

AUDITED FINANCIAL STATEMENTS

OF

CRESCENT HALLS RENO, L.L.C.

DECEMBER 31, 2023

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
FINANCIAL STATEMENTS:	
Balance Sheet	3
Statement of Income	5
Statement of Members' Capital	6
Statement of Cash Flows	7
Notes to Financial Statements	9



Dooley & Vicars
Certified Public Accountants, L.L.P.

Daniel J. Dooley, C.P.A.

Michael H. Vicars, C.P.A.

1

INDEPENDENT AUDITOR'S REPORT

To the Members
of Crescent Halls Reno, L.L.C.

Opinion

We have audited the accompanying financial statements of Crescent Halls Reno, L.L.C. (the Company), which comprise the balance sheet as of December 31, 2023, and the related statements of income, members' capital, and cash flows for the year 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 the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

INDEPENDENT AUDITOR'S REPORT
(CONTINUED)

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, including omissions, 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 the Company'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 the Company'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.

Richmond, Virginia
April 02, 2024

Dooley & Vicars
Certified Public Accountants, L.L.P.

**CRESCENT HALLS RENO, L.L.C.
BALANCE SHEET
AS OF DECEMBER 31, 2023**

ASSETS

Current Assets

Cash	\$ 32,865
Accounts Receivable - Tenant, Net Allowance of \$0	5,920
Total Current Assets	<u>38,785</u>

Deposits and Funded Reserves

Tenant Security Deposits	16,237
Total Deposits and Funded Reserves	<u>16,237</u>

Fixed Assets

Land	730,000
Land Improvements	959,874
Building	23,030,120
Furnishings	187,275
Construction in Progress	11,375
Accumulated Depreciation	(167,768)
Total Fixed Assets	<u>24,750,876</u>

Other Assets

Tax Credit Fees, Net Accumulated Amortization of \$4,150	58,100
Total Other Assets	<u>58,100</u>

TOTAL ASSETS	<u><u>\$ 24,863,998</u></u>
--------------	-----------------------------

**CRESCENT HALLS RENO, L.L.C.
BALANCE SHEET
AS OF DECEMBER 31, 2023
(CONTINUED)**

LIABILITIES AND MEMBERS' CAPITAL

Current Liabilities

Accounts Payable	\$ 29,475
Accounts Payable - Construction	8,958
Accounts Payable - Due to Affiliate	11,375
Prepaid Rent	9,300
Construction Loan	10,760,425
Total Current Liabilities	<u>10,819,533</u>

Other Liabilities

Tenant Security Deposit Liability	16,432
Total Other Liabilities	<u>16,432</u>

Long-Term Liabilities

Developer Fee Payable	1,000,000
Notes Payable	12,803,469
Long-Term Interest Payable	99,038
Less: Deferred Loan Cost, Net Accumulated Amortization of \$0	(34,290)
Total Long-Term Liabilities	<u>13,868,217</u>
Total Liabilities	<u>24,704,182</u>

Members' Capital

VAHM, L.L.C.	(4)
Crescent Halls Reno Management, L.L.C.	(30)
Housing Equity Fund of Virginia XXIII, L.L.C.	159,850
Total Members' Capital	<u>159,816</u>

TOTAL LIABILITIES AND MEMBERS' CAPITAL	<u>\$ 24,863,998</u>
--	----------------------

CRESCENT HALLS RENO, L.L.C.
STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

Revenues

Rental Income	\$ 254,975
Interest Income	406
Other Income	2,119
	<u>257,500</u>

Expenses

Administrative	109,986
Management Fee	19,568
Utilities	13,409
Operating and Maintenance	104,898
Property and Liability Insurance	9,468
Miscellaneous Taxes and Insurance	12,690
Interest and Financial	95,490
Depreciation and Amortization	74,854
	<u>440,363</u>
 NET INCOME (LOSS)	 <u>\$ (182,863)</u>

**CRESCENT HALLS RENO, L.L.C.
STATEMENT OF MEMBERS' CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>VAHM, L.L.C.</u>	<u>Crescent Halls Reno Management, L.L.C.</u>	<u>Housing Equity Fund of Virginia XXIII, L.L.C.</u>	<u>TOTAL</u>
Percentage of Ownership	0.001%	0.009%	99.990%	100.000%
Balance at Beginning of Year	\$ (2)	\$ (14)	\$ 342,695	\$ 342,679
Income (Loss)	<u>(2)</u>	<u>(16)</u>	<u>(182,845)</u>	<u>(182,863)</u>
BALANCE AT END OF YEAR	<u>\$ (4)</u>	<u>\$ (30)</u>	<u>\$ 159,850</u>	<u>\$ 159,816</u>

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

CRESCENT HALLS RENO, L.L.C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

Cash Flows from Operating Activities

Rental Receipts	\$ 258,191
Interest Receipts	406
Other Receipts	2,119
Total Income	<u>260,716</u>
Administrative Expenses	54,713
Management Fees	19,568
Utilities	13,409
Salaries and Wages	106,098
Operating and Maintenance	76,068
Property and Liability Insurance	9,468
Misc. Taxes, Licenses, and Permits	12,690
Tenant Security Deposits	(8,010)
Total Expenses	<u>284,004</u>
Net Cash Provided By (Used In) Operating Activities	<u>(23,288)</u>

Cash Flows from Investing Activities

(Increase)/Decrease in Building and Improvements	<u>(3,187,283)</u>
Net Cash Provided By (Used In) Investing Activities	<u>(3,187,283)</u>

Cash Flows from Financing Activities

Proceeds of Short-Term Borrowings	10,760,425
Payments of Long-Term Borrowings	(7,817,830)
Payment of Permanent Loan Costs and Tax Credit Fees	<u>(96,540)</u>
Net Cash Provided By (Used In) Financing Activities	<u>2,846,055</u>
Net Increase/(Decrease) in Cash	(364,516)
Cash - Beginning of Year	<u>413,618</u>
CASH - END OF YEAR	<u><u>\$ 49,102</u></u>

CRESCENT HALLS RENO, L.L.C.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

Reconciliation of Cash and Cash Equivalents

Cash	\$ 32,865
Tenant Security Deposits	<u>16,237</u>
Total Cash and Cash Equivalents	<u><u>\$ 49,102</u></u>

Reconciliation of Cash Provided By (Used In) Operating Activities

Net Profit<Loss>	\$ (182,863)
<u>Add <Deduct> Adjustment to Reconcile Net <Loss> Income to Net Cash Provided By (Used In) Operating Activities</u>	
Depreciation and Amortization	74,854
(Increase)/Decrease in Accounts Receivable - Tenants	(5,920)
Increase/(Decrease) in Accounts Payable	(10,445)
Increase/(Decrease) in Accrued Expenses	(11,550)
Increase/(Decrease) in Prepaid and Deferred Revenues	9,136
Increase/(Decrease) in Security Deposit Liability	8,010
Non-Cash Interest Expense	<u>95,490</u>
Net Cash Provided By (Used In) Operating Activities	<u><u>\$ (23,288)</u></u>

Supplemental Disclosure of Cash Flow Information

Non-Cash Items Disclosure

Increase in Accounts Payable - Construction	\$ (2,756,173)
Increase in Developer Fee Payable	<u>(800,000)</u>
Increase in Fixed Assets	<u><u>\$ (3,556,173)</u></u>
Increase in Long Term Interest Payable	<u>\$ 95,490</u>
Non-Cash Interest Expense	<u><u>\$ 95,490</u></u>

**CRESCENT HALLS RENO, L.L.C.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Note 1: Nature of Business and Significant Accounting Policies

Nature of Business - Crescent Halls Reno Management, L.L.C. (the Company), is a Virginia limited liability company formed in 2019 to ground lease, develop, construct, own, maintain and operate a 105-unit apartment complex located in Charlottesville, Virginia known as Crescent Halls (the "Project"). As of December 31, 2023, the Company has three members -- Crescent Halls Reno Management, L.L.C. owns a 0.009% managing member interest, VAHM, L.L.C. owns a 0.001% special member interest, and the Housing Equity Fund of Virginia XXIII, L.L.C., owns a 99.99% investor member interest. Profits, losses, tax credits and cash disbursements are allocated among the members based on their respective ownership interest.

A summary of the Company's significant accounting policies follows:

Cash and Cash Equivalents - For purposes of reporting, the Company includes all cash accounts and all highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Real Estate Costs - Costs that clearly relate to the acquisition, development, and construction of the apartments are capitalized. Interest costs were capitalized while development and construction were in progress.

Depreciation - The buildings are depreciated using the straight-line method over their estimated useful life of 40 years. Land improvements are depreciated using the straight-line method over their estimated useful life of 15 years. Depreciation of equipment, furniture, and fixtures is computed using the straight-line method over the estimated useful life, generally 5 years.

Income Taxes - No provision or liability for income taxes has been recorded because the members are taxed on their proportionate shares of the Company's income. Income for tax purposes will differ from book income due to timing differences in depreciation and amortization expenses. The Company has no material uncertain tax positions requiring disclosure. Fiscal years ending on or after December 31, 2020, remain subject to examination by federal and state tax authorities.

Deferred Charges - Financing costs are amortized over the term of the mortgage loan using the effective yield method. Tax credit fees are amortized over fifteen years using the straight-line method.

Tenant Security Deposits - The Company collects security deposits from each tenant to provide for costs incurred or unpaid rent when a tenant vacates the apartment. The cash collected is kept separate from operating funds and interest is paid on the security deposits in accordance with the lease agreement.

CRESCENT HALLS RENO, L.L.C.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

Note 1: Nature of Business and Significant Accounting Policies (Cont.)

Subsequent Events - Management has evaluated subsequent events through April 2, 2024, the date on which the financial statements were available to be issued.

Advertising Costs - Advertising costs are charged to operations when incurred.

Accounts Receivable and Bad Debts - Tenant receivables are charged to bad debt when they are determined to be uncollectible based on a periodic review of the accounts by management. U.S. generally accepted accounting principles require that the allowance method be used to recognize bad debts. Management's allowance is for delinquent accounts over 90 days old.

Impairment of Long-Term Assets - The Company reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property. There were no impairment losses recognized in 2023.

Use of Estimates in the Preparation of Financial Statements - Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities and the 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.

Revenue Recognition - Revenue from residential leases is recorded when due, generally upon the first day of each month. Leases are for periods of up to one year, with rental payments due monthly. Other income includes fees for late payments, cleaning, damages, storage, parking, laundry facilities and other charges and is recorded when earned. Prepayments of revenue are deferred and classified as liabilities until earned.

CRESCENT HALLS RENO, L.L.C.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

Note 2: Operating Reserve

In accordance with provisions of the operating agreement, the Company shall fund an operating deficit reserve. The reserve shall be used to fund an operating deficit and other cash requirements of the Company throughout the term of the partnership. Withdrawals from the reserve shall require the prior approval of the investor members.

Note 3: Fixed Assets

Crescent Halls is a 105-unit apartment project in Charlottesville, Virginia.

	Balance 12/31/2022	Additions	Transfers/ Retirements	Balance 12/31/2023
Land	\$ 730,000	\$ -	\$ -	\$ 730,000
Land				
Improvements	-	959,874	-	959,874
Building	2,247,655	83,961	20,698,504	23,030,120
Furnishings	-	187,275	-	187,275
Construction in Progress	20,709,879	-	(20,698,504)	11,375
TOTAL	\$ 23,687,534	\$ 1,231,110	\$ -	\$ 24,918,644

Changes in Accumulated Depreciation:

	Balance 12/31/2022	Current Provision	Deductions	Balance	Net Book Value 12/31/2023
Land	\$ -	\$ -	\$ -	\$ -	\$ 730,000
Land					
Improvements	-	175	-	175	959,699
Building	97,064	70,426	-	167,490	22,862,630
Appliances	-	103	-	103	187,172
TOTAL	\$ 97,064	\$ 70,704	\$ -	\$ 167,768	\$ 24,750,876

CRESCENT HALLS RENO, L.L.C.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

Note 4: Notes and Mortgages Payable

At December 31, 2023, the Company, had the following notes payable:

Charlottesville Redevelopment and Housing Authority (CRHA)	\$ 2,920,000
CCDC - Affordable Housing Opportunity Fund Loan	7,508,469
CCDC - City Bond Loan	1,875,000
Atlantic Union Bank - Construction Loan	10,760,425
CRHA FHLB Loan	500,000
Long-Term Interest Payable	99,038
Less: Deferred Loan Cost, Net of Accumulated Amortization	(34,290)
	<u>\$ 23,628,642</u>

The note payable to CRHA was made on March 16, 2021 in the original amount of \$2,920,000, bearing interest of 1.62% per annum. The note is secured by a deed of trust and the entire principal and accrued interest on the note are due in full March 16, 2021. At December 31, 2023, accrued interest on the note totaled \$99,038.

The CCDC - Affordable Housing Opportunity Fund Loan is for an amount up to \$7,900,000, bearing interest of 0% per annum. The loan is payable from Net Cash Flow as stated in the Operating Agreement and is due in full in 2051. At December 31, 2023, \$7,508,469 has been drawn from this loan.

The CCDC - City Bond Loan is for \$1,875,000, bearing interest of 0% per annum. The loan is payable from Net Cash Flow as stated in the Operating Agreement and is due in full in 2051. At December 31, 2023, the balance of this loan is \$1,875,000.

On March 16, 2021, the Company entered into an agreement for a Construction Loan from Atlantic Union Bank. The loan is for an amount up to \$12,500,000 and bears interest at 3.25% per annum. Payments are to be made monthly up to 24 months, at which point the balance is to be paid in full. As of December 31, 2023, \$10,760,425 has been drawn on this loan.

The CRHA FHLB Loan is for \$500,000, bearing interest of 0% per annum. The loan is payable from Net Cash Flow as stated in the Operating Agreement and is due in full in 2054. At December 31, 2023, the balance of this loan is \$500,000.

CRESCENT HALLS RENO, L.L.C.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)

Note 5: Interest Cost

The total interest cost incurred during the year ended December 31, 2023, was \$95,490. Of this amount, \$484,693 was capitalized during project construction.

Note 6: Related Party Transactions

As discussed in Note 4, the Company has a deed of trust note payable to Charlottesville Redevelopment and Housing Authority (CRHA), an affiliate of the managing member, in the amount of \$2,920,000 and \$500,000.

As discussed in Note 4, the Company has deed of trust notes payable to the Charlottesville Community Development Corporation (CCDC), an affiliate of the managing member, in the amount of \$10,760,425 and \$1,875,000.

CCDC is also the Project developer and shall be due a developer fee in the amount of \$1,000,000. Developer fee payments shall be paid from available cash flow as stated in the operating agreement. At December 31, 2023, developer fees earned by and payable to CDCC are \$1,000,000.

The Company owes Housing Capital Corporation, an affiliate of the Housing Equity Fund of Virginia XXIII, L.L.C., \$11,375 in accounting fees for the year ended December 31, 2023.

Note 7: Risk and Uncertainties

Financial instruments which potentially subject the Company to concentration of credit risks consist principally of temporary cash investments and restricted deposits and funded reserves held by the mortgagee. The Company places its temporary cash investments with high-credit quality financial institutions and, by policy, limits the amount of temporary cash investments held at any one financial institution. Deposit accounts, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**CRESCENT HALLS RENO, L.L.C.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023
(CONTINUED)**

Note 8: Current Vulnerability Due to Certain Concentrations

The Company's primary asset is the Crescent Halls apartment complex. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 9: Contingencies and Commitments

The Company'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. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Members.