

**GARDEN HOUSE III L.P.**  
**FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

**GARDEN HOUSE III L.P.**  
**DECEMBER 31, 2024 AND 2023**

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## Independent Auditor's Report

To the Partners of Garden House III L.P.

### Opinion

We have audited the accompanying financial statements of Garden House III L.P., a New York Limited Partnership, which comprise the balance sheet as of December 31, 2024, and the related statements of operations, partners' capital, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the 2024 financial statements referred to above present fairly, in all material respects, the financial position of Garden House III L.P. as of December 31, 2024, and the results of its operations and its cash flow for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Garden House III L.P. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Prior Period Financial Statements

The financial statements as of December 31, 2023 were audited by A Gary Aaronson CPA, PLLC, who merged with Lipsky Goodkin & Co., P.C. as of January 1, 2025, and whose report dated April 10, 2024, expressed an unmodified opinion on those statements.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Garden House III L.P.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Garden House III L.P.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Garden House III L.P.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating expenses are presented for purposes of additional analysis and are not required parts of the 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Lapsky Goodkin & Co., P.C." in a cursive, flowing script.

New York, New York  
February 14, 2025

**GARDEN HOUSE III L.P.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2024 AND 2023**

	<u>A S S E T S</u>	
	<u>2024</u>	<u>2023</u>
<b>RENTAL PROPERTY</b>		
Land and land preparation	\$ 22,002	\$ 22,002
Building	9,453,156	9,453,156
Land improvements	431,820	431,820
Equipment	<u>321,476</u>	<u>321,476</u>
	10,228,454	10,228,454
Less: Accumulated depreciation	<u>(2,979,215)</u>	<u>(2,683,268)</u>
<b>TOTAL RENTAL PROPERTY</b>	7,249,239	7,545,186
<b>OTHER ASSETS</b>		
Cash	1,887	65,838
Deposits held in trust		
Tenant security deposits	12,010	11,166
Restricted deposits and funded reserve		
Operating reserve	218,349	244,257
Replacement reserve	40,126	40,272
Social service reserve	<u>169,281</u>	<u>161,805</u>
Total Restricted Deposits and Funded Reserve	427,756	446,334
Prepaid expenses	34,266	36,129
Tenant accounts receivable	116,800	94,317
Security Deposits	350	350
Capitalized costs, net of accumulated amortization	<u>11,409</u>	<u>13,690</u>
<b>TOTAL OTHER ASSETS</b>	<u>604,478</u>	<u>667,824</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,853,717</u></u>	<u><u>\$ 8,213,010</u></u>

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

**GARDEN HOUSE III L.P.  
BALANCE SHEETS  
DECEMBER 31, 2024 AND 2023**

**LIABILITIES AND PARTNERS' CAPITAL**

	<u>2024</u>	<u>2023</u>
<b>LIABILITIES APPLICABLE TO INVESTMENT IN REAL ESTATE</b>		
Mortgage payable - HPD	\$ 5,704,408	\$ 5,703,268
Mortgage payable - Sponsor loan	<u>216,300</u>	<u>216,300</u>
<b>TOTAL</b>	5,920,708	5,919,568
<b>OTHER LIABILITIES</b>		
Accounts payable	93,231	67,380
Developer's fee payable	115,000	115,000
Prepaid rent	15,871	18,748
Accrued interest	345,000	287,500
Accrued expenses	88,064	87,519
Tenants security deposits payable	12,010	11,166
Due to affiliates	<u>716,866</u>	<u>553,731</u>
<b>TOTAL OTHER LIABILITIES</b>	<u>1,386,042</u>	<u>1,141,044</u>
<b>TOTAL LIABILITIES</b>	7,306,750	7,060,612
Partners' capital	<u>546,967</u>	<u>1,152,398</u>
<b>TOTAL LIABILITIES AND PARTNERS' CAPITAL</b>	<u><u>\$ 7,853,717</u></u>	<u><u>\$ 8,213,010</u></u>

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

**GARDEN HOUSE III L.P.**  
**STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>REVENUES</b>		
Residential rental income	\$ 229,537	\$ 225,548
Subsidy income	320,304	315,136
Less: Residential vacancy loss	<u>(10,105)</u>	<u>(19,158)</u>
Net rental income	539,736	521,526
<b>OTHER REVENUE</b>		
Interest income	18,035	22,832
Laundry income	2,001	902
Other income	<u>1,182</u>	<u>180</u>
Total other revenue	<u>21,218</u>	<u>23,914</u>
Total income	560,954	545,440
<b>OPERATING EXPENSES</b>		
Administrative	116,727	94,830
Utilities	126,532	112,935
Operating and maintenance	351,332	353,065
Taxes and insurance	<u>180,806</u>	<u>141,685</u>
Total operating expenses	<u>775,397</u>	<u>702,515</u>
Net operating loss before partnership and financial expenses	(214,443)	(157,075)
<b>PARTNERSHIP AND FINANCIAL EXPENSES</b>		
Mortgage interest expense	58,640	58,640
Investor service fee	6,720	6,525
Partnership management fee	<u>27,400</u>	<u>26,602</u>
Total partnership and financial expenses	<u>92,760</u>	<u>91,767</u>
Net loss before depreciation and amortization	(307,203)	(248,842)
Depreciation	295,947	297,266
Amortization	<u>2,281</u>	<u>2,281</u>
Total depreciation and amortization	<u>298,228</u>	<u>299,547</u>
<b>Net Loss</b>	<u><u>\$ (605,431)</u></u>	<u><u>\$ (548,389)</u></u>

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



**GARDEN HOUSE III L.P.**  
**STATEMENTS OF PARTNERS' CAPITAL**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>General Partner</u>	<u>Limited Partner</u>	<u>Total</u>
Partners' Capital January 1, 2023	\$ (217)	\$ 1,701,004	\$ 1,700,787
Net loss 2023	<u>(55)</u>	<u>(548,334)</u>	<u>(548,389)</u>
Partners' Capital December 31, 2023	(272)	1,152,670	1,152,398
Net loss 2024	<u>(61)</u>	<u>(605,370)</u>	<u>(605,431)</u>
Partners' Capital December 31, 2024	<u><u>\$ (333)</u></u>	<u><u>\$ 547,300</u></u>	<u><u>\$ 546,967</u></u>

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

**GARDEN HOUSE III L.P.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Cash Flows from Operating Activities:		
Net loss	\$ (605,431)	\$ (548,389)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	295,947	297,266
Amortization	2,281	2,281
Non cash interest expense due to amortization of debt issuance costs	1,140	1,140
Bad debts	26,426	13,759
Decrease (Increase) in operating assets:		
Tenant accounts receivables	(48,909)	(16,993)
Prepaid expenses	1,863	(26,129)
Increase (Decrease) in operating liabilities:		
Accounts payable	25,851	10,343
Accrued expenses	545	(66,669)
Accrued interest	57,500	57,500
Prepaid rent	(2,877)	3,194
Tenant security deposit	844	973
Due to affiliates	<u>105,363</u>	<u>96,528</u>
Net Cash used in Operating Activities	(139,457)	(175,196)
Cash Flows from Financing Activities:		
Loan from affiliates	<u>57,772</u>	<u>54,987</u>
Net Cash provided by Financing Activities	<u>57,772</u>	<u>54,987</u>
Net Decrease in Cash and restricted cash	(81,685)	(120,209)
Cash and restricted cash - Beginning of Year	<u>523,338</u>	<u>643,547</u>
Cash and restricted cash - End of Year	<u>\$ 441,653</u>	<u>\$ 523,338</u>
Supplemental disclosure of cash flow information:		
Cash paid during the years for interest	<u>\$ -</u>	<u>\$ -</u>

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

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 1 - ORGANIZATION

Garden House III L.P.(the “Partnership”) is a limited partnership formed under the laws of the State of New York pursuant to a First Amended and Restate Agreement of Limited Partnership Agreement (LPA) and Certificate of Limited Partnership dated July 15, 2011. The Partnership was organized to develop, construct, own, maintain, and operate a rental housing project in the lower east side of Manhattan, New York. The Project consists of 45 low income housing tax credit units and 1 superintendent unit. The building was completed in December 2014. Tenants began to occupy the building in January 2015. The total cost of the project (including funding of reserves) was \$11,016,400. The funding sources for this project were as follows:

New York City Permanent Loan	\$ 5,750,000
Partner Capital Contributions	4,935,100
Sponsor Loan	216,300
Deferred Developer’s Fee	<u>115,000</u>
Total	<u>\$ 11,016,400</u>

The project received an allocation of low-income-tax credits from the New York City Department of Housing Preservation Development (HPD) under Section 42 of the Internal Revenue Code of 1986, as amended.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Risks and Uncertainties

The Partnership is subject to various risks and uncertainties in the ordinary course of business that could have adverse impacts on its operating results and financial condition. Future operations could be affected by changes in the economy or other conditions in the geographical area where property is located or by changes in federal low-income housing subsidies or the demand for such housing.

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation

Land and land preparation, building, land improvements, and equipment are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. The estimated service lives of the assets for depreciation purposes may be different from their actual economic useful lives. For financial statement purposes the following estimated useful lives are used:

	<u>Estimated Life</u>	<u>Method</u>
Land and land preparation	-	None
Building	40 years	Straight-line
Land Improvements	15 years	Straight-line
Equipment	10 years	Straight-line

The land and building are pledged as collateral for all mortgages payable.

Impairment

The Partnership reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest charges, by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. No impairment loss has been recognized during the years ended December 31, 2024 and 2023.

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs and Amortization

Debt issuance costs are amortized over the term of the mortgage loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize debt issuance costs; however the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. The debt issuance costs are being offset against the mortgage payable and the amortization of debt issuance costs is included in mortgage interest expense.

Tax credit fees and carryover fees paid to the New York City Department of Housing Preservation and Development are amortized over 15 years using the straight line method.

Rental Income and Prepaid Rents

Rental income is recognized as rental income accrues. Rental payments received in advance are deferred or classified as liabilities until earned. All leases between the Partnership and the tenants of the property are operating leases.

Tenant Accounts Receivable

Tenant accounts receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

The Partnership writes off receivables when there is information that indicates the tenant is facing significant financial difficulty and there is no possibility of recovery. If any recoveries are made from any accounts previously written off, they will be recognized in income or an offset to credit loss expense in the year of recovery, in accordance with the Partnership's accounting policy election. The total amount of write-offs was immaterial to the financial statements as a whole for the years ending December 31, 2024 and 2023.

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a Partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect provision for income taxes and the Partnership has no other tax positions, which must be considered for disclosure.

Fair Values of Financial Instruments

The Partnership's financial instruments consist primarily of cash, accounts receivable, reserve deposits, accounts payable and debt instruments. The carrying values of cash, accounts receivable, reserve deposits and accounts payable are considered to be representative of their respective fair values. The carrying values of the Partnership's debt instruments approximate their fair values as of December 31, 2024 and 2023, based on current incremental borrowing rates for similar types of borrowing arrangements.

Revenue Recognition

The Partnership's primary revenue stream is rent charges for residential units under leases. The Partnership records revenue for such leases at gross potential rent. The rental value of vacancies and other concessions are stated separately to present net

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

rental income on the accrual basis. Subsidy revenue for low-income eligible tenants is provided under a Section 8 housing assistance payment contract. This contract requires tenants to contribute a portion of the contract rent based on formulas prescribed by the Department of Housing and Urban Development (HUD). The difference from the calculated subsidy and the contract rent is paid by the tenant. Subsidy income is considered part of the lease and is not considered a contribution under ASC 958. This standard indicates that government payments to specifically identified participants are to be considered exchange transactions and potentially subject to ASC 606. The Partnership believes that such both rental and subsidy income streams are exempted from compliance with ASC 606 due to their inclusion under current and future lease standards. Revenue streams subject to ASC 606 include: tenant reimbursement of consumption-based costs paid by the Partnership on behalf of the tenant, such as utilities and other monthly fees. Additional revenue includes laundry, vending, pet and parking fees as well as damages. Such fees are ancillary to the lease process and are recognized as revenue at the point in time such fees are incurred.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") 842, *Leases* ("FASB ASC 842") to increase transparency and comparability among organizations by requiring the recognition of lease assets and lease liabilities on the balance sheet by lessees and the disclosure of key information about leasing arrangements. The Partnership adopted FASB ASC 842 effective January 1, 2022. However, there is no adjustment necessary as of January 1, 2022 to be recognized under FASB ASC 842. With respect to tenant leases, FASB ASC 842 did not have a material impact on the financial statements as of December 31, 2022 and the year then ended. The Partnership has no other leases other than leases with tenants.

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recently Adopted Accounting Pronouncements(Continued)

of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Partnership that are subject to the guidance in FASB ASC 326 were tenant accounts receivable.

We adopted the standard effective January 1, 2023. The impact of the adoption was not considered material to the financial statements and primarily resulted in new/enhanced disclosures only.

NOTE 3 - MORTGAGES PAYABLE

The Partnership was funded with a loan from the New York City Department of Housing Preservation and Development (HPD). An affiliate of the general partner also made a loan to the Partnership. A summary of the loans follows:

HPD

A loan was secured by a mortgage in the amount of \$5,750,000. During the construction of the project, the loan was non interest bearing (zero percent). Upon completion of the project and reaching the conversion date (as defined in the building loan contract), the loan would have an interest rate of one percent (1%) to the maturity date. The maturity date of the loan is 50 years from the conversion date.

No monthly payments of principal or interest are required to be made until the maturity date. The loan was converted to permanent status on January 16, 2019. The maturity date of the loan is January 16, 2069. The outstanding loan balance as of December 31, 2024 and 2023 was \$5,750,000. As of December 31, 2024 and 2023, accrued interest was \$345,000 and \$287,500 respectively.

An enforcement note was secured by a mortgage to HPD of \$6,194,000 on the property. The note is due on the sixtieth anniversary of the completion date or January 16, 2069, whichever is earlier. The note shall be payable without interest and no payments of principal or interest shall be due prior to the maturity date. If no event of default shall exist on the maturity date, the outstanding amount of the note shall be deemed satisfied and extinguished. The enforcement note is not included in the financial statements.



**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 3 - MORTGAGES PAYABLE

SPONSOR LOAN

The Lower East Side People's Mutual Housing Associates, Inc., (LESPMHA), an affiliate of the general partner, loaned the Partnership \$216,300. The loan bears interest of zero percent (0%). The loan is due on October 10, 2062. The loan is subordinate to the loan made by HPD (\$5,750,000).

As of December 31, 2024 and 2023, the balances of the mortgages payable were as follows:

	<u>2024</u>	<u>2023</u>
Mortgage payable - HPD	\$ 5,750,000	\$ 5,750,000
Less: Unamortized debt issuance costs	<u>(45,592)</u>	<u>(46,732)</u>
Net	5,704,408	5,703,268
Sponsor Loan	<u>216,300</u>	<u>216,300</u>
Total	<u><u>\$ 5,920,708</u></u>	<u><u>\$ 5,919,568</u></u>

All of the loans are collateralized by mortgages on the real estate. Furthermore, the Partnership is required to adhere to a Regulatory Agreement that defines the use of the property.

NOTE 4 - DEBT ISSUANCE COSTS

Costs incurred in connection with the obtaining mortgages have been capitalized and are being amortized over the term of the mortgages. The unamortized debt issuance costs consist of the following:

	<u>2024</u>	<u>2023</u>
Debt issuance costs	\$ 56,969	\$ 56,969
Accumulated amortization	<u>(11,377)</u>	<u>(10,237)</u>
Net Debt issuance cost	<u><u>\$ 45,592</u></u>	<u><u>\$ 46,372</u></u>

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 4 - DEBT ISSUANCE COSTS (CONTINUED)

The debt issuance costs have been offset against the mortgage payable (Note 3). The amortization of debt issuance costs of \$1,140 for 2024 and 2023 is included in mortgage interest expense in the accompanying financial statements. Estimated amortization expense of the debt issuance costs for each of the ensuing years through December 31, 2029 is \$1,140.

NOTE 5 - PARTNERS' CAPITAL CONTRIBUTIONS, PROFIT AND LOSSES AND DISTRIBUTIONS

The Partnership has one General Partner, Garden House I, Inc., a New York Corporation, who has a .01% interest and one limited partner, Banc of America Housing Fund IX Limited Partnership, LLLP (BOA IX), who has a 99.99% interest. The General Partner and the Limited Partner' interest and their required capital contributions are as follows:

	<u>Percentage Interest</u>	<u>Capital Contribution</u>
<u>General Partner</u>		
Garden House I, Inc.	0.01%	\$ 100
<u>Limited Partner</u>		
Banc of America Housing Fund IX imited Partnership, LLLP	<u>99.99%</u>	<u>4,935,000</u>
	<u>100.00%</u>	<u>\$ 4,935,100</u>

As of December 31, 2015, the General Partner has contributed \$100. As of December 31, 2019, the Limited Partner has contributed \$4,935,000.

Profit and losses are allocated 0.01% to the general partner and 99.99% to the limited partner. Profits and losses arising from the sale, refinancing, or other disposition of all, or substantially all, of the Partnership's assets will be specifically allocated as prioritized by the LPA.

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 6 - CAPITALIZED COSTS

Capitalized costs consist of the following:

	<u>2024</u>	<u>2023</u>
Capitalized costs	34,220	34,220
Less Accumulated Amortization	<u>(22,811)</u>	<u>(20,530)</u>
Total	<u>\$ 11,409</u>	<u>\$ 13,690</u>

Estimated amortization expense for each of the ensuing years through December 31, 2029 is \$2,281.

NOTE 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

Developer's Fee

As provided in the Development Services Agreement, the Partnership shall pay the Developer's fee in the amount of \$460,000 to LESPMHA for the services rendered for overseeing the construction and development of the project. Of this amount, \$115,000 is considered deferred, and will be paid from cash flow available to the extent in accordance with the LPA. Any amount of the Developer's fee, including deferred Developer's fee, that has not been paid in full on or before December 31, 2028, shall be paid no later than such date. During 2024 and 2023, the Partnership did not pay LESPMHA for the Developer's fee. As of December 31, 2024 and 2023, the Partnership owed \$115,000 for Developer's fee. In connection with the development of the project, there were unspent funds in the amount of \$326,148. As agreed upon with NYC HPD, \$181,479 was deposited into the operating reserve (see note 8) in 2016 and \$144,669 was paid to the Developer as an incentive Developer's fee.

Partnership Management Fee

In accordance with the LPA, the general partner, to the extent that all operating expenses and escrow payments have been made, shall be paid a partnership management fee in the amount of \$21,000. This fee shall have an annual increase of three percent (3%). For the years ended December 31, 2024 and 2023, the

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES  
(CONTINUED)

Partnership Management Fee (Continued)

Partnership management fee was \$27,400 and \$26,602 respectively. As of December 31, 2024 and 2023, partnership management fees owed were \$219,740 and \$192,340 respectively and included in accrued expenses in the accompanying financial statements.

Investor Service Agreement

Per the Investor Service Agreement, the Partnership shall pay the Investor Service fee annually to BOA IX in the amount of \$5,000. For each year after the initial year, the fee shall increase at the rate of three percent (3%) per year. The Investor Service fees for 2024 and 2023 were \$6,720 and \$6,525 respectively. Total amount owed as of December 31, 2024 and 2023 were \$37,493 and \$30,773 respectively and included in accounts payable and accrued expenses in the accompanying financial statements.

Property Management Fee

The Partnership has entered into a management agreement with LESPMHA. The fee equals to eight percent (8%) of the rental collections. The total property management fees were \$39,951 in 2024 and \$39,182 in 2023 respectively.

Other Fees and Transactions

During 2024 and 2023, the Partnership reimburses LESPMHA for maintenance and security salary expenses. The total costs charged including fringe benefits and miscellaneous expenses were \$48,967 in 2024 and \$37,566 in 2023 respectively.

Included in due to affiliates are the loan to the Partnership by LESPMHA totaling \$54,347 for the years ended December 31, 2024 and 2023. The loan was used to pay development costs for the project. In addition, the Partnership borrowed \$45,772 and \$54,987, respectively, from LESPMHA during the years ended December 31, 2024 and 2023 to fund the operating expenses.

The total amount due to LESMPHA is as follows:

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NOTE 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES  
(CONTINUED)

	<u>2024</u>	<u>2023</u>
Loan	\$ 155,106	\$ 109,334
Property management fee	149,892	113,005
Partnership management fee	219,740	192,340
Salaries and related costs	<u>180,128</u>	<u>139,052</u>
Total	<u>\$ 704,866</u>	<u>\$ 553,731</u>

Also, included in due to affiliates is a loan in the amount of \$12,000 from Lespmha HDFC. It is the intention of the Partnership that these monies will be repaid when funds are available. Interest is not charged on these amounts and these are not secured. There are no specific due dates.

Operating Deficit Contributions

In accordance with the LPA, if, at any time after later of (i) the Stabilization Date or (ii) Loan Conversion, an Operating Deficit exists, then the General Partner shall contribute funds (an Operating Deficit contribution) to the Partnership as a contribution to capital in an amount equal to the amount of the Operating Deficit. The General Partner's obligation to make Operating Deficit Contributions to fund Operating Deficits which are not funded from the Operating Reserve, shall be limited to \$82,000.

The obligation of the General Partner to make Operating Deficit Contributions shall terminate on the date that the following have occurred simultaneously:

(i) the Project has operating at the required expense coverage for a period of at least one (1) year, which one (1) year period shall have commenced no earlier than four (4) years after the achievement of the Stabilization Date and (ii) the balance in the Operating Reserve equals or exceeds the Operating Reserve Amount. Operating deficit contributions shall be repayable, without interest solely from cash flow or as provided in Article VII in the LPA. As of December 31, 2024 and 2023, no operating deficit contribution was made.

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**NOTES TO THE FINANCIAL STATEMENTS**  
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NOTE 8 - FUNDED RESERVES

In accordance with the LPA, the Partnership is required to make a deposit into the operating reserve in the amount of \$322,000, which was deposited into the operating account in 2019. In 2016, a total of \$181,479 was deposited into the operating reserve. This funding came from the unspent funds related to the development of the project. The total funding deposited into the operating reserve is \$503,479. During 2024 and 2023, the Partnership withdrew \$36,433 and \$107,502 respectively with HPD approval to pay down accounts payable.

In accordance with the LPA, the Partnership is required to make a deposit into the social service reserve in the amount of \$150,411. The deposit was made in 2019.

In accordance with the Funding and Disbursement Agreement with HPD, the Partnership is also required to make a monthly deposit of \$1,245 (\$14,940 per annum) to the replacement reserve account, which increases three percent (3%) per year. The initial deposit is required to be made after the conversion date. During 2024 and 2023, the Partnership did not make any deposits into the replacement reserve. As of December 31, 2024 and 2023, the replacement reserve account is underfunded in the amount of \$104,351 and \$84,858, respectively. The reserves are maintained in liquid money market accounts held with a brokerage firm.

A summary of the transactions in the reserves is as follows:

	<u>2024</u>	<u>2023</u>
<u>Operating reserve</u>		
Balance beginning of year	\$ 244,257	\$ 336,196
Income	10,555	15,593
Withdrawal	(36,433)	(107,502)
Fee	<u>(30)</u>	<u>(30)</u>
Balance end of the year	<u>\$ 218,349</u>	<u>\$ 244,257</u>
<u>Replacement reserve</u>		
Balance beginning of year	\$ 40,272	\$ 40,418
Income	4	4
Fee	<u>(150)</u>	<u>(150)</u>
Balance end of the year	<u>\$ 40,126</u>	<u>\$ 40,272</u>

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 8 - FUNDED RESERVES (CONTINUED)

	<u>2024</u>	<u>2023</u>
<u>Social service reserve</u>		
Balance beginning of year	\$ 161,805	\$ 154,570
Income	<u>7,476</u>	<u>7,235</u>
Balance end of the year	<u>\$ 169,281</u>	<u>\$ 161,805</u>

The Partnership maintains accounts with a brokerage firm. The account contains only cash. Balances are insured up to \$500,000 (with a limit of \$250,000 for cash) by the Security Investor Protection Corporation (SIPC). The brokerage firm maintains additional insurance to cover any significant credit risk on cash, cash equivalents, and securities held by the broker. This insurance does not cover any loss on market value of all cash, cash equivalents and securities held, but losses due to the action of the brokerage firm. The Partnership has not experienced any losses in such accounts. The Partnership believes it is not exposed to any significant credit risk.

NOTE 9 - CONTINGENCIES

The Project's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. Noncompliance with state requirements could result in recapture of the Partnership's state low-income housing tax credits. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Limited Partner.

The Partnership does not believe there is any litigation pending or threatened against that, individually or in the aggregate, reasonable may be expected to have a material adverse effect on the Partnership.

The Partnership, as an owner of real estate, is subject to various Federal, state, and local environmental laws. Compliance by the Partnership with existing laws has not had a material adverse effect on the Partnership. However, the Partnership cannot predict the impact of new or changed laws or regulations on its current properties.

**GARDEN HOUSE III L.P.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 10 - CONCENTRATION OF CREDIT

Service and Clients

The Partnership earned approximately 57% and 58% of its income in the form of subsidies for the years ended December 31, 2024 and 2023, respectively. The balance of the rent is received from tenants.

Concentration of Credit Risks

The Partnerships maintains its cash balance in financial institutions and a brokerage firm. At times, the balance may exceed the FDIC or SPIC Limit of \$250,000. There was no amounts exceeded the limit at December 31, 2024 and 2023. At December 31, 2024 and 2023, cash exceeding the limits was \$177,756 and \$196,334, respectively. The Partnership has not experienced any losses in such accounts. The Partnership believes it is not exposed to any significant credit risk on cash.

NOTE 11 - CASH AND RESTRICTED CASH

The balance in cash and restricted cash as reflected in the statements of cash flows consists of the following:

	<u>2024</u>	<u>2023</u>
Cash	\$ 1,887	\$ 65,838
Restricted Deposits		
Operating Reserve	218,349	244,257
Replacement Reserve	40,126	40,272
Social Service Reserve	169,281	161,805
Tenant Security Deposit	<u>12,010</u>	<u>11,166</u>
	<u>\$ 441,653</u>	<u>\$ 523,338</u>

The amounts included in replacement reserve, operating reserve and social service reserve represent the cash portion of these accounts.

NOTE 12 - EXEMPTION FROM REAL ESTATE TAXES

The Partnership has received a Real Estate Tax exemption under the New York City 420C program.



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**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024 AND 2023**

NOTE 13 - TENANT ACCOUNTS RECEIVABLE

Tenant accounts receivable consists of the following:

	<u>2024</u>	<u>2023</u>
Tenant accounts receivable	\$ 156,356	\$ 125,457
Less: allowance for doubtful accounts	<u>(39,556)</u>	<u>(31,140)</u>
	<u>\$ 116,800</u>	<u>\$ 94,317</u>

NOTE 14 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through February 14, 2025, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

## **SUPPLEMENTARY INFORMATION**

**GARDEN HOUSE III L.P.**  
**SCHEDULES OF OPERATING EXPENSES**  
**FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<b>Administrative Expenses</b>		
Property management fee	\$ 39,951	\$ 39,182
Legal fees	24,519	11,856
Professional fees	14,175	17,646
Office expenses	1,732	1,808
License, fee and permits	2,809	3,085
Bad debts	26,426	13,759
Miscellaneous expense	<u>7,115</u>	<u>7,494</u>
<b>Total Administrative Expenses</b>	<u><u>\$ 116,727</u></u>	<u><u>\$ 94,830</u></u>
<b>Utilities Expenses</b>		
Electricity	\$ 24,631	\$ 23,603
Gas	30,314	25,800
Water and sewer	<u>71,587</u>	<u>63,532</u>
<b>Total Utilities Expenses</b>	<u><u>\$ 126,532</u></u>	<u><u>\$ 112,935</u></u>
<b>Operating and Maintenance Expenses</b>		
Repairs and maintenance payroll	\$ 40,663	\$ 30,276
Security Guard	204,589	222,950
Payroll tax	6,209	5,658
Maintenance supplies	4,707	12,324
Intercom and security	4,329	3,224
Elevator contract	6,973	9,414
Exterminating	3,819	2,466
Miscellaneous	14,893	5,929
Repairs contract	<u>65,150</u>	<u>60,824</u>
<b>Total Operating and Maintenance Expenses</b>	<u><u>\$ 351,332</u></u>	<u><u>\$ 353,065</u></u>
<b>Taxes and Insurance Expenses</b>		
Insurance	<u><u>\$ 180,806</u></u>	<u><u>\$ 141,685</u></u>

See independent auditor's report