

Elizabeth Place Limited Partnership

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

December 31, 2023 and 2022

Elizabeth Place Limited Partnership

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Independent Auditor's Report

To the General Partner
Elizabeth Place Limited Partnership

Opinion

We have audited the financial statements of Elizabeth Place Limited Partnership, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Elizabeth Place Limited Partnership 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

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Elizabeth Place Limited Partnership's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Elizabeth Place Limited Partnership's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Elizabeth Place Limited Partnership's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

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

CohnReznick LLP

Sacramento, California
March 20, 2024

Elizabeth Place Limited Partnership

**Balance Sheets
December 31, 2023 and 2022**

Assets

	<u>2023</u>	<u>2022</u>
Investment in rental property, net	\$ 11,054,598	\$ 11,677,446
Cash	230,242	285,884
Restricted deposits and funded reserves		
Tenants' security deposits	39,573	43,763
Replacement reserve	60,254	43,864
Asset management fee reserve	70,724	75,434
Operating reserve	<u>180,746</u>	<u>180,040</u>
Total restricted deposits and funded reserves	<u>351,297</u>	<u>343,101</u>
Tenants' accounts receivable, net	26,386	7,232
Tax credit monitoring fees, net	7,444	8,111
Other assets	<u>6,979</u>	<u>3,490</u>
Total assets	<u>\$ 11,676,946</u>	<u>\$ 12,325,264</u>

Liabilities and Partners' Equity

Liabilities		
Accounts payable - operations	\$ 3,697	\$ -
Other accrued liabilities	53,910	47,397
Accrued interest - first mortgage	9,647	9,849
Accrued interest - other loans	173,212	129,090
Tenants' security deposits liability	39,573	42,563
Due to affiliate	12,002	9,313
Annual fee payable to limited partner	5,000	5,000
Mortgages and notes payable, net	5,674,526	5,868,662
Lease liability	<u>1,162,134</u>	<u>1,139,839</u>
Total liabilities	<u>7,133,701</u>	<u>7,251,713</u>
Contingency	-	-
Partners' equity	<u>4,543,245</u>	<u>5,073,551</u>
Total liabilities and partners' equity	<u>\$ 11,676,946</u>	<u>\$ 12,325,264</u>

See Notes to Financial Statements.

Elizabeth Place Limited Partnership
Statements of Operations
Years Ended December 31, 2023 and 2022

	2023	2022
Revenue		
Rental income	\$ 620,962	\$ 608,676
Other operating income	28,125	21,179
Total revenue	649,087	629,855
Operating expenses		
Salaries and employee benefits	76,957	89,995
Repairs and maintenance	62,531	70,764
Utilities	56,138	51,955
Property management fee	34,402	33,407
Real estate taxes	50,440	46,022
Property insurance	29,950	24,302
Miscellaneous operating expenses	24,638	28,172
Total operating expenses	335,056	344,617
Net operating income	314,031	285,238
Other income (expense)		
Interest income	1,011	224
Interest expense - first mortgage	(128,842)	(130,809)
Interest expense - mortgages and other	(87,397)	(87,550)
Miscellaneous other income (expense)	(594)	18,100
Annual fee to limited partner	(5,000)	(5,000)
Depreciation	(622,848)	(622,116)
Amortization	(667)	(667)
Total other expense	(844,337)	(827,818)
Net loss	\$ (530,306)	\$ (542,580)

See Notes to Financial Statements.

Elizabeth Place Limited Partnership

**Statements of Partners' Equity
Years Ended December 31, 2023 and 2022**

	<u>CIHDC EP, LLC</u>	<u>Key Community Development Corporation</u>	<u>Total partners' equity</u>
Balance, January 1, 2022	\$ 1,171,167	\$ 4,223,699	\$ 5,394,866
Net loss	(54)	(542,526)	(542,580)
Contributions	<u>-</u>	<u>221,265</u>	<u>221,265</u>
Balance, December 31, 2022	1,171,113	3,902,438	5,073,551
Net loss	<u>(53)</u>	<u>(530,253)</u>	<u>(530,306)</u>
Balance, December 31, 2023	<u>\$ 1,171,060</u>	<u>\$ 3,372,185</u>	<u>\$ 4,543,245</u>
Partners' percentage of partnership interest	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

See Notes to Financial Statements.

Elizabeth Place Limited Partnership

**Statements of Cash Flows
Years Ended December 31, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Rental receipts	\$ 599,493	\$ 585,168
Interest income received	1,011	224
Other operating receipts	28,125	21,179
Total receipts	628,629	606,571
Administrative expenses paid	(2,176)	(3,199)
Management fees paid	(34,176)	(36,369)
Utilities paid	(54,768)	(50,570)
Salaries and wages paid	(81,518)	(105,754)
Operating and maintenance paid	(87,788)	(76,429)
Interest paid	(122,210)	(128,191)
Property insurance paid	(29,950)	(24,302)
Real estate taxes paid	(50,440)	(46,022)
Tenants' security deposits paid	(2,990)	(2,916)
Miscellaneous other income received	-	18,214
Miscellaneous expenses paid	(594)	-
Incident loss paid	-	(10,110)
Incident loss insurance reimbursement received	-	991
Annual fee to limited partner paid	(5,000)	(5,000)
Total disbursements	(471,610)	(469,657)
Net cash provided by operating activities	157,019	136,914
Cash flows from investing activities		
Investment in rental property	-	(109,899)
Deposits to replacement reserve	(16,390)	(15,914)
Payment of other liabilities - construction	-	(37,312)
Net cash used in investing activities	(16,390)	(163,125)
Cash flows from financing activities		
Contributions from investor limited partner	-	221,265
Principal payments on mortgage notes payable	(204,465)	(58,333)
Net cash (used in) provided by financing activities	(204,465)	162,932
Net (decrease) increase in cash and restricted cash	(63,836)	136,721
Cash and restricted cash, beginning	585,121	448,400
Cash and restricted cash, ending	\$ 521,285	\$ 585,121

Elizabeth Place Limited Partnership

**Statements of Cash Flows
Years Ended December 31, 2023 and 2022**

	2023	2022
Reconciliation of net loss to net cash provided by operating activities:		
Net loss	\$ (530,306)	\$ (542,580)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	622,848	622,116
Amortization	667	667
Amortization of debt issuance costs	10,329	10,234
Changes in		
Tenants' accounts receivable	(19,154)	4,792
Other assets	(3,489)	436
Accounts payable - operations	3,697	-
Other accrued liabilities	6,513	(16,105)
Accrued interest - first mortgage	(202)	(545)
Accrued interest - other loans	44,122	41,450
Tenants' security deposits liability	(2,990)	(2,916)
Due to affiliate	2,689	(2,179)
Lease liability	22,295	21,544
	<u>\$ 157,019</u>	<u>\$ 136,914</u>
Supplemental schedule of non-cash investing and financing activities		
Right-of-use asset included in investment in rental property	\$ -	\$ (1,118,295)
Lease liability	-	1,118,295
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Financial Statements.

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Note 1 - Organization and nature of operations

Elizabeth Place Limited Partnership (the "Partnership") was recognized by the State of Alaska as a limited partnership as of June 8, 2018. The Partnership's purpose is to invest in real estate and the construction, operation, and sale and/or leasing of the Partnership property. The Partnership property consists of a 50-apartment units and 2,680 square feet of commercial space located in Anchorage, Alaska (the "Project") for rent to a mix of income-eligible tenants and market-rent tenants. The Project completed substantial completion and began operations end of October 2019.

On October 12, 2018, the partnership agreement was amended and restated to admit Key Community Development Corporation as the investor limited partner.

The terms of the partnership agreement provide, among other things, that profits, losses and cash flows be shared 99.99% by the investor limited partner and 0.01% by the general partner.

CIHDC EP, LLC (the "general partner"), is wholly owned by Cook Inlet Housing Development Corporation, which is controlled by Cook Inlet Housing Authority (the "Authority"), a governmental entity. The Partnership is consolidated with Cook Inlet Housing Development Corporation, which is a component unit of the Authority, and its financial statements are fully incorporated in the financial statements of the Authority.

The Project qualified for and has been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42 ("Section 42"), which regulates the use of the Projects as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits. In addition, Elizabeth Place Limited Partnership executed a Ground Lease with the Authority dated October 12, 2018, which provides for an initial term of seventy-five (75) years (see note 8).

The amended partnership agreement provides that the Partnership shall continue in existence in full force and effect until December 31, 2116, or such later date as agreed to by all the Partners, unless it is earlier dissolved and terminated by provisions of the amended agreement or by operation of law.

Note 2 - Significant accounting policies

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting. As such, revenue is recognized when earned and expenses when incurred, regardless of timing of payments.

Tenants' accounts receivable

Tenants' accounts receivable are reported net of allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenants' accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of December 31, 2023 and 2022, the allowance for doubtful accounts was \$11,766 and \$10,972, respectively.

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Investment in rental property

Investment in rental property is stated at cost and include all direct costs of acquisition and construction as well as carrying costs during the construction period and indirect costs of construction, supervision and management. Expenditures for maintenance and repairs are charged to operations as incurred while major renewals and betterments will be capitalized. Upon disposal of any depreciable property, the appropriate property accounts will be reduced by the related costs and accumulated depreciation. The resulting gains and losses will be reflected in the statement of operations. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	40 years
Land improvements	15 years
Alternative energy system	25 years
Furniture, appliances and equipment	5 years

Impairment of long-lived assets

The Partnership reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether 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. No impairment loss has been recognized during the years ended December 31, 2023 and 2022.

Deferred fees and amortization

Tax credit monitoring fees of \$10,000 are being amortized over the term of the tax credit compliance period using the straight-line method. As of December 31, 2023 and 2022, accumulated amortization was \$2,556 and \$1,889, respectively.

Estimated amortization expense for each of the next five years following December 31, 2023 is \$667 per year.

Leases

The Partnership recognizes a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using an incremental borrowing rate. The Partnership determines the incremental borrowing rate using borrowing rates for collateralized financings of similar types of assets.

Total lease costs of operating leases on an undiscounted basis are recognized as rent expense over the term of the lease on a straight-line basis. Finance lease right-of-use assets are amortized on a straight-line basis over the shorter of the useful life of the asset or the lease term. Amortization of finance lease right-of-use assets is included in depreciation in the Partnership 's statement of operations.

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Notes to Financial Statements December 31, 2023 and 2022

The Partnership includes its right-of-use asset for operating leases in other assets and its right-of-use-assets for finance leases within building and improvements in its balance sheets.

Residential rental income

Residential rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the residential tenants of the Project are operating leases.

Commercial rental income

Commercial lease income is recognized on a straight-line basis under which contractual rent increases are recognized equally over the lease term. Rental income recorded on the straight-line method in excess of the rents billed is recognized as deferred rent receivable. Rental payments received in excess of rental income recognized are recorded as deferred rent revenue. The Partnership begins recognizing rental revenue when the tenant has the right to take possession of or controls the physical use of the property under the lease. The Partnership includes a renewal period in the lease term only if it appears at lease inception that the renewal is reasonably certain. If the collectability of future lease payments from nonresidential tenants is not probable, the Partnership recognizes revenue at the lessor of (a) straight-line lease income, plus variable lease payments, or (b) lease payments, including variable lease payments collected. The lease between the Partnership and the commercial tenant is an operating lease.

The Partnership also recognizes revenue from tenant recoveries, through which the commercial tenant reimburses the Partnership on an accrual basis for certain expenses such as real estate taxes, insurance and certain operating expenses during the periods in which the expenses are incurred. Such expenses paid by the lessor which are reimbursed by the lessee are considered to be lessor costs of owning the asset and are recorded gross with rental revenue and the expense is recorded in operating expenses in the statement of operations.

Advertising costs

Advertising and marketing costs are expensed as incurred.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest and is computed using an imputed interest rate on the related loan.

Income taxes

The Partnership is a pass-through entity for income tax purposes and, is not subject to income taxes. 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 tax returns with the Internal Revenue Service ("IRS") 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. Income tax returns filed by the Partnership are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2020 remain open.

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Notes to Financial Statements December 31, 2023 and 2022

Use of estimates

The preparation of financial statements in accordance 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 - Investment in rental property, net

Rental property is compromised of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 146,943	\$ 146,943
Land improvements	447,895	447,895
Buildings and improvements	10,117,027	10,117,027
Alternative energy system	194,769	194,769
Furniture, appliances, and equipment	1,585,168	1,585,168
Right-of-use asset - finance type lease	<u>1,118,296</u>	<u>1,118,296</u>
Subtotal	13,610,098	13,610,098
Accumulated depreciation	<u>(2,555,500)</u>	<u>(1,932,652)</u>
Net	<u>\$ 11,054,598</u>	<u>\$ 11,677,446</u>

Note 4 - Restricted cash and funded reserves

Replacement reserve

The Partnership is required to make deposits into the replacement reserve account on a monthly basis. Monthly deposits will be required based upon an initial amount of \$300 per unit per year and increase 3% annually. A detailed schedule of the replacement reserve activity is set forth below at December 31:

	<u>2023</u>	<u>2022</u>
Balance, January 1	\$ 43,864	\$ 27,950
Deposits	<u>16,390</u>	<u>15,914</u>
Balance, December 31	<u>\$ 60,254</u>	<u>\$ 43,864</u>

Operating reserve

The Partnership established an operating reserve in the amount of \$180,117, funded from the fourth equity installment as defined in the partnership agreement. This reserve is used to cover any operating deficits after obtaining written approval from the limited partner. As of December 31, 2023 and 2022, the operating reserve has a balance of \$180,746 and \$180,040, respectively.

Asset management fee reserve

The Partnership established an asset management fee reserve account in the amount of \$86,140, funded by the first and third equity installments as defined in the partnership agreement. The reserve is held in a segregated partnership bank account at KeyBank National Association to pay

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

the asset management fee. As of December 31, 2023 and 2022, the asset management fee reserve has a balance of \$70,724 and \$75,434, respectively.

Note 5 - Related party transactions

Capital contributions

The partnership agreement requires the general partner and investor limited partner to make capital contributions of \$1,171,309 and \$5,829,214, respectively. The capital contributions of the investor limited partner are subject to adjustments as defined in the partnership agreement and have been increased by an upward adjuster of \$92,144. As of December 31, 2023 and 2022, the general partner and the investor limited partner have fully funded all required capital contributions.

Due to affiliate

Due to affiliate on the balance sheets represents operating expenses of the Project which were paid by the Authority under an expense reimbursement arrangement. These advances are noninterest-bearing and normally paid one month in arrears. As of December 31, 2023 and 2022, \$12,002 and \$9,313, respectively, are due and included in due to affiliate on the balance sheets.

Asset management fee

The Partnership shall pay to the investor limited partner an annual asset management fee in the annual amount of \$5,000 for property management oversight, tax credit compliance monitoring and related services. As of December 31, 2023 and 2022, \$5,000 and \$5,000, respectively, was incurred and expensed. As of December 31, 2023 and 2022, \$5,000 and \$5,000, respectively, remain due.

Property management fee

The partnership agreement provides for the payment of a property management fee to the Authority in an amount of 6% of effective gross rental income, as defined. For the years ended December 31, 2023 and 2022, \$34,402 and \$33,407, respectively, were incurred and expensed.

Operating deficit guaranty

Under the terms of the partnership agreement the general partner is obligated to provide funds to the Partnership for operating deficits. Any amounts funded under this guaranty shall be in the form of a loan to the Partnership and shall bear no interest. The maximum operating deficit loan for the Project is \$358,667. As of December 31, 2023 and 2022, no amount was due under this guaranty.

Cash flow distributions

Cash flow shall, prior to the making of any distributions pursuant to Partners' percentage of ownership distributions, be paid out in the following order and priority:

- First, to the Limited Partner to the extent of any amount to which the Limited Partner is entitled to receive Cash Flow to satisfy any payment.
- Second, to repay (on a prorata basis) any unpaid loans;
- Third, to the Operating Reserve Account until such time as such account is equal to the Operating Reserve Amount.
- Fourth, to pay accrued Asset Management Fee, if any;
- Fifth, to pay interest and then principal on the Development Note, if any;

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Notes to Financial Statements December 31, 2023 and 2022

- Sixth, to pay accrued interest and any principal portion of the Loan Shortfall Note then payable as a result of a Loan Shortfall;
- Seventh, to pay all amounts due and payable under the Ground Lease;
- Eighth, to repay the Secondary loans as required or permitted under the Secondary loans documents in the following order of priority (i) CIHA RF PRI Loan, (ii) CIHA Program Income Loan, (iii) CIHA NAHASDA Loan, (iv) CIHA Loan, (v) CIHA FHLB AHP Loan, and (vi) CIHA HOME Loan; and
- Ninth, to pay or repay (a) any loan amounts treated as made to the Partnership by the Developer, General Partner or Guarantor pursuant to the Guaranty Agreement, (b) accrued deferred management fees of the Management Agent, if any, and (c) any sponsor loans.
- The balance, 99.99% to the investor limited partner and 0.01% to the general partner.

Note 6 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 230,242	\$ 285,884
Tenants' security deposits	39,573	43,763
Asset management fee reserve	70,724	75,434
Operating reserve	<u>180,746</u>	<u>180,040</u>
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 521,285</u>	<u>\$ 585,121</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the Project, asset management fee reserve and operating reserve as required by the partnership agreement.

Elizabeth Place Limited Partnership

**Notes to Financial Statements
December 31, 2023 and 2022**

Note 7 - Mortgages and notes payable

Mortgages and notes payable consist of the following at December 31:

	2023	2022
<u>Key Bank - Permanent Loan</u>		
<p>Promissory note of \$2,889,306 payable to Key Bank National Association; secured by the Project; bearing interest at 4.41% per annum; payable in monthly installments of \$14,486 and one final balloon payment due on the maturity date of April 12, 2041 in the amount equal to the then unpaid principal and accrued and unpaid interest. During the years ended December 31, 2023 and 2022, interest expense was \$118,513 and \$120,575, respectively. As of December 31, 2023 and 2022, accrued interest was \$9,647 and \$9,849, respectively.</p>		
<p>Debt issuance costs, net of accumulated amortization, totaled \$199,939 and \$210,268 as of December 31, 2023 and 2022, respectively, and are related to the permanent loan. Amortization of debt issuance costs on the above loan for the years ended December 31, 2023 and 2022 was \$10,329 and \$10,234, respectively, and is included in interest expense - first mortgage on the statements of operations.</p>		
	\$ 2,625,099	\$ 2,680,216
<u>CIHA - PRI Loan</u>		
<p>Promissory Note of \$471,794 payable to the Authority; secured by the Project; bearing 0% interest while in construction and 1.00% interest upon the completion of the Project; maturing October 11, 2033; and payable solely from Cash Flow. During the years ended December 31, 2023 and 2022, interest expense was \$3,791 and \$4,695, respectively. As of December 31, 2023 and 2022, accrued interest of \$2,238 and \$1,942, respectively, was due.</p>		
	316,826	466,174
<u>CIHA - PI Reinvestment Loan</u>		
<p>Promissory Note of \$725,048 payable to the Authority; secured by the Project; bearing 0% interest while in construction and 3.00% interest upon completion of the Project; maturing October 11, 2058; and payable solely from Cash Flow. During the years ended December 31, 2023 and 2022, interest expense was \$21,751 and \$21,752, respectively. As of December 31, 2023 and 2022, accrued interest of \$90,691 and \$68,940, respectively, was due.</p>		
	725,048	725,048

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**Notes to Financial Statements
December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<u>CIHA - NAHASDA Loan</u>		
Promissory Note of \$650,219 payable to the Authority; secured by the Project; bearing 0% interest while in construction and 1.00% interest upon completion of the Project; maturing October 11, 2058; and payable solely from cash flow. During the years ended December 31, 2023 and 2022, interest expense was \$6,502 and \$6,502, respectively. As of December 31, 2023 and 2022, accrued interest of \$27,110 and \$20,608, respectively, was due.	650,219	650,219
<u>CIHA - UNR Loan</u>		
Promissory Note of \$260,000 payable to the Authority; secured by the Project; bearing 0% interest while in construction and 1.00% interest upon completion of the Project; maturing October 11, 2058; and payable solely from cash flow. During the years ended December 31, 2023 and 2022, interest expense was \$2,600 and \$2,600, respectively. As of December 31, 2023 and 2022, accrued interest of \$10,841 and \$8,241, respectively, was due.	260,000	260,000
<u>CIHA - FHLB AHP Loan</u>		
Promissory Note of \$750,000 payable to the Authority; secured by the Project; bearing 0% interest while in construction and 1.00% interest upon completion of the Project; maturing October 11, 2058; and payable solely from cash flow. During the years ended December 31, 2023 and 2022, interest expense was \$7,500 and \$7,500, respectively. As of December 31, 2023 and 2022, accrued interest of \$20,958 and \$13,458, respectively, was due.	750,000	750,000
<u>CIHA - HOME Loan</u>		
Promissory Note of \$547,273 payable to the Authority; secured by the Project; bearing 0% interest while in construction and 1.00% interest upon completion of the Project; maturing October 11, 2058; and payable solely from cash flow. During the years ended December 31, 2023 and 2022, interest expense was \$5,473 and \$5,472, respectively. As of December 31, 2023 and 2022, accrued interest of \$21,374 and \$15,901, respectively, was due.	<u>547,273</u>	<u>547,273</u>
Total	<u>\$ 5,874,465</u>	<u>\$ 6,078,930</u>

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

The liability of the Partnership under the mortgage notes is limited to the underlying value of the real estate collateral, assignment of rents and leases plus other amounts deposited with the lenders.

The annual debt service requirements for mortgages and notes payable consist of the following:

Years ending December 31,	Principal	Interest	Total
2024	\$ 59,253	\$ 114,579	\$ 173,832
2025	61,920	111,912	173,832
2026	64,706	109,126	173,832
2027	67,618	106,214	173,832
2028	70,661	103,171	173,832
2029-2033	720,792	498,418	1,219,210
2034-2038	503,421	365,739	869,160
2039-2043	627,361	241,799	869,160
2044-2048	766,193	87,300	853,493
2049-2053	-	-	-
2054-2058	2,932,540	1,695,281	4,627,821
Subtotal	5,874,465	-	9,308,004
Less unamortized debt issuance costs	(199,939)	-	(199,939)
Total	\$ 5,674,526	\$ 3,433,539	\$ 9,108,065

Note 8 - Ground lease agreement

On October 12, 2018, the Partnership entered into a ground lease agreement with the Authority that provides the Partnership with a right-of-use asset, the land upon which are located the buildings and improvements of the Project. The lease is for a term of seventy-five (75) years. The ground rent shall be \$17,485 per year beginning on May 15, 2021 (the "Rental Commencement Date") for the first ten years, \$34,000 per year effective as of the beginning of the tenth anniversary for a period of ten years, and \$62,000 per year effective as of the twentieth anniversary of the Rental Commencement Date for the remainder of the term. Rent payments shall be made solely from Cash Flow as defined in the Partnership Agreement. The lease also requires the Partnership to pay property taxes applicable to the leased asset and to provide insurance coverage on any leasehold improvements made by the Partnership. The property taxes and insurance payments are variable payments made to third parties and are not included in the rent expense.

Right of use asset

The right-of-use asset has been determined to be a finance-type lease totaling \$1,088,173 and \$1,103,234 at December 31, 2023 and 2022, respectively, and is included in investment in rental property on the balance sheets. For the years ended December 31, 2023 and 2022, amortization of finance-type right-of-use asset of \$15,061 and \$15,061, respectively, is included in depreciation expense in the statements of operations.

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Lease liability.

The lease liability at December 31, 2023 and 2022 of \$1,162,134 and \$1,139,839, respectively, is the present value of remaining scheduled lease payments discounted using the Partnership's incremental borrowing rate of 3.49%. It does not include any deferred lease payable amounts. For the years ended December 31, 2023 and 2022, interest expense on the lease liability of \$39,780 and \$39,029, respectively, is included in interest expense - mortgages and other in the statements of operations. Future remaining scheduled lease payments during the lease term are shown in the table below. The annual payment amounts are presented on an undiscounted basis along with a reconciliation to the lease liability on December 31, 2023, which is recorded on a present value basis, as described above.

2024	\$	17,485
2025		17,485
2026		17,485
2027		17,485
2028		17,485
2029-2033		136,970
2034-2038		170,000
2039-2043		254,000
2044-2048		310,000
2049-2053		310,000
2054-2093		<u>2,505,833</u>
Subtotal		3,774,228
Less amounts representing interest		<u>(2,612,094)</u>
Lease liability	\$	<u><u>1,162,134</u></u>

Deferred ground lease payable.

The ground lease agreement provides for any unpaid scheduled lease payments to be deferred and paid subsequently out of available cash flows, as defined. Any deferred ground lease payable not paid by the due date bears no interest. As of December 31, 2023 and 2022, \$46,627 and \$29,142, respectively, remain due and is included in other accrued liabilities on the balance sheets.

Note 9 - Master commercial lease agreement

On October 12, 2018, the Partnership entered into a triple net master commercial lease agreement with the Authority (the "Tenant"), an affiliate of the general partner, to lease approximately 2,680 square feet of commercial space of the Project. The lease commenced on October 31, 2019, as defined and end at the expiration of 30 years with rent commencing 60 days afterwards on January 1, 2020. The lease also makes provision for up to three options to extend the lease of 5 years each. The rent shall be \$1.85 per square foot per month with increases at year six and eleven of the lease agreement. The Tenant is also responsible for 5.97% of any expense that is to be prorated between the Partnership and the Tenant. The space was completed and delivered on October 31, 2019. During the years ended December 31, 2023 and 2022, \$72,331 and \$72,065, was recognized as revenue and is included in rental income in the statements of operations.

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Minimum future rent payments under the lease agreement for the years following December 31, 2023 are \$59,496 for 2024, \$62,471 per year for 2025 to 2029, \$65,595 per year for 2030 to 2034, \$68,875 per year for 2035 to 2039, \$72,319 per year for 2040 to 2044, \$75,935 per year for 2045 to 2049, plus 5.97% of any expenses that is to be prorated between the Partnership and the Tenant.

Note 10 - Concentration of credit risk

The Partnership maintains its cash balances with various financial institutions. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. The Partnership believes that no significant concentration of credit risks exists with respect to these cash balances at December 31, 2023 and 2022.

Note 11 - Economic concentrations

The Partnership operates a 50-unit rental housing project, located in Anchorage, Alaska. Future operations could be affected by changes in economic or other conditions in that geographical area or by changes in federal low-income housing subsidies or the demand for such housing.

The Partnership received housing assistance payments from the local housing agency on behalf of the tenants. During the years ended December 31, 2023 and 2022, housing assistance payments of \$195,744 and \$194,548, respectively, were received by the Partnership and are included in rental income in the statements of operations.

Note 12 - Contingency

The Partnership's low-income housing tax 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. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor limited partner.

Note 13 - Low-income housing tax credits (unaudited)

The Partnership has been allocated federal low-income housing tax credits by the Alaska Housing Finance Agency amounting to \$6,143,480. As of December 31, 2023, \$2,457,392 of tax credits have been allocated to the Partners. The expected availability of the remaining tax credits is as follows:

Year	Amount
2024	\$ 614,348
2025	614,348
2026	614,348
2027	614,348
2028	614,348
Remaining	614,348

Elizabeth Place Limited Partnership

Notes to Financial Statements December 31, 2023 and 2022

Note 14 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Partnership through March 20, 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 the financial statements.

Supplementary Information

Elizabeth Place Limited Partnership

**Schedules of Certain Income and Expenses
Years Ended December 31, 2023 and 2022**

	2023	2022
Rental income		
Rent revenue - gross potential	\$ 352,887	\$ 342,063
Tenant assistance payments	195,744	194,548
Commercial rent revenue	72,331	72,065
Total rental income	\$ 620,962	\$ 608,676
Other operating income		
Damages income	\$ 3,831	\$ 1,819
Late fees	5,490	2,700
Miscellaneous other income	18,804	16,660
Total other operating income	\$ 28,125	\$ 21,179
Salaries and employee benefits		
Salaries - administrative	\$ 25,146	\$ 31,699
Salaries - maintenance	30,681	31,393
Health insurance and other benefits	21,130	26,903
Total salaries and employee benefits	\$ 76,957	\$ 89,995
Repairs and maintenance		
Exterminating	\$ 42	\$ 755
Grounds	24,942	17,520
Security services/contract	4,460	1,698
Supplies	845	736
HVAC expense	3,748	1,052
Painting, decorating and cleaning	16,497	21,940
Repairs and maintenance - other than contracts	4,527	13,049
Repairs and maintenance - contracts	5,850	7,610
Flooring	57	4,075
Miscellaneous maintenance expenses	1,563	2,329
Total repairs and maintenance	\$ 62,531	\$ 70,764
Utilities		
Electricity	\$ 21,468	\$ 18,372
Water	2,371	2,564
Trash removal	9,550	8,531
Gas	22,749	22,480
Cable	-	8
Total utilities	\$ 56,138	\$ 51,955

Elizabeth Place Limited Partnership

**Schedules of Certain Income and Expenses
Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Miscellaneous operating expenses		
Office supplies and expense	\$ 719	\$ 571
Training and travel	1,455	764
Telephone and answering service	5,861	9,927
Computer supplies and expense	1,050	681
Bad debt expense	794	5,989
Miscellaneous administrative	2,184	3,199
Advertising and newspaper	-	6
Legal/Advisory	-	460
Audit	12,575	6,575
	<u>24,638</u>	<u>28,172</u>
Total miscellaneous operating expenses	<u>\$ 24,638</u>	<u>\$ 28,172</u>
Interest expense - mortgages and other		
Interest expense - PRI Loan	\$ 3,791	\$ 4,695
Interest expense - PI Reinvestment Loan	21,751	21,752
Interest expense - NAHASDA Loan	6,502	6,502
Interest expense - UNR Loan	2,600	2,600
Interest expense - FHLB AHP Loan	7,500	7,500
Interest expense - HOME Loan	5,473	5,472
Interest expense - finance lease	39,780	39,029
	<u>87,397</u>	<u>87,550</u>
Total interest expense - mortgages and other	<u>\$ 87,397</u>	<u>\$ 87,550</u>
Miscellaneous other income (expense)		
Incident loss insurance reimbursement	\$ -	\$ 991
Incident loss	(594)	(1,105)
Miscellaneous other income	-	18,346
Miscellaneous other expense	-	(132)
	<u>(594)</u>	<u>18,100</u>
Total miscellaneous other income (expense)	<u>\$ (594)</u>	<u>\$ 18,100</u>

See Independent Auditor's Report.



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