DIVERSITY HOUSES, L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

DIVERSITY HOUSES, L.P.
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Partners of Diversity Houses, L.P.

Opinion

I have audited the accompanying financial statements of Diversity Houses, L.P., a New York Limited Partnership, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Diversity Houses, L.P. as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

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 Diversity Houses, 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

My 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 my 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, I:

- 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 Diversity Houses, 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 my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Diversity Houses, L.P.'s ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Report on Supplementary Information

My audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of operating expenses and excess income analysis 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

New York, New York
June 6, 2024

DIVERSITY HOUSES L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

A S S E T S

	2023	2022
RENTAL PROPERTY		
Land	$ 5	$ 5
Buildings	10,808,880	10,808,880
Building improvements	124,918	124,918
Land improvement	907,486	907,486
Furniture and equipment	173,715	173,715
	12,015,004	12,015,004
Less: Accumulated depreciation	(6,721,748)	(6,383,993)
Total Rental Property	5,293,256	5,631,011
OTHER ASSETS		
Cash	360,908	301,189
Deposits held in trust		
Tenant security deposits	92,936	92,156
Restricted Deposits and Funded Reserves		
Replacement reserve - CPC	478,133	442,933
Operating reserve - CPC	268,449	240,090
Funds held in escrow - CPC	78,865	86,144
Total Restricted Deposits and Funded Reserves	825,447	769,167
Tenant accounts receivable	62,639	73,224
Tenant accounts receivable - deferred	16,316	40,499
Prepaid expense	40,016	15,309
Total Other Assets	1,398,262	1,291,544
TOTAL ASSETS	$ 6,691,518	$ 6,922,555

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

DIVERSITY HOUSES L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND PARTNERS' CAPITAL

	2023	2022
LIABILITIES APPLICABLE TO INVESTMENT IN REAL ESTATE		
Mortgages payable	$ 3,588,933	$ 3,651,733
Total Liabilities Applicable to Investments in Rental property	3,588,933	3,651,733
OTHER LIABILITIES		
Construction costs payable	1,692	1,692
Accounts payable	10,645	8,441
Accrued expenses	66,109	46,001
Accrued interest payable	27,421	27,801
Tenant security deposits payable	141,375	139,976
Retainage payable	42,120	42,120
Developer’s fee payable	783,879	783,879
Prepaid rent	34,234	17,688
Due to LESPMHA Inc.	78,646	78,646
Total Other Liabilities	1,186,121	1,146,244
Total Liabilities	4,775,054	4,797,977
PARTNERS' CAPITAL		
Partners’ capital	1,916,464	2,124,578
TOTAL LIABILITIES AND PARTNERS’ CAPITAL	$ 6,691,518	$ 6,922,555

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

DIVERSITY HOUSES L.P.
STATEMENTS OF OPERATIONS
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES		
Residential rental income	$ 471,215	$ 456,610
Vacancy loss	-	(3,900)
Commercial rental income	398,511	358,876
Net rental income	869,726	811,586
Other income	9,282	6,704
Real estate tax reimbursement	24,480	23,280
Interest income	2,024	416
Total other revenue	35,786	30,400
TOTAL REVENUES	905,512	841,986
OPERATING EXPENSES		
Administrative	191,025	123,450
Utilities	148,215	140,338
Operating and maintenance	174,728	178,113
Taxes and insurance	90,381	85,538
Total Operating Expenses	604,349	527,439
Net income before partnership and financial expenses	301,163	314,547
PARTNERSHIP AND FINANCIAL EXPENSES		
Investment service fee	-	3,209
Partnership administrative fee	7,343	14,257
Mortgage interest	164,179	168,592
Total Partnership and Financial Expenses	171,522	186,058
Net income before depreciation and amortization	129,641	128,489
Depreciation	337,755	336,578
Amortization	-	3
Total depreciation and amortization	337,755	336,581
NET LOSS	$ (208,114)	$ (208,092)

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

DIVERSITY HOUSES L.P.
STATEMENTS OF PARTNERS' CAPITAL
FOR YEARS ENDED DECEMBER 31, 2023 AND 2022

	General Partner	Limited Partner*	Total
Partners' Capital January 1, 2022	$ (418)	$ 2,333,088	$ 2,332,670
Net loss 2022	(21)	(208,071)	(208,092)
Partners' Capital December 31, 2022	(439)	2,125,017	2,124,578
Net loss 2023	(21)	(208,093)	(208,114)
Partners' Capital December 31, 2023	$ (460)	$ 1,916,924	$ 1,916,464

* Note - Net of Syndication costs of $16,250.

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

DIVERSITY HOUSES L.P.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Net loss	$ (208,114)	$ (208,092)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	337,755	336,578
Amortization	-	3
Non cash interest expense due to amortization of debt issuance costs	3,374	3,374
Decrease (Increase) in operating assets:		
Tenant accounts receivable	10,585	(51,403)
Tenant accounts receivable - deferred	24,183	53,429
Prepaid expenses	(24,707)	21,834
Increase (Decrease) in operating liabilities:		
Accounts payable	2,204	585
Accrued expenses	20,108	(3,647)
Tenant security deposit	1,399	2,404
Accrued interest payable	(380)	(354)
Prepaid rent	16,546	(21,269)
Net Cash provided by Operating Activities	182,953	133,442
Cash Flows from Investing Activities:		
Purchase of fixed assets	-	(10,125)
Net Cash used in Investing Activities	-	(10,125)
Cash Flows from Financing Activities:		
Principal payments of a mortgage	(66,174)	(61,787)
Net Cash used in Financing Activities	(66,174)	(61,787)
Net Increase in Cash and Restricted Cash	116,779	61,530
Cash and Restricted Cash - Beginning of Year	1,162,512	1,100,982
Cash and Restricted Cash - End of Year	$ 1,279,291	$ 1,162,512
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 161,185	$ 165,572

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

DIVERSITY HOUSES L.P.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION

Diversity Houses, L.P. (the "Partnership") is a limited partnership formed under the laws of the State of New York pursuant to a Limited Partnership Agreement and Certificate of Limited Partnership dated July 27, 2004. The Partnership was organized to develop, construct, own, maintain, and operate thereon 44 residential units for rental to low-income tenants (the Project). The Project is located in the lower east side of Manhattan, New York. The Project consists of two buildings at 227 East Third Street and 242 East Second Street.

The Partnership received an allocation of low-income-tax credits from the New York State Division of Housing and Community Renewal (DHCR) under Section 42 of the Internal Revenue Code of 1986, as amended.

During 2023, there was a transfer of the limited partner' interest. On June 30, 2023, Enterprise Housing Partners X Limited Partnership transferred its 99.99% of ownership interest to Diversity Houses Housing Development Fund Company, Inc. As of June 30, 2023, Diversity Houses Development Fund Company, Inc. became the limited partner, owning 99.99% of interest.

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.

Capitalization and Depreciation

Land, buildings, land improvements, furniture, 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

method for financial reporting purposes. The estimated service lives of the assets for depreciation purposes may be different from their actual economic useful lives. The fixed assets being depreciated over the estimated life of tax basis do not result in a material difference from GAAP basis. For financial statement purposes, the following estimated useful lives are used:

	Estimated Life	Method
Land	-	None
Building/residential & Improvements	27.5 Years	Straight-line
Building/nonresidential	39.0 Years	Straight-line
Land Improvements	15.0 Years	Straight-line
Furniture and Fixture	7.0 Years	Straight-line
Equipment	5.0 Years	Straight-line

The land and buildings 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 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, 2023 and 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 are amortized over fifteen years using the straight-line method.

Rental Income

Residential rental income is recognized as it accrues. Rental payments received in advance are deferred until earned. Commercial rental income is recognized using the straight-line method under which contractual rent increases are recognized equally over the lease term. The commercial rental income recorded on the straight-line method in excess of the rents billed is recognized as accounts receivable-deferred. All leases between the Partnership and the tenants of the property are operating leases.

Accounts Receivable - Tenants

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. There was no allowance for doubtful accounts as of December 31, 2023 and 2022.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Taxes

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 and deductions 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, 2023 and 2022, 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

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.

Adoption of Accounting Pronouncement

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.

NOTE 3 - MORTGAGES PAYABLE

The Partnership received a construction loan from the Community Preservation Corporation(CPC) in the amount of $5,600,000. The loan carries an interest rate of 3.3% over the existing LIBOR rate. Interest on the loan was due and payable on the

NOTE 3 - MORTGAGES PAYABLE (CONTINUED)

first day of November 2004 and on the first day of each month thereafter until the maturity date (September 1, 2006).

The construction loan was paid off with two permanent loans and capital contributions from the Limited Partner in April 2010. The permanent loans are as follows:

CPC-Pension Fund (1st Mortgage)

A first mortgage in the amount of $2,685,000 bears an interest rate of 6.88% with a term of 30 years. The loan is payable in monthly installments of $17,647.51 including interest. The final payment is due on April 21, 2040. The balance owed as of December 31, 2023 and 2022 was $2,079,996 and $2,146,170 respectively. Interest expense for 2023 and 2022 was $145,216 and $149,629 respectively. For the years ended December 31, 2023 and 2022, accrued interest payable was $11,925 and $12,305 respectively.

Scheduled principal maturities of the first mortgage in each of the next five years are as follows:

Year ending December 31	Amount
2024	$ 71,280
2025	76,342
2026	81,763
2027	87,569
2028	93,787
Thereafter	1,669,255
Total	$ 2,079,996

New York State Housing Trust Fund (2nd Mortgage)

A second mortgage in the amount of $1,558,867 bears an interest rate of 1% with a term of 30 years. The maturity date of the mortgage is April 21, 2040. Interest is payable annually only from the excess income as determined by HTFC regulatory

NOTE 3 - MORTGAGES PAYABLE (CONTINUED)

New York State Housing Trust Fund (2nd Mortgage) (Continued)

agreement. All unpaid interest is due on the maturity date of the mortgage, April 21, 2040. The balance owed as of December 31, 2023 and 2022 was $1,558,867. Interest expense for 2023 and 2022 was $15,589. For the years ended December 31, 2023 and 2022, accrued interest payable was $15,496.

As of December 31, 2023 and 2022, the balances of the mortgages payable were as follows:

	2023	2022
Mortgage CPC	$ 2,079,996	$ 2,146,170
Mortgage NYSHTF	1,558,867	1,558,867
Total	3,638,863	3,705,037
Less: Unamortized debt issuance costs	(49,930)	(53,304)
Net mortgages payable	$ 3,558,933	$ 3,651,733

All of the loans are collateralized by the 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 obtaining the mortgages have been capitalized and are being amortized over the term of the mortgages. The unamortized debt issuance costs consist of the following:

	2023	2022
Debt issuance costs	$ 101,197	$ 101,197
Accumulated amortization	(51,267)	(47,893)
Net	$ 49,930	$ 53,304

NOTE 4 - DEBT ISSUANCE COSTS (CONTINUED)

The amortization of debt issuance costs of $3,374 for 2023 and 2022 were included in mortgage interest expense in the accompanying financial statements. Estimated amortization expense for each of the ensuing years through December 31, 2028 is $3,374. The debt issuance costs have been offset against the mortgages payable (Note 3).

NOTE 5 - DEVELOPER'S FEE PAYABLE

The Partnership is to pay Lower East Side People's Mutual Housing Association, Inc. (LESPMHA) a development fee in the amount of $996,844 for the service provided with respect to the development of the Project. As of December 31, 2023 and 2022, developer's fee payable was $783,879. The development fee will be paid to the extent of cash flow from the Partnership. Any amount of the development fee that has not been paid in full on or before December 31, 2022 shall be paid no later than such date.

NOTE 6 - CONCENTRATION OF CREDIT RISK

All of the Partnership's cash in a bank has been maintained throughout the years in a federal credit union, which, at times, may exceed the National Credit Union Administration insurance limit of $250,000. The Partnership at times may exceed the limit. At December 31, 2023 and 2022 the total amount exceeding the limit are $109,498 and $49,807 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 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

The property management fees are paid to LESPMHA. The fee is 5% of the monthly rental collection. LESPMHA is an affiliate of the General Partner. Total property management fees were $45,720 in 2023 and $42,536 in 2022 respectively. The Partnership also reimburses LESPMHA for maintenance salary and operating expenses, including fringe benefits. The total cost reimbursed was $69,692 in 2023 and $56,050 in 2022 respectively. The total amounts owed to LESPMHA for the property management fees and reimbursable expenses for the years ended December 31, 2023 and 2022 were $10,645 and $8,441 respectively and included in accounts payable in the accompanying financial statements.

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

The General Partner is entitled to an annual partnership administrative fee. The initial annual fee was $10,000, which increases by 3 percent per year. The partnership administrative fees for 2023 and 2022 were $7,343 and $14,257 respectively. The partnership administrative fees owed as of December 31, 2023 and 2022 were $21,600 and $14,257 respectively and were included in accrued expenses in the accompanying financial statements.

Included in due to LESPMHA Inc. are advances to the Partnership by LESPMHA totaling $78,646 as of December 31, 2023 and 2022 respectively.

NOTE 8 - RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the regulatory agreement with New York State Housing Trust Fund (HTFC), the Partnership contributed an initial operating reserve in the amount of $90,035. The payment was made in April 2010 in connection with the permanent loan closing. Additional deposits to the operating reserve shall be equal to 3% of the annually budgeted rents plus any excess income remaining in accordance with the HTFC regulatory agreement. Such deposits shall be made in monthly amounts equal to one-twelve of the annual amount. The monthly deposits may be reduced or suspended in any month when the balance in the operating reserve account equals 50% of the annually budgeted gross rent. The Partnership made deposits of $26,335 and $25,627 to the operating reserve in 2023 and 2022 respectively.

The replacement reserve is to be funded from operations in the amount of $35,200 per year. During the years ended December 31, 2023 and 2022, the required deposits of $35,200 were made to the replacement reserve. As of the date of this report, all of the 2023 and 2022 required deposits are made.

A summary of the activity in the reserve accounts is as follows:

	2023	2022
Replacement Reserve		
Balance beginning of year	$ 442,933	$ 407,733
Deposits	35,200	35,200
Balance end of year	$ 478,133	$ 442,933

NOTE 8 - RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)

	2023	2022
Operating Reserve		
Balance beginning of year	$ 240,090	$ 214,047
Deposits	26,335	25,627
Interest earned	2,024	416
Balance end of year	$ 268,449	$ 240,090

The operating reserve and replacement reserve accounts are held by CPC.

The Partnership maintains an escrow account with The Community Preservation Corporation (CPC). The Partnership is required to make monthly payments to the escrow account and makes water and sewer and insurance payments from this account. The activities in the escrow account as of December 31, 2023 and 2022 as follow:

	2023	2022
Balance beginning of year	$ 86,144	$ 72,263
Deposits	102,115	120,058
Withdrawals	(109,394)	(106,177)
Balance end of year	$ 78,865	$ 86,144

NOTE 9 - COMMERCIAL LEASE

The Partnership has entered into two agreements to lease the commercial spaces. One lease commenced in June 2009 and continues until May 31, 2024. The first year's rent was $154,370 with an increase of 2% every year thereafter. The other lease commenced in March 2013 and continues until February 28, 2023. The first year rent was $165,000 with an increase of 3% every year thereafter. This was renewed with same term until February 28, 2026. The deferred rent receivable as of December 31, 2023 and 2022 is $16,316 and $40,499 respectively and included in tenant accounts receivable-deferred in the accompanying financial statements.

DIVERSITY HOUSES L.P.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 9 - COMMERCIAL LEASE (CONTINUED)

Future minimum lease payments under the lease agreements for each of the next five years and thereafter following December 31, 2023 are as follows:

2024	$ 312,160
2025	234,109
2026	39,208
	$ 585,477

NOTE 10 - REAL ESTATE TAXES

For the years ended December 31, 2023 and 2022, real estate taxes expenses were $46,030 and $43,111 respectively. As of December 31, 2023 and 2022, all real estate taxes were paid.

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:

	2023	2022
Operating Cash	$ 360,908	$ 301,189
Restricted Deposits		
Replacement Reserve- CPC	478,133	442,933
Operating Reserve- CPC	268,449	240,090
Escrow- CPC	78,865	86,144
Tenant security deposit	92,936	92,156
	$ 1,279,291	$ 1,162,512

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

DIVERSITY HOUSES L.P.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 12 - CONTINGENCIES

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.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through June 6, 2024, 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

DIVERSITY HOUSES, L.P.
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Administrative Expenses		
Property management fee	$ 45,720	$ 42,536
Office supplies	2,505	2,782
Superintendent salary	30,435	29,250
Professional fees	37,600	16,879
Payroll taxes	4,422	4,299
Workers' compensation	878	912
Employee insurance	32,823	20,722
Licenses, permits & fees	27,389	5,620
Miscellaneous	9,253	450
Total Administrative Expenses	$ 191,025	$ 123,450
Utility Expenses		
Gas	$ 59,659	$ 54,595
Electricity	22,123	24,637
Water and sewer	66,433	61,106
Total Utility Expenses	$ 148,215	$ 140,338
Operating and Maintenance Expenses		
Elevator contract	$ 24,615	$ 21,486
Exterminator	4,514	4,024
Repairs supplies	19,127	20,297
Repairs contract	119,752	129,091
Repairs painting	6,720	3,215
Total Operating and Maintenance Expenses	$ 174,728	$ 178,113
Tax and Insurance Expenses		
Real estate taxes	$ 46,030	$ 43,111
Insurance	44,351	42,427
Total Taxes and Insurance Expenses	$ 90,381	$ 85,538

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DIVERSITY HOUSES, L.P.
EXCESS INCOME ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Net loss	$ (208,114)
Add Non-cash expenses:	
Depreciation	337,755
Interest expenses	164,179
	501,934
Add Partnership fees included in expenses:	
Partnership Admin. fees	7,343
	7,343
Deduct required reserve deposits	
CPC-replacement reserve	(35,200)
CPC-operating reserve	(26,335)
	(61,535)
Deduct other mortgage principal and interest payments	
CPC-mortgage principal payments	(66,174)
CPC-mortgage interest payments	(145,596)
	(211,770)
Add other items	
Deferred rental income	24,183
	24,183
Deduct other items	
Interest income	(2,024)
Excess Income before HTFC Debt Service	50,017
HTFC Debt Service Requirement	(15,589)
Excess Income	$ 34,428

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