BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

dba BLOOMINGTON RAD I

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

YEARS ENDED DECEMBER 31, 2023 AND 2022

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Bloomington RAD I, LP
(An Indiana Limited Partnership)

Opinion

We have audited the accompanying financial statements of Bloomington RAD I, LP, which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations, changes in partners' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bloomington RAD I, LP 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. 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 Bloomington RAD I, LP 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 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 Bloomington RAD I, LP'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

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 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, 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 Bloomington RAD I, LP'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 Bloomington RAD I, LP'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 audit.

Dauby O'Connor & Zaleski, LLC

February 16, 2024
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents		
Cash	$ 871,923	$ 737,134
Resident security deposits funded	15,032	15,032
Reserve for replacements	63,857	18,437
Operating reserve	805,831	772,743
Other reserve	21	21
Total cash and cash equivalents	**1,756,664**	**1,543,367**
Accounts receivable - residents	38,789	9,630
Prepaid expenses	24,535	23,337
Total current assets	**1,819,988**	**1,576,334**
Property and equipment on leased land		
Land and land improvements	1,011,257	1,011,257
Buildings and improvements	12,624,377	12,624,377
Furniture and equipment	2,512,956	2,512,956
	16,148,590	**16,148,590**
Less: Accumulated depreciation	(1,699,745)	(1,089,054)
Total property and equipment on leased land	**14,448,845**	**15,059,536**
Other assets		
Unamortized tax credit fees, net	31,047	33,870
Derivative asset	645,619	749,407
Right-of-use asset, net	619,056	627,654
Total other assets	**1,295,722**	**1,410,931**
Total assets	**$ 17,564,555**	**$ 18,046,801**

See notes to financial statements

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

	2023	2022
Current liabilities		
Accounts payable - operations	$ 20,159	$ 20,159
Accrued investor service fee	6,000	5,845
Accrued wages payable	3,828	3,828
Accrued management fee payable	87,493	87,493
Accrued interest - bond payable	30,315	26,855
Bonds payable, current portion	112,600	108,600
Allocated revenue and expenses due to related parties	194,370	98,585
Prepaid revenue	24,223	21,151
Total current liabilities	**478,988**	**372,516**
Deposits liabilities		
Resident security deposits	**20,106**	**20,146**
Long term liabilities		
Bonds payable, net of current portion	5,870,560	5,982,440
HDF note payable	215,000	215,000
HOME note payable	285,000	285,000
Seller note payable	4,650,000	4,650,000
Sponsor note payable	587,220	587,220
Less: unamortized debt issuance costs	(128,711)	(136,840)
Accrued interest - HDF note payable	6,493	2,150
Accrued interest - seller note payable	636,630	462,255
Accrued interest - sponsor note payable	52,898	38,218
Development fee payable	395,715	516,500
Total long term liabilities	**12,570,805**	**12,601,943**
Total liabilities	**13,069,899**	**12,994,605**
Partners' equity (deficit)	**4,494,656**	**5,052,196**
Total liabilities and Partners' equity (deficit)	**$ 17,564,555**	**$ 18,046,801**

See notes to financial statements

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

		2023	2022
Rental revenue	Rent revenue - gross potential	$ 442,492	$ 352,657
	Tenant assistance payments	894,376	845,317
	Rent revenue - stores and commercial		
	Garage and parking spaces		
	Flexible subsidy revenue		
	Miscellaneous rent revenue		
	Excess rent		
	Rent revenue/insurance		
	Special claims revenue		
	Retained excess income		
	Lease revenue (nursing home or section 232-B&C or AL)		
	Total rent revenue ***potential at 100% occupancy***	**$ 1,336,868**	**$ 1,197,974**
Vacancies	Apartments	(33,260)	(11,084)
	Stores and commercial	( )	( )
	Rental concessions	( )	( )
	Garage and parking spaces	( )	( )
	Miscellaneous	( )	( )
	Total vacancies	**(33,260)**	**(11,084)**
	Net rental revenue ***rent revenue less vacancies***	**$ 1,303,608**	**$ 1,186,890**
	Nursing homes and other elderly care revenues	**$ -**	**$ -**
Financial revenue	Financial revenue - project operations	$	$
	Revenue from investments - residual receipts		
	Revenue from investments - reserve for replacements		
	Revenue from investments - miscellaneous		
	Total financial revenue	**$ -**	**$ -**
Other revenue	Laundry and vending revenue	$	$
	Tenant charges	24,535	9,380
	Interest reduction payments revenue		
	Miscellaneous revenue	5,620	988,875
	Total other revenue	**$ 30,155**	**$ 998,255**
	Total revenue	**$ 1,333,763**	**$ 2,185,145**
Admin. expenses	Conventions and meetings	$	$
	Management consultants		
	Advertising and marketing	2,772	82
	Other renting expenses		
	Office salaries	100,316	72,982
	Office expenses	8,921	4,337
	Office or model apartment rent	5,400	5,400
	Management fee	72,844	62,497
	Manager or superintendent salaries		
	Administrative rent free unit		
	Legal expenses (project)	23,067	3,066
	Audit expenses	8,715	5,335
	Bookkeeping fees/accounting services		1,596
	Bad debts		3,597
	Miscellaneous administrative expenses	45,447	20,032
	Total administrative expenses	**$ 267,482**	**$ 178,924**
Utilities expenses	Fuel oil/coal	$	$
	Electricity	119,862	122,117
	Water	35,257	33,390
	Gas	54,777	61,376
	Sewer	46,102	39,859
	Total utilities expense	**$ 255,998**	**$ 256,742**

See notes to financial statements

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2023 AND 2022

		2023	2022
Operating and maint. expenses	Payroll	$ 55,155	$ 63,768
	Supplies	17,206	46,906
	Contracts	96,856	113,643
	Operating and maintenance rent free unit		
	Garbage and trash removal	12,615	14,164
	Security payroll/contract	837	2,302
	Security rent free unit		
	Heating/cooling repairs and maintenance	1,204	1,863
	Snow removal		
	Vehicle and maint. equipment operation and repairs	558	540
	Lease expense		
	Miscellaneous operating and maintenance expenses	475	5,965
	Total operating and maintenance expenses	**$ 184,906**	**$ 249,151**
Taxes and insurance	Real estate taxes	$	$
	Payroll taxes (project's share)		
	Property and liability insurance (hazard)	37,854	37,854
	Fidelity bond insurance		
	Workmen's compensation	1,652	1,652
	Health insurance and other employee benefits	52,427	45,195
	Miscellaneous taxes, licenses, permits and insurance	40,485	26,575
	Total taxes and insurance	**$ 132,418**	**$ 111,276**
Financial expenses	Interest on first mortgage (or bonds) payable	$ 244,319	$ 242,675
	Interest on other mortgages	193,398	191,206
	Interest on notes payable (long-term)		
	Interest on notes payable (short-term)		
	Interest on capital recovery payment (M2M)		
	Mortgage insurance premium/service charge		
	Miscellaneous financial expenses	103,788	
	Total financial expenses	**$ 541,505**	**$ 433,881**
	Nursing homes and other elderly care expenses	$ 872	$ 1,775
	Total cost of operations before depreciation	**$ 1,383,181**	**$ 1,231,749**
	Profit (loss) before depreciation	**$ (49,418)**	**$ 953,396**
	Depreciation	$ 610,691	$ 605,272
	Amortization	$ 11,421	$ 11,421
	Operating profit or (loss)	**$ (671,530)**	**$ 336,703**
Entity income and expenses	Entity revenue	$	$
	Officer's salaries		
	Incentive performance fee (M2M)		
	Legal expenses		
	Federal, state, and other income taxes		
	Interest on notes payable		
	Interest on mortgage payable		
	Other expenses	6,795	9,375
	Total net entity (income) expense	**$ 6,795**	**$ 9,375**
Profit or loss	**Profit or loss (net income or loss)**	**$ (678,325)**	**$ 327,328**

See notes to financial statements

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

STATEMENTS OF CHANGES IN PARTNERS' EQUITY (DEFICIT)
YEARS ENDED DECEMBER 31, 2023 AND 2022

	General Partner	Investor Limited Partner	Total Partners' Equity (Deficit)
Balance, January 1, 2022	**$ 128,263**	**$ 841,666**	**$ 969,929**
Contributions	16,243	3,738,696	3,754,939
Net income (loss)	33	327,295	327,328
Balance, December 31, 2022	**144,539**	**4,907,657**	**5,052,196**
Contributions	-	120,785	120,785
Net income (loss)	(68)	(678,257)	(678,325)
Balance, December 31, 2023	**$ 144,471**	**$ 4,350,185**	**$ 4,494,656**
Ownership percentages at December 31, 2023	0.01%	99.99%	**100.00%**

See notes to financial statements

BLOOMINGTON RAD I, LP
(AN INDIANA LIMITED PARTNERSHIP)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
Cash flow from operating activities		
Net income (loss)	$ (678,325)	$ 327,328
Adjustments to reconcile changes in net income (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	610,691	605,272
Amortization of deferred tax credit fees	2,823	2,823
Amortization of debt issuance costs	8,129	1,355
Amortization of right-of-use asset	8,598	8,598
(Gain) / loss on change in derivative	103,788	(902,765)
Changes in:		
Accounts receivable - residents	(29,159)	2,617
Prepaid expenses	(1,198)	(11,332)
Accrued interest	196,858	199,759
Resident security deposits held	(40)	1,393
Prepaid revenue	3,072	5,357
Accrued investor services fee	155	845
Total adjustments	**903,717**	**(86,078)**
Net cash provided by (used in) operating activities	**225,392**	**241,250**
Cash flow from investing activities		
Purchase of property and equipment	-	(962,343)
Payments for development fee	(120,785)	(1,107,143)
Net change in allocated revenue and expenses due to/from related parties	95,785	354,641
Net cash provided by (used in) investing activities	**(25,000)**	**(1,714,845)**
Cash flow from financing activities		
Payments on bonds payable	(107,880)	(3,226,442)
Proceeds from bonds payable	-	1,428,072
Proceeds from HDF note payable	-	215,000
Proceeds from HOME note payable	-	285,000
Contributions	120,785	3,754,939
Net cash provided by (used in) financing activities	**12,905**	**2,456,569**
Net change in cash and cash equivalents	**213,297**	**982,974**
Cash and cash equivalents at beginning of period	**1,543,367**	**560,393**
Cash and cash equivalents at end of period	**$ 1,756,664**	**$ 1,543,367**
Supplemental information		
Cash paid for interest	**$ 232,730**	**$ 232,767**

See notes to financial statements

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Bloomington RAD I, LP (an Indiana Limited Partnership) (the Partnership) was formed on July 24, 2019, to construct, rehabilitate, develop, own, maintain, and operate 116 housing units, which includes 56 units at Reverend Butler and 60 units at Walnut Woods both located in Bloomington, Indiana and currently known as Bloomington RAD I (the Property). The Property was acquired on May 16, 2020.

The Partnership has entered into four Housing Assistance Payments Contracts (HAP Contracts) with the Housing Authority of the City of Bloomington (the BLHA) through the Department of Housing and Urban Development's (HUD) Section 8 Project-Based Voucher Program. All four contracts expire May 31, 2040 and cover 116 units in total. Two of the HAP Contracts are through the Rental Assistance Demonstration (RAD) program and cover 87 units. The HAP Contracts are a rent assistance program for low income families (or persons) as provided by the Section 8 Program of the National Housing Act. Eligible low income residents pay 30% of their income as rent, while HUD pays the difference between this rental amount and contract rent, as defined. The Partnership can request from HUD an amount equal to 80% of contract rent during periods that the unit is vacant if certain conditions are met, but not to exceed 60 days. If a unit continues to be vacant after the 60-day period, the Partnership may submit a claim and receive additional housing assistance payments on a semiannual basis if certain conditions are met as outlined in the HAP Contracts.

The HAP Contracts, among other items, prohibit the sale, assignment, conveyance or transfer of the HAP Contracts on all or any part of the Property without the prior consent of HUD. Such prohibition also includes the transfer of (a) the interest of a General Partner; (b) the interest of an Investor Limited Partner or group of Investor Limited Partners having a 25% or more interest in the Partnership; or (c) any other significant change in the ownership of the Partnership.

The Property received an allocation of low income housing credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Property as to occupant eligibility and unit gross rent, among other requirements. Each building of the Property must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits. The low income housing credit is computed as a percentage of the eligible basis of the Property as defined in Section 42 and is allowed annually during a period commencing with the year the building is placed in service. The Partnership is expected to receive an annual allocation of tax credits in the amount of $545,064. The rehabilitation of the first 10 of 27 buildings was placed in service in 2020. The remaining buildings were placed in service in 2021.

The General Partner of the Partnership is Bloomington RAD I Manager, LLC (the General Partner). The Investor Limited Partners are Cinnaire Fund for Housing Limited Partnership 34 and Cinnaire Indiana Community Fund Limited Partnership 19-5 (the Investor Limited Partners).

The term of the Partnership shall extend until December 31, 2118, unless sooner terminated as provided in the Partnership Agreement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash

For the statements of cash flows, all unrestricted investments with original maturities of three months or less are cash. At December 31, 2023 and 2022, cash consists of an operating checking and savings accounts.

Resident receivables and bad debt policy

Resident rent charges for the current month are due on the first of the month. Residents who are evicted or move-out are charged with damages and/or cleaning fees, if applicable. Resident receivables consist of amounts due for rental income or the charges for damages and/or cleaning fees. The Partnership does not accrue interest on the resident receivable balances.

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the years ended December 31, 2023 and 2022. Bad debt expensed for the years ended December 31, 2023 and 2022 totaled $0 and $3,597, respectively.

Property and equipment

Land, buildings and improvements are recorded at cost. Depreciation is calculated using the straight-line method over their service lives, which is estimated to be 40 years for buildings, 20 years for land improvements and 10 years for furniture and equipment. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

The Partnership is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Partnership's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment losses were recognized during the years ended December 31, 2023 and 2022.

Leases

Under FASB Accounting Standards Update (ASU) 2016-02, the Partnership determines if an arrangement is a lease at the inception of the contract. Operating leases with an initial term of 12 months or less are not recorded on the balance sheets and continue to be expensed on a straight-line basis over the lease term. All finance leases and operating leases with lease terms greater than 12 months result in the recognition of a right-of-use asset and a lease liability at the lease commencement date based on the present value of the sum of the lease payments over the lease term. Lease term renewal options are evaluated and included in the lease term if the exercise of the renewal option is deemed to be reasonably certain. In determining if a lease is an operating or finance lease, the Partnership has elected to classify a lease as a finance lease if any of the following are met: the ownership of the asset is expected to be transferred or purchased by the Partnership at the end of the lease term, the lease term represents a major part or 75% of the asset's remaining life, the present value of the sum of the lease payments equals or exceeds substantially all or 90% of the fair value of the asset, or the asset is specialized and has no use to the lessor at the end of the lease term.

At lease inception, the Partnership determined the ground lease should be accounted for as a capital lease under ASC 840-10, as the upfront lease payment for the land and building was greater than 90% of the fair market value.

As a result, the Partnership has reflected its prepaid ground lease related to land as right of use asset on the balance sheets, net of accumulated amortization, and will continue to amortize the prepaid amount over the remaining term of the lease on a straight line basis. In addition, the portion of the lease related to the acquired building is included in Buildings and improvements on the balance sheets and will continue to depreciate over the 27.5 year useful life. The Partnership has not recognized a lease liability as the present value of future lease payments of $1 per year is not material to the overall financial statements.

The Partnership assesses the carrying value of its right-of-use assets whenever there are indications that a permanent impairment may have occurred. If the carrying value of a right-of-use asset exceeds the estimated value derived by management, the Partnership reduces its right-of-use asset (unless the impairment is considered to be temporary).

Unamortized costs

The Partnership incurred costs in connection with obtaining the tax credits, which are amortized over a term of 15 years using the straight line method.

Debt issuance costs

The Partnership is subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. These costs are being amortized over the life of the respective mortgage using the straight-line method. Generally accepted accounting principles require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the financial statements for the years ended December 31, 2023 and 2022.

Revenue recognition

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the residents of the Property are operating leases under FASB ASC 842 and are not within the scope of FASB ASU 2014-09.

Advertising costs

Advertising costs are expensed as incurred and are included in property administration in the statements of profit and (loss).

Real estate taxes

The Property has received a full real estate tax exemption for forty years through May 2060.

Concentration of credit risk

The Partnership deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Partnership has not experienced any losses in such accounts.

The rental income from the HAP Contracts and other operating subsidy provided by BLHA totaled $894,376 or 69% of the net rental revenue for the year ended December 31, 2023. The HAP Contracts are subject to annual appropriations to HUD from Congress.

The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

Use of estimates in the preparation of financial statements

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.

Derivatives

The Partnership has adopted the Accounting for Derivative Instruments and Hedging Activities topic of the FASB ASC 815 (the Codification). The Partnership uses derivatives to manage risks related to interest rate movements. Interest rate swap contract designated and qualifying as cash flow hedges are reported on the balance sheets at fair value. The gain or loss on the effective portion of the hedge initially is included as a component of other comprehensive income and is subsequently reclassified into earnings when interest on the related debt is paid. The valuation technique is classified as Level 2 under the fair value measurements fair value hierarchy.

Fair value

The Partnership is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 (the Codification) which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The Codification clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing the asset or liability and establishes the following fair value hierarchy:

Level 1 - Inputs utilize quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access;
Level 2 - Inputs may include quoted prices for similar assets or liabilities in active markets; and
Level 3 - Unobservable inputs for the asset or liability based on the best available information

For instances in which the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the fair value measurement will fall within the lowest level input that is significant to the fair value measurement in its entirety.

Accounting for uncertainty in income taxes

The Partnership is 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 it must consider for disclosure. There has been no interest or penalties recognized in the statements of profit and (loss) or balance sheets for the years ended December 31, 2023 and 2022. Generally, the federal and state returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authority.

Subsequent events

Management performed an evaluation of the Partnership's activity through February 16, 2024, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these financial statements were available to be issued.

NOTE 2-UNAMORTIZED COSTS

Tax credit application fees totaling $42,339 related to the tax credit application process were capitalized and are being amortized using the straight-line method over the tax credit compliance period. Amortization expense for each of the years ended December 31, 2023 and 2022 was $2,823 and $2,823. Accumulated amortization for the years ended December 31, 2023 and 2022 was $11,292 and $8,469, respectively.

NOTE 3-FINANCING

Bonds payable - 2020 Series A and Series B

The acquisition, construction and rehabilitation of the Property was financed in part with City of Bloomington, Indiana (the Governmental Lender) Borrower Loan Notes Series 2020A and Series 2020B bonds in the amount of $6,100,000 and $3,385,241, respectively. Interest earned on the bonds is federal income tax exempt to the holders.

The Partnership has executed a Construction Funding Loan Agreement for the Series 2020A and Series 2020B bonds with the BMO Harris Bank N.A. (the Funding Lender and the Fiscal Agent), and the Governmental Lender, which set forth the Partnership's obligation to pay the Fiscal Agent sufficient funds to enable the Fiscal Agent to pay any principal and interest due on the bonds.

The Borrower Loan Note agreement associated with the Series 2020A bonds provides for, among other items, the following:

1) Original principal amount of $6,100,000;
2) A variable interest rate equal to 80% of the LIBOR rate + 1.98% (6.09% at December 31, 2023). Interest is subject to the interest rate swap (see Note 5), and as such, is recorded at the swap rate;
3) Monthly interest only payments until conversion; thereafter, monthly payments of principal and interest;
4) A conversion date of November 14, 2022; and
5) A maturity date of 17 years from conversion on November 14, 2039.

The Borrower Loan Note agreement associated with the Series 2020B bonds provided for, among other items, the following:

1) Original principal amount of $3,385,241;
2) A maturity date of November 12, 2022, which may be extended to May 12, 2023;
3) A variable interest rate equal to 80% of the LIBOR rate + 2.37%;
4) Monthly interest only payments until conversion; and
5) All unpaid principal and accrued interest is due at maturity.

At December 31, 2023 and 2022, $5,983,160 and $6,091,040 of the Series 2020A bonds were outstanding, respectively.

At December 31, 2023 and 2022, $0 and $0 of the Series 2020B bonds were drawn and were outstanding, respectively.

During the years ended December 31, 2023 and 2022, interest incurred net of SWAP interest payments received on the Series 2020A and 2020B bonds was $236,190 and $241,320, respectively. At December 31, 2023 and 2022, accrued interest was $30,315 and $26,855, respectively.

During 2022 the Series 2020B bond was paid in full using proceeds from the HDF loan, HOME Loan, and capital contributions from the Investor Limited Partner.

HDF note payable

The Partnership entered into a Promissory Note with the City of Bloomington through the Housing Development Fund (HDF) from the Housing and Neighborhood Development (HAND). The Promissory Note provides for, among other items, the following:

1) A loan amount up to $215,000;
2) A term of 30 years;
3) A compounding interest rate of 2% per annum;
4) Monthly principal and interest payments of $794.68, commencing on the earlier of June 1, 2021 or a permanent certificate of occupancy; and
5) All unpaid principal and accrued interest is due at maturity.

At December 31, 2023 and 2022, the HDF note payable balance was $215,000. During the years ended December 31, 2023 and 2022, interest incurred was $4,343 and $2,150, respectively. At December 31, 2023 and 2022, accrued interest was $6,493 and $2,150, respectively.

HOME note payable

The Partnership entered into a Promissory Note with Summit Hill Community Development Corporation (Summit Hill), an affiliate of the General Partner. Summit Hill originally received these funds from the City of Bloomington through the HOME Investment Partnerships Program. The loan provides for, among other items, the following:

1) A loan amount of $285,000;
2) A term of 30 years and 8 months maturing December 31, 2050;
3) No interest; and
4) No payments are due until maturity.

At December 31, 2023 and 2022, the HOME note payable balance was $285,000.

Seller note payable

The Partnership entered into a promissory note with the BLHA for the acquisition of the Property. The loan provides for, among other items, the following:

1) A loan amount of $4,650,000;
2) A term of 30 years maturing May 1, 2050;
3) An interest rate of 3.75% per annum;
4) Payments of principal and interest shall be made annually or semi-annually from cash flow as defined the Partnership Agreement; and
5) All unpaid principal and accrued interest is due at maturity.

During the years ended December 31, 2023 and 2022, interest incurred was $174,375 and $174,375, respectively. At December 31, 2023 and 2022, accrued interest was $636,630 and $462,255, respectively.

Sponsor note payable

The Partnership entered into a promissory note with the BLHA. The loan provides for, among other items, the following

1) A loan amount of $587,220;
2) A term of 30 years maturing May 1, 2050;
3) An interest rate of 2.50% per annum;
4) Payments of principal and interest shall be made annually or semi-annually from cash flow as defined the Partnership Agreement; and
5) All unpaid principal and accrued interest is due at maturity.

During the years ended December 31, 2023 and 2022, interest incurred was $14,680 and $14,681, respectively, all of which was expensed. At December 31, 2023 and 2022, accrued interest was $52,898 and $38,218, respectively.

Estimated principal payments due under the terms of the loans for the next five years and thereafter are approximately as follows:

	Bonds payable	HDF note payable	HOME note payable	Seller note payable	Sponsor note payable	Total
2024	$ 112,600	$ -	$ -	$ -	$ -	$ 112,220
2025	117,200	-	-	-	-	116,800
2026	122,020	-	-	-	-	121,610
2027	126,980	-	-	-	-	126,550
2028	132,160	-	-	-	-	132,160
Thereafter	5,372,200	215,000	285,000	4,650,000	587,220	11,109,420
	$5,983,160	**$ 215,000**	**$ 285,000**	**$4,650,000**	**$ 587,220**	**11,720,380**
Less unamortized debt issuance costs						(128,711)
						$11,591,669

Debt issuance costs

Financing fees of $138,195 were incurred in connection with the mortgage note payable. These fees are amortized using the straight-line method over the term of the mortgage note payable. Amortization expense for the years ended December 31, 2023 and 2022 totaled $8,129 and $1,355 and is included in interest on first mortgage payable on the statements of profit and (loss), respectively. As of December 31, 2023 and 2022, accumulated amortization was $9,484 and $1,355, respectively.

NOTE 4-RELATED PARTIES

Development fee

The Development Agreement provides for the Partnership to pay development fees totaling $2,013,075 to Brinshore Development, LLC (the Developer), an affiliate of the General Partner. Development fees of $2,013,075 were earned and capitalized as part of property and equipment at December 31, 2023 and 2022. At December 31, 2023 and 2022, the development fee payable totaled $395,715 and $516,500, respectively.

Operating deficit guaranty

Pursuant to the Partnership Agreement, the General Partner is obligated to fund operating deficits in excess of reserves for a period commencing on the achievement of Underwritten Operations, as defined by the Partnership Agreement, and ending on the fourth anniversary of such date if the Property maintains at least a debt service coverage ratio of 1.15 for a period of twelve consecutive months. The amount of the operating deficit loans required to be advanced by the General Partner shall not exceed $534,421. Any operating deficit loans shall not bear interest and shall only be repaid as described in the Partnership Agreement. During the years ended December 31, 2023 and 2022, no operating deficit loans were advanced by the General Partner.

Allocated revenue and expenses due from/to related parties

During the years ended December 31, 2023 and 2022, operating revenue and expenses were due from/to another property, which is owned by an affiliate of the General Partner. The amount payable at December 31, 2023 and 2022 was $194,370 and $98,585, respectively, which is included in allocated revenue and expenses due to related parties on the balance sheets.

Investor services fee

The Partnership has entered into an Investor Services Agreement with Cinnaire Corporation, an affiliate of the Investor Limited Partners, for its services in monitoring Partnership activities. The fee shall commence in 2021 and be equal to $5,000, increasing 3% annually. The fee shall be paid annually in accordance with the priority in Note 10 and shall be cumulative to the extent not paid in full in any year. During the years ended December 31, 2023 and 2022, investor services fees totaled $5,305 and $5,150, respectively. At December 31, 2023 and 2022, $6,000 and $5,845 remained payable, respectively.

Partnership management fee

The Partnership has entered into a Partnership Management Services Agreement with the General Partner, for its services in managing Partnership activities. The partnership management fee shall not exceed an annual cumulative amount of $51,306. The fee shall be paid annually in accordance with the priority in Note 10 and shall be cumulative to the extent not paid in full in any year. During the years ended December 31, 2023 and 2022, no partnership management fees were expensed or paid.

Incentive management fee

The Partnership has entered into an Incentive Management Fee Agreement with the General Partner for its services in monitoring Partnership activities. The fee shall be equal to 90% of the remaining cash flow, after certain other payments in Note 10. The fee shall not exceed $51,306 per annum and shall not be cumulative. During the years ended December 31, 2023 and 2022, no incentive management fees were expensed or paid.

Construction contract

See Note 8.

Management fees

See Note 6.

Ground lease

See Note 8.

NOTE 5-DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

The Partnership entered into an interest rate swap agreement on May 14, 2020 to reduce the impact of changes in interest rates on its variable rate debt (Note 3) and is designated as a freestanding derivative that was entered into to provide an economic hedge against changes in the variable interest rate on the debt. The effective date of the agreement is November 14, 2022. The notional principal amount of the interest rate swap outstanding at December 31, 2023 and 2022 was $6,100,000. The mortgage note is for $6,100,000 with a variable interest rate. The swap agreement expires November 14, 2039. The Partnership does not hold the swap agreement for trading purposes.

The gain (loss) of $(103,788) and $902,765 from changes in the swap contract's fair value included in miscellaneous revenue for the years ended December 31, 2023 and 2022, respectively.

Due to fluctuations in market interest rates since the date the Partnership entered into an interest rate swap, the fair value of the swap is an asset of $645,619 and $749,407 at December 31, 2023 and 2022, respectively. The asset recorded represents the estimated amount the Partnership would receive if the agreement were terminated on that date and a liability recorded represents the estimated amount the Partnership would have to pay if the agreement were terminated on that date. The fair values used to value the swap contract are obtained from BMO Harris Bank N.A., the counterparty. All other financial instruments are carried on the Partnership's books at cost basis, which approximates fair value.

NOTE 6-MANAGEMENT AGREEMENT

The Property is managed by the BLHA (the Agent), an affiliate of the General Partner. The management agreement provides for management fees equal to 5% of gross receipts. During the years ended December 31, 2023 and 2022, management fees expensed were $72,844 and $62,497, respectively. At December 31, 2023 and 2022, accrued management fees were $87,493 and $87,493.

NOTE 7-RESTRICTED CASH

Reserve for replacements

In accordance with the Partnership Agreement, the Partnership is required to fund and maintain a reserve for replacements account held in a segregated bank account, to be established at the time of the third capital contribution installment in the initial amount of $40,600. Deposits to the reserve for replacements are required to be at least $350 per unit per year, increasing by 3% annually. The funds may be used, from time to time, for the replacement of or maintenance and repairs to capital assets as provided in the Partnership Agreement. The reserve for replacements balance at December 31, 2023 and 2022 was $63,857 and $18,437, respectively.

Operating reserve

In accordance with the Partnership Agreement, the Partnership is required to fund and maintain an operating reserve in the amount of $534,421 funded from the third capital contribution installment. The operating reserve is required to be held in a separate federally insured bank account. Withdrawals from the operating reserve must be approved by the Limited Partner in accordance with the Partnership Agreement. The operating reserve balance at December 31, 2023 and 2022 was $805,831 and $772,743, respectively.

NOTE 8-CONSTRUCTION CONTRACT

The Partnership entered into a construction contract with BCM, LLC (the Contractor), an affiliate of the General Partner, for the construction of the Property. The original amount of the contract was $7,668,220 and the change orders were $757,411. At December 31, 2023 and 2022, $8,425,631 was earned and capitalized into property and equipment, and $0 remains payable.

NOTE 9-GROUND LEASE

The Partnership entered into a ground lease agreement with BLHA to lease the land and improvements located at the Property for a term of 99 years, expiring on April 30, 2119. During the term of the lease, all improvements shall be the property of the Partnership and upon expiration of the lease, all improvements revert to BLHA. The Partnership is responsible for all maintenance of any improvements and property tax obligations during the term of the lease. The ground lease rent payment of $4,650,000 was made with the seller note payable proceeds at the beginning of the lease term, which has been capitalized to building of $4,010,000 and land of $640,000 based on an appraisal. The Partnership incurred an additional $4,850 for land acquisition and preparation costs. Under ASU 2016-02, the prepaid ground lease is presented as a right-of-use asset on the balance sheets. Annual rent is due of $1 per year.

Finance lease costs for the years ended December 31, 2023 and 2022 totaled $108,848 and $108,848, respectively, which are included in depreciation expense and amortization expense on the statements of profit and (loss). The average remaining lease term for the finance lease as of December 31, 2023 and 2022, was 95 and 96 years, respectively.

NOTE 10-PARTNERS' EQUITY (DEFICIT)

The Investor Limited Partners' capital contributions in accordance with the Partnership Agreement are scheduled to total $5,279,623, which was adjusted to $4,770,569 based on timing and amount low income housing tax credits. As of December 31, 2023 and 2022, contributions received totaled $4,770,569 and $4,649,784, respectively.

The General Partner was scheduled to contribute $100 in capital contributions to the Partnership. As of December 31, 2023 and 2022, the contribution has been received.

During the year ended December 31, 2021, the General Partner was awarded a $144,427 Community Development Block Grant (CDBG) from the City of Bloomington Housing and Neighborhood Development Department, of which $0 and $16,243 was received and was contributed to the Partnership during the years ended December 31, 2023 and 2022, respectively. The CDBG funds were used to install ADA ramps at the Property, which were completed at December 31, 2021.

Profits, losses and tax credits

All profits, losses and tax credits, except those arising from a capital transaction, are allocated .01% to the General Partner, and 99.99% to the Investor Limited Partners (split 64.995% to Cinnaire Fund for Housing Limited Partnership 34 and 34.995% to Cinnaire Indiana Community Fund Limited Partnership 19-5).

NOTE 11-DISTRIBUTIONS

Distributable cash each fiscal year shall be distributed as follows:

First, to the Investor Limited Partners, to satisfy any Investor Limited Partner loans or any other payments owed to the Investor Limited Partners;
Second, to payment of any accrued and payable investor services fees;
Third, to payment of the deferred development fee;
Fourth, to the repayment of the seller loan, until repaid;
Fifth, to the repayment of the sponsor loan, until repaid;
Sixth, to the repayment of the HOME loan, until repaid;
Seventh, to the General Partner, to pay any accrued and payable partnership management fees;
Eighth, 90% to the General Partner as an incentive management fee; and
Ninth, 90% to the General Partner and 10% to the Investor Limited Partners.

NOTE 12-COMMITMENTS AND CONTINGENCIES

Low income housing tax credits

The Property's low income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42 of the Internal Revenue Code. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct non-compliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require adjustments as disclosed in the Partnership Agreement.

In addition, the Partnership has executed an extended use agreement with the Indiana Housing and Community Development Authority which requires the operation of the Property pursuant to Section 42 for a minimum of 30 years. This requirement is binding on the transferee during this compliance period.