GARDEN HOUSE III L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

GARDEN HOUSE III L.P.
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Partners of Garden House III L.P.

Opinion

I have audited the accompanying financial statements of Garden House III 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 Garden House III 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 Garden House III 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 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

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 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 my 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.

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 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.

CPA PLLC

New York, New York
April 10, 2024

GARDEN HOUSE III L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
RENTAL PROPERTY		
Land and land preparation	$ 22,002	$ 22,002
Building	9,453,156	9,453,156
Land improvements	431,820	431,820
Equipment	321,476	321,476
	10,228,454	10,228,454
Less: Accumulated depreciation	(2,683,268)	(2,386,002)
TOTAL RENTAL PROPERTY	7,545,186	7,842,452
OTHER ASSETS		
Cash	65,838	102,170
Deposits held in trust		
Tenant security deposits	11,166	10,193
Restricted deposits and funded reserve		
Operating reserve	244,257	336,196
Replacement reserve	40,272	40,418
Social service reserve	161,805	154,570
Total Restricted Deposits and Funded Reserve	446,334	531,184
Prepaid expenses	36,129	10,000
Tenant accounts receivable	94,317	91,083
Security Deposits	350	350
Capitalized costs, net of accumulated amortization	13,690	15,971
TOTAL OTHER ASSETS	664,824	760,951
TOTAL ASSETS	$ 8,213,010	$ 8,603,403

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

GARDEN HOUSE III L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND PARTNERS' CAPITAL

	2023	2022
LIABILITIES APPLICABLE TO INVESTMENT IN REAL ESTATE		
Mortgage payable - HPD	$ 5,703,268	$ 5,702,128
Mortgage payable - Sponsor loan	216,300	216,300
TOTAL	5,919,568	5,918,428
OTHER LIABILITIES		
Accounts payable	67,380	57,037
Developer’s fee payable	115,000	115,000
Prepaid rent	18,748	15,554
Accrued interest	287,500	230,000
Accrued expenses	87,519	154,188
Tenants security deposits payable	11,166	10,193
Due to affiliate	553,731	402,216
TOTAL OTHER LIABILITIES	1,141,044	984,188
TOTAL LIABILITIES	7,060,612	6,902,616
Partners’ capital	1,152,398	1,700,787
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 8,213,010	$ 8,603,403

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, 2023 AND 2022

	2023	2022
REVENUES		
Residential rental income	$ 225,548	$ 230,218
Subsidy income	315,136	299,273
Less: Residential vacancy loss	(19,158)	(22,347)
Net rental income	521,526	507,144
OTHER REVENUE		
Interest income	22,832	6,277
Laundry income	902	2,213
Other income	180	70
Total other revenue	23,914	8,560
Total income	545,440	515,704
OPERATING EXPENSES		
Administrative	94,830	83,482
Utilities	112,935	98,867
Operating and maintenance	353,065	369,492
Taxes and insurance	141,685	47,619
Total operating expenses	702,515	599,460
Net operating loss before partnership and financial expenses	(157,075)	(83,756)
PARTNERSHIP AND FINANCIAL EXPENSES		
Mortgage interest expense	58,640	58,640
Investor service fee	6,525	6,333
Partnership management fee	26,602	25,827
Total partnership and financial expenses	91,767	90,800
Net loss before depreciation and amortization	(248,842)	(174,556)
Depreciation	297,266	297,144
Amortization	2,281	2,281
Total depreciation and amortization	299,547	299,425
Net Loss	$ (548,389)	$ (473,981)

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, 2023 AND 2022

	General Partner	Limited Partner	Total
Partners' Capital January 1, 2022	$ (170)	$ 2,174,938	$ 2,174,768
Net loss 2022	(47)	(473,934)	(473,981)
Partners' Capital December 31, 2022	(217)	1,701,004	1,700,787
Net loss 2023	(55)	(548,389)	(548,389)
Partners' Capital December 31, 2023	$ (272)	$ 1,152,670	$ 1,152,398

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, 2023 AND 2022

	2023	2022
Cash Flows from Operating Activities:		
Net loss	$ (548,389)	$ (473,981)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation	297,266	297,144
Amortization	2,281	2,281
Non cash interest expense due to amortization of debt issuance costs	1,140	1,140
Bad debts	13,759	6,207
Decrease (Increase) in operating assets:		
Tenant accounts receivables	(16,993)	(34,248)
Prepaid expenses	(26,129)	27,345
Increase (Decrease) in operating liabilities:		
Accounts payable	10,343	39,120
Accrued expenses	(66,669)	87,003
Accrued interest	57,500	57,500
Prepaid rent	3,194	5,122
Tenant security deposit	973	(1,238)
Due to affiliate	151,515	77,569
Net Cash (used in) provided by Operating Activities	(120,209)	90,964
Cash Flows from Investing Activities:		
Purchase of fixed assets	-	(7,245)
Net Cash used in Investing Activities	-	(7,245)
Net (Decrease) Increase in Cash and restricted cash	(120,209)	83,719
Cash and restricted cash - Beginning of Year	643,547	559,828
Cash and restricted cash - End of Year	$ 523,338	$ 643,547
Supplemental disclosure of cash flow information:		
Cash paid during the years for interest	$ -	$ -

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

GARDEN HOUSE III L.P.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

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	115,000
Total	$ 11,016,400

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.

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:

	Estimated Life	Method
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, 2023 and 2022.

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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 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 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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 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 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.

NOTE 3 - MORTGAGES PAYABLE (CONTINUED)

HPD (Continued)

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, 2023 and 2022 was $5,750,000. As of December 31, 2023 and 2022, accrued interest was $287,500 and $230,000 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.

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

	2023	2022
Mortgage payable - HPD	$ 5,750,000	$ 5,750,000
Less: Unamortized debt issuance costs	(46,372)	(47,872)
Net	5,703,678	5,702,128
Sponsor Loan	216,300	216,300
Total	$ 5,919,928	$ 5,918,428

NOTE 3 - MORTGAGES PAYABLE (CONTINUED)

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:

	2023	2022
Debt issuance costs	$ 56,969	$ 56,969
Accumulated amortization	(10,237)	(9,097)
Net Debt issuance cost	$ 46,732	$ 47,872

The debt issuance costs have been offset against the mortgage payable (Note 3). The amortization of debt issuance costs of $1,140 for 2023 and 2022 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, 2028 is $1,140.

NOTE 5 - CAPITALIZED COSTS

Capitalized costs consist of the following:

	2023	2022
Capitalized costs	34,220	34,220
Less Accumulated Amortization	(20,530)	(18,249)
Total	$ 13,690	$ 15,971

Estimated amortization expense for each of the ensuing years through December 31, 2028 is $2,281.

NOTE 6 - 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:

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

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.

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

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

Developer's Fee (Continued)

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 2023 and 2022, the Partnership did not pay LESPMHA for the Developer's fee. As of December 31, 2023 and 2022, 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, 2023 and 2022, the Partnership management fee was $26,602 and $25,827 respectively. As of December 31, 2023 and 2022, partnership management fees owed were $192,340 and $165,738 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 2023 and 2022 were $6,525 and $6,333 respectively. Total amount owed as of December 31, 2023 and 2022 were $30,773 and $24,248 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 $39,182 in 2023 and $36,201 in 2022 respectively.

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

Other Fees and Transactions

During 2023 and 2022, the Partnership reimburses LESPMHA for maintenance and security salary expenses. The total costs charged including fringe benefits and miscellaneous expenses were $37,566 in 2023 and $59,017 in 2022 respectively.

Included in due to affiliate are the loan to the Partnership by LESPMHA totaling $54,347 for the years ended December 31, 2023 and 2022. The loan was used to pay development costs for the project. In addition, the Partnership borrowed $54,987 from LESPMHA during the year ended December 31, 2023 to fund the operating expenses.

The total amount due to LESMPHA is as follows:

	2023	2022
Loan	$ 109,334	$ 54,347
Property management fee	113,005	73,823
Partnership management fee	192,340	165,738
Salaries and related costs	139,052	108,308
Total	$ 553,731	$ 402,216

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.

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

Operating Deficit Contributions (continued)

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, 2023 and 2022, no operating deficit contribution was made.

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 2023, the Partnership withdrew $107,502 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 2023 and 2022, the Partnership did not make any deposits into the replacement reserve. As of December 31, 2023 and 2022, the replacement reserve account is underfunded in the amount of $84,858 and $65,932 respectively. The reserves are maintained in liquid money market accounts held with a brokerage firm.

NOTE 8 - FUNDED RESERVES (CONTINUED)

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

	2023	2022
Operating reserve		
Balance beginning of year	$ 336,196	$ 331,899
Income	15,593	4,297
Withdrawal	(107,502)	-
Fee	(30)	-
Balance end of the year	$ 244,257	$ 336,196
Replacement reserve		
Balance beginning of year	$ 40,418	$ 40,563
Deposit	-	-
Income	4	5
Fee	(150)	(150)
Balance end of the year	$ 40,272	$ 40,418
Social service reserve		
Balance beginning of year	$ 154,570	$ 152,595
Income	7,235	1,975
Balance end of the year	$ 161,805	$ 154,570

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.

NOTE 10 - CONCENTRATION OF CREDIT

Service and Clients

The Partnership earned approximately 58% of its income in the form of subsidies for the years ended December 31, 2023 and 2022 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, 2023 and 2022. At December 31, 2023 and 2022, cash exceeding the limits was $196,334 and $281,184 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:

	2023	2022
Cash	$ 65,838	$ 102,170
Restricted Deposits		
Operating Reserve	244,257	336,196
Replacement Reserve	40,272	40,418
Social Service Reserve	161,805	154,570
Tenant Security Deposit	11,166	10,193
	$ 523,338	$ 643,547

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.

NOTE 13 - TENANT ACCOUNTS RECEIVABLE

Tenant accounts receivable consists of the following:

	2023	2022
Tenant accounts receivable	$ 125,457	$ 110,808
Less: allowance for doubtful accounts	(31,140)	(19,725)
	$ 94,317	$ 91,083

NOTE 14 - CASUALTY EVENTS

On December 19, 2021, a fire occurred in the building. The fire caused damage to one apartment and the elevator. The management filed an insurance claim in 2022

GARDEN HOUSE III L.P.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 14 - CASUALTY EVENTS (CONTINUED)

and the Partnership received $277,427 (net of a deductible of $10,000) from the insurance carrier, which fully covered the cost of all of the necessary repairs.

On November 9, 2022, a broken sprinkler head caused flooding which caused extensive damages to the elevator. The Management filed an insurance claim in 2022 and the Partnership received $194,975 (net of a deductible of $10,000) from the insurance carrier, which fully covered the cost of all of the necessary repairs.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through April 10, 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

GARDEN HOUSE III L.P.
SCHEDULES OF OPERATING EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Administrative Expenses		
Property management fee	$ 39,182	$ 36,201
Legal fees	11,856	10,454
Professional fees	17,646	12,475
Office expenses	1,808	1,172
License, fee and permits	3,085	1,570
Bad debts	13,759	6,207
Miscellaneous expense	7,494	15,403
Total Administrative Expenses	$ 94,830	$ 83,482
Utilities Expenses		
Electricity	$ 23,603	$ 24,639
Gas	25,800	26,986
Water and sewer	63,532	47,242
Total Utilities Expenses	$ 112,935	$ 98,867
Operating and Maintenance Expenses		
Repairs and maintenance payroll	$ 30,276	$ 41,833
Security Guard	222,950	215,090
Payroll tax	5,658	4,793
Employee health insurance	-	9,237
Maintenance supplies	12,324	17,407
Intercom and security	3,224	900
Elevator contract	9,414	9,109
Exterminating	2,466	2,890
Miscellaneous	5,929	7,955
Repairs contract	60,824	60,278
Total Operating and Maintenance Expenses	$ 353,065	$ 369,492
Taxes and Insurance Expenses		
Insurance	$ 141,685	$ 47,619

See independent auditor's report