PERMANENCE L.P.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

PERMANENCE L.P.
DECEMBER 31, 2023 AND 2022

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Independent Auditor's Report

To the Partners of Permanence L.P.

Opinion

I have audited the accompanying financial statements of Permanence, 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 Permanence, 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 Permanence, 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 Permanence, 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 Permanence, 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 Permanence, 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.

New York, New York
April 18, 2024

PERMANENCE L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

A S S E T S

	2023	2022
RENTAL PROPERTY		
Land	$ 3	$ 3
Buildings and improvements	7,153,286	7,117,586
Furniture and equipment	56,950	56,950
	7,210,239	7,174,539
Less: Accumulated depreciation	(2,432,856)	(2,253,906)
Total Rental Property	4,777,383	4,920,633
OTHER ASSETS		
Cash	152,534	259,508
Deposits held in trust		
Tenant security deposits	42,895	42,603
Restricted Deposits and Funded Reserves		
Operating reserve	99,536	98,527
Social Service reserve	83,211	82,988
Replacement reserve	97,698	95,070
Total Restricted Deposits and Funded Reserves	280,445	276,585
Tenant accounts receivable	84,169	47,219
Other receivable	7,500	-
Prepaid expenses	27,183	17,792
Capitalized cost, net of accumulated amortization	8,187	10,530
Total Other Assets	602,913	654,237
TOTAL ASSETS	$ 5,380,296	$ 5,574,870

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

PERMANENCE L.P.
BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND PARTNERS' CAPITAL

	2023	2022
LIABILITIES APPLICABLE TO INVESTMENT IN REAL ESTATE		
HPD mortgages payable	$ 4,064,708	$ 4,064,218
OTHER LIABILITIES		
Accounts payable	13,566	20,408
Accrued expenses	61,396	48,186
Construction payable	4,001	4,001
Developer's fee payable	112,500	112,500
Prepaid rent	22,228	16,434
Tenant security deposits payable	42,895	42,603
Total Other Liabilities	256,586	244,132
Total Liabilities	4,321,294	4,308,350
PARTNERS' CAPITAL		
Partners' capital	1,177,255	1,384,773
Limited Partner receivable	(110,153)	(110,153)
General Partner receivable	(100)	(100)
Syndication costs	(8,000)	(8,000)
Total Partners' Capital	1,059,002	1,266,520
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 5,380,296	$ 5,574,870

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

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

	2023	2022
REVENUES		
Residential rental income	$ 237,261	$ 232,089
Commercial rent	126,770	122,655
Net rental income	364,031	354,744
Other revenue		
Real estate tax reimbursements	20,311	21,402
Investment income	4,908	2,835
Other income	13,500	2,400
Total other revenue	38,719	26,637
Total revenues	402,750	381,381
OPERATING EXPENSES		
Administrative	54,384	49,882
Utilities	106,981	120,380
Operating and maintenance	124,290	98,886
Taxes and insurance	112,642	101,355
Total operating expenses	398,297	370,503
Net operating income before partnership and financial expenses	4,453	10,878
PARTNERSHIP AND FINANCIAL EXPENSES		
Investment fees	1,047	1,061
Partnership management fee	15,704	15,100
Interest expense	13,927	13,927
Total partnership and financial expenses	30,678	30,088
Net loss before depreciation and amortization	(26,225)	(19,210)
Depreciation	178,950	178,025
Amortization	2,343	2,343
Total depreciation and amortization	181,293	180,368
Net Loss	$ (207,518)	$ (199,578)

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

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

	General Partner	Limited Partners	Total
Partners' Capital January 1, 2022	$ 51,789	$ 1,532,562	$ 1,584,351
Net loss 2022	(20)	(199,558)	(199,578)
Partners' Capital December 31, 2022	51,769	1,333,004	1,384,773
Net loss 2023	(21)	(207,497)	(207,518)
Partners' Capital December 31, 2023	$ 51,748	$ 1,125,507	$ 1,177,255

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

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

	2023	2022
Cash Flows from Operating Activities:		
Net loss	$ (207,518)	$ (199,578)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation	178,950	178,025
Amortization	2,343	2,343
Non cash interest expense due to amortization of debt issuance costs	490	490
Decrease (Increase) in operating assets:		
Tenant accounts receivable	(36,950)	(19,946)
Prepaid expenses	(9,391)	6,561
Other receivable	7,500	-
Increase (Decrease) in operating liabilities:		
Accounts payable	(6,842)	8,492
Accrued expenses	13,210	5,980
Tenant Security Deposit Payable	(292)	1,076
Prepaid rent	5,794	1,588
Net Cash used in Operating activities	(67,122)	(14,969)
Cash Flows from Investing Activities:		
Purchase of fixed assets	(35,700)	(24,163)
Additions to operating reserve	(1,896)	(1,155)
Additions to replacement reserve	(2,622)	(1,597)
Net Cash used in Investing activities	(40,218)	(26,915)
Net Decrease in Cash and Restricted Cash	(107,340)	(41,884)
Cash and Restricted Cash - Beginning of Year	432,631	474,515
Cash and Restricted Cash - End of Year	$ 325,291	$ 432,631
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 13,437	$ 13,437

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

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

NOTE 1 - ORGANIZATION

Permanence L.P. (the "Partnership") was formed as a limited partnership under the laws of the State of New York pursuant to a Limited Partnership Agreement and Certificate of Limited Partnership dated June 15, 2005. The Partnership has been formed for the purpose of constructing and operating a rental housing project in the lower east side of Manhattan, New York. This project is being developed through the New York City Neighborhood Redevelopment Program (NRP). The project consists of 30 family low-income housing tax credit units, 6 family market rate units, and 1 superintendent unit that are contained in three buildings. Prior to construction, these buildings, which were acquired from New York City for $3, were partially occupied and the Partnership has incurred relocation expenditures for those tenants, some of which became tenants in the reconstructed buildings.

The Partnership 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.

Capitalization and Depreciation

Land, buildings, 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 method for the 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:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capitalization and Depreciation (Continued)

	Estimated Life	Method
Land	-	None
Buildings and improvements	40.0 Years	Straight-line
Furniture and Equipment	7.0 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 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.

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

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.

Investment Securities

Investment securities consist of mutual funds. The securities are carried at cost, which approximates fair market value. Because the Partnership has the ability and intent to hold these investments until a recovery of fair value, the Partnership does not consider these investments to be impaired at December 31, 2023 and 2022.

Fair Value Measurement

The Partnership follows GAAP defined fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with quoted prices in active markets. Level 2 inputs relate to other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs that can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Tenant Accounts Receivable and Bad Debt

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

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 a provision for income taxes and the Partnership has no other tax positions, which must be considered for disclosure.

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)

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 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.

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 - HPD MORTGAGES PAYABLE

The Partnership received financing for both construction and permanent financing from the City of New York acting through the Department of Housing and Preservation Development (HPD) in the amount of $4,199,230.

A summary of the loans follows:

Home Loan

The first $2,729,500 of principal of the loan advanced shall not bear interest nor shall not require a servicing fee. No monthly payments of principal or interest shall be payable on the HOME Loan.

Article 8 Loan

Construction Loan - The principal sum advanced in excess of the HOME Loan up to $1,343,658 shall not bear interest nor require a servicing fee during the construction period, which ended on the Conversion Date.

Permanent Loan - Commencing on the Conversion Date of July 1, 2013, the Article 8 construction loan shall be deemed converted into a permanent loan automatically (the "Article XVI Permanent Loan") and shall bear interest at the rate of one percent (1%) per annum, which interest shall be paid in equal monthly installments of $1,119.72 commencing on the Conversion Date and on the first day of each and every month thereafter through and including the Maturity Date. Total interest for the years ended December 31, 2023 and 2022 was $13,437.

On the Maturity Date, the thirtieth (30th) anniversary of the Conversion Date, all of the above loans (HOME Loan and Article 8 Loan) become due and payable together with any and all unpaid accrued interest and any and all other charges or fees due hereunder.

All of the loans are collateralized by a mortgage 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 outstanding mortgages balances are $4,073,158. A summary of the loans is as follows:

NOTE 3 - HPD MORTGAGES PAYABLE (CONTINUED)

	2023	2022
Home Loan	$ 2,729,500	$ 2,729,500
Article 8 Loan	1,343,658	1,343,658
	4,073,158	4,073,158
Less: Unamortized debt issuance costs	(8,450)	(8,940)
Net mortgages payable	$ 4,064,708	$ 4,064,218

NOTE 4 - DEBT ISSUANCE COSTS

Costs incurred in connection with 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	$ 14,697	$ 14,697
Accumulated amortization	(6,247)	(5,757)
Unamortized Debt issuance costs	$ 8,450	$ 8,940

The debt issuance costs have been offset against the mortgage payable (Note 3). The amortization of debt issuance costs of $490 for 2023 and 2022 is included in interest expense in the accompanying financial statements. Estimated amortization expense for each of the ensuing years through December 31, 2028 is $490.

NOTE 5 - PARTNERS' CAPITAL CONTRIBUTIONS

The Partnership has one General Partner, Second and Fourth Street Corp., which has a 0.01% interest and two Limited Partners, New York Equity Fund 2004 LLC, which has a 49.995% interest and New York Equity Fund 2005 LLC, which has a 49.995% interest. The total capital to be contributed by the General Partner and Limited Partners were $71,809 and $3,509,413 respectively. The Limited Partners have contributed $3,399,360 as of December 31, 2023 and 2022.

NOTE 5 - PARTNERS' CAPITAL CONTRIBUTIONS (CONTINUED)

Part of the Limited Partners' contribution is in the form of a note receivable. The contribution note receivable from the Limited Partners is a non-interest-bearing note secured by the Limited Partners' interest in the Partnership. As of December 31, 2023 and 2022, the contribution note receivable was $110,153.

Contributions under the note are subject to adjustment depending on certain conditions being met, primarily related to the amount and timing of low-income housing tax credits the Partnership is able to obtain.

NOTE 6 - PARTNERSHIP PROFITS AND LOSSES

All profits and losses are allocated .01% to the General Partner and 99.99% to the Limited Partners.
Gain, if any, from a sale or exchange or other disposition of the property owned by the Partnership is allocable as follows:

1. To all partners having negative balance in their capital account prior to the distribution of any sale or refinancing proceeds, an amount of such gain will increase their negative balance to zero.

2. To the General Partner and to the Limited Partners until they have received cumulatively an amount equal to their respective net projected tax liabilities.

3. The remainder of such gain, if any, 50% to the Limited Partners and 50% to the General Partner.

Loss, if any, from a sale or exchange or other disposition of the property owned by the Partnership is allocable as follows:

1. Loss is allocable .01% to the General Partner and 99.99% to the Limited Partners.

NOTE 7 - TRANSACTION WITH AFFILIATES AND RELATED PARTIES

Incentive Management Fee

The Partnership agreement also provides for an Incentive Management Fee, provided certain parameters have been met including various operating reserve targets.

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

Developer's Fee

The sponsor of the project, The Lower East Side People's Mutual Housing Association Inc. (PMHA), an affiliate of the general partner, was entitled to a developer's fee in the amount of $150,000. As of December 31, 2023 and 2022, $112,500 was unpaid.

Partnership Management Fee

In accordance with the partnership agreement, 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 $10,000. This fee shall have an annual increase of four percent. The partnership management fee for 2023 and 2022 was $15,704 and $15,100 respectively. As of December 31, 2023 and 2022, the amounts owed for the partnership management fees were $30,804 and $15,100 respectively and were included in accrued expenses in the accompanying financial statements.

Property Management Fees

Property management fees are paid to PMHA. The fees are 8% of the monthly rental collections. Total property management fees incurred in 2023 and 2022 were $26,913 and $27,928 respectively. As of December 31, 2023 and 2022, the amounts owed for property management fees were $1,859 and $2,958 respectively and included in accounts payable in the accompanying financial statements.

Other Fees and Transactions

The Partnership also reimburses PMHA for maintenance and operating services provided. The total costs reimbursed were $116,768 in 2023 and $107,437 in 2022. As of December 31, 2023 and 2022, the amounts owed to PMHA were $11,585 and $9,534 respectively and included in accounts payable in the accompanying financial statements.

NOTE 8 - RESERVE ACCOUNTS

The Partnership is required to fund operating, social service and replacement reserve accounts from the Limited Partners' capital contributions as defined in the

NOTE 8 - RESERVE ACCOUNTS (CONTINUED)

Partnership Agreement. The partnership agreement requires the following contributions to be made:

Operating Reserve	$ 91,707
Tenant Social Service Reserve	81,000
Replacement Reserve	75,282

As of December 31, 2016, all of the reverses were fully funded by limited partners' contributions.

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

	2023	2022
Operating reserve		
Balance beginning of year	$ 98,527	$ 98,359
Fees	(997)	(1,011)
Investment income	2,006	1,179
Balance end of the year	$ 99,536	$ 98,527
Social service reserve		
Balance beginning of year	$ 82,988	$ 82,960
Fees	(25)	(25)
Investment income	248	53
Balance end of the year	$ 83,211	$ 82,988
Replacement reserve		
Balance beginning of year	$ 95,070	$ 93,491
Fees	(25)	(25)
Interest	2,653	1,604
Balance end of the year	$ 97,698	$ 95,070

NOTE 8 - RESERVE ACCOUNTS (CONTINUED)

The reserve accounts consist of the following:

	2023	2022
Operating reserve		
Cash	$ 36,345	$ 37,232
Mutual funds	63,191	61,295
Total	$ 99,536	$ 98,527
Social service reserve		
Cash	$ 83,211	$ 82,988
Replacement reserve		
Cash	$ 10,306	$ 10,300
Mutual funds	87,392	84,770
Total	$ 97,698	$ 95,070

The operating and replacement reserves are recorded at cost since the Partnership intends to hold securities until maturity. As of December 31, 2023 and 2022, market value of the operating reserve was approximately $90,000 and $88,000 respectively and market value of the replacement reserve was approximately $85,000 and $81,000 respectively.

The reserves are maintained with a brokerage firm. The accounts contain cash and securities. 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 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 on cash, cash equivalents and securities.

NOTE 9 - FAIR VALUE MEASUREMENT

The following are the classes and major categories of investments at December 31, 2023 and 2022 grouped by the fair value hierarchy for those investments at fair value on a recurring basis:

	2023	2022
Level 1 Inputs		
Mutual funds	$ 150,583	$ 146,065
Cash alternative - money market	129,862	130,520
	$ 280,445	$ 276,585

NOTE 10 - CAPITALIZED COSTS

The Partnership incurred various tax credit and tax abatement fees as follows:

	2023	2022
Real estate abatement fee	$ 21,730	$ 21,730
Tax credit allocation fee	16,330	16,330
	38,060	38,060
Accumulated amortization	(29,873)	(27,530)
Net capitalized cost	$ 8,187	$ 10,530

Estimated amortization expense for each of the ensuing years through December 31, 2025 is $2,343, for the year ending December 31, 2026 is $727 and for the years ending December 31, 2028 is $194.

NOTE 11 - CONCENTRATION OF CREDIT RISK

The Partnership maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits of $250,000. There was no amounts 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.

NOTE 12 - CONTINGENCIES

The Partnership'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, 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 regulation on its current properties.

NOTE 13 - CASH AND RESTRICTED CASH

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

	2023	2022
Operating Cash	$ 152,534	$ 259,508
Restricted Deposits:		
Tenant Security Deposit	42,895	42,603
Operating Reserve	36,345	37,232
Social Service Reserve	83,211	82,988
Replacement Reserve	10,306	10,300
	$ 325,291	$ 432,631

The amounts included in reserve accounts represent the cash portion of these accounts.

NOTE 14 - 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 properties.

NOTE 15 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through April 18, 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

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

	2023	2022
Administrative Expenses		
Property management fee	$ 26,913	$ 27,928
Legal fees	4,962	1,603
Professional fees	14,675	12,275
Consulting	653	653
Office expenses	747	1,352
Telephone	2,260	2,087
License, fee and permits	2,199	679
Miscellaneous expense	1,975	3,305
Total Administrative Expenses	$ 54,384	$ 49,882
Utilities Expenses		
Electricity	$ 14,701	$ 15,663
Gas	41,573	40,692
Water and sewer	50,707	64,025
Total Utilities Expenses	$ 106,981	$ 120,380
Operating and Maintenance Expenses		
Exterminating	$ 2,643	$ 2,487
Maintenance salaries	60,919	59,695
Repairs	60,728	36,704
Total Operating and Maintenance Expenses	$ 124,290	$ 98,886
Taxes and Insurance Expenses		
Payroll taxes	$ 8,831	$ 8,748
Health insurance	44,693	36,357
Workers' compensation	1,785	1,856
Real estate taxes	20,355	21,406
Property and liability insurance	36,978	32,988
Total Taxes and Insurance Expenses	$ 112,642	$ 101,355

See Independent Auditor's Report