

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2020 AND 2019



SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
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INDEPENDENT AUDITOR'S REPORT

To the Partners of
Sherman and Buena Vista LP:

Report on the Financial Statements

We have audited the accompanying financial statements of Sherman and Buena Vista LP, a California limited partnership (the Partnership), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in partners' capital, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements 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 Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sherman and Buena Vista LP as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Report on the Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information in Schedules I and II is presented for purposes of additional analysis and is 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

Holthouse Carlin & Van Trigt LLP

Los Angeles, California
April 5, 2021

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
BALANCE SHEETS

AS OF DECEMBER 31,	2020	2019
Assets		
Property, at cost		
Leasehold land improvements	\$ 55,099	\$ 55,099
Buildings and improvements	14,111,517	14,111,517
Site work	724,727	724,727
Personal property	288,200	288,200
Total property	15,179,543	15,179,543
Less: accumulated depreciation	(1,077,762)	(632,029)
Property, net	14,101,781	14,547,514
Cash and cash equivalents	481,145	473,965
Tenant accounts receivable	3,285	1,303
Due from affiliate	200	7,836
Prepaid expenses and other assets	23,797	19,270
TCAC refundable deposit	32,855	32,855
Prepaid ground lease	3,272,224	3,306,668
Restricted cash		
Operating reserve	245,668	245,668
Replacement reserve	27,125	11,625
Tenant security deposits	21,750	22,500
TCAC fees, net	39,846	42,911
Total assets	\$ 18,249,676	\$ 18,712,115
Liabilities and Partners' Capital		
Notes payable, net of debt issuance costs	\$ 9,323,802	\$ 9,428,247
Accounts payable and accrued expenses	48,485	46,164
Accrued interest payable	692,807	517,448
Accrued asset management fees	-	7,233
Accrued partnership management fees	21,218	28,933
Developer fee payable	-	40,000
Construction costs payable	-	110,383
Prepaid rents	6,557	7,632
Tenant security deposits liability	21,750	22,500
Total liabilities	10,114,619	10,208,540
Commitments and contingencies (See Notes)		
Partners' capital	8,135,057	8,503,575
Total liabilities and partners' capital	\$ 18,249,676	\$ 18,712,115

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
Revenues		
Tenant rents	\$ 162,807	\$ 126,845
Rental subsidies	466,742	434,937
Less: vacancies	(19,688)	(2,863)
Net rental revenues	609,861	558,919
Other revenue	2,552	3,546
Total revenues	612,413	562,465
Operating expenses (Schedule I)		
Administrative	153,086	109,584
Utilities	22,917	21,017
Operating and maintenance	55,374	51,150
Ground lease expense	34,444	34,444
Taxes and insurance	33,247	32,865
Total operating expenses	299,068	249,060
Operating income before partnership and financial (income) expenses	313,345	313,405
Partnership and financial (income) expenses		
Interest expense	307,414	355,195
Interest income	(684)	(284)
Asset management fee	5,305	5,150
Partnership management fee	21,218	20,600
Miscellaneous financial expenses	-	11,960
Total partnership and financial (income) expenses	333,253	392,621
Loss before depreciation and amortization	(19,908)	(79,216)
Depreciation	445,733	448,083
Amortization	3,065	3,065
Net loss	\$ (468,706)	\$ (530,364)

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

		General Partner		Limited Partner		Total
Balance, December 31, 2018	\$	65	\$	207,899	\$	207,964
Contributions		250,000		8,575,975		8,825,975
Net loss		(53)		(530,311)		(530,364)
Balance, December 31, 2019		250,012		8,253,563		8,503,575
Contributions		-		100,188		100,188
Net loss		(47)		(468,659)		(468,706)
Balance, December 31, 2020	\$	249,965	\$	7,885,092	\$	8,135,057

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
(A CALIFORNIA LIMITED PARTNERSHIP)
STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
Operating activities		
Net loss	\$ (468,706)	\$ (530,364)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	445,733	448,083
Amortization of TCAC fees	3,065	3,065
Amortization of debt issuance costs	8,216	22,716
Ground lease expense	34,444	34,444
Changes in operating assets and liabilities:		
Tenant accounts receivable	(1,982)	(727)
Due from affiliate	7,636	(7,836)
Prepaid expenses and other assets	(4,527)	(1,615)
Insurance refund receivable	-	25,023
Accounts payable and accrued expenses	2,321	31,931
Accrued interest payable	175,359	146,382
Accrued asset management fees	(7,233)	5,150
Accrued partnership management fees	(7,715)	20,600
Due to affiliate	-	(5,794)
Prepaid rents	(1,075)	6,635
Tenant security deposits liability	(750)	(424)
Net cash provided by operating activities	184,786	197,269
Investing activities		
Expenditures for development and construction costs	(150,383)	(587,010)
Cash used in investing activities	(150,383)	(587,010)
Financing activities		
Proceeds from notes payable	-	2,429,400
Payments on notes payable	(112,661)	(10,392,292)
Expenditures for debt issuance costs	-	(18,155)
Contributions	100,188	8,825,975
Net cash provided by (used in) financing activities	(12,473)	844,928
Net change in cash, cash equivalents, and restricted cash	21,930	455,187
Cash, cash equivalents, and restricted cash at beginning of year	753,758	298,571
Cash, cash equivalents, and restricted cash at end of year	\$ 775,688	\$ 753,758
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 123,839	\$ 186,097

See accompanying notes to financial statements.

SHERMAN AND BUENA VISTA LP
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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization Sherman and Buena Vista LP (the Partnership) is a California limited partnership, which was formed on June 23, 2016 and subsequently amended and restated on December 1, 2016. The original partners are as follows: Del Monte Senior LLC, a California limited liability company (the General Partner) and the Housing Authority of the City of Alameda, a public body corporate and politic (the Initial Limited Partner). Effective December 1, 2016, the Housing Authority of the City of Alameda withdrew from the Partnership and NEF Assignment Corporation, an Illinois not-for-profit corporation, was admitted as the Limited Partner.

The Partnership is involved in the acquisition, construction, financing, leasing, and operation of a 31-unit multifamily affordable rental housing project located in Alameda, California (the Project), that was placed-in-service on July 31, 2018.

The Partnership has entered into regulatory agreements with the California Tax Credit Allocation Committee (TCAC), The Housing Authority of the City of Alameda (HACA), and the City of Alameda, which will govern the ownership, occupancy, tenant income and rents, and management of the Project.

The Amended and Restated Limited Partnership Agreement (Partnership Agreement) has various provisions which determine, among other things, allocations of profits, losses and distributions to partners, the ability to sell or refinance the Project, loans and guarantees, the rights and duties of the General Partner, and other Partnership matters.

The General Partner and Limited Partner's percentage of interest in profits and losses is generally .01% and 99.99%, respectively.

Basis of Accounting The Partnership's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP). The accrual method of accounting is used which reflects revenues when earned and expenses as incurred

Revenue Recognition Rental revenues are recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and its tenants are operating leases. Rental revenues reflect the gross potential rent that may be earned. Vacancies are shown separately as a reduction in rental revenue. Other revenue consists of other income from laundry vending, and miscellaneous charges to tenants. Such other revenue is recognized when earned.

Tenant Accounts Receivable Tenant accounts receivable are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. U.S. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property Management Fee The Partnership entered into a property management agreement with an unrelated entity. The property management agreement provides for a monthly fee equal to \$55 per unit. Property management fees of \$22,128 and \$20,460 were incurred for the years ended December 31, 2020 and 2019, respectively.

SHERMAN AND BUENA VISTA LP
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Cash, Cash Equivalents, and Restricted Cash For purposes of the balance sheets and statements of cash flows, cash and cash equivalents consist of cash and highly liquid unrestricted investments with an original maturity of three months or less when purchased. The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the balance sheets that sum to the totals of the same such amounts presented in the statements of cash flows:

As of December 31,	2020	2019
Cash and cash equivalents	\$ 481,145	\$ 473,965
Restricted cash:		
Operating reserve	245,668	245,668
Replacement reserve	27,125	11,625
Tenant security deposits	21,750	22,500
Cash, cash equivalents, and restricted cash	\$ 775,688	\$ 753,758

Property Property is stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

Description	Life
Leasehold land improvements	99 years
Buildings and improvements	40 years
Site work	20 years
Personal property	5 years

The Partnership capitalizes expenditures or betterments that materially increase asset lives and charges ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

The Partnership reviews its property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. When evaluating recoverability, management considers future undiscounted cash flows estimated to be generated by the property including the low-income housing tax credits and any estimated proceeds from the eventual disposition. In the event these accumulated cash flows are less than the carrying amount of the property, the Partnership recognizes an impairment loss equal to the excess of the carrying amount over the estimated fair value of the property. No impairment losses were recognized in 2020 and 2019.

TCAC Fees TCAC fees are amortized over 15 years, which commenced when the Project was placed-in-service.

Debt Issuance Costs Debt issuance costs of \$353,363, net of accumulated amortization of \$235,293 and \$227,077, as of December 31, 2020 and 2019, respectively, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense following the placed-in-service date and is calculated using a method that approximates the effective interest method.

Concentrations of Business and Credit Risk The Partnership may have exposure to credit risk to the extent that its cash and cash equivalents exceed amounts covered by federal deposit insurance. The Partnership believes that its credit risk is not significant.

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The Partnership was granted an exemption from real property taxes with the Alameda County Assessor, which must be renewed annually. In the event the County Assessor does not grant the exemption, the Partnership's cash flow would be adversely impacted.

The Partnership rents to seniors who mostly depend on social security benefits for their income as well as rental assistance from governmental agencies. The Partnership is subject to business risks associated with the future funding of governmental public assistance, which affects occupancy as well as tenant' ability to make rental payments.

Estimates The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosure of contingent assets and liabilities at the date of the financial statements. Actual results may differ from those estimates.

COVID-19 Pandemic During 2020, the COVID-19 pandemic continued to rapidly evolve. Mandates from federal, state and/or local authorities to mitigate the spread of the virus have adversely impacted global commercial activity and contributed to significant volatility in financial markets. However, the pandemic to date has not had a significant impact on the operations of the Project. Its duration, severity and the potential impact on the general population, the Project tenants, the onsite personnel, and the potential changes in tenant preferences for living arrangements, are among the many unknowns and could materially impact the future results of operations, financial condition, liquidity, and overall performance of the Project.

2. RESERVES

Operating Reserve The Partnership Agreement and loan agreements required an initial funding of an operating reserve of \$245,668 from the Limited Partner capital contributions, which was funded during 2019.

Replacement Reserve The Partnership Agreement and loan agreements require an annual replacement reserve of \$500 per unit (\$15,500 annually), with funding commencing in April 2019.

The following describes the activity in the reserve accounts during 2020 and 2019:

	Balance 1/1/20	Deposits	Interest Earned	Withdrawals/ Fees	Balance 12/31/20
Operating reserve	\$ 245,668	\$ -	\$ -	\$ -	\$ 245,668
Replacement reserve	11,625	15,500	-	-	27,125
Total	\$ 257,293	\$ 15,500	\$ -	\$ -	\$ 272,793

	Balance 1/1/19	Deposits	Interest Earned	Withdrawals/ Fees	Balance 12/31/19
Operating reserve	\$ -	\$ 245,668	\$ -	\$ -	\$ 245,668
Replacement reserve	-	11,625	-	-	11,625
Total	\$ -	\$ 257,293	\$ -	\$ -	\$ 257,293

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3. GROUND LEASE AGREEMENT – HACA

On December 1, 2016, the Partnership entered into a Ground Lease Agreement (the Agreement) to lease land owned by HACA. The Agreement, which expires December 31, 2115, provided for a prepaid ground lease payment of \$3,410,000, which is evidenced by a note secured by a leasehold deed of trust (Note 4). The prepaid ground lease payment is reflected as prepaid ground lease in the accompanying balance sheets and is being amortized over the life of the Agreement, commencing upon the start of construction. During 2020 and 2019, the Partnership incurred annual amortization on the prepaid ground lease of \$34,444.

4. NOTES PAYABLE

<u>As of December 31,</u>	<u>2020</u>	<u>2019</u>
Note payable to Compass Bank (Compass Loan), an Alabama banking corporation, provides construction financing in the maximum amount of \$10,322,328. The note is secured by a Construction and Permanent Leasehold Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing. The note provides for interest only payments based on one-month LIBOR plus 1.80% per annum through the Conversion Date. In February 2019, the construction loan was partially paid off with the Limited Partner's capital contributions, with the remaining balance converted into a permanent loan of \$2,429,400 with California Community Reinvestment Corporation (CCRC). The Partnership entered into a promissory note agreement with CCRC (CCRC Loan) for the permanent loan, with an interest rate of 5.39%, which requires monthly payments of principal and interest, and matures on March 1, 2034.	\$ 2,236,132	\$ 2,348,793
Note payable to the City of Alameda (HOME Loan), secured by a subordinate deed of trust, borrowings up to \$195,740, simple interest at 3.00% per annum, payable from Residual Receipts and unpaid principal and interest are due on April 1, 2073.	195,740	195,740
Note payable to HACA (HACA Loan), in the original amount of \$3,600,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2073.	3,600,000	3,600,000
Note payable to HACA (HACA Ground Lease Loan), in the original amount of \$3,410,000, secured by a Leasehold Deed of Trust, Assignment of Rents, and Security Agreement, interest at 2.26%, compounded annually; principal and interest payable annually from Residual Receipts; unpaid principal and interest is due December 31, 2073.	3,410,000	3,410,000
Total notes payable	9,441,872	9,554,533
Less: unamortized debt issuance costs	(118,070)	(126,286)
Total notes payable, net	\$ 9,323,802	\$ 9,428,247

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At December 31, 2020, anticipated principal repayments of notes payable are as follows:

For the Year Ending December 31,	Amount
2021	\$ 118,885
2022	125,454
2023	132,385
2024	139,700
2025	147,419
Thereafter	8,778,029
Total	\$ 9,441,872

The HOME Loan, HACA Loan, and HACA Ground Lease Loan are payable based on available Residual Receipts, as defined in the respective loan agreements. The percentage of Residual Receipts shall be paid as follows: 5.16% to HOME Loan and 94.84% to HACA Loan. Following the repayment in full of the HOME Loan and HACA Loan, 100% of residual receipts is to be allocated to the HACA Ground Lease Loan.

An analysis of interest costs for 2020 and 2019 is as follows:

	Accrued Interest 1/1/20	Interest Expense	Interest Paid	Accrued Interest 12/31/20
CCRC Loan	\$ 10,550	\$ 123,844	\$ (123,839)	\$ 10,555
HOME Loan	17,687	5,872	-	23,559
HACA Loan	251,027	87,033	-	338,060
HACA Ground Lease Loan	238,184	82,449	-	320,633
	<u>\$ 517,448</u>	299,198	<u>\$ (123,839)</u>	<u>\$ 692,807</u>
Amortization of debt issuance costs		8,216		
Total interest expense		<u>\$ 307,414</u>		

	Accrued Interest 1/1/19	Interest Expense	Interest Paid	Accrued Interest 12/31/19
Compass Loan	\$ 35,777	\$ 50,638	\$ (86,415)	\$ -
CCRC Loan	-	110,232	(99,682)	10,550
HOME Loan	11,815	5,872	-	17,687
HACA Loan	165,917	85,110	-	251,027
HACA Ground Lease Loan	157,557	80,627	-	238,184
	<u>\$ 371,066</u>	332,479	<u>\$ (186,097)</u>	<u>\$ 517,448</u>
Amortization of debt issuance costs		22,716		
Total interest expense		<u>\$ 355,195</u>		

5. RELATED PARTY TRANSACTIONS

Developer Fee HACA (the Developer) entered into a Development Fee Agreement with the Partnership and is entitled to receive a developer fee of \$800,000 for its development services. As of December 31,

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2019, \$40,000 remained unpaid. During 2020, the developer fee was paid in full from the Limited Partner final capital contribution.

Asset Management Fee In accordance with the Partnership Agreement, the Asset Manager, an affiliate of the Limited Partner, is to receive an annual asset management fee of \$5,000 for property management oversight, tax credit monitoring, and related services. The fee shall increase by 3% per year and is payable from Cash Flow. Asset management fees of \$5,305 and \$5,150 were incurred in 2020 and 2019, respectively. As of December 31, 2020 and 2019, accrued asset management fees were \$0 and \$7,233, respectively.

Partnership Management Fee In accordance with the Partnership Agreement, the General Partner is to receive an annual partnership management fee of \$20,000 for property management oversight, tax credit compliance monitoring and related services. The fee shall increase by 3% per year and is payable from Cash Flow. Partnership management fees of \$21,218 and \$20,600 were incurred in 2020 and 2019, respectively. As of December 31, 2020 and 2019, accrued partnership management fees were \$21,218 and \$28,933, respectively.

Rental Subsidies The Project has entered into a Housing Assistance Payment (HAP) contract with HACA. The contract is subject to renewal as it expires. The current term of the HAP contract is for the period commencing August 2018 and shall run for a period of fifteen years. In accordance with the HAP contract, the amount of each tenant's subsidy varies depending on the income of each tenant. The aggregate amount earned under the HAP contract was \$466,742 and \$434,937 for the years ended December 31, 2020 and 2019, respectively.

Due to Affiliate As of December 31, 2019, included in construction costs payable was \$110,383 of construction and development costs paid by the General Partner on behalf of the Partnership. The amounts were repaid in 2020.

6. CAPITAL CONTRIBUTIONS

Pursuant to the First Amendment to Amended and Restated Limited Partnership Agreement dated February 20, 2019, the General Partner will make capital contributions of \$250,100, as adjusted; all of which were received as of December 31, 2019. Pursuant to the Partnership Agreement, the Limited Partner anticipated making capital contributions of \$9,267,044, subject to certain adjustments as defined in the Partnership Agreement. During 2020, the Limited Partner's total capital contributions was adjusted to \$9,327,232, and the final contribution was received by the Partnership.

7. INCOME TAXES AND LOW-INCOME HOUSING TAX CREDITS

The Partnership is a pass-through entity for income tax purposes and all items of income and losses of the Partnership are reported by the partners 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. The Partnership is required to file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. The Partnership is subject to income tax examinations by tax authorities prior to 2016. There are no tax examinations currently pending.

The Partnership has received an allocation of federal low-income housing tax credits from TCAC, which are available only to the extent the Partnership complies with the Internal Revenue Service's tax credit regulations. The General Partner is responsible to ensure that the Partnership satisfies such requirements and has made certain guarantees to the Limited Partner, which are defined in the Partnership Agreement.

8. PURCHASE OPTION AND RIGHT OF FIRST REFUSAL

The Partnership has granted its General Partner an option and right of first refusal to purchase the project or the Limited Partner's interest. The purchase option shall commence following the close of the 12th year of the low-income housing tax credit compliance period. The purchase price under this option is the greater of the fair market value or the assumption of debt plus all federal and state income taxes due by the limited partner as a result of such sale and any unpaid portion of any credit adjuster payments. The right of first refusal shall be granted following the close of the Compliance period. The purchase price under the right of first refusal is the assumption of debt plus all federal and state income taxes due by the Limited Partner as a result of such sale and any unpaid portion of any credit adjuster payments.

9. GENERAL PARTNER GUARANTEES

In connection with the development and operations of the Project, the General Partner has made certain guarantees, including an obligation to perform the General Partner's Partnership management duties, complete development of the Project, and provide Operating Deficit guaranties as defined in the Partnership Agreement.

10. CASH FLOW PAYMENT PRIORITIES

Payment of fees and other expenses contingent on Cash Flow, as defined by the Partnership Agreement, and distributions to partners from Cash Flow shall be disbursed as follows:

- First, to the Limited Partner to pay unpaid portion of any credit adjuster payments;
- Second, to the Asset Manager to pay any accrued and payable asset management fees;
- Third, to pay any accrued and unpaid principal and interest on loans made by the Limited Partner;
- Fourth, to replenish the operating reserve account up to the Operating Reserve Target Amount of \$245,668;
- Fifth, to the Developer to pay any unpaid balance on the deferred development fee;
- Sixth, to repay any accrued and unpaid principal and interest on loans made by the General Partner;

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- Seventh, to the General Partner to repay any amounts treated as loans to the Partnership, without interest, by the General Partner for the Development Completion Guaranty or Operating Deficit Guaranty, as defined in the Partnership Agreement;
- Eighth, \$20,000 (increasing annually at 3%) to the General Partner to pay the partnership management fee, on a cumulative basis;
- Ninth, to the payment of any then payable Cash Flow Debt Service Payments; and
- Tenth, any remaining amounts distributed to the General Partner and the Limited Partner in accordance with their percentage interests.

11. SUBSEQUENT EVENTS

The Partnership has evaluated subsequent events that have occurred through the date of the independent auditor's report, which is the date that the financial statements were available to be issued, and determined that there were no subsequent events or transactions that required recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

SHERMAN AND BUENA VISTA LP(A CALIFORNIA LIMITED PARTNERSHIP)
SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,	2020	2019
Administrative expenses		
Advertising	\$ 22,133	\$ 155
Manager's salaries	27,346	31,821
Manager's unit	20,900	-
Office expense	5,336	10,795
Professional fees - accounting	25,725	21,116
Professional fees - legal	1,320	972
Property management fees	22,128	20,460
Telephone expense	4,313	4,877
Other administrative expenses		
Administrative support	\$ 2,305	\$ 8,141
Tenant services	19,500	10,422
Miscellaneous administrative expenses	2,080	825
Total administrative expenses	\$ 153,086	\$ 109,584
Utilities expenses		
Electricity	\$ 10,543	\$ 9,519
Gas	429	102
Water and sewer	11,945	11,396
Total utilities expenses	\$ 22,917	\$ 21,017
Operating and maintenance expenses		
Exterminating	\$ 2,780	\$ 470
Elevator	3,354	1,552
Janitorial supplies	4,479	1,093
Landscaping	4,800	5,420
Maintenance salaries	20,850	26,167
Repairs and maintenance	169	2,215
Decorating and painting	381	-
Trash removal	10,303	9,100
Miscellaneous operating and maintenance expenses		
Fire protection expenses	\$ 2,750	\$ 4,511
Maintenance contracts - services	3,823	622
Miscellaneous operating and maintenance expenses	1,685	-
Total operating and maintenance expenses	\$ 55,374	\$ 51,150
Ground lease expense		
Ground lease expense	\$ 34,444	\$ 34,444
Total ground lease expense	\$ 34,444	\$ 34,444

See independent auditor's report.

SHERMAN AND BUENA VISTA LP
 (A CALIFORNIA LIMITED PARTNERSHIP)
 SCHEDULES OF OPERATING EXPENSES

FOR THE YEARS ENDED DECEMBER 31,	2020		2019	
Taxes and insurance expenses				
Employee benefits	\$	11,121	\$	10,251
Payroll taxes		4,635		5,027
Property and liability insurance		14,138		13,640
Real estate taxes		469		234
Workers' compensation		2,084		2,113
Miscellaneous taxes and insurance expenses				
Miscellaneous taxes	\$	800	\$	1,600
Total taxes and insurance expenses		\$ 33,247		\$ 32,865

See independent auditor's report.

SHERMAN AND BUENA VISTA LP
 (A CALIFORNIA LIMITED PARTNERSHIP)
 SCHEDULE OF CASH FLOW

FOR THE YEAR ENDED DECEMBER 31,	2020
Operating revenue	
Total revenues, including interest	\$ 613,097
Change in tenant receivables	(1,982)
Change in prepaid rents	(1,075)
Total operating revenue	610,040
Less:	
Operating expenses	(299,068)
Mandatory debt service	(236,500)
Replacement reserve deposits	(15,500)
Total project expenses	(551,068)
Cash Flow	\$ 58,972
Distribution of Cash Flow	
Asset management fees (paid)	\$ (5,305)
Partnership management fees	(21,218)
Cash flow debt service	(32,449)
Total distribution of Cash Flow	\$ (58,972)

See independent auditor's report.