\$ 8,493,576</u></u>

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

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## STATEMENTS OF OPERATIONS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenue:		
Rental income	\$ 790,749	\$ 795,549
Operating subsidies	155,121	133,465
Vacancies and concessions	(10,396)	(15,956)
Other revenue	19,324	17,689
	<u>954,798</u>	<u>930,747</u>
Total revenue	954,798	930,747
Rental expenses:		
Administrative	167,213	149,867
Utilities	130,148	123,782
Operating and maintenance	279,800	305,511
Taxes and insurance	82,381	81,650
	<u>659,542</u>	<u>660,810</u>
Total rental expenses	659,542	660,810
Net rental income	295,256	269,937
Financial income (expense):		
Interest income	17,567	486
Interest expense	(559,215)	(536,105)
	<u>(541,648)</u>	<u>(535,619)</u>
Total financial income (expense)	(541,648)	(535,619)
Loss before other expenses	(246,392)	(265,682)
Other expenses:		
Depreciation	639,798	631,412
Authority oversight fee	51,000	51,000
Asset management fee	0	6,998
	<u>690,798</u>	<u>689,410</u>
Total other expenses	690,798	689,410
Net loss	<u>\$ (937,190)</u>	<u>\$ (955,092)</u>

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

## CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

### STATEMENTS OF PARTNERS' EQUITY Years ended December 31, 2018 and 2017

	General partner	Investor limited partner	Former Special limited partner	Former Investor limited partner	Total
Balance, December 31, 2016	\$ (1,339)	\$ 0	\$ 10	\$ (4,077,771)	\$ (4,079,100)
Net loss	(96)	0	0	(954,996)	(955,092)
Balance, December 31, 2017	(1,435)	0	10	(5,032,767)	(5,034,192)
Net loss - January 1, 2018 - April 30, 2018	(32)	0	0	(312,397)	(312,429)
Transfer of partners' equity (see Note G)	0	(5,345,154)	(10)	5,345,164	0
Balance at transfer date	(1,467)	(5,345,154)	0	0	(5,346,621)
Net loss - May 1, 2018 - December 31, 2018	(62)	(624,699)	0	0	(624,761)
Balance, December 31, 2018	<u>\$ (1,529)</u>	<u>\$ (5,969,853)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (5,971,382)</u>
Ending Percentage Interest	<u>0.01%</u>	<u>99.99%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>100.00%</u>

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

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (937,190)	\$ (955,092)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	639,798	631,412
Increase (decrease) in cash due to changes in:		
Tenants' security deposits	(2,376)	(1,783)
Accounts receivable	(5,442)	(12,098)
Prepaid expenses	626	(1,792)
Accounts payable	33,322	24,137
Accrued interest	462,096	521,468
Accrued expenses	37,797	(17,110)
Accrued real estate taxes	33,395	0
Prepaid rents	(7,645)	(952)
Tenants' security deposits payable	(3,124)	2,352
Net cash provided by operating activities	251,257	190,542
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of rental property	(32,899)	(35,911)
Net deposits to replacement reserve	(33,309)	(13,899)
Net deposits to affordability reserve	(8,864)	0
Net deposits to operating reserve	(7,828)	0
Net cash used in investing activities	(82,900)	(49,810)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage notes payable	(64,937)	(67,566)
Change in cash and cash equivalents	103,420	73,166
Cash and cash equivalents:		
Beginning	156,425	83,259
Ending	<u>\$ 259,845</u>	<u>\$ 156,425</u>
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 97,119</u>	<u>\$ 14,637</u>

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



# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### **NOTE A -- Nature of business and significant accounting policies**

#### **Nature of business**

Carver Park Tax Credit Limited Partnership (the partnership) was formed on February 10, 1999, as a limited partnership under the Wisconsin Uniform Limited Partnership Act. It has constructed and is operating two low-income housing apartment projects located in Milwaukee, Wisconsin, jointly called Carver Park Townhomes (the projects). The first property (hereafter referenced as Carver I) consists of 19 buildings totaling 64 units. The second property (hereafter referenced as Carver II) consists of 16 buildings totaling 58 units. The properties were placed in service by building between February 15, 2001 and December 31, 2001. The projects are eligible for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC).

The partnership consisted of one general partner, one investor limited partner, and one special limited partner. As described in Note G, the interests of the limited partner and special limited partner were purchased on May 15, 2018. Effective, May 16, 2018, the partnership consists of one general partner and one investor limited partner. The partnership agreement calls for the partnership to dissolve on December 31, 2050.

A summary of significant accounting policies follows:

#### **Personal and corporate assets, liabilities and income taxes of partners**

In accordance with the generally accepted method of presenting partnership financial statements, the financial statements do not include the personal or corporate assets and liabilities of the partners, their obligation for income taxes on their distributive shares of the net income of the partnership or their rights to refunds on its net loss, nor any provision for income tax expense.

#### **Use of estimates**

The preparation of financial statements 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and cash equivalents**

For purposes of reporting cash flows, the partnership considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the partnership due to restrictions placed on it.

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

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### NOTE A -- Nature of business and significant accounting policies (Continued)

#### Accounts receivable and revenue recognition

The partnership utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. Accounts receivable are written off when management determines an account is uncollectible.

Rental revenue is recognized when earned. The partnership leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

#### Rental property

Rental property is stated at cost. Depreciation of rental property is computed on the straight-line and declining balance methods based upon the following estimated useful lives of the assets:

	<u>Years</u>
Land improvements	15
Buildings	27.5
Furnishings and equipment	5

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property and equipment, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

#### Impairment of long-lived assets

The partnership reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

#### Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to the Housing Authority of the City of Milwaukee (HACM) under the Regulatory & Operating Agreements (R&O Agreements) and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HACM or HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after May 14, 2019, which is the date these financial statements were available to be issued. The partnership has no responsibility to update these financial statements for events and circumstances occurring after this date.

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### NOTE B -- Restricted cash

Restricted cash is comprised of the following:

	2018	2017
Tenants' security deposits	\$ 68,165	\$ 65,789
Replacement reserve	99,033	65,724
Affordability reserve	228,953	220,089
Operating reserve	195,196	187,368
	\$ 591,347	\$ 538,970

### Replacement reserve

The R&O Agreements and partnership agreement require the partnership to fund a replacement reserve on a monthly basis in the amount of \$250 per unit per year. Such amount is required to increase annually by the increase in the Consumer Price Index. The replacement reserve shall be used for replacing capital assets or providing capital improvements deemed necessary by the general partner. Withdrawals may be made only upon the approval of HACM.

	2018	2017
Balance, beginning	\$ 65,724	\$ 51,825
Annual deposits	32,463	31,764
Interest earned	846	473
Withdrawals	(0)	(18,338)
Balance, ending	\$ 99,033	\$ 65,724

### Affordability reserve

Under provisions of the R&O Agreements and the partnership agreement, the partnership has established an affordability reserve in the initial amount of \$165,000 (\$91,000 and \$74,000 for Carver I and Carver II, respectively). These reserve funds, including interest thereon, are restricted for the benefit of the public housing units to cover shortfalls in the event operating subsidy funds (see Note E) are not available.

	2018	2017
Balance, beginning	\$ 220,089	\$ 220,089
Interest earned	8,864	0
Balance, ending	\$ 228,953	\$ 220,089

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### NOTE B -- Restricted cash (Continued)

#### Operating reserve

The R&O Agreements and partnership agreement required the partnership to fund an operating reserve in the initial amount of \$278,000 (\$144,000 and \$134,000 for Carver I and Carver II, respectively). The operating reserve, including interest thereon, is to be administered in accordance with the R&O Agreements and utilized primarily to fund operating deficits. Withdrawals are restricted to cover insufficient cash flow from the non-public housing units and to cover insufficient cash flow from the public housing units if the balance in the authority and affordability reserves is less than \$1. Withdrawals from the reserve require the consent of the limited partner.

	<u>2018</u>	<u>2017</u>
Balance, beginning	\$ 187,368	\$ 187,368
Interest earned	7,828	0
Withdrawals	<u>0</u>	<u>0</u>
Balance, ending	<u>\$ 195,196</u>	<u>\$ 187,368</u>

#### Authority reserve

HACM was to establish an authority reserve solely for the benefit of the public housing units of Carver Park Townhomes in the amounts of \$100 for both Carver I and Carver II. Withdrawals are restricted to cover insufficient cash flow from the public housing units of Carver Park Townhomes.

The partnership is required to maintain deposits in the affordability, operating and authority reserves equal to two times the public housing shortfall, excluding the operating subsidy payments for the prior year. If at any time the aggregate balance in these reserves falls below that level, the project shall notify HACM in writing regarding the deficit and request HACM restore the reserve shortfall up to the minimum balance. The reserve shortfall must be deposited into the authority reserve. If at any time following the achievement of an occupancy rate of 97% the aggregate balance of the affordability, operating, and authority reserves exceeds three times the public housing shortfall, excluding the operating subsidy payments for the prior year plus six months of development operating expenses and certain conditions are met as defined in the R&O Agreements, the project shall notify HACM of its right to withdraw such reserve excess from the authority reserve.

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 772,096	\$ 772,096
Land improvements	232,263	229,368
Buildings	17,051,501	17,051,501
Furnishings and equipment	<u>141,358</u>	<u>111,354</u>
	18,197,218	18,164,319
Less accumulated depreciation	<u>11,054,497</u>	<u>10,414,699</u>
	<u>\$ 7,142,721</u>	<u>\$ 7,749,620</u>

### NOTE D -- Mortgage notes payable

Mortgage notes payable consist of the following:

	<u>2018</u>	<u>2017</u>
BMO Harris; non-recourse; monthly payments of \$6,333, including interest at 4.9% commenced December 1, 2016; due November 1, 2019; prepayment of the note is subject to a prepayment premium; collateralized by Carver II rental property.	\$ 68,020	\$ 132,957
HACM, member of the general partner and the new investor limited partner, (Carver I Land note); non-recourse; annual payment of \$12,956, including interest at 5.31% to the extent of available cash flow; due November 2049; collateralized by Carver I land; accrued interest was \$50,279 and \$85,154 as of December 31, 2018 and 2017, respectively; interest expense totaled \$11,321 for each of the years ended December 31, 2018 and 2017.	<u>213,195</u>	<u>213,195</u>
Balance carried forward	281,215	346,152

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### NOTE D -- Mortgage notes payable (Continued)

	2018	2017
Balance brought forward	\$ 281,215	\$ 346,152
HACM (Carver II Land note); non-recourse; annual payment of \$12,931, including interest at 5.31% to the extent of available cash flow; due November 2050; collateralized by Carver II land; accrued interest was \$57,063 and \$91,879 as of December 31, 2018 and 2017, respectively; interest expense totaled \$11,380 for each of the years ended December 31, 2018 and 2017.	214,322	214,322
HACM (Carver I HOPE VI note); non-recourse; interest-only payments compounding annually at 5.31% to the extent of available cash flow; due November 2041; collateralized by Carver I rental property; accrued interest was \$3,685,534 and \$3,366,119 as of December 31, 2018 and 2017, respectively; interest expense was \$319,415 and \$303,309 for the years ended December 31, 2018 and 2017, respectively.	2,649,224	2,649,224
HACM (Carver II HOPE VI note); non-recourse; interest-only payments compounding annually at 5.31% to the extent of available cash flow; due November 2041; collateralized by Carver II rental property; accrued interest was \$2,473,377 and \$2,261,005 as of December 31, 2018 and 2017, respectively; interest expense was \$212,372 and \$201,663 for the years ended December 31, 2018 and 2017, respectively.	1,738,463	1,738,463
HACM (Carver I Predevelopment note); non-recourse; non-interest bearing; due November 2046; no prepayment allowed; collateralized by Carver I rental property.	704,970	704,970
HACM (Carver II Predevelopment note); non-recourse; non-interest bearing; due November 2046; no prepayment allowed; collateralized by Carver II rental property.	504,524	504,524
Balance carried forward	6,092,718	6,157,655

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

### NOTE D -- Mortgage notes payable (Continued)

	2018	2017
Balance brought forward	\$ 6,092,718	\$ 6,157,655
HACM (Carver I Development fee note); non-recourse; non-interest bearing; due the earlier of the sale of Carver I or January 1, 2019; collateralized by Carver I rental property.	500,000	500,000
HACM (Carver II Development fee note); non-recourse; non-interest bearing; due the earlier of the sale of Carver II or January 1, 2019; collateralized by Carver II rental property.	500,000	500,000
HACM (Carver I AHP note); non-recourse; non-interest bearing; due the earlier of the sale of Carver I or November 2041; collateralized by Carver I rental property.	200,000	200,000
HACM (Carver II AHP note); non-recourse; non-interest bearing; due the earlier of the sale of Carver II or November 2041; collateralized by Carver II rental property.	200,000	200,000
	\$ 7,492,718	\$ 7,557,655

Repayment of principal on the mortgage notes payable as of December 31, 2018, is as follows:

Year ending December 31,

2019	\$ 1,068,020
2020	0
2021	0
2022	0
2023	0
Thereafter	6,424,698
	\$ 7,492,718

# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### **NOTE E -- Related-party transactions**

#### **Accounts payable**

Accounts payable consists of amounts due to Friends of Housing Corporation (Friends), a member of the general partner, for payroll, property management fees, and other reimbursements totaling \$21,394 and \$20,555 as of December 31, 2018 and 2017, respectively.

Accounts payable consists of amounts due to HACM for reimbursement of expenses paid on behalf of the partnership totaling \$13,203 and \$0 as of December 31, 2018 and 2017, respectively.

#### **Management fee**

The partnership entered into a management agreement with Friends. A management fee equal to \$30.00 per unit is payable on a monthly basis. Management fees incurred under this agreement totaled \$46,116 for each of the years ended December 31, 2018 and 2017.

#### **Asset management fee**

The partnership agreement provides for the partnership to pay an annual cumulative asset management fee to the former investor limited partner in the base amount of \$5,000 as annually adjusted by the Consumer Price Index (CPI). The annual fee is payable from cash flow as defined in the partnership agreement. Asset management fees incurred were \$0 and \$6,998 for the years ended December 31, 2018 and 2017, respectively. Included in accrued expenses on the balance sheets are accrued asset management fees of \$0 and \$13,203 as of December 31, 2018 and 2017, respectively.

#### **Regulatory and operating agreement**

The partnership has entered into R&O Agreements with HACM. Provisions of the agreements require the partnership to maintain 27 and 24 units as public housing units in Carver I and Carver II, respectively. The partnership shall use its best efforts to achieve and maintain tiers of persons with income of 30%, 50% and 60% of county median incomes residing in the public housing units. With regards to the public housing units, HACM is to pay operating subsidies to the partnership equal to primarily the allowable expense level determined by the U.S. Department of Housing and Urban Development annually, less rents received from tenants residing in the public housing units. The agreements expire on December 31, 2041. Operating subsidies totaling \$155,121 and \$133,465 were earned for the years ended December 31, 2018 and 2017, respectively. Included in accounts payable on the balance sheets are operating subsidy payables of \$20,738 and \$5,269 as of December 31, 2018 and 2017, respectively.

#### **Authority oversight fee**

The partnership is obligated to pay HACM an annual authority oversight fee to cover its asset management responsibilities in administering the operating subsidy in the amounts of \$27,000 and \$24,000 for Carver I and Carver II, respectively. HACM will forego the authority oversight fee to the extent of any public housing shortfall. Authority oversight fees totaling \$51,000 were incurred during each of the years ended December 31, 2018 and 2017. Included in accrued expenses on the balance sheets are accrued authority oversight fees of \$102,000 and \$51,000 as of December 31, 2018 and 2017, respectively.



# CARVER PARK TAX CREDIT LIMITED PARTNERSHIP

## NOTES TO FINANCIAL STATEMENTS

December 31, 2018

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### **NOTE F -- Commitments and contingencies**

#### **Affordable Housing Program (AHP) Recapture Agreement**

In connection with the AHP notes with HACM, the partnership entered into Affordable Housing Program Recapture Agreements. Provisions of these agreements require the partnership to rent 27 and 24 units to low-income persons and 27 and 24 units to very-low income persons in Carver I and Carver II, respectively.

#### **Land Use Restriction Agreement (LURA)**

The partnership has entered into a LURA with the Wisconsin Housing and Economic Development Authority (WHEDA) as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the partnership must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the partnership fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the partners may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor limited partner. The partnership is obligated to certify tenant eligibility.

### **NOTE G -- Assignment and Assumption of Limited Partner Interests**

On May 15, 2018, HACM purchased and was assigned the investor limited partner and special limited partner interests in the partnership. Under the assignment agreement, the assignors were allocated losses during the year through April 30, 2018 and the assignee was allocated losses after April 30, 2018. In connection with the purchase, the former investor limited partner's and former special limited partner's equity balance at April 30, 2018 was transferred to the new limited partner. The net effect of the transfer on equity was \$0.

### **NOTE H -- Subsequent event**

Effective January 1, 2019, the limited partner entered into a capital contribution agreement with the partnership whereby the limited partner agreed to contribute the aggregate outstanding principal balance and accrued interest of the mortgage notes payable due it (the HACM notes described in Note D) totaling \$7,424,698 and \$6,266,253, respectively in consideration for an increase in its investor limited partnership capital account. All of the mortgages on these notes were satisfied on April 16, 2019.