

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP
Louisville, Colorado

FINANCIAL STATEMENTS
December 31, 2011 and 2010

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Balance Sheets	2
Statements of Income	3
Statements of Changes in Partners' Capital	4
Statements of Cash Flows	5
Notes to Financial Statements	6
SUPPLEMENTARY INFORMATION	12
Schedules of Income and Expenses	13



Independent Auditor's Report

Lincoln Street Elderly Limited Partnership
Louisville, Colorado

We have audited the accompanying balance sheets of Lincoln Street Elderly Limited Partnership as of December 31, 2011 and 2010, and the related statements of income, changes in partners' capital, and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln Street Elderly Limited Partnership as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audits 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 22, 2012

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

BALANCE SHEETS

December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 59,153	\$ 33,648
TOTAL CURRENT ASSETS	<u>59,153</u>	<u>33,648</u>
RENTAL PROPERTY		
Land	76,851	76,851
Buildings	2,734,716	2,721,332
TOTAL RENTAL PROPERTY	<u>2,811,567</u>	<u>2,798,183</u>
Accumulated Depreciation	(1,419,574)	(1,320,706)
NET RENTAL PROPERTY	<u>1,391,993</u>	<u>1,477,477</u>
OTHER ASSETS		
Restricted Cash - Security Deposits	11,977	12,302
Restricted Cash - Replacement Reserves	34,820	36,568
Deferred Loan Fees, Net of Accumulated Amortization of \$4,615 and \$4,305	335	645
TOTAL OTHER ASSETS	<u>47,132</u>	<u>49,515</u>
TOTAL ASSETS	<u>\$ 1,498,278</u>	<u>\$ 1,560,640</u>
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 23,022	\$ 5,620
Prepaid Rent	3,014	1,017
Mortgage Payable - Current Portion	24,075	22,684
TOTAL CURRENT LIABILITIES	<u>50,111</u>	<u>29,321</u>
LONG TERM LIABILITIES		
Security Deposits Payable	11,977	12,302
Deferred Interest - Affiliates	23,018	15,908
Notes Payable - Affiliates	702,248	702,248
Mortgage Payable	766,167	788,713
TOTAL LONG TERM LIABILITIES	<u>1,503,410</u>	<u>1,519,171</u>
TOTAL LIABILITIES	1,553,521	1,548,492
TOTAL PARTNERS' CAPITAL	<u>(55,243)</u>	<u>12,148</u>
TOTAL LIABILITIES AND PARTNERS' CAPITAL	<u>\$ 1,498,278</u>	<u>\$ 1,560,640</u>

The accompanying notes are an integral part of these statements

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

STATEMENTS OF INCOME

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
OPERATING INCOME		
Rental Income	\$ 252,578	\$ 249,609
Other Income	2,102	1,209
Interest Income	<u>37</u>	<u>99</u>
TOTAL OPERATING INCOME	<u>254,717</u>	<u>250,917</u>
OPERATING EXPENSES		
Administrative	63,395	61,666
Utilities	36,665	44,568
Maintenance	33,747	29,703
Maintenance Materials	7,291	4,983
Non-Routine Maintenance	9,633	10,871
General	12,314	9,733
Interest Expense	59,885	61,353
Depreciation and Amortization	<u>99,178</u>	<u>99,177</u>
TOTAL OPERATING EXPENSES	<u>322,108</u>	<u>322,054</u>
NET (LOSS)	<u>\$ (67,391)</u>	<u>\$ (71,137)</u>

The accompanying notes are an integral part of these statements

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

Years Ended December 31, 2011 and 2010

	General Partner	<u>Limited Partner</u>		Total
		<u>EHPLP</u>	<u>BOCDC</u>	
PARTNERS' CAPITAL, December 31, 2009	\$ (111)	\$ 66,720	\$ 16,676	\$ 83,285
Net Income (Loss)	<u>(7)</u>	<u>(56,904)</u>	<u>(14,226)</u>	<u>(71,137)</u>
PARTNERS' CAPITAL, December 31, 2010	(118)	9,816	2,450	12,148
Net Income (Loss)	<u>(7)</u>	<u>(53,907)</u>	<u>(13,477)</u>	<u>(67,391)</u>
PARTNERS' CAPITAL, December 31, 2011	<u>\$ (125)</u>	<u>\$ (44,091)</u>	<u>\$ (11,027)</u>	<u>\$ (55,243)</u>

The accompanying notes are an integral part of these statements

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS
Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Tenants	\$ 254,355	\$ 249,494
Cash Paid to Suppliers	(143,646)	(164,612)
Interest Received	37	99
Interest Payments on Notes and Mortgage	<u>(52,775)</u>	<u>(54,242)</u>
Net Cash Provided by Operating Activities	<u>57,971</u>	<u>30,739</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Deposits to Replacement Reserves	(9,849)	(8,742)
Withdrawals from Restricted Cash	11,922	28,562
Purchase of Property	<u>(13,384)</u>	<u>-</u>
Net Cash Provided (Used) by Investing Activities	<u>(11,311)</u>	<u>19,820</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Notes and Mortgage	<u>(21,155)</u>	<u>(21,584)</u>
Net Cash (Used) by Financing Activities	<u>(21,155)</u>	<u>(21,584)</u>
NET INCREASE IN CASH	25,505	28,975
CASH, Beginning	33,648	4,673
CASH, Ending	<u>\$ 59,153</u>	<u>\$ 33,648</u>
RECONCILIATION OF NET (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net (Loss)	\$ (67,391)	\$ (71,137)
Adjustments to Reconcile Net (Loss) to Net Cash Provided by Operating Activities		
Depreciation and Amortization	99,178	99,177
Changes in Assets and Liabilities		
Prepaid Expenses	-	1,000
Accounts Payable and Accrued Expenses	17,402	(4,088)
Prepaid Rent	1,997	(251)
Security Deposits Payable	(325)	(1,073)
Deferred Interest Payable	<u>7,110</u>	<u>7,111</u>
Net Cash Provided by Operating Activities	<u>\$ 57,971</u>	<u>\$ 30,739</u>

The accompanying notes are an integral part of these statements

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Lincoln Street Elderly Limited Partnership (the "Partnership"), was formed on May 31, 1996, to acquire, own, develop, construct and/or rehabilitate, lease, manage and operate Partnership property as safe, decent and affordable housing for low-income persons. The Partnership has developed a 30-unit elderly low-income housing project in Louisville, Colorado, known as Lydia Morgan Apartments. The Partnership commenced operations on September 1, 1997. The term of the Partnership will continue until December 31, 2046, unless the Partnership is sooner dissolved in accordance with the provisions of the Partnership agreement. The primary source of revenue for the Partnership is rental income.

The general partner is the Louisville Housing Corporation (the "Corporation"), a Colorado non-profit corporation. The limited partners are the Enterprise Housing Partners 1995 Limited Partnership ("EHPLH") and Banc One Community Development Corporation ("BOCDC"). Profits, losses and credits of the Partnership are allocated among the Partners as follows:

Louisville Housing Corporation	.010%
Enterprise Housing Partners 1995 Limited Partnership	79.992%
Banc One Community Development Corporation	19.998%

The Partnership served 30 tenants during the years ended December 31, 2011 and 2010.

Basis of Presentation

The financial statements of the Partnership have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The more significant of the Partnership's policies are described below.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital assets are recorded at acquisition or construction cost. The Partnership defines capital assets as those with an initial, individual cost of \$5,000 or greater and a useful life of more than one year. Depreciation of assets is computed using the straight-line method over the estimated useful lives of the assets. Depreciation expense amounted to \$98,867 for the year ended December 31, 2010 and \$98,868 for the year ended December 31, 2011. Useful lives of assets are, as follows:

Buildings	27.5 years
Furniture and Equipment	5 to 7 years

Payments made to vendors for goods and services, which will benefit periods after year-end, are recorded as prepaid items.

Deferred financing costs are amortized using the straight-line method over the life of the related loan of seventeen years.

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (Continued)

Rental income is recognized as earned and is reported as accounts receivable until collected. Accounts receivable are expensed as bad debts at the time they are determined uncollectible. Payments received in advance are deferred until earned.

No provision or benefit for income taxes has been included in these financial statements since taxable income or loss passes through to, and is reportable by, the individual Partners.

For purposes of the statement of cash flows, cash equivalents are defined as unrestricted investments with original maturities of three months or less. Net cash flows are distributed annually in accordance with the partnership agreement. For the years ended December 31, 2011 and 2010, no amount was paid from net cash flows as the previous year had no net increase in cash.

The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount of which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. There were no impairments as of December 31, 2011.

NOTE 3: CASH AND CASH EQUIVALENTS

As of December 31, 2011 and 2010, the carrying amount of cash and cash equivalents were \$105,950 as follows:

	<u>2011</u>	<u>2010</u>
Unrestricted cash and cash equivalents	\$ 59,153	\$ 33,648
Restricted cash – Tenant security deposits	11,977	12,302
Restricted cash – Replacement reserves	<u>34,820</u>	<u>36,568</u>
Total	<u>\$ 105,950</u>	<u>\$ 82,518</u>

NOTE 4: RESTRICTED CASH

As of December 31, 2011 and 2010, cash of \$34,820 and \$36,568, respectively, was restricted for future replacements. In addition, cash held for tenant security deposits as of December 31, 2011 and 2010 is restricted in the amount of \$11,977 and \$12,302, respectively, with an offsetting liability for tenant security deposits in the same amount.

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 5: CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2011 and 2010 is summarized below:

	<u>Balance</u> <u>12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2011</u>
Capital Assets, Not Being Depreciated				
Land	\$ 76,851	\$ -	\$ -	\$ 76,851
Capital Assets, Being Depreciated				
Buildings	2,721,332	13,384	-	2,734,716
Total Capital Assets, Being Depreciated	<u>2,721,332</u>	<u>13,384</u>	<u>-</u>	<u>2,734,716</u>
Less Accumulated Depreciation				
Building	<u>(1,320,706)</u>	<u>(98,868)</u>	<u>-</u>	<u>(1,419,574)</u>
Total Accumulated Depreciation	<u>(1,320,706)</u>	<u>(98,868)</u>	<u>-</u>	<u>(1,419,574)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,400,626</u>	<u>(85,484)</u>	<u>-</u>	<u>1,315,142</u>
Total Capital Assets, Net	<u>\$ 1,477,477</u>	<u>\$ (85,484)</u>	<u>\$ -</u>	<u>\$ 1,391,993</u>
	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2010</u>
Capital Assets, Not Being Depreciated				
Land	\$ 76,851	\$ -	\$ -	\$ 76,851
Capital Assets, Being Depreciated				
Buildings	2,721,332	-	-	2,721,332
Total Capital Assets, Being Depreciated	<u>2,721,332</u>	<u>-</u>	<u>-</u>	<u>2,721,332</u>
Less Accumulated Depreciation				
Building	<u>(1,221,839)</u>	<u>(98,867)</u>	<u>-</u>	<u>(1,320,706)</u>
Total Accumulated Depreciation	<u>(1,221,839)</u>	<u>(98,867)</u>	<u>-</u>	<u>(1,320,706)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,499,493</u>	<u>(98,867)</u>	<u>-</u>	<u>1,400,626</u>
Total Capital Assets, Net	<u>\$ 1,576,344</u>	<u>\$ (98,867)</u>	<u>\$ -</u>	<u>\$ 1,477,477</u>

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 6: MORTGAGE AND NOTES PAYABLE

A summary of the Partnership's mortgage and notes payable is presented below:

	<u>2011</u>	<u>2010</u>
Wells Fargo Bank	\$ 790,242	\$ 811,397
Louisville Housing Authority	641,361	641,361
Louisville Housing Authority	<u>60,887</u>	<u>60,887</u>
Total Mortgage and Notes Payable	1,492,490	1,513,645
Less: Current Portion	<u>(24,075)</u>	<u>(22,684)</u>
Total Long Term Portion	<u>\$ 1,468,415</u>	<u>\$ 1,490,961</u>

The mortgage loan from Wells Fargo Bank was converted from a construction loan dated February 25, 1997. Interest accrues at 6.5% annually. Principal and interest payments of \$6,319 are due monthly, through January 2, 2013. The loan is secured by a deed of trust representing the land and building of the Partnership.

On October 31, 1996, the Louisville Housing Authority loaned \$641,361 to the Partnership, which is secured by a third deed of trust on the property. Interest accrues on the outstanding principal balance at a rate of 1% per annum and compounds annually. Payments are due annually to the extent the Partnership produces net cash flow. All unpaid principal and interest is due December 31, 2026. A second loan of \$100,000 was made on December 20, 1996, which is secured by a second deed of trust on the property. Interest accrues on the outstanding principal balance at a rate of 1% per annum, and compounds annually. Principal and accrued interest is due the later of six months after retirement of the first mortgage loan or December 31, 2026.

No principal payments were made to the Louisville Housing Authority during fiscal years 2011 or 2010. The deferred interest payable on both notes at December 31, 2010 totaled \$15,908 and \$23,018 at December 31, 2011.

Following is a summary of debt service requirements to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 24,075	\$ 58,775	\$ 82,850
2013	766,167	10,776	776,943
2014	-	7,022	7,022
2015	-	7,022	7,022
2016	-	7,022	7,022
2017-2021	-	35,112	35,112
2022-2026	<u>702,248</u>	<u>35,112</u>	<u>737,360</u>
Total	<u>\$ 1,492,490</u>	<u>\$ 160,841</u>	<u>\$ 1,653,331</u>

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 7: PARTNER CAPITAL CONTRIBUTIONS

The Partnership Agreement required the limited partners to contribute \$1,189,312 to the Partnership. At December 31, 2011, the partners had paid the full amount to this commitment.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Property Management Agreement

As the management agent for the Partnership, the General Partner has entered into a property management agreement with the Boulder County Housing Authority to assume responsibility for managing the Lydia Morgan Apartments. Under the terms of this agreement, the Partnership pays a monthly fee per rental unit of \$147 and \$143 for the years ended December 31, 2011 and 2010, respectively. This agreement is automatically renewed each year unless terminated by either party. For the years ended December 31, 2011 and 2010, the Partnership paid or accrued \$52,914 and \$51,480, respectively, under this agreement.

In addition, this agreement allows the Boulder County Housing Authority to charge labor and benefits costs incurred for certain maintenance activities. For the years ended December 31, 2011 and 2010, the Partnership paid or accrued \$10,872 and \$11,565, respectively, for such services.

Tenant Services Agreement

The Partnership entered into an agreement with Boulder County Housing Authority, an affiliated organization, to provide certain tenant services for the benefit of the residents of the Lydia Morgan Apartments. Under the terms of this agreement, annual payments of \$6,427 with a 4% increase annually, are payable to the extent the Partnership has net cash flows. Unpaid amounts do not accrue to the following year. For the years ended December 31, 2011 and 2010, \$145 and \$-0-, respectively, were accrued under this agreement.

Partnership Administration Agreement

The Partnership has an agreement with the Boulder County Housing Authority, an affiliated organization, to manage the business and administrative affairs of the Partnership. Under the terms of this agreement, annual payments of \$6,427, with a 4% increase annually, are payable to the extent the Partnership has net cash flows. Unpaid amounts do not accrue to the following year. For the years ended December 31, 2011 and 2010, no fees were accrued under this agreement.

Replacement Reserve Account

The Partnership Agreement requires the Partnership to fund a replacement reserve monthly and increase the monthly contribution by four percent annually each calendar year. The funds in the replacement reserve may be used only for capital expenditures to replace existing assets of the Partnership. The Partnership funded \$9,849 and \$8,742 to this reserve in 2011 and 2010, respectively.

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

December 31, 2011 and 2010

NOTE 9: SUBSEQUENT EVENTS

The Partnership did not have any subsequent events through February 22, 2012, which is the date the financial statements were available to be issued, requiring recording or disclosure in the financial statements for the year ended December 31, 2011.

SUPPLEMENTARY INFORMATION

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

SCHEDULES OF INCOME AND EXPENSES

Years Ended December 31, 2011 and 2010

	2011	2010
INCOME		
RENTAL INCOME		
Rent Income	\$ 205,452	\$ 206,515
Less: Vacancies	(2,361)	(3,678)
Rent Subsidy	49,487	46,772
TOTAL RENTAL INCOME	\$ 252,578	\$ 249,609
OTHER INCOME		
Laundry	\$ 1,766	\$ 922
Other	336	287
TOTAL OTHER INCOME	\$ 2,102	\$ 1,209
INTEREST INCOME		
Interest Income	\$ 37	\$ 99
TOTAL INTEREST INCOME	\$ 37	\$ 99
 EXPENSES		
ADMINISTRATIVE		
Legal	\$ 75	\$ 130
Audit	6,500	6,750
Supplies	31	7
Bank Fees	654	538
Project Marketing	-	922
Phone	1,018	2,166
Management Fees	52,914	51,480
Tenant Services Fee	145	-
Other Tenant Services	2,058	(327)
TOTAL ADMINISTRATIVE	\$ 63,395	\$ 61,666
UTILITIES		
Water	\$ 6,477	\$ 6,249
Electricity	8,812	11,512
Natural Gas	15,257	20,980
Sewer	5,422	5,838
Other Utilities	697	(11)
TOTAL UTILITIES	\$ 36,665	\$ 44,568

LINCOLN STREET ELDERLY LIMITED PARTNERSHIP

SCHEDULES OF INCOME AND EXPENSES

Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
MAINTENANCE		
Salaries	\$ 8,014	\$ 8,811
Benefits	2,858	2,754
Contract Maintenance	<u>22,875</u>	<u>18,138</u>
TOTAL MAINTENANCE	<u>\$ 33,747</u>	<u>\$ 29,703</u>
MAINTENANCE MATERIALS		
Materials	<u>\$ 7,291</u>	<u>\$ 4,983</u>
TOTAL MAINTENANCE MATERIALS	<u>\$ 7,291</u>	<u>\$ 4,983</u>
NON-ROUTINE MAINTENANCE		
Non-Routine Interior	\$ 9,633	\$ 9,752
Non-Routine Exterior	<u>-</u>	<u>1,119</u>
TOTAL NON-ROUTINE MAINTENANCE	<u>\$ 9,633</u>	<u>\$ 10,871</u>
GENERAL		
Property Insurance	<u>\$ 12,314</u>	<u>\$ 9,733</u>
TOTAL GENERAL	<u>\$ 12,314</u>	<u>\$ 9,733</u>
INTEREST		
Mortgage Interest	\$ 52,775	\$ 54,243
Deferred Interest	<u>7,110</u>	<u>7,110</u>
TOTAL INTEREST	<u>\$ 59,885</u>	<u>\$ 61,353</u>
DEPRECIATION AND AMORTIZATION		
Depreciation	\$ 98,868	\$ 98,867
Amortization	<u>310</u>	<u>310</u>
TOTAL DEPRECIATION AND AMORTIZATION	<u>\$ 99,178</u>	<u>\$ 99,177</u>