LESPMHA II L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

LESPMHA II L.P.
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Partners of LESPMHA II L.P.

Opinion

I have audited the accompanying financial statements of LESPMHA II 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 LESPMHA II 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 LESPMHA II 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 LESPMHA II 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 LESPMHA II 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 LESPMHA II 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
May 14, 2024

LESPMHA II L.P.
BALANCE SHEET
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
RENTAL PROPERTY		
Buildings	$11,938,259	$11,938,259
Land improvements	178,025	178,025
Equipment	166,732	166,732
	12,283,016	12,283,016
Less: Accumulated depreciation	(8,384,493)	(7,947,545)
Total Rental Property	3,898,523	4,335,471
OTHER ASSETS		
Cash	36,747	54,340
Deposits held in trust		
Tenant security deposits	48,048	48,059
Restricted Cash		
Operating reserve	257,705	229,669
Replacement reserve	600,062	548,372
Funds held in escrow - CPC	23,829	15,916
Total restricted deposit and funded reserves	881,596	793,957
Accounts receivable - tenants	25,576	39,060
Prepaid expenses	75,569	43,404
Total Other Assets	1,067,536	978,820
TOTAL ASSETS	$ 4,966,059	$ 5,314,291

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

LESPMHA II L.P.
BALANCE SHEET
DECEMBER 31, 2023 AND 2022

LIABILITIES AND PARTNERS' CAPITAL

	2023	2022
LIABILITIES APPLICABLE TO INVESTMENT IN REAL ESTATE		
Mortgages Payable	$ 2,415,402	$ 2,458,304
OTHER LIABILITIES		
Developer's fee payable	540,100	540,100
Accrued mortgage interest payable	72,395	59,486
Accounts payable and accrued expenses	437,803	339,116
Prepaid rent	3,047	4,819
Tenants security deposits payable	48,048	48,059
Due to LESPMHA Inc.	712,707	644,009
Total Other Liabilities	1,814,100	1,635,589
TOTAL LIABILITIES	4,229,502	4,093,893
PARTNERS' CAPITAL		
Partners' capital	736,557	1,220,398
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 4,966,059	$ 5,314,291

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

LESPMHA II L.P.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
REVENUES		
Residential rental income	$ 580,520	$ 567,935
Commercial rent	22,000	22,000
Vacancy loss	(1,587)	(6,899)
Net rental income	600,933	583,036
Other revenue		
Laundry income	13,960	14,690
Other income	1,061	76,159
Investment income	37,558	8,793
Total revenue	653,512	682,678
OPERATING EXPENSES		
Administrative	72,508	61,850
Utilities	174,275	200,761
Professional fees	19,213	26,539
Property management fees	29,530	28,473
Repairs and maintenance	209,221	172,944
Taxes and insurance	100,130	95,320
Total operating expenses	604,877	585,887
Net operating income before partnership and financial expenses	48,635	96,791
PARTNERSHIP AND FINANCIAL EXPENSES		
Investment fees	432	130
Mortgage interest expense	95,096	96,356
Total partnership and financial expenses	95,528	96,486
Net (loss) income before depreciation and amortization	(46,893)	305
Depreciation	436,948	434,590
NET LOSS	$ (483,841)	$ (434,285)

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

LESPMHA II 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	$ 664,274	$ 990,409	$ 1,654,683
Net loss 2022	(43)	(434,242)	(434,285)
Partners' Capital December 31, 2022	664,231	556,167	1,220,398
Net loss 2023	(48)	(483,793)	(483,841)
Partners' Capital December 31, 2023	$ 664,183	$ 72,374	$ 736,557

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

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

	2023	2022
Cash Flows from operating activities:		
Net loss	$ (483,841)	$ (434,285)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	436,948	434,590
Bad debt	-	1,824
Non cash interest expense due to amortization of debt issuance costs	4,813	4,442
Decrease (Increase) in operating assets:		
Accounts receivable - tenants	13,484	(7,136)
Prepaid expenses	(32,165)	22,264
Increase (Decrease) in operating liabilities:		
Accrued mortgage interest payable	12,909	12,909
Accounts payable and accrued expenses	98,687	62,458
Prepaid rent	(1,772)	(2,423)
Tenants' security deposits	(11)	577
Due to Lespmha Inc.	68,698	20,599
Net Cash provided by Operating Activities	117,750	115,819
Cash Flows from Investing Activities:		
Purchase of fixed asset	-	(14,153)
Net Cash used in Investing Activities	-	(14,153)
Cash Flows from Financing Activities:		
Principal payments of mortgage	(47,715)	(44,832)
Debt issuance cost	-	(11,863)
Net Cash used in Financing Activities	(47,715)	(56,695)
Net Increase in Cash and Restricted Cash	70,035	44,971
Cash and Restricted Cash-Beginning of Year	896,356	851,385
Cash and Restricted Cash-End of Year	$ 966,391	$ 896,356
Supplemental disclosure of cash flow information:		
Cash paid during the years for interest	$ 77,374	$ 78,928

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

LESPMHA II L.P.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022

NOTE 1 - ORGANIZATION

LESPMHA II, 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 24, 2002. The Partnership was organized to develop, construct, own, maintain and operate thereon 60 multi-family residential units for rental to low-income tenants (the "Project"). The project consists of two Buildings, which are located at 299 East 3rd Street and 228 East 3rd Street in the lower east side of Manhattan, New York.

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.

On July 1, 2022, there was a transfer of the limited partners' interest. Enterprise Housing Partners IX Limited Partners, The Chase Affordable Housing Fund, L.P, and Freddie Mac Equity Plus-I-ESIC Limited Partnership transferred their 99.99% of ownership interest to East Third Street Housing Development Fund, Inc. As of July 1, 2022, East Third Street Housing Development Fund, Inc. became the limited partner owning 99.99 % of interest.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Accounting</u>

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.

<u>Capitalization and Depreciation</u>

Buildings, 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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

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
Buildings	27.5 Years	Straight-line
Land Improvements	15.0 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.

Rental Income and Prepaid Rents

Rental income is recognized as it accrues. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Partnership and the tenants of the property are operating leases.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable - Tenants and Bad Debt

Accounts receivable-tenants are reported net of an allowance for doubtful accounts. Management's estimate of allowance is based on historical collection experience and a review of the current status of accounts receivable-tenants. 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.

Risks and Uncertainties

The Partnership is subject to various risks and uncertainties in the ordinary course of business that could have adverse impact 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.

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 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.

Estimates

The preparation of the 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 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)

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.

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 subject to ASC 606. The Partnership believes that such both rental and subsidy

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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.

Recent 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 received a construction loan from Community Preservation Corporation (CPC) in the amount of $3,500,000. This loan was paid off in August 2008 with two permanent loans. Two permanent loans are as follows:

CPC (1st Mortgage)

A first mortgage in the amount of $1,675,000 bears an interest rate of 6.25% with a term of 30 years. The loan is payable in monthly installments of $10,313.27 including interest. The final payment is due on September 1, 2038. The outstanding balance as of December 31, 2023 and 2022 was $1,190,630 and $1,238,345 respectively. Scheduled principal maturities of the first mortgage for the next five years are as follows:

NOTE 3 - MORTGAGES PAYABLE (CONTINUED)

CPC (1st Mortgage) (Continued)

Year ending December 31	Amount
2024	$ 50,785
2025	54,051
2026	57,528
2027	61,228
2028	65,166
Thereafter	901,872
Total	$ 1,190,630

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

A second mortgage in the amount of $1,290,909 bears an interest rate of 1%. The term of the loan is 30 years and due in 2038. Interest is payable annually only from excess income. As determined by Regulation Agreement with HTFC, any unpaid interest is due on the maturity date of the loan (30 years).

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.

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

	2023	2022
CPC	$ 1,190,630	$ 1,238,345
HTFC	1,290,909	1,290,909
	2,481,539	2,529,254
Less: Unamortized debt costs	(66,137)	(70,950)
Net	$ 2,415,402	$ 2,458,304

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	$ 133,997	$ 133,997
Accumulated amortization	(67,860)	(63,047)
Net	$ 66,137	$ 70,950

The debt issuance costs have been offset against the mortgage payable (Note 3). The amortization of debt issuance costs of $4,813 in 2023 and $4,442 in 2022 were included in mortgage interest expense respectively. Estimated amortization expense for each of the ensuing years through December 31, 2028 is $4,813.

NOTE 5 - OTHER LIABILITIES

Included in other liabilities are loans to the Partnership by Lower East Side People's Mutual Housing Association, Inc. (LESPMHA) totaling $712,707 and $644,009 as of December 31, 2023 and 2022 respectively. The loans were used to pay development costs and operating expenses of the Project. Interest is not charged on loans and the loans are not secured. There are no specific due dates. LESPMHA is an affiliate of the General Partner.

The Partnership is to pay LESPMHA a development fee totaling $1,330,000 for the service provided with the respect to the development of the project. As of December 31, 2006, LESPMHA earned the entire development fee and as of December 31, 2023, the total of $125,000 was paid. A portion of the development fee in the amount of $664,900 was contributed as a capital contribution by the General Partner. As of December 31, 2023 and 2022, developer's fee payable was $540,100 and included in the accompanying balance sheets.

The payments of $540,100 can be paid to the extent of cash flow from the Partnership. Any amounts of the development fee and deferred development fee that have not been paid in full on or before December 31, 2020 shall be paid no later than such dates.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Partnership maintains its cash in bank deposit accounts in a federal credit union which, at times, may exceed the NCUA federally insured limit. The Partnership has not exceeded the limit at December 31, 2023 and 2022. The Partnership has not experienced any losses in such accounts. The Partnership believes it is not exposed to any significant credit risk on cash.

The Partnership maintains accounts for reserves with a brokerage firm. The accounts contain only cash. Balances are insured up to $500,000 (with a limit of $250,000 for cash) by the Security Investor Protection Corporation. 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 covers losses due to the action of the brokerage firm. At December 31, 2023 and 2022, the amounts exceeding the limit for cash were $607,767 and $528,041 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 (See Note 9).

NOTE 7 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

The Partnership was to pay the General Partner an annual partnership management fee, which increases 3% each year to compensate the General Partner for managing the Partnership's operations. In connection with the transfer of limited partner’s interest (see Note 1), accrued partnership management fee of $56,224 was written off and was included in other income in the accompanying 2022 financial statements.

The property management fees are paid to LESPMHA. The fee is 5% of the monthly rental collection. Total property management fees incurred in 2023 and 2022 were $29,530 and $28,473 respectively.

The Partnership also reimburses LESPMHA for superintendent service provided. The total reimbursements including fringe benefits and miscellaneous were $59,390 in 2023 and $48,686 in 2022.

As of December 31, 2023 and 2022, the amounts owed to LESPMHA for the property management fee and reimbursements were $279,040 and $235,338 respectively and included in accounts payable and accrued expenses in the accompanying financial statements.

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

The Partnership was required to pay Enterprise Social Investment Corporation (ESIC), an affiliate of a limited partner, an annual investor services fee in accordance with the investor services agreement. The fee increased at the rate of three percent per year and was to be paid to the extent of the cash flow from the Partnership. In connection with the transfer of limited partner's interest (see Note 1), investor service fee payable of $19,555 was written off and was included in other income in the accompanying 2022 financial statements.

The Partnership is required to pay LESPMHA an annual incentive management fee up to $6,000, which shall increase at the rate of three percent (3%) per year, to the extent that the Partnership has cash flow available for such fee in accordance with the Partnership agreement. There were no amounts paid or accrued for the incentive management fee for 2023 and 2022.

NOTE 8 - EXEMPTION FROM REAL ESTATE TAXES

The Partnership has a Real Estate Tax exemption under the New York City 420C program for all of the residential portion of the properties owned. Real estate taxes are incurred on the commercial portion of the property.

NOTE 9 - FUNDED RESERVES

In accordance with the regulatory agreement with New York State Housing Trust Fund (HTFC), the Partnership contributed an initial operating reserve and replacement reserve in the amount of $206,560 and $200,000 respectively. The payments were made in August 2008. The replacement reserve is also to be funded from operations in the amount of $25,000 per year. 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 during any month the balance in the operating reserve account equals 50% of the annually budgeted gross rent. The deposits to the operating reserve were suspended from June 2020 to December 2020 since the operating reserve balance equaled to 50% of the annual budgeted gross rent. From January 2021, the Partnership resumed monthly deposits to the operating reserve since the operating reserve balance went below to 50% of the annual budget gross rent.

NOTE 9 - FUNDED RESERVES (CONTINUED)

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

	2023	2022
Operating Reserve		
Beginning of the year	$ 229,669	$ 209,966
Deposits	17,600	17,200
Fees	(365)	(65)
Investment income	10,801	2,568
Balance end of the year	$ 257,705	$ 229,669
Replacement Reserve		
Beginning of the year	$ 548,372	$ 517,212
Deposits	25,000	25,000
Fees	(67)	(65)
Investment income	26,757	6,225
Balance end of the year	$ 600,062	$ 548,372

All reserves are maintained in liquid money market accounts held with a brokerage firm (See Note 6).

The Partnership maintains an escrow account with CPC. The Partnership is required to make payments to the escrow account and make all payments for water and sewer and insurance. A summary of the activities in the escrow account is as follows:

	2023	2022
Funds held in escrow - CPC		
Beginning of the year	$ 15,916	$ 38,190
Deposits	154,928	129,177
Payments	(147,015)	(151,451)
Balance end of the year	$ 23,829	$ 15,916

NOTE 10 - CONTINGENCIES

The Partnership does not believe there is any litigation pending or threatened against that, individually or in the aggregate, reasonably 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 11 - CASH AND RESTRICTED CASH

The balances in cash and restricted cash as reflected in the statements of cash flows consist of the following:

	2023	2022
Cash	$ 36,747	$ 54,340
Restricted Deposits		
Tenant security deposits	48,048	48,059
Operating Reserve	257,705	229,669
Replacement Reserve	600,062	548,372
Funds held in Escrow CPC	23,829	15,916
	$ 966,391	$ 896,356

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

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through May 14, 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

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

	2023	2022
Administrative Expenses		
Office supplies	$ 2,973	$ 3,556
Superintendent salary	38,270	32,104
Payroll taxes	4,273	4,239
Workers compensation	878	912
Fringe benefits	14,944	10,359
Monitoring fee	5,521	5,216
Bad debt expense	-	1,824
Miscellaneous	5,649	3,640
Total Administrative Expenses	$ 72,508	$ 61,850
Utility Expenses		
Gas	$ 72,439	$ 81,520
Electricity	24,950	25,833
Water and sewer	76,886	93,408
Total Utility Expenses	$ 174,275	$ 200,761
Professional Fees		
Legal	$ 1,169	$ 10,864
Consulting	3,849	2,150
Auditing	14,195	13,525
Total Professional Fees	$ 19,213	$ 26,539
Property Management Fees	$ 29,530	$ 28,473
Repairs and Maintenance Expenses		
Elevators contract	$ 33,039	$ 30,571
Repairs supplies	34,980	41,402
Repairs contract	130,075	87,248
Repairs painting	4,800	6,803
Laundry	6,327	6,920
Total Repairs and Maintenance Expenses	$ 209,221	$ 172,944
Tax and Insurance Expenses		
Insurance	$ 62,882	$ 58,179
Real estate taxes	37,248	37,141
Total Tax and Insurance Expenses	$ 100,130	$ 95,320

See independent auditor's report

LESPMHA II, L.P.
EXCESS INCOME ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2023

Net loss	$ (483,841)
Add Non-cash expenses:	
Depreciation	436,948
Interest expense	95,096
	532,044
Deduct required reserve deposits	
CPC-replacement	(25,000)
CPC-operating	(17,600)
	(42,600)
Deduct other mortgage principal and interest payments	
CPC-mortgage principal payment	(47,715)
CPC-mortgage interest payments	(76,044)
	(123,759)
Deduct other item	
Investment income	(37,558)
Excess Income before HTFC Debt Service	(155,714)
HTFC Debt Service Requirement	(12,909)
Excess Loss	$ (168,623)

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