Development Corporation of Tarrant County

Independent Auditor’s Report and Consolidated Financial Statements

December 31, 2020

Development Corporation of Tarrant County

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Contents

BKD
CPAs & Advisors

14241 Dallas Parkway, Suite 1100 | Dallas, TX 75254-2961
972.702.8262 | Fax 972.702.0673 | bkd.com

Independent Auditor's Report

Board of Directors
Development Corporation of Tarrant County
Fort Worth, Texas

We have audited the accompanying consolidated financial statements of the Development Corporation of Tarrant County (DCTC) and its subsidiaries, DCTC Cornerstone, LP, MAEDC Gainesville Seniors, LP, Sansom Ridge, LP and Sansom Bluff, LP (collectively, the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We did not audit the financial statements of Sansom Ridge, LP and Sansom Bluff, LP which statements reflect total assets constituting 88% of consolidated total assets at December 31, 2020, total net assets constituting 70% of consolidated total net assets at December 31, 2020, and total revenues, gains and other support constituting 33% of consolidated total revenues, gains, and other support for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Sansom Ridge, LP and Sansom Bluff, LP is based solely on the reports of the other auditors. 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Dallas, Texas
October 19, 2021

Development Corporation of Tarrant County

Consolidated Statement of Financial Position

December 31, 2020

Assets

Cash and cash equivalents	$ 882,316
Restricted cash	3,048,505
Investments	218,660
Accounts receivable	266,530
Notes receivable	951,029
Accrued interest	527,498
Prepaid expenses and other	82,702
Due from Sansom Pointe Senior, LP	16,772
House inventory	1,594,336
Property and equipment, net	60,396,987
Total assets	$ 67,985,335

Liabilities and Net Assets

Liabilities	
Accounts payable and accrued expenses	$ 661,984
Line of credit	299,715
Contractor and retainage payable	2,568,842
Security deposits	73,580
Due to related parties	1,673,920
Development fee payable	4,519,960
Notes payable	3,553,000
Bonds payable	34,885,662
Total liabilities	48,236,663
Net Assets	
Without donor restrictions	
Undesignated	5,912,965
Noncontrolling interest	13,835,707
Total net assets	19,748,672
Total liabilities and net assets	$ 67,985,335

Development Corporation of Tarrant County
Consolidated Statement of Activities
Year Ended December 31, 2020

Revenues, Gains and Other Support	
Federal grants	$ 546,763
Other non-federal grants	225,990
Developer fees	97,589
Construction management fees	96,450
Sale of property	765,250
Rental income	2,021,641
Investment return, net	102,881
Other income	105,645
Total revenues, gains and other support	3,962,209
Expenses	
Program expenses	
Housing	4,089,159
Supporting service expenses	
Management and general	846,403
Total expenses	4,935,562
Change in Net Assets from Operating Activities	(973,353)
Non-operating Income	
Capital contributions	6,192,787
Change in Net Assets from Non-operating Activities	6,192,787
Change in Net Assets	5,219,434
Net Assets, Beginning of Year	14,529,238
Net Assets, End of Year	$ 19,748,672

Development Corporation of Tarrant County

Consolidated Statement of Cash Flows

Year Ended December 31, 2020

Operating Activities		
Change in net assets	$	5,219,434
Items not requiring (providing) operating cash flows		
Depreciation		1,059,888
Interest reinvested		(3,046)
Interest expense - debt issuance costs		22,505
Capital contributions		(6,192,787)
Changes in		
Accounts receivable		(146,413)
Prepaid expenses and other		(12,295)
Accrued interest		102,430
House inventory		(986,829)
Accounts payable and accrued expenses		(1,014,818)
Security deposits		38,562
Net cash used in operating activities		(1,913,369)
Investing Activities		
Purchase of property and equipment		(20,725,684)
Net cash used in investing activities		(20,725,684)
Financing Activities		
Repayment of bonds payable		(75,000)
Net short-term borrowings		149,715
Proceeds from issuance of long-term debt and notes payable		3,553,000
Repayment of development fee payable		(201,737)
Advance from related parties, net		275,471
Capital contributions		6,192,787
Net cash provided by financing activities		9,894,236
Decrease in Cash, Cash Equivalents and Restricted Cash		(12,744,817)
Cash, Cash Equivalents and Restricted Cash, Beginning of Year		16,675,638
Cash, Cash Equivalents and Restricted Cash, End of Year	$	3,930,821
Reconciliation to Consolidated Statement of Financial Position		
Cash and cash equivalents	$	882,316
Restricted cash		3,048,505
Total Cash, Cash Equivalents, and Restricted Cash, End of Year	$	3,930,821
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	$	423,182
Property and equipment in accounts payable		2,571,338

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Development Corporation of Tarrant County (DCTC), DCTC Cornerstone, LP, MAEDC Gainesville Seniors, LP, Sansom Ridge, LP, and Sansom Bluff, LP (collectively the "Organization"). All significant interorganizational balances and transactions have been eliminated in consolidation.

Nature of Operations

DCTC was incorporated in 1998 and is a not-for-profit organization whose mission is to lessen the burden of government, combat community deterioration, and relieve the poor and distressed by performing activities to ensure that low- and moderate-income residents of Tarrant County, Texas have access to decent, affordable housing and community-based facilities in all areas of the county. DCTC is primarily supported by grant funds which are passed through Tarrant County from the U.S. Department of Housing and Urban Development and the proceeds from the sale of those grant-funded houses.

DCTC Cornerstone is a multi-family housing complex serving low-to-moderate income residents in Haltom City, Texas in which DCTC is the sole owner.

MAEDC Gainesville Seniors, LP was formed in Texas on October 28, 2003. Under the terms of the Second Amended and Restated Limited Partnership Agreement dated December 1, 2004 (the "Partnership Agreement"), the general partner was MAEDC Gainesville GP, LLC (the "Original General Partner"), the special limited partner was Boston Special Limited Partner, Inc. (the "Withdrawing Special Limited Partner") and the investor limited partner was Boston Financial Institutional Tax Credits XXVIII (the "Withdrawing Investor Limited Partner").

On July 31, 2020, the Withdrawing Special Limited Partner and the Withdrawing Investor Limited Partner assigned 100% of their limited Partnership interests to the Original General Partner for repayment of a $34,974 advance to the Partnership and $565,026.

Effective July 31, 2020, 100% of the Original General Partner's .01% general partner interest was assigned to Gainesville DCTC, LLC, a Texas limited liability company (the "General Partner") for $100. Effective July 31, 2020, 100% of the Original General Partner's limited Partnership interests were assigned to Gainesville Senior Living, LLC, a Texas limited liability company (the "Limited Partner") for $10 and a $200,000 second lien promissory note made by the Partnership to the owner of the Original General Partner. The General Partner and the Limited Partner are wholly owned by DCTC.

The Partnership was organized to acquire, construct, and operate a 76-unit development for low-income seniors in Gainesville, Texas, to be commonly known as "Summit Senior Village" (the "Project"). The Project was acquired in 2003, construction was completed, and initial rental operations began in 2005.

The Project received an allocation of low-income-housing tax-credits from the Texas Department of Housing and Community Affairs under Section 42 of the Internal Revenue Code of 1986, as amended. As such, the Project is required to lease a minimum of 89% of its units to families whose income is 60% or less of the area median gross income. The Project's units were required to meet the provisions of these regulations during each of 15 consecutive years beginning with the year the Project first took tax credits (2006) for the Partnership to remain qualified to receive the credits. In addition, the Project executed an Extended Use Agreement which requires the utilization of the Project pursuant to Section 42 for a minimum of 40 years from the first credit year, even after the disposition of the Project by the Partnership.

DCTC is a community housing development organization ("CHDO"), as designated by the Texas Tax Code. As such, the Partnership is eligible for and receives ad valorem tax exemptions on its rental property.

DCTC acquired the partnership interests of MAEDC Gainesville Seniors, LP for approximately $2,900,000 and the transaction has been accounted for as an asset acquisition for approximately $3,000,000 (including acquisition costs of approximately $100,000) during the year ended December 31, 2020. As this transaction was effective July 31, 2020, the activity of MAEDC Gainesville Seniors, LP included in the accompanying consolidated financial statements is for the period of July 31, 2020 through December 31, 2020.

Sansom Ridge, LP was formed on January 26, 2016 to construct, develop and operate a 100-unit apartment project, known as Sansom Ridge Apartments (Project), in Sansom Park, Texas. The Project is to be rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code (IRC). The general partner is Sansom Ridge GP, LLC (General Partner) and is solely owned by DCTC. The initial investor limited partner was Sansom Ridge SLP, LLC; however, on August 1, 2016, Sansom Ridge SLP, LLC transferred 99.98% of its interest in the Partnership to Garnet LIHTC Fund XLVIII, LLC (Investor Limited Partner). After the transfer on August 1, 2016, Sansom Ridge SLP, LLC became the Class B limited partner (Class B Limited Partner). The special limited partner is Transamerica Affordable Housing, Inc. (Special Limited Partner). Sansom Ridge, LP will operate until December 31, 2070, or until its earlier dissolution or termination.

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated August 1, 2016, and amendments thereon. Profits and losses from operations and low-income housing tax credits are allocated 0.01% to the General Partner, 99.98% to the Investor Limited Partner, 0.00% to the Special Limited Partner and 0.01% to the Class B Limited Partner.

Pursuant to the Sansom Ridge, LP Partnership Agreement, the Investor Limited Partner is required to provide capital contributions to the Partnership totaling $7,735,538, subject to adjustments based on the amount and timing of low-income housing tax credits allocated to the Project in addition to other occurrences which are fully explained in the Partnership Agreement. As of December 31, 2020, the Limited Partner had provided cumulative capital contributions in the amount of $7,374,130.

Sansom Bluff, LP was formed on October 19, 2017, to construct, develop and operate a 256-unit apartment project, known as Sansom Bluff Apartments in Sansom Park, Texas. The apartments are to be rented to low-income tenants and is operated in a manner necessary to qualify for federal low-income housing tax credits as provided for in Section 42 of the Internal Revenue Code. The general partner is Sansom Bluff GP, LLC (General Partner) and is solely owned by DCTC. The Investor Limited Partner is BF Sansom Bluff, LLC (Investor Limited Partner). Sansom Bluff LDG SLP, LLC is the Class B limited partner (Class B Limited Partner). The special limited partner is BFIM Special Limited Partner, Inc. (Special Limited Partner). Sansom Bluff, LP will operate until December 31, 2070, or until its earlier dissolution or termination.

Profits, losses and tax credits are allocated in accordance with the Amended and Restated Limited Partnership Agreement, dated November 1, 2018, and amendments thereon. Profits and losses from operations and low-income housing tax credits are allocated 0.01% to the General Partner, 99.98% to the Investor Limited Partner and 0.01% to the Class B Limited Partner.

Pursuant to the Sansom Bluff, LP Partnership Agreement, the Investor Limited Partner is required to provide capital contributions to the Partnership totaling $17,203,000, subject to adjustments based on the amount and timing of low-income housing tax credits allocated to the Project in addition to other occurrences which are fully explained in the Partnership Agreement. As of December 31, 2020, the Limited Partner had provided cumulative capital contributions in the amount of $9,461,650.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents.

At December 31, 2020, the Organization’s cash accounts exceeded federally insured limits by approximately $80,000.

Restricted Cash

Restricted cash is not considered cash and cash equivalents, and includes cash held with financial institutions for refunds of tenant security deposits, operating deficits, project construction, interest reserves, debt repayment, and for funding of repairs or improvements to the buildings which extend their useful lives.

Investments and Net Investment Return

Investments consist of certificates of deposits with original maturities of six months. The certificates of deposit are valued at cost which approximates fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

Accounts Receivable

Accounts receivable consist primarily of amounts due from government agencies in accordance with cost-reimbursement contracts. These receivables are considered fully collectible and therefore, the Organization does not consider an allowance necessary at December 31, 2020.

Notes Receivable

Notes receivable is reported at their outstanding principal balance. Notes receivable represents a loan made to a partnership to provide financing to construct two apartment complexes for low-to-moderate income family households. Interest income on the notes receivable is recognized when earned.

House Inventory

Houses that are purchased or constructed with the intent to resell to low-income families are recorded at cost including any needed repairs.

Property and Equipment

Property and equipment with a cost greater than $1,000 and a useful life greater than one year are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	3 - 40 years
Furniture and equipment	3 - 10 years

Long-lived Asset Impairment

Management evaluates its long-lived assets for financial impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. An impairment loss is recognized when the estimated undiscounted future cash flows from the assets are less than the carrying value of the assets. Assets to be disposed of are reported at the lower of their carrying amount or fair value, less cost to sell. Management is of the opinion that the carrying amount of its long-lived assets does not exceed their estimated recoverable amount. No asset impairment was recognized during the year ended December 31, 2020.

Government Grants

Support funded by grants is recognized as the Organization meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. No adjustments have been required during 2020.

Rental Income

Rental income is recognized as rent becomes due. All leases between the Organization and the tenants of the property are operating leases. Rental payments received in advance are deferred until earned, if applicable. Other income resulting from fees earned for late payments, cleaning, damages, and laundry facilities are recognized when earned.

Developer Fees

Developer fees are generally earned by DCTC at a rate of either 15% of the sales price on all projects funded by Tarrant County or 15% of the development cost on all City of Arlington projects.

Income Taxes

DCTC is exempt from income taxes under Section 501 of the IRC and a similar provision of state law. However, DCTC is subject to federal income tax on any unrelated business taxable income. DCTC files tax returns in the U.S. federal jurisdiction.

With a few exceptions, DCTC is no longer subject to U.S. federal examinations by tax authorities for years before 2017.

Income taxes on partnership income for DCTC Cornerstone, LP, MAEDC Gainesville Seniors, LP, Sansom Ridge, LP and Sansom Bluff, LP are levied on the partners at the partner level. Accordingly, all profits and losses of the Partnership 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 Partnership to report information regarding its exposure to various tax positions taken by the Partnership. Management has determined whether any tax positions have met the recognition threshold and has measured the Partnership’s exposure to those tax positions. Management believes that the Partnership 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 Partnership are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying consolidated financial statements.

Development Corporation of Tarrant County
Notes to Consolidated Financial Statements
December 31, 2020

Note 2: Grant Commitments

DCTC receives its government grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the financial statements of DCTC are prepared on the accrual basis, all unconditional portions of the grants not yet received as of December 31, 2020, have been recorded as grants receivable. Following are the grant commitments that extend beyond December 31, 2020:

Grant	Term	Grant Amount	Earned Through 2020	Funding Available at December 31, 2020
U.S. Department of Housing & Urban Development				
Home Investment Partnerships Program (Operating) - Tarrant County CHDO	May 26, 2020 - June 30, 2021	$ 50,000	$ 36,600	$ 13,400
HOME Investment Partnerships Program - City of Arlington (CHDO)	July 24, 2020 - January 23, 2022	400,000	204,910	195,090
		$ 450,000	$ 241,510	$ 208,490

Note 3: Restricted Cash and Investments

Cash Held in Separate Account

DCTC receives grant funds to acquire and rehabilitate housing units for resale to eligible homebuyers. The grant agreement requires that the unspent grant proceeds and proceeds from the sale of houses be placed in a separate bank account. At December 31, 2020, the balance in this account totaled $5,834.

Bond Funds

Sansom Ridge, LP and Sansom Bluff, LP established various funds and accounts held with the Bank of Texas, N.A. and BOKF, NA (Trustees), respectively.

The bond funds are used for payments including, but not limited to, construction of the Projects, interest, fees and repayment of the bonds. As of December 31, 2020, the balance of the bond funds of Sansom Ridge, LP and Sansom Bluff, LP were $78,309 and $2,498,492, respectively, and is recorded in restricted cash in the accompanying consolidated statement of financial position.

Insurance Escrow

Sansom Bluff, LP has monthly deposits that are made to the Trustee for the payment of property insurance. As of December 31, 2020, the insurance escrow balance was $201,439.

Tax Escrow

Sansom Ridge, LP has monthly deposits that are made to the Trustee for the payment of property taxes. All deposits are pledged as additional security for the Project’s mortgage. As of December 31, 2020, the balance of the property tax escrow was $167,371.

Replacement Reserve

Pursuant to the Sansom Ridge, LP Partnership Agreement, beginning in the month in which the last unit is leased to a tenant, the Partnership is required to make annual deposits equal to $250 per unit, increasing annually by 3% beginning on January 1 of the first fiscal year following the initial funding of the replacement reserve. Withdrawals from the replacement reserve greater than $10,000 require the approval of the Investor Limited Partner, Special Limited Partner and Class B Limited Partner. As of December 31, 2020, the balance of the replacement reserve was $53,145, and is recorded in the accompanying consolidated statement of financial position.

Pursuant to the Sansom Bluff, LP Partnership Agreement, beginning in the month in which the last unit is leased to a tenant, the Partnership is required to make annual deposits equal to $250 per unit, increasing annually by 3% beginning on January 1 of the first fiscal year following the initial funding of the replacement reserve. Withdrawals from the replacement reserve are required to be used for capital improvements and repairs to the Project, and require the approval of the Special Limited Partner. As of December 31, 2020, the replacement reserve has not been funded.

Operating Reserve

Pursuant to the Sansom Ridge, LP Partnership Agreement, upon the receipt of the Investor Limited Partner’s Fourth Federal Payment contribution, the Partnership is required to deposit $485,494 into an operating reserve account in order to fund operating deficits through the compliance period of the Partnership. Disbursements from the operating reserve require the approval of the Investor Limited Partner and Class B Limited Partner. During 2019, the LDG Development, LLC (“LDG Development”), a related party of the Class B Limited Partner, obtained an irrevocable letter of credit from Republic Bank & Trust Company in the amount of $485,494, to the benefit of the Trustee, to be used to fund operating deficits of the Partnership, in lieu of funding the operating reserve account. The irrevocable letter of credit renews annually in successive one-year periods unless otherwise cancelled, until the final expiry date of June 28, 2034. During 2020, the irrevocable letter of credit was renewed through June 24, 2021. As of December 31, 2020, the balance of the operating reserve was $20.

Pursuant to the Sansom Bluff, LP Partnership Agreement, upon the receipt of the Investor Limited Partner’s Fourth Federal Payment contribution, the Partnership is required to deposit $1,031,000 into an operating reserve account in order to fund operating deficits through the compliance period of the Partnership. Disbursements from the operating reserve require the approval of the Special Limited Partner. As of December 31, 2020, the Investor Limited Partner’s Fourth Installment contribution had not been provided and the operating reserve had not been funded.

Note 4: Notes Receivable

DCTC made a loan to a partnership to provide financing to construct two apartment complexes for low-to-moderate income family households. This action furthers its mission to supply affordable housing. This loan is detailed below as of December 31, 2020:

Annual payments of $61,404, including interest of 5.02%, to begin after the borrower's 2009 fiscal year-end, subject to available net cash flow, maturing October 27, 2036, secured by the complex, subordinated to a first lien holder.	951,029

Interest is recognized when earned. Accrued interest on this note receivable was $527,498 as of December 31, 2020. Based upon evaluation of the property's operations, management considers the note and accrued interest fully collectable, and no allowance is necessary. Since the loan is fully collateralized by the properties, management considers the credit risk to be minimal.

Note 5: House Inventory

DCTC constructs and rehabilitates housing units with the intent of reselling them to low-income families. As of December 31, 2020, DCTC has completed and sold homes with costs as detailed below:

Inventory, at beginning of year	$ 607,507
Property purchased and constructed	1,123,821
Rehabilitation expenses	541,795
Sale of homes	(678,787)
Balance, at end of year	$ 1,594,336

Note 6: Property and Equipment

Property and equipment as of December 31, 2020, consists of:

Land	$ 350,312
Building and building improvements	36,269,837
Furniture, equipment, and software	2,437,737
Construction in progress	24,287,030
	63,344,916
Less accumulated depreciation	(2,947,929)
	$ 60,396,987

Note 7: Lines of Credit

DCTC has a line of credit of $150,000 to accommodate cash flow needs expiring on March 16, 2021, which was renewed subsequent to year-end, through March 16, 2023. At December 31, 2020, there was $0 borrowed against the line of credit. The line of credit is collateralized by a certificate of deposit. Interest on this line is 3.25% and is payable monthly.

Cornerstone Apartments has a line of credit that was increased effective October 7, 2020 to $1,990,000 and expires on May 14, 2023. At December 31, 2020 there was $299,715, borrowed against this line. The line is collateralized by the Cornerstone Apartments. Interest varies based on the Wall Street Journal prime rate, which was 3.25% on December 31, 2020, and is payable monthly.

Note 8: Notes Payable

Land Note Payable

During the year ended December 31, 2020, DCTC purchased a tract of land by issuing a note payable in the amount of $488,000. The note bears interest at 3.25% and all outstanding principal and interest is due on October 7, 2022. The note payable is secured by a Deed of Trust. Interest only payments are due until maturity.

Mortgage Note Payable

Effective July 30, 2020, DCTC acquired the permanent loan with respect to MAEDC Gainesville Seniors, LP, with a bank payable in the amount of $2,175,000. The note bears interest at a floating rate of 1.5% plus prime (4.75% on December 31, 2020) and all outstanding principal and interest is due on July 30, 2021. The note payable is secured by a First Deed of Trust, Security Agreement and Financing Statement, an Assignment of Rents and Leases and is guaranteed by the owner of the property management company. Interest only payments are due until maturity. Interest expense totaled $41,899 during 2020 and accrued interest on December 31, 2020 was $8,609.

Effective July 30, 2021, the mortgage note was modified and extended. The maturity date was extended to July 30, 2022 and interest was changed to a fixed rate of 4.75%. Commencing August 30, 2021, monthly principal and interest payments of $12,400 commence until maturity. Future minimum principal payment requirements over the next five years are as follows:

2021	$ 19,104
2022	2,155,896
	$ 2,175,000

Unsecured Note Payable-SS/LSD

To provide funds to take out the Withdrawing Limited Partners, on July 30, 2020, MAEDC Gainesville Seniors, LP executed a $300,000 note ("SS/LSD Note") payable to SS/LSD Investments LLC, an affiliate of the Guarantor. The note bears interest at a rate of 6% per annum and is subordinate to the Partnership's senior debt. All outstanding principal and accrued interest is payable on the earlier of July 28, 2025, the pay-off of the senior debt, or the transfer of the property. Interest only payments commenced in August 2020. Interest expense equaled $7,500 during 2020 and accrued interest was $1,500 on December 31, 2020.

Unsecured Note Payable-WEJ

To provide funds to take out the Withdrawing Limited Partners, on July 30, 2020, MAEDC Gainesville Seniors, LP executed a $300,000 note ("WEJ Note") payable to WEJ Investments, GP, an affiliate of the Guarantor. The note bears interest at a rate of 6% per annum and is subordinate to the Partnership's senior debt. All outstanding principal and accrued interest is payable on the earlier of July 28, 2025, the pay-off of the senior debt, or the transfer of the property. Interest only payments commenced August 2020. Interest expense equaled $7,500 during 2020 and accrued interest was $1,500 on December 31, 2020.

Note Payable – Second Lien Note

As payment for the assignment of its Limited Partner interests, on July 30, 2020, MAEDC Gainesville Seniors, LP executed a $200,000 note ("Second Lien Note") payable to the owner of the Original General Partner. The note bears interest at a rate of 2% per annum and is secured by a second lien. All outstanding principal and accrued interest is payable on the earlier of January 30, 2022, the transfer of the property, or the pay-off of the senior note payable. $200,000 of principal is outstanding on December 31, 2020. Interest expense and accrued interest equaled $1,667 as of December 31, 2020.

Note Payable – Lifestyle Development

On October 20, 2020, Lifestyle Development, LLC, an entity controlled by the Guarantor, loaned MAEDC Gainesville Seniors, LP $310,000 to fund operating expenses. The loan is non-interest bearing. A repayment of $220,000 was made in December 2020. As of December 31, 2020, $90,000 is due to Lifestyle Development, LLC.

Note 9: Bonds Payable

Series 2016A

In order to provide funds for Sansom Ridge, LP to finance the construction of the Project, Tarrant County Housing Finance Corporation (TCHFC) issued Multi-Family Housing Revenue Bonds (Sansom Ridge Apartments) Series 2016A (Series A Bonds) in the principal amount of $9,500,000, which are secured by the Project. On August 1, 2016, FMSbonds, Inc. entered into a purchase agreement with TCHFC whereby it agreed to purchase the bonds and lend the proceeds to the Partnership.

The Partnership executed a note with TCHFC which set forth the Partnership's obligation to pay to the Trustee sufficient funds to enable the Trustee to pay any principal, premiums and interest due on the Bonds. TCHFC assigned its rights, title and interest, subject to certain contingency claims, in the notes to the Trustee.

The Partnership executed an agreement with JP Morgan Chase Bank, N.A. (JP Morgan) whereby JP Morgan issued an irrevocable letter of credit related to the Series A Bonds in the total amount of $9,542,487 (Letter of Credit Amount) for the benefit of the Trustee, which expired on July 15, 2019.

The Series A Bonds mature on July 1, 2056. The Series A Bonds bear interest at the rate of 4.50% per annum. The Series A Bonds are subject to optional redemption in whole or in part on or after January 1, 2033.

During 2020, interest of $343,513 was incurred. As of December 31, 2020, outstanding principal and accrued interest were $7,825,000 and $29,570, respectively.

As of December 31, 2020, bonds payable – Series A consisted of:

Principal balance	$ 7,825,000
Less: unamortized debt issuance costs	(298,515)
	$ 7,526,485

Debt issuance costs associated with the Series A Bonds are being amortized to interest expense over the term of the bonds. During 2020, the average effective interest rate was 4.79 and amortization of the debt issuance costs was $22,205.

For each of the next five years and thereafter, future minimum principal payments are due as follows:

2021	$ 90,000
2022	95,000
2023	100,000
2024	100,000
2025	110,000
Thereafter	7,330,000
	$ 7,825,000

Series 2018

In order to provide funds for Sansom Bluff, LP to finance the construction of the Project, Tarrant County Housing Finance Corporation (TCHFC) issued Multi-Family Housing Revenue Bonds (Sansom Bluff Apartments) Series 2018 (Bonds) in the principal amount of $28,865,000, which are secured by the Project. On November 1, 2018, FMSbonds, Inc. (the "Purchaser") entered into a purchase agreement with the Issuer whereby it agreed to purchase the bonds and lend proceed to the Partnership.

The Bonds were issued on November 1, 2018 and bear interest at 5.225% annum. Interest payments are due monthly, commencing January 1, 2019. Principal and interest payments are due quarterly, commencing January 1, 2022. The maturity date of the Bonds is December 1, 2058.

During 2020, interest of approximately $1,500,000 was capitalized to property and equipment. As of December 31, 2020, the outstanding principal balance and accrued interest were $28,865,000 and $125,683, respectively.

As of December 31, 2020, Series 2018 bonds consisted of:

Principal balance	$ 28,865,000
Less: unamortized debt issuance costs	(1,505,823)
	$ 27,359,177

For each of the next five years and thereafter, future minimum principal payments are due as follows:

2021	$ -
2022	165,000
2023	215,000
2024	225,000
2025	235,000
Thereafter	28,025,000
	$ 28,865,000

Note 10: Application and Distribution of Operating Cash Flow

Pursuant to the Sansom Ridge, LP Partnership Agreement, operating cash flow is distributable as follows:

1. To the Investor Limited Partner to pay any unpaid Excess Federal Adjuster and/or any Capital Adjuster Distribution;
2. To AEGON USA Realty Advisors, LLC (AEGON) to pay any unpaid asset management fees;
3. $250 per unit into the replacement reserve, increased annually by 3%;
4. To the payment of the Development Fee Note until it is paid in full;
5. $15,000 to LDG Development, LLC (LDG), to pay the annual rent pursuant to the ground lease agreement;
6. To the repayment of any Operating Deficit Loans;
7. 90% of the remaining balance to pay the Incentive Management Fee, and thereafter as a distribution; and
8. The remaining balance to the partners in accordance with their respective partnership interests.

Pursuant to the Sansom Bluff, LP Partnership Agreement, operating cash flow is distributable as follows:

1. To the Investor Limited Partner in an amount equal to the Asset Management Fee (including any accrued but unpaid Asset Management Fee from prior fiscal years);
2. To the payment of all amounts due and owing to the Investor Limited Partner, including without limitation, any theretofore unpaid Tax Credit Shortfall Payments;
3. Prior to the end of the Operating Obligation Period, to replenish the Operating Reserve up to its initial balance;
4. To the payment of the Deferred Development Fee Note;
5. To pay principal and interest on the HOME Loan up to an amount of $54,635;
6. To the repayment of any Voluntary Loans then outstanding which the General Partner is entitled to receive;
7. To payment of the Deferred Property Management Fee (if any) and any outstanding Operating Expense Loans (pro rata); and
8. 9% to the General Partner and 81% to the Class B Limited Partner (first, as payment of the Supervisory Management Fee and, thereafter, as a distribution), and 10% to the Investor Limited Partner.

Note 11: Related Party Transactions

Development Fee Payable

Pursuant to the Development Services Agreement between LDG Multifamily, LLC (Developer), a related party of the Class B Limited Partner and Sansom Ridge, LP, the Developer is entitled to earn a development fee in the amount of $2,351,540 for services rendered to the Partnership for overseeing the construction of the Project, payable from capital contributions and operating cash flow. The development fee payable does not bear interest. The development fee payable is required to be paid in full by December 31 of the 15th year following the year in which Substantial Completion occurs. As of December 31, 2020, the development fee payable was $2,149,803.

Pursuant to the Development Services Agreement between LDG Multifamily, LLC (Developer), a related party of the Class B Limited Partner and Sansom Bluff, LP, the Developer is entitled to earn a development fee in the amount of $5,974,504 for services rendered to the Partnership for overseeing the construction of the Project, payable from capital contributions and operating cash flow. The development fee payable does not bear interest. The development fee payable is required to be paid in full by the 13th anniversary of the Completion Date. As of December 31, 2020, the development fee payable was $2,370,157.

Contractor and Retainage Payable

Sansom Bluff, LP entered into a construction agreement with a general contractor for the original contract sum of $33,521,307, plus change orders of $399,197. As of December 31, 2020, the outstanding contractor and retainage payables were $985,054 and $1,583,788, respectively.

Operating Deficit Loans

Pursuant to the Sansom Ridge, LP Partnership Agreement, if the Partnership requires any funds to cover operating deficits during the Operating Deficit Guaranty Period, the General Partner is required to provide operating deficit loans up to $1,900,000. The Operating Deficit Guaranty Period begins on the Rent-Up Date and ends on fifth anniversary of the Investor Limited Partner's Fourth Federal Payment contribution. As of December 31, 2020, no operating deficit loans were provided.

Pursuant to the Sansom Bluff, LP the Partnership Agreement, the Class B Limited Partner is required to furnish amounts required by the Partnership to fund operating deficits, beginning on the Admission Date and ending on fifth anniversary of the Development Obligation Date. As of December 31, 2020, the Development Obligation Date had not yet occurred. Operating deficits funded by the Class B limited Partner prior to the Development Obligation Date are deemed special capital contributions, and are not repayable. After the Development Obligation Date, amounts provided by the Class B Limited Partner to fund operating deficits are considered operating expense loans, and are limited to $2,062,000. The operating expense loans are unsecured, non-interest bearing, and repayable from surplus cash. As of December 31, 2020, the no operating deficits had occurred or were required to be funded.

Due to LDG Development, LLC

Sansom Ridge, LP received advances from LDG for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2020, advances due to LDG were $86,228, which are included in due to related parties in the accompanying consolidated statement of financial position.

Due to Xpert Design and Construction, LLC

Sansom Ridge, LP received advances from Xpert Design and Construction, LLC (Xpert), a related party of the Class B Limited Partner, for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2020, advances due to Xpert were $156,367, which are included in due to related parties in the accompanying consolidated statement of financial position.

Due to Developer

Sansom Ridge, LP received advances from the Developer for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2020, advances due to the Developer were $1,214,905, which are included in due to related parties in the accompanying consolidated statement of financial position.

Sansom Bluff, LP received advances from the Developer for various working capital needs. The advances are non-interest bearing, unsecured, and repayable from available cash flow. As of December 31, 2020, advances due to the Developer were $216,420, which are included in due to related parties in the accompanying consolidated statement of financial position.

Note 12: Defined Contribution Plan

The Organization has a defined contribution plan, which allows its employees to elect to have a portion of their salary deposited directly into a 401(k) account on their behalf. In addition to their own salary deferrals, they may be eligible to receive an additional employer contribution under the Plan. The Organization contributed $18,541, as employer contributions for the year ended December 31, 2020.

Note 13: Functional Allocation of Expenses

Certain costs attributable to more than one function have been allocated amount the program and supporting services based on the direct identification, square footage and other methods. The following schedule presents the natural classification of expenses by function as follows:

	Housing	Management and General	Total Expenses
Salaries and benefits	$ 226,721	$ 419,711	$ 646,432
Rent and utilities	322,843	15,311	338,154
Property taxes and fees	198,739	64,978	263,717
Insurance	68,990	3,631	72,621
Dues and subscriptions	1,908	100	2,008
Office supplies and equipment	27,053	1,424	28,477
Marketing and advertising	-	99,365	99,365
Legal and other professional fees	-	145,567	145,567
Bank charges and service fees	23,047	1,213	24,260
Cost of property sold	678,787	-	678,787
Other program expenses	734,119	-	734,119
Repairs and maintenance	373,806	19,674	393,480
Depreciation	1,006,894	52,994	1,059,888
Interest expense	426,252	22,435	448,687
	$ 4,089,159	$ 846,403	$ 4,935,562

Development Corporation of Tarrant County

Notes to Consolidated Financial Statements

December 31, 2020

Note 14: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020, is $1,367,506. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 15: Low-Income Housing Tax Credits

Sansom Ridge, LP expects to generate an aggregate of $7,382,660 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2017. The year in which the credit period begins is determined on a building-by-building basis within the Partnership. In order to qualify for these credits, the Project 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 Partnership has also agreed to maintain and operate the Project 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 Investor Limited Partner under the terms of the Partnership Agreement.

Sansom Bluff, LP expects to generate an aggregate of $18,304,250 of Tax Credits. Generally, such Tax Credits are expected to become available for use by its partners' pro-rata over a ten-year period that began in 2020. In order to qualify for these credits, the Project 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 Partnership has also agreed to maintain and operate the Project 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 Investor Limited Partner under the terms of the Partnership Agreement.

Note 16: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Economic Events

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the consolidated financial position, results of operations, and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 17: Revenue from Contracts with Customers

Sale of Property

Performance obligations related to the sale of property are determined based on the date of closing in accordance with the contract. Revenue for performance obligations satisfied at a point in time is generally recognized on the date of closing at a single point in time, and the Organization does not believe it is required to provide any additional obligations related to that sale.

Transaction Price and Recognition

The Organization determines the transaction price based on each property for sale. There are no explicit or implicit price concessions and the contracts do not contain a significant financing component or variable consideration.

The Organization has not incurred material refunds in the past, and accordingly, has not provided for a refund liability at December 31, 2020.

For the year ended December 31, 2020, the Organization recognized no revenue from goods or services that transfer to the customer over time.

Note 18: Subsequent Events

In February 2021, the state of Texas experienced a severe winter storm, resulting in a presidential major disaster declaration. The severity of the impact of the storm has the potential to be extensive to the Sansom Ridge, LP and MAEDC Gainesville Seniors, LP operations depending on the extent of water and property damaged that was incurred. The Organization's future results could be adversely impacted by the required property repairs and lost rent due to temporarily or inhabitable units. Management is in the process of evaluating the impact of the storm on its financial condition, results of operations, and cash flows.

In July 2021, DCTC became the General Partner (Villas Del San Xavier GP) of a 156-unit senior living facility in San Marcos, Texas known as Villas Del San Xavier Senior Residences to be constructed at a cost estimated at approximately $38.6 million. This project will be financed with bonds, tax credits and various other loans. Construction is estimated to be completed in February 2023.

Subsequent events have been evaluated through October 19, 2021, which is the date the consolidated financial statements were available to be issued.

Note 19: Future Change in Accounting Principle

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement.

On June 3, 2020, the FASB issued an ASU that grants a delay in the effective date. As a result, the new lease standard is effective for the Organization for fiscal year 2022.

The Organization is evaluating the impact the standard will have on the consolidated financial statements.