

CHFA-FOI

From: Erik Johnson <EJohnson@newhavenct.net>
Sent: Thursday, May 09, 2013 11:27 AM
To: Kovel, Dara; Kelly Murphy
Cc: Tony Bialecki
Subject: Fw: Annual Audited Financial Statement
Attachments: FW: Annual Audited Financial Statement

Fyi

CHFA-FOI

From: Rosenblatt, Barbara <BRosenblatt@Related.com>
Sent: Thursday, May 09, 2013 10:41 AM
To: EJohnson@newhavenct.net
Subject: FW: Annual Audited Financial Statement
Attachments: 75320 - Ninth Square Project - 2012 Final.pdf

Two hard copies will follow.

Barbara Rosenblatt

RELATED

Related Management Company, L.P. | 423 West 55th Street, 9th Floor | New York, NY 10019
Main 212.319.1200 | Direct 212.506.5873 | Fax 212.593.5793 | brosenblatt@related.com

From: Rosenblatt, Barbara
Sent: Thursday, May 09, 2013 10:22 AM
To: 'EJohnson@newhavenct.net'
Subject: Annual Audited Financial Statement

Attached is the annual audited financial statement for Ninth Square Project LP. Please feel free to contact us if you have any questions.

Barbara Rosenblatt

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Main 212.319.1200 | Direct 212.506.5873 | Fax 212.593.5793 | brosenblatt@related.com

**Ninth Square Project
Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

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

September 30, 2012

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

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Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

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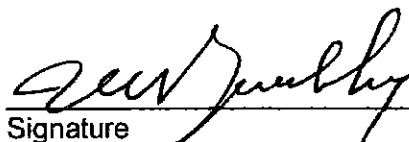
**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

September 30, 2012

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements of Ninth Square Project Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

General Partner



Signature Date
Related Ninth Square Associates
Limited Partnership

Partnership Employer Identification Number:
04-2777651


**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

September 30, 2012

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements of Ninth Square Project Limited Partnership and, to the best of my knowledge and belief, the same are complete and accurate.

Managing Agent
Related Management Co., L.P.


Signature _____ Date 5/8/13

Tom Evan
Property Manager

Employer Identification Number:
13-3644952

Independent Auditor's Report

To the Partners
Ninth Square Project Limited Partnership

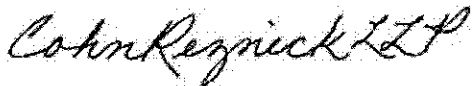
We have audited the accompanying balance sheet of Ninth Square Project Limited Partnership as of September 30, 2012, and the related statements of operations, partners' equity (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ninth Square Project Limited Partnership as of September 30, 2012, and the results of its operations, the changes in partners' equity (deficit) and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated May 2, 2013, on our consideration of Ninth Square Project Limited Partnership's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the internal control over financial reporting. In accordance with Government Auditing Standards, we have also issued an opinion dated May 2, 2013, on Ninth Square Project Limited Partnership's compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that could have a direct and material effect on a major CHFA-assisted program. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 31 through 53, which is the responsibility of management, is presented for purposes of additional analysis as required by Connecticut Housing Finance Authority 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 information is fairly stated in all material respects in relation to the financial statements as a whole.



Sacramento, California
May 2, 2013

Lead Auditor: Stephen I. Shumrak, CPA

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Balance Sheet

September 30, 2012

		<u>Assets</u>		
		<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Current assets				
1110	Cash and cash equivalents - operating	\$ 158,913	\$ 1,312,390	\$ 1,471,303
1130	Tenant accounts receivable	19,896	101,323	121,219
1151	Note receivable - tenant improvements	-	10,000	10,000
1240	Prepaid insurance	20,917	67,972	88,889
1270	Prepaid taxes	40,954	119,649	160,603
	Total current assets	<u>240,680</u>	<u>1,611,334</u>	<u>1,852,014</u>
Deposits held in trust - funded				
1191	Tenant security deposits held in trust fund	<u>112,795</u>	<u>325,984</u>	<u>438,779</u>
Restricted deposits and funded reserves				
1310	Mortgage escrows	65,916	153,397	219,313
1320	Replacement reserves	145,762	1,133,334	1,279,096
1351	Tenant improvement escrows	59,976	20,980	80,956
1353	Operating reserves	290	1,036,824	1,037,114
		<u>271,944</u>	<u>2,344,535</u>	<u>2,616,479</u>
Rental property				
1410	Land	-	809,239	809,239
1420	Buildings and improvements	25,029,864	47,222,102	72,251,966
1450	Furniture and equipment	945,125	2,395,056	3,340,181
		25,974,989	50,426,397	76,401,386
	Less accumulated depreciation	<u>(12,544,451)</u>	<u>(24,589,796)</u>	<u>(37,134,247)</u>
		<u>13,430,538</u>	<u>25,836,601</u>	<u>39,267,139</u>
Other assets				
1192	Deposits	-	7,996	7,996
		<u>-</u>	<u>7,996</u>	<u>7,996</u>
		<u>\$ 14,055,957</u>	<u>\$ 30,126,450</u>	<u>\$ 44,182,407</u>

(continued)

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Balance Sheet - Continued

September 30, 2012

Liabilities and Partners' Equity (Deficit)

		<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Current liabilities				
2110	Accounts payable - trade	\$ 134,180	\$ 561	\$ 134,741
2130	Accrued interest payable - mortgage	120,420	210,591	331,011
2162	Asset management fee payable	-	22,500	22,500
2165	Due to (from) general partners - operating advances	179,087	(8,745)	170,342
2166	Due to (from) other project advances	(85,018)	85,018	-
2190	Accrued miscellaneous expenses	49,758	42,784	92,542
2210	Rent deferred credits	18,479	28,852	47,331
2320	Mortgages and notes payable - current maturities	<u>381,397</u>	<u>506,885</u>	<u>888,282</u>
	Total current liabilities	<u>798,303</u>	<u>888,446</u>	<u>1,686,749</u>
Deposits liabilities				
2191	Tenant security deposits (contra)	<u>103,749</u>	<u>302,880</u>	<u>406,629</u>
Long-term liabilities				
2112	Deferred management fees payable	411,056	83,998	495,054
2130	Accrued interest payable - notes	1,810,494	17,634,650	19,445,144
2230	Advances to (from) other project	292,047	(292,047)	-
2320	Mortgages and notes payable, net of current maturities	<u>15,486,491</u>	<u>51,367,091</u>	<u>66,853,582</u>
		<u>18,000,088</u>	<u>68,793,692</u>	<u>86,793,780</u>
Commitments and contingencies				
		-	-	-
3130	Partners' equity (deficit)	<u>(4,846,183)</u>	<u>(39,858,568)</u>	<u>(44,704,751)</u>
		<u>\$ 14,055,957</u>	<u>\$ 30,126,450</u>	<u>\$ 44,182,407</u>

See notes to financial statements

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Statement of Operations

Year ended September 30, 2012

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Revenue			
Rent revenue			
Residential	\$ 1,100,832	\$ 3,871,240	\$ 4,972,072
Commercial	195,198	366,623	561,821
Parking and other	112,693	103,752	216,445
	<u>1,408,723</u>	<u>4,341,615</u>	<u>5,750,338</u>
Less vacancies			
Residential	77,584	219,197	296,781
Commercial	4,200	(3,790)	410
	<u>81,784</u>	<u>215,407</u>	<u>297,191</u>
Net rental revenue	1,326,939	4,126,208	5,453,147
Financial revenue	4,112	3,692	7,804
Other revenue	5,244	9,800	15,044
Total revenue	<u>1,336,295</u>	<u>4,139,700</u>	<u>5,475,995</u>
Expenses			
Administrative	236,185	857,931	1,094,116
Utilities	112,605	338,714	451,319
Operating and maintenance	247,656	607,421	855,077
Taxes and insurance	301,554	907,768	1,209,322
Interest	1,161,587	2,406,997	3,568,584
Depreciation	591,168	1,143,194	1,734,362
Asset management fee	1,725	5,775	7,500
Total expenses	<u>2,652,480</u>	<u>6,267,800</u>	<u>8,920,280</u>
Net loss	<u>\$ (1,316,185)</u>	<u>\$ (2,128,100)</u>	<u>\$ (3,444,285)</u>

See notes to financial statements

Ninth Square Project Limited Partnership
 CHFA Project Nos.: 86-007M/86-007P

Statement of Partners' Equity (Deficit)

Year ended September 30, 2012

	Taxable		Tax-Exempt		Total	
	General partners	Limited partners	General partners	Limited partners	General partners	Limited partners
Partners' equity (deficit), beginning	\$ 2,698,678	\$ (6,516,678)	\$ (3,818,000)	\$ (42,223,963)	\$ 7,192,193	\$ (48,740,661)
Contribution	288,002	-	288,002	-	288,002	288,002
Net loss	(13,162)	(1,303,023)	(1,316,185)	(2,106,819)	(34,443)	(3,444,285)
Partners' equity (deficit), ending	\$ 2,973,518	\$ (7,819,701)	\$ (4,846,183)	\$ (44,330,802)	\$ 7,445,752	\$ (52,150,503)

See notes to financial statements

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Statement of Cash Flows

Year ended September 30, 2012

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Cash flows from operating activities			
Rental income received	\$ 1,333,333	\$ 4,110,564	\$ 5,443,897
Interest received	4,112	3,692	7,804
Other income received	5,244	9,800	15,044
Administrative expenses paid	(59,167)	(336,478)	(395,645)
Management fee paid	(23,297)	(389,758)	(413,055)
Security deposits received	(3,232)	(9,770)	(13,002)
Salaries and wages paid	(195,882)	(435,953)	(631,835)
Operating expenses paid	(140,525)	(474,189)	(614,714)
Utilities paid	(112,605)	(338,714)	(451,319)
Payroll taxes paid	(13,838)	(44,242)	(58,080)
Real estate taxes paid	(187,226)	(569,312)	(756,538)
Interest paid	(912,419)	(415,408)	(1,327,827)
Insurance paid	(39,535)	(285,775)	(325,310)
Due to affiliates	(70,085)	(151)	(70,236)
Mortgage escrows	(996)	(23,066)	(24,062)
Net cash (used in)/provided by operating activities	<u>(416,118)</u>	<u>801,240</u>	<u>385,122</u>
Cash flows from investing activities			
Withdrawals from (deposits to) tenant improvement escrows	(97)	(36)	(133)
Withdrawals from (deposits to) reserve for replacements	15,590	32,190	47,780
Withdrawals from GIC escrow	193,519	-	193,519
Withdrawals from operating reserve	146,517	(1,309)	145,208
Advance (to) from other project unrestricted	(23,437)	23,437	-
Net cash provided by/(used in) investing activities	<u>332,092</u>	<u>54,282</u>	<u>386,374</u>
Cash flows from financing activities			
Proceeds from feasibility loans	-	4,170	4,170
Capital contributions	288,002	-	288,002
Principal payments on mortgage notes payable	(87,185)	(1,033,566)	(1,120,751)
Net cash used in financing activities	<u>200,817</u>	<u>(1,029,396)</u>	<u>(828,579)</u>
Increase (decrease) in cash and cash equivalents	<u>116,791</u>	<u>(173,874)</u>	<u>(57,083)</u>
Cash and cash equivalents, beginning	<u>42,122</u>	<u>1,486,264</u>	<u>1,528,386</u>
Cash and cash equivalents, ending	<u>\$ 158,913</u>	<u>\$ 1,312,390</u>	<u>\$ 1,471,303</u>

(continued)

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Statement of Cash Flows - Continued

Year ended September 30, 2012

	Taxable	Tax-Exempt	Total
Reconciliation of net loss to net cash used in operating activities			
Net loss	\$ (1,316,185)	\$ (2,128,100)	\$ (3,444,285)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities			
Depreciation	591,168	1,143,194	1,734,362
Changes in assets and liabilities			
(Increase) decrease in assets			
Tenant accounts receivable	4,169	6,942	11,111
Prepaid insurance	(4,430)	(12,777)	(17,207)
Tenant security deposits, net	(3,232)	(9,770)	(13,002)
Mortgage escrow deposits	(996)	(23,066)	(24,062)
Prepaid taxes	11,502	21,216	32,718
Increase (decrease) in liabilities			
Accounts payable - trade	40,725	(7,348)	33,377
Accrued interest payable	249,168	1,991,589	2,240,757
Accrued miscellaneous expenses	(33,362)	14,573	(18,789)
Rent deferred credits	2,225	(22,586)	(20,361)
Deferred management fee	43,130	(172,627)	(129,497)
Net cash provided by (used in) operating activities	\$ (416,118)	\$ 801,240	\$ 385,122

See notes to financial statements

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements

September 30, 2012

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

The Ninth Square Project Limited Partnership (the Partnership) was originally formed as a limited partnership on May 29, 1987 and reorganized on April 1, 1993, under the laws of the State of Delaware, whereby 99.5% of the general and limited partnership interests were transferred. The Partnership was established for the purpose of acquiring, constructing, rehabilitating, developing and operating a multi-use complex (the Project) consisting of 335 residential apartments, approximately 49,000 square feet of retail space and leased garage facilities located in New Haven, Connecticut. The Project qualifies for the low-income tax credit established by the Tax Reform Act of 1986.

The Project has qualified for and been allocated low-income housing tax credits (credits) pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each qualified building of the Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. In addition, Ninth Square Project Limited Partnership has executed a Compliance Agreement and Extended Use Commitment which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years, even after the disposition of the Project by the Partnership.

The Project is regulated under the terms of various agreements as to rental policies and charges and significant operating policies, operating expenditures and methods by the Connecticut Housing Finance Authority (CHFA) and others.

Cash distributions are limited by the agreements regulating the operation of the Project. Surplus Cash, as defined in the agreements, is to be used, in part, for repayment of certain portions of the Partnership's debt.

Basis of Presentation

The Partnership owns and operates a multi-building apartment complex which has been financed from various taxable and tax-exempt sources. The accompanying financial statements present the financial statement information for the Project, which consists of a Taxable and Tax-Exempt component, as established under regulatory and other agreements.

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements - Continued

September 30, 2012

Use of Estimates

The preparation of financial statements require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Property

Rental property is carried at cost. Depreciation for financial reporting purposes is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method using 40 years for real property and seven years for personal property. For income tax purposes, accelerated lives and methods are used.

Impairment of Long-Lived Assets

The Partnership reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended September 30, 2012.

Cash Equivalents

All highly-liquid debt instruments with an original maturity of three months or less are considered to be cash equivalents.

Tenant Receivables

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases. Rental income is recognized on the straight-line basis over the life of the leases for commercial tenants.

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements - Continued

September 30, 2012

Advertising Costs

Advertising and marketing costs are expensed as incurred.

Income Taxes

The Partnership is a pass-through entity for income tax purposes and, is not subject to income taxes. All items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2009 remain open.

Note 2 - Partners' Capital and Allocations

The Partnership has two general partners, MBA Urban Development Company and Related Ninth Square Associates Limited Partnership, who collectively have a 1% general partner interest, and a special limited partner, Sun America Virginia Properties, Inc., and an investor limited partner, Broad Housing Fund 77, a California limited partnership, who collectively have a 99% limited partner interest.

Pursuant to the Second Amended and Restated Agreement of Limited Partnership, the partners have made capital contributions totaling \$26,675,394; of which \$10,304,579 was contributed by the general partners and \$16,370,815 was contributed by the limited partners.

The general partners are obligated pursuant to an operating deficit guaranty to fund up to \$2.5 million each, \$5.0 million total. Contributions under this agreement commence no earlier than Break-Even Operations, as defined. During the fiscal year ended the general partners contributed \$288,002 under the operating deficit guaranty. As of September 30, 2012, total operating deficit guaranty contributions received were \$288,002.

The amended partnership agreement also provides for allocations of profits and losses based on the respective ownership percentages except for certain special allocations including costs funded by operating deficit contributions and cost recovery deductions.

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

The partnership agreement provides for reductions in the amount of the capital contributions made by the limited partners based on certain circumstances which relate primarily to the amount of historic rehabilitation and low-income housing tax credits reported by the Partnership for tax purposes. The partnership agreement also provides for the general partners to fund additional capital contributions under certain circumstances relating to a reduction in the amounts due from the limited partners. In addition, the agreement provides for the limited partners to make an additional capital contribution in the event of termination of certain guarantees in connection with the long-term debt and other circumstances.

Note 3 - Long-Term Debt

The Partnership's long-term debt consists of the following at September 30, 2012:

Loan	Taxable	Tax-Exempt	Balance
Permanent financing			
CHFA	\$ 13,667,388	\$ 27,932,474	\$ 41,599,862
UDAG Loan	-	8,894,108	8,894,108
DOH PRIME Program Loan	-	6,500,000	6,500,000
City of New Haven Loan	2,200,000	1,550,000	3,750,000
SunAmerica Loan	500	500	1,000
Feasibility Loan	-	6,996,894	6,996,894
	<u>15,867,888</u>	<u>51,873,976</u>	<u>67,741,864</u>
Total permanent financing			
	381,397	506,885	888,282
Less current portion			
Permanent financing - long-term	<u>\$ 15,486,491</u>	<u>\$ 51,367,091</u>	<u>\$ 66,853,582</u>

Mortgages and Notes Payable

The Partnership has entered into several financing agreements with lenders for permanent financing. The financing is subject to an Inter creditor Agreement dated April 30, 1993 by and among Connecticut Housing Finance Authority, Sun America, Inc., the State of Connecticut, Yale University and the City of New Haven. The Inter creditor Agreement prioritizes the liens by creditor and by parcel and provides for remedies, restrictions and agreements by and among the creditors and includes other significant provisions. On September 18, 1997, the Partnership completed a restructuring and executed a Restructuring Agreement and Security Agreement and the First Amendment to the Inter creditor Agreement. The amendment to the Inter creditor

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements - Continued

September 30, 2012

Agreement reaffirms the priorities among the lender group and incorporates the New Yale University Loan and the limited partner Tenant Improvement Loan (which has been repaid prior to 2008). In addition, as part of the restructuring, substantially all of the Partnership's loan agreements were amended and restated effective May 15, 1997. The long-term debt, except for the Sun America loans, which is unsecured, is secured by various mortgages, liens, assignments and security agreements which principally pledge all of the Partnership's assets.

Loans Payable - CHFA

The Partnership has borrowed a total of \$41.8 million from CHFA through two loans financed through the issuance of bonds. At September 30, 2012, the loans are as follows:

Tax-Exempt

An amended and restated note dated September 18, 1997 in the original amount of \$31.8 million is payable monthly with principal payments, per the note agreement, plus accrued interest through December 31, 2035. Interest is computed at the lesser of 7.5% or the Contract Rate less 1.25%. The Contract Rate is defined as the weighted average of the interest on the CHFA Housing Mortgage Program Bonds, 1989 Series D, plus 150 basis points. The Contract Rate is adjusted at the end of each calendar quarter. At September 30, 2012, the Contract Rate was 1.71%. Any interest deferred is payable under the terms of Spread Interest or Rate Cap Interest as defined below. During the year ended September 30, 2012, interest of \$50,297 was incurred. Accrued interest as of September 30, 2012 was \$220,786.

Spread Interest is calculated at 1.25% multiplied by outstanding principal. Spread Interest is added to the outstanding balance of the loan annually on April 30th (the Capitalized Spread Interest). During the year ended September 30, 2012, Spread Interest of \$332,430 was incurred.

Interest on Capitalized Spread Interest is calculated at the Contract Rate and is added to the outstanding balance of the Capitalized Spread Interest. During the year ended September 30, 2012, interest incurred and payable on the Capitalized Spread Interest was \$30,328.

Rate Cap Interest is equal to the remaining amount of deferred interest. Any Rate Cap Interest will be added to the outstanding balance of the loan annually on April 30th (the Capitalized Rate Cap Interest). The Capitalized Rate Cap Interest accrues interest at the Contract Rate. Rate Cap Interest is payable annually on February 28th from Modified Cash Flow, as defined. Commencing January 1, 2015, Capitalized Rate Cap

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

Interest is payable monthly in an amount sufficient to amortize the balance over the remaining term of the note. During the year ended September 30, 2012, no Rate Cap Interest was incurred.

The maximum aggregate of Spread Interest and Rate Cap Interest and interest thereon which can be deferred during the term of this note is \$45.9 million.

At September 30, 2012, the loan balance consisted of the following:

Balance of original principal	\$ 26,594,372
Capitalized spread interest	<u>1,338,102</u>
	<u>\$ 27,932,474</u>

The note also provides for Additional Interest payable quarterly commencing on April 15, 1996. The Additional Interest is equal to the lesser of \$87,500 or Net Cash Flow, as defined in the Note Agreement, for the preceding calendar quarter. For the year ended September 30, 2012, no Additional Interest was incurred.

Taxable

An amended and restated note dated September 18, 1997 in the original amount of \$10 million is payable monthly with interest only at 7.125% (the Contract Rate) from inception through May 1, 2006. The note provides for Deferred Interest from the inception of the note through May 1, 2006 equal to the excess of interest computed at the Contract Rate less the interest computed at the Applicable Base Rate. Any Deferred Interest will be added to the outstanding balance of the loan monthly and accrue interest at the Contract Rate. Commencing May 1, 2006, monthly principal and interest are due in the amount of \$90,877 through maturity which will fully amortize the loan. Deferred Interest is limited to \$2,148,100. The note is due on December 1, 2032. Deferred Interest was \$1,733,916 as of September 30, 2012. Interest incurred for the year end September 30, 2012 on the base rate was \$733,180. Accrued interest as of September 30, 2012 is \$120,420.

As of September 18, 1997, \$268,372 in Negative Arbitrage Deferred Interest (formerly called Additional Deferred Interest, as defined in the original note) is outstanding, and has been added to the outstanding principal balance of the note.

In addition, effective May 15, 1997 through May 14, 2003, the Partnership was entitled to defer payment of interest in an amount of \$250,000 per annum (the Additional Deferred Interest). Additional Deferred Interest is capitalized annually and bears interest at the Contract Rate. Additional Deferred Interest is limited to \$10,664,362.

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

For the year ended September 30, 2012, Additional Deferred Interest of \$237,431 was incurred.

At September 30, 2012, the loan balance outstanding consisted of the following:

Balance of original principal	\$ 8,095,311
Deferred interest	1,733,916
Negative arbitrage deferred interest	268,372
Additional deferred interest	2,540,017
Capitalized deferred interest	<u>1,029,772</u>
	<u>\$ 13,667,388</u>

UDAG Loan Payable

The City of New Haven, Connecticut entered into a loan agreement dated April 30, 1993 with the Partnership to provide up to \$8,894,108 of financing, funded by Urban Development Action Grant (UDAG) monies. Interest is accrued at 3% per annum through December 31, 2005 and then at 5% through maturity of the loan on December 31, 2027. Payment of principal and interest is to be made solely from Net Annual Cash Flow, as defined in the agreement. Any interest accrued and unpaid will be added to the outstanding loan balance annually on January 1st. In addition, Residual Interest of 5% of net proceeds from sale, disposition or syndication, pursuant to the terms of the agreement, shall be payable under certain circumstances. During the year ended September 30, 2012, interest in the amount of \$800,067 was incurred. At September 30, 2012, the amount advanced under the loan was \$8,894,108 and accrued interest was \$7,907,304.

DOH PRIME Program Loan

The State of Connecticut Department of Housing entered into a loan agreement dated April 30, 1993 to provide \$6.5 million in financing to the Partnership. The loan matures on December 31, 2027. The loan accrues interest at 0.5% per annum. Interest only is payable monthly. In addition, a residual value payment is due on December 31, 2027 or earlier pursuant to the terms of the Residual Value Agreement. During the year ended September 30, 2012, interest in the amount of \$32,500 was incurred. At September 30, 2012, the amount advanced under the loan was \$6,500,000 and accrued interest was \$2,709.

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

City of New Haven Loans

The Partnership has borrowed a total of \$3.75 million from the City of New Haven (the City) through two loans dated April 30, 1993 in amounts of \$1.55 million and \$2.2 million, which mature on December 31, 2027. Commencing January 1, 1996, the loans accrue interest at 3% compounded per annum for years one through ten and then at 5% through maturity. Principal and interest are payable only from Net Annual Cash Flow, as defined. The loans are as follows:

Tax-Exempt - Total loan of \$1.55 million. At September 30, 2012, the amount advanced under the loan was \$1,550,000 and accrued interest was \$1,266,290. Interest incurred during the year ended September 30, 2012 was \$134,109.

Taxable - Total loan of \$2.2 million. At September 30, 2012, the amount advanced under the loan was \$2,200,000 and accrued interest was \$1,810,494. Interest incurred during the year ended September 30, 2012 was \$190,976.

SunAmerica Loans Payable

Pursuant to a Guaranty and Indemnification Agreement dated April 8, 1993, an affiliate of the limited partners has provided CHFA a guaranty and indemnification relating to the loans funded through the issuance of taxable and tax-exempt bonds. The agreement expires on April 30, 2011. The affiliate has provided the Partnership, pursuant to a Commercial Revolving Loan and Reimbursement Agreement, with two revolving loans in the amounts of \$31.8 million (tax-exempt) and \$10 million (taxable). The loans will be funded only in the event that the provisions of the agreement are invoked by CHFA. The loan terms provide for interest to accrue at the lesser of 12% per annum or the highest amount permitted under applicable law on any funds advanced. Principal and interest payments are not due until maturity of the loans on May 1, 2012 unless certain events of default occur.

At September 30, 2012, advances under the loans were as follows:

Tax-exempt loan (\$31.8 million)	\$	500
Taxable loan (\$10 million)		500
		<hr/>
	\$	<u>1,000</u>

Feasibility Loans Payable

The Partnership has entered into two Loan and Security Agreements dated April 30, 1993, with CHFA and with Yale University in the maximum amounts of \$3,496,362

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

each, or a total of \$6,992,724 (the Feasibility Loans). Advances under each of the Feasibility Loans are made in equal amounts. Interest is payable monthly at 7.125% (the Contract Rate). Payments under each Loan Agreement are determined quarterly in an amount equal to one-third (1/3) of the Net Cash Flow, as defined in the loan agreement, for the preceding quarter (the Cash Flow Payment). If the Cash Flow Payment is less than the interest accrued at the Contract Rate for the previous quarter, the excess becomes Deferred Interest and is added to the outstanding loan balance annually on April 30th. The Partnership can defer interest up to a maximum of \$15 million per loan. The loan agreements also provide for Additional Interest at the point in time that the outstanding loan balance is reduced to \$100,000. As of September 30, 2012, accrued interest amounted to \$4,224,076 for each of the loans, for a total of \$8,448,152. During the year ended September 30, 2012, interest of \$1,027,266 was incurred.

Additional Interest is payable to CHFA and Yale based on 5% and 15%, respectively, of Modified Cash Flow as defined. No additional interest was incurred. The loan matures December 31, 2035. The Loan Agreement also provides for an Appreciation Interest at maturity pursuant to terms as defined in the Loan Agreement.

At September 30, 2012, the balance of advances under each loan was as follows:

CHFA Feasibility Loan	\$	3,498,447
Yale Feasibility Loan		3,498,447
Total		\$ 6,996,894

Future Maturities

Aggregate maturities of the long-term debt over each of the next five years and thereafter following September 30, 2012 are as follows:

	Taxable	Tax-Exempt	Balance
September 30, 2013	\$ 381,397	\$ 506,885	\$ 888,282
2014	409,476	540,832	950,308
2015	439,623	577,053	1,016,676
2016	471,990	615,699	1,087,689
2017	503,748	656,933	1,160,681
Thereafter	13,661,654	48,976,574	62,638,228
Total	\$ 15,867,888	\$ 51,873,976	\$ 67,741,864

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements - Continued

September 30, 2012

The liability of the Partnership under the mortgage notes are limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Note 4 - Escrows and Reserves

Mortgage Escrows

The terms of the loan agreements require the Partnership to fund amounts needed for the future payment of insurance and payments in lieu of taxes. These escrows are to be funded on a monthly basis.

Replacement Reserves

Pursuant to the terms of the loan and regulatory agreements, the Partnership is required to make monthly deposits to an escrow for future repairs and improvements. Disbursements of the funds are subject to approval from CHFA.

Tenant Improvement Escrows

The Partnership has placed funds in escrows held by CHFA to be used for tenant improvements on the commercial space pursuant to the Restructuring Agreement. Disbursements from the escrows are subject to approval by CHFA. Interest earned on the funds held accrues to the benefit of the Partnership.

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Balance, September 30, 2011	\$ 59,879	\$ 20,944	\$ 80,823
Interest earned	124	1,700	1,824
Withdrawals	<u>(27)</u>	<u>(1,664)</u>	<u>(1,691)</u>
Balance, September 30, 2012	<u>\$ 59,976</u>	<u>\$ 20,980</u>	<u>\$ 80,956</u>

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

GIC Escrow

Pursuant to the terms of the Restructuring Agreement, the Partnership funded \$2,875,000 at the permanent loan closing into an escrow held by CHFA. Disbursements from the escrow will be made monthly in the amount of \$24,744 commencing November 1, 1997 through May 1, 2012. Disbursements are used to supplement debt service of the CHFA loan.

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Balance, September 30, 2011	\$ 193,519	\$ -	\$ 193,519
Interest earned	3,743	-	3,743
Withdrawals	(197,952)	-	(197,952)
Other	690	-	690
	<u> </u>	<u> </u>	<u> </u>
Balance, September 30, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Feasibility Fund Escrow

The Partnership funded, in accordance with the terms of the Feasibility Loans (see note 3), \$1,899,938 into an escrow to be held by CHFA. Funds disbursed from the escrow are to be used first to pay directly or fund an escrow for the payments in lieu of taxes (see note 7). Any excess funds will be available to the Project for use in operations. During the year ended September 30, 2012, no excess funds were released from the escrow and as of September 30, 2012, the balance in the escrow is \$0.

Operating Reserves

Pursuant to the Restructuring Agreement and Security Agreement, the Partnership is to establish a Taxable Reserve and a Tax-Exempt Reserve in the maximum amounts of \$1,500,000 and \$800,000, respectively. These reserves will be funded from Excess Annual Project Cash Flow (Taxable and Tax-Exempt, respectively). Disbursements are subject to CHFA approval for funding of operational shortfalls. Interest earned on these reserves accrues to the benefit of the Partnership.

Taxable

For the year ended September 30, 2012, no deposits were required under the agreement. Cumulative total deposits of \$1,265,289 have been made as of September 30, 2012. Cumulative interest earned as of September 30, 2012 was \$353,525. Cumulative withdrawals of \$1,618,524 have been taken as of September 30, 2012. During the year ended September 30, 2012, withdrawals totaled

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

\$147,442. The balance in the taxable operating reserve as of September 30, 2012 was \$290.

Tax-Exempt

For the year ended September 30, 2012, no deposits were made as required under the agreement. Cumulative total deposits of \$794,723 have been made as of September 30, 2012. Cumulative interest earned as of September 30, 2012 was \$166,099. Cumulative withdrawals of \$43,176 have been taken as of September 30, 2012. The balance in the tax-exempt operating reserve as of September 30, 2012 was \$917,724.

A cumulative total of \$119,100 has been deposited for the benefit of the tax-exempt T-E sub account as of September 30, 2012 as follows:

	<u> Taxable </u>	<u> Tax Exempt </u>	<u>Tax-Exempt held for T-E Subaccount * </u>	<u> Total </u>
Balance, September 30, 2011	\$ 146,807	\$ 916,154	\$ 119,361	\$ 1,182,322
Interest earned	245	1,992	-	2,237
Withdrawals	(147,442)	-	(261)	(147,703)
Other	680	(422)	-	258
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance, September 30, 2012	<u>\$ 290</u>	<u>\$ 917,724</u>	<u>\$ 119,100</u>	<u>\$ 1,037,114</u>

* Included in this balance is \$119,100 in funds held by CHFA in the taxable Operating reserve for the benefit of the tax exempt T-E sub account.

Note 5 - Related Party Transactions

Incentive Management Fee

The general partners will earn an incentive management fee equal to 50% of available cash flow after payment of certain priority payments for years prior to the Crossover Date as defined in the partnership agreement. No incentive management fee was earned during the year ended September 30, 2012.

Asset Management Fee

The limited partner is to receive an annual fee not to exceed \$7,500 for an annual review of the operations of the Partnership and the apartment complex. The year

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

ended September 30, 2012, \$7,500 was charged to operations and \$22,500 remains payable as of September 30, 2012.

Management Agreement

The Partnership has entered into two agreements with an affiliate of one of the general partners to provide management services to the Project. The fees will be based on 5% of total income, as defined in the agreement. The management agent and fee percentage have been approved by CHFA. Pursuant to the agreements commencing September 18, 1997 continuing through April 30, 2011, one-half of the management fee is deferred and payable annually from Available Cash Flow, as defined in the Amended and Restated \$31.8M Promissory Note. In addition, the fee is subject to rights of offset by the limited partners under certain circumstances. The management fees for the year ended September 30, 2012 were \$283,558, of which \$141,779 was deferred. A payment of \$288,255 was paid to the management agent by the Project during September 30, 2012. Deferred management fee payable as of September 30, 2012 is \$495,054.

The Project reimburses the management agent for payroll and related costs.

Due to and Due from Affiliates

Due to and due from affiliates at September 30, 2012 includes the following:

	Taxable	Tax-Exempt	Total
Due to (from) general partners and affiliates	\$ 179,087	\$ (8,745)	\$ 170,342
Due to (from) project - restricted advances	292,047	(292,047)	-
Due to (from) project - unrestricted advances	(85,018)	85,018	-
	\$ 386,116	\$ (215,774)	\$ 170,342

The due to (from) Tax-Exempt project and the due to (from) Taxable project represent operating advances and disbursements paid on behalf of the Taxable project by the Tax-Exempt project. These intercompany accounts relate to items paid by the Tax-Exempt project on behalf of the Taxable project prior to the effective date of the restructuring. Repayment of the \$292,047 is restricted pursuant to the terms of the restructuring agreements.

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements - Continued

September 30, 2012

Operating Cash Flow

Operating cash flow is limited to surplus cash as defined in the Regulatory Agreements. Any surplus cash is required to be funded in accordance with these agreements. At September 30, 2012, surplus cash was \$976,433 for the tax-exempt entity and a deficit of \$248,947 for the taxable entity.

Note 6 - Payment in Lieu of Taxes

The Partnership entered into a Second Amended and Restated Tax Agreement with the City of New Haven dated March 19, 1993 which provides for an exemption to pay real property tax assessments on certain parcels owned by the Partnership. The agreement provides for a municipal services charge in lieu of real property taxes totaling \$580,064 annually. The term of the agreement is 20 years. For the year ended September 30, 2012, \$580,065 has been expensed and is included in taxes and insurance in the statement of operations.

Note 7 - Concentration of Credit Risk

The Partnership maintains cash and cash equivalents with various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in each financial institution. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at September 30, 2012.

Note 8 - Lease Commitments

The Project has approximately 50,000 square feet of commercial space. As of September 30, 2012, approximately 49,000 square feet had been leased and was occupied. The terms of all leases generally provide for the following: (a) an initial term of 3-10 years plus extensions, (b) additional rent for common area maintenance, real estate taxes and insurance and (c) customary allowances for tenant improvements.

Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P

Notes to Financial Statements - Continued

September 30, 2012

At September 30, 2012, future minimum rents due under the terms of leases expiring in more than one year are as follows:

September 30, 2013	\$	324,153
2014		234,731
2015		106,870
2016		96,797
2017		-
Thereafter		-
		<hr/>
	\$	<u>762,551</u>

Note 9 - Commitments and Contingencies

Property Restrictions

The Partnership has entered into agreements which provide restrictions concerning the development, use of the property and utilization of cash flow.

The Partnership has executed a Residual Value Agreement dated April 30, 1993 which was amended on September 18, 1997. This agreement provides formulas for determining the amount and allocation of certain fees and cash flow to the Partnership and lender group in the event of a capital transaction.

Working Capital Reserve

Pursuant to terms in the partnership agreement, the Partnership shall establish a working capital reserve of \$1,000,000 from cash from operations and proceeds from a capital event which can be used to satisfy operating deficits. Amounts funded in the Cash Flow Reserves will satisfy this requirement. As of September 30, 2012, a reserve has not been funded.

Other Guarantees

The general partners pursuant to the terms of the partnership agreement have provided certain guarantees to the Partnership in connection with the construction, completion, Break-Even Operations, bridge loan, funding of operating deficits, tax credits and repayment of the feasibility loans and maintenance of certain letters of credit.

New Yale University Loan

The Partnership has entered into a Line of Credit Agreement with Yale University dated September 18, 1997 in the amount of \$1,125,000. Advances under the agreement

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Notes to Financial Statements - Continued

September 30, 2012

commence with the year ending September 30, 2004 and are limited to the lesser of 50% of annual operating deficits or \$250,000. No advances will be made for any period ending after September 30, 2013. No advances were made in 2011. Interest accrues at the rate of 7.125% on the amounts advanced and is added to the principal balance annually on September 30th. Payments of principal and interest shall be made annually from Available Cash Flow, as defined.

CHFA Loan

During the year ended September 30, 2012 the Partnership did not make their September payment on the loan with CHFA in accordance with the agreements. However, the Partnership was in negotiations with CHFA and on January 18, 2013 a moratorium agreement was executed between the Partnership and CHFA to suspend the debt service (principal and interest) payment for six months effective retroactively to September 1st, 2012 and ending February 1st 2013. During the moratorium period surplus cash from operation are to be funded to a Debt Service Reserve held by CHFA. Reserves will be disbursed for periods following the expiration of the agreement for the portion of debt service not sufficiently covered from operating surplus cash. The reserves are projected to cover 3-4 months subsequent the expiration of the moratorium. Management is currently working with all stakeholders on a revised financial structure, currently there are no definitive plans and the outcome cannot be predicted at this time.

Other

The Project'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 limited partner.

Note 10 - Subsequent Events

Management evaluated all activity of the Partnership through May 2, 2013 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements other than the following: a moratorium agreement was executed with CHFA on January 18, 2013 as disclosed in note 9 above.

Supplementary Information

Supporting Data Required by CHFA

CHFA Project No.: 86-007M

STATEMENT OF OPERATIONS

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-50 (Rev 12/2006)

Project Name: Ninth Square - Taxable	Fiscal Year: September 30, 2012
CHFA Number: 86-007M	Beginning:
HUD Number:	Mortgagor:

Part I- P&L	Description of Account	Account No.	Amount*	
Rental Income 5100	Rent Revenue- Gross Potential	5120	\$ 714,652	
	Tenant Assistance Payments (HAP Receipts)	5121	\$ 386,180	
	Rent Revenue- Stores & Commercial	5140	\$ 195,198	
	Rent Revenue- Garage & Parking	5170	\$ 103,420	
	Flexible Subsidy Revenue	5180	\$ -	
	Miscellaneous Rent Revenue**	5190	\$ 9,273	
	Excess Rent	5191	\$ -	
	Rent Revenue- Insurance	5192	\$ -	
	Special Claims Revenue	5193	\$ -	
	Retained Excess Income	5194	\$ -	
	Total Rent Revenue (GPI @ 100% Occupancy)	5100T		\$ 1,408,723
Vacancies 5200	Apartments- Vacancy	5220	\$ 77,584	
	Stores & Commercial- Vacancy	5240	\$ 4,200	
	Rental Concessions	5250	\$ -	
	Garage & Parking- Vacancy	5270	\$ -	
	Miscellaneous** (other vacancy)	5290	\$ -	
		Total Vacancies	5200T	
	Net Rental Revenue Rent Revenue Less Vacancy	5125N		\$ 1,326,939
Financial Revenue 5400	Elderly & Congregate Service Income (attach schedule)	5300	\$ -	
	Financial Revenue-Project Operations	5410	\$ -	
	Revenue from Investments- Residual Receipts	5430	\$ -	
	Revenue from Investments- Replacement Reserves	5440	\$ 245	
	Revenue from Investments- Miscellaneous **	5490	\$ 3,867	
	Total Financial Revenue	5400T		\$ 4,112
Other Revenue 5900	Laundry & Vending Revenue	5910	\$ -	
	Tenant Charges	5920	\$ -	
	Interest Reduction Payments	5945	\$ -	
	Miscellaneous (Specify) **	5990	\$ 5,244	
	Total Other Revenue	5900T		\$ 5,244
	Total Revenue	5000T		\$ 1,336,295
Administrative Expenses 6200/6300	Conventions & Meetings	6203	\$ -	
	Management Consultants	6204	\$ -	
	Advertising & Marketing	6210	\$ 2,746	
	Apartment Resale Expenses (Coops)	6235	\$ -	
	Other Renting Expenses	6250	\$ 8,592	
	Office Salaries	6310	\$ 30,825	
	Office Expenses	6311	\$ 14,008	
	Office or Model Apartment Rent	6312	\$ -	
	Management Fee	6320	\$ 66,427	
	Manager or Superintendent Salaries	6330	\$ 62,222	
	Administrative Rent Free Unit	6331	\$ -	
	Legal Expense (Project)	6340	\$ 15,093	
	Audit Expense	6350	\$ 8,130	
	Bookkeeping Fees/Accounting Services	6351	\$ -	
	Bad Debts	6370	\$ 6,138	
Miscellaneous Administrative Expenses **	6390	\$ 22,004		
	Total Administrative Expenses	6263T		\$ 236,185

Statement of Operations

Part I- Cont.

	Description of Account	Account No.	Amount*	
Utilities Expenses 6400	Fuel Oil/ Coal	6420	\$ -	
	Electricity	6450	\$ 35,530	
	Water	6451	\$ 19,595	
	Gas	6452	\$ 41,473	
	Sewer	6453	\$ 16,007	
	Total Utilities Expense	6400T		\$ 112,605
Operating & Maintenance Expenses 6500	Payroll	6510	\$ 44,184	
	Supplies	6515	\$ 120,932	
	Contracts	6520	\$ 32,533	
	Operating & Maintenance Rent Free Unit	6521	\$ -	
	Garbage & Trash Removal	6525	\$ 4,859	
	Security Payroll/ Contracts	6530	\$ 11,914	
	Security Rent Free Unit	6531	\$ -	
	Heating/Cooling Repairs & Maintenance	6546	\$ 5,487	
	Snow Removal	6548	\$ -	
	Vehicle & Maintenance Equip. Operation & Repair	6570	\$ -	
	Miscellaneous Operating & Maintenance **	6590	\$ 27,747	
	Total Operating & Maintenance Expenses	6500T		\$ 247,656
Taxes & Insurance 6700	Real Estate Tax	6710	\$ 198,728	
	Payroll Taxes (project share)	6711	\$ 13,838	
	Property & Liability Insurance	6720	\$ 35,105	
	Fidelity Bond Insurance	6721	\$ -	
	Workmen's Compensation	6722	\$ 5,049	
	Health Insurance & Other Benefits	6723	\$ 31,380	
	Misc. Taxes, Licenses, Permits & Insurance **	6790	\$ 17,454	
	Total Taxes & Insurance	6700T		\$ 301,554
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$ 1,161,587	
	Interest on Notes Payable (Long Term)	6830	\$ -	
	Interest on Notes Payable (Short Term)	6840	\$ -	
	Mortgage Insurance Premium/ Services Charges	6850	\$ -	
	Miscellaneous Financial Expenses **	6890	\$ -	
	Total Financial Expenses	6800T		\$ 1,161,587
	Elderly & Congregate Services (attach schedule)	6900	\$ -	
	Total Cost of Operations before Depreciation	6000T		\$ 2,059,587
	Profit (Loss) before Depreciation	5060T		\$ -723,292
	Depreciation Expenses	6600	\$ 591,168	
	Amortization Expense	6610	\$ -	
	Total Depreciation & Amortization Expense			\$ 591,168
	Operating Profit (Loss)	5060N		\$ -1,314,460
Entity Expenses 7100	Officer's Salaries	7110	\$ -	
	Legal Expenses	7120	\$ -	
	Federal, State, and Other Income Taxes	7130	\$ -	
	Interest Income	7140	\$ -	
	Interest on Notes Payable	7141	\$ -	
	Interest on Mortgage Payable	7142	\$ -	
	Other Expenses	7190	\$ 1,725	
	Net Entity Expenses	7100T		\$ 1,725
	Net Profit (Loss)	3250		\$ -1,316,185

* All amounts must be rounded to the nearest dollar, \$.50 and over, round up, \$.49 and below, round down.

** If miscellaneous or Other Income and Expense Accounts exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the Income or Expense.

Statement of Operations
Part II- Principal & Reserve

1 Total principal payments required under the mortgage in the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages. Any HUD approved second mortgages should be included in the figures.		\$	87,185
2 Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.		\$	22,330
3 Replacement or Painting Reserve releases which are included as expense items on the Income Statement.		\$	38,165
4 Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Income Statement.		\$	
5 Compute the following:			
Cash plus Tenant and HUD Receivables (Accts. 1110, 1120, 1130 & 1135)	\$	178,809	
Accounts Payable	\$	183,938	
Modified Quick Ratio			0.97
6 Compute the following:			
Monthly Average Cash Flow from Rents (Acct. 5125N divided by 12)	\$	110,578	
Less: Monthly Debt Service (including reserves)		92,738	\$ 17,840
Divided by			
Current Accounts Payable	\$	183,938	
Coverage Ratio			0.10

Part III- Income & Expense Sub-Accounts

	Description of Account	Account No.***	Amount*	
Tenant Charges 5920	NSF & Late Charges		\$ -	
	Damages & Cleaning Fees		\$ -	
	Forfeited Tenant Security Deposits		\$ -	
	Tenant Charges	5920		\$ 0
Office 6311	Office Supplies		\$ 9,203	
	Telephone and Answering Service		\$ 4,805	
	Office Expenses	6311		\$ 14,008
Payroll 6510	Janitor and Cleaning Payroll		\$ 44,184	
	Grounds Payroll		\$ -	
	Repairs Payroll		\$ -	
	Payroll	6510		\$ 44,184
Supplies 6515	Janitor and Cleaning Supplies		\$ 2,173	
	Exterminating Supplies		\$ 2,087	
	Ground Supplies		\$ 23,364	
	Repairs Material		\$ 93,308	
	Decorating Supplies		\$ -	
	Supplies	6515		\$ 120,932
Contracts 6520	Janitor and Cleaning Contracts		\$ -	
	Exterminating Contracts		\$ -	
	Grounds Contracts		\$ -	
	Repairs Contracts		\$ -	
	Elevator Maintenance Contract		\$ 10,311	
	Swimming Pool Maintenance Contract		\$ -	
	Decorating (Painting) Contract/Payroll		\$ 22,222	
	Contracts	6520		\$ 32,533
Misc. 6790	Miscellaneous Taxes, Licenses, Permits		\$ 17,454	
	Other Insurance		\$ -	
	Miscellaneous Taxes, Permits & Insurance	6790		\$ 17,454

*** Owner to specify account numbers if not provided

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007M**

Supplementary Information - Continued

**Schedule of Revenue from Investments, Other Revenue and
Miscellaneous Administrative Expenses**

Year ended September 30, 2012

Revenue from Investments - Miscellaneous - Account 5490

GIC interest income	\$	3,743
Tenant improvement escrow income		<u>124</u>
	\$	<u><u>3,867</u></u>

Other Revenue - Account 5990

Other income	\$	3,159
Application fees		<u>2,085</u>
	\$	<u><u>5,244</u></u>

Miscellaneous Operating & Maintenance - Account 6590

Garage capital	\$	588
Unit rehabilitation		<u>27,159</u>
	\$	<u><u>27,747</u></u>

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007M**

Supplementary Information - Continued

Year ended September 30, 2012

Reserve for Replacements

In accordance with the provisions of the regulatory agreement, restricted cash is held by the Connecticut Housing Finance Authority (CHFA) to be used for replacement of property with the approval of CHFA as follows:

Balance as of September 30, 2010	\$ 161,352
Monthly deposits	
\$1,860.83 x 12	22,330
Withdrawal	(38,165)
Interest earned	<u>245</u>
Balance at September 30, 2011 confirmed by mortgagee	<u><u>\$ 145,762</u></u>

Identity-of-Interest Companies and Activities

<u>Company name</u>	<u>Type of service</u>	<u>Amount paid</u>
Related Management Co., L.P.	Property Management	<u><u>\$ 23,297</u></u>

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007M**

Supplementary Information - Continued

Year ended September 30, 2012

**COMPUTATION OF SURPLUS CASH,
DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

**Connecticut Housing Finance Authority
Asset Management - Multifamily Housing**

CHFA Form HM 6-51 (Rev. 12/2006)

Project Name: Ninth Square - Taxable	Fiscal Year: 09/30/12
CHFA Number: 86-007M	Beginning:
HUD Number:	Mortgagor:

Part A - COMPUTE SURPLUS CASH

CASH	1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 271,708		
	2. Tenant Subsidy vouchers due for period covered by financial statement	\$		
	3. Other (describe)	\$		
	(A) Total Cash (Add Lines 1, 2, and 3)		\$ 271,708	
CURRENT OBLIGATIONS	4. Accrued mortgage interest payable	\$ 120,420		
	5. Delinquent mortgage principal payments	\$ -		
	6. Delinquent deposits to reserve for replacements	\$ -		
	7. Accounts payable (due within 30 days)	\$ 134,180		
	8. Loans and notes payable (due within 30 days, if allowed under CHFA loan documents)	\$ -		
	9. Deficient Tax Insurance or MIP Escrow Deposits	\$ -		
	10. Accrued expenses (not escrowed)	\$ 49,758		
	11. Prepaid Rents (Account 2210)	\$ 18,479		
	12. Tenant security deposits liability (Account 2191)	\$ 103,749		
	13. Other (Describe)	\$ 94,069		
	<i>Due to general partners \$179,087 and due from other projects (\$85,018)</i>			
	(B) Less: Total Current Obligations (Add Lines 4 through 13)		\$ 520,655	
	(C) Surplus Cash (Deficiency)(Line (A) minus Line (B))		\$ (248,947)	

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007M**

Supplementary Information - Continued

Year ended September 30, 2012

Part B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

	1a. Surplus Cash (From Line (C))		\$ (248,947)
	1b. Less: Additional Interest Due CHFA, if applicable		\$
	1c. Surplus Cash Available for Distribution		\$ (248,947)
LIMITED DIVIDEND PROJECTS	2a. Annual Distribution Earned During Fiscal Period Covered by Statement	\$	
	2b. Distribution Accrued and Unpaid as of the End of the Fiscal Period	\$	
	2c. Distributions Paid During Fiscal Period Covered by Statement	\$	
	3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ 0	
	4. Amount Available for Distribution During Next Fiscal Period		\$
	5. Deposits Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)		\$

Ninth Square Project Limited Partnership
CHFA Project No.: 86-007M

Supplementary Information - Continued

Year ended September 30, 2012

Changes in Fixed Asset Accounts

	Assets			Balance 9/30/2012
	Balance 9/30/2011	Additions	Deletions	
Land	\$ -	\$ -	\$ -	\$ -
Buildings and improvements	25,029,864	-	-	25,029,864
Furniture and equipment	945,125	-	-	945,125
	<u>\$ 25,974,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,974,989</u>
Accumulated depreciation	<u>\$ 11,953,283</u>	<u>\$ 591,168</u>	<u>\$ -</u>	<u>\$ 12,544,451</u>
Total net book value	<u>\$ 14,021,706</u>			<u>\$ 13,430,538</u>

COMPUTATION OF NET OPERATING INCOME

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-52 (Rev. 12/2006)

Project Name: Ninth Square - Taxable	Fiscal Year End: 09/30/12
CHFA Number: 86-007M	Beginning:
HUD Number:	Mortgagor:

Part I - COMPUTE NET OPERATING INCOME (Source HM 6-50 "Statement of Operations")

	Account #	
A. Profit (Loss) before Depreciation	5060T	\$ (723,292)
B. Less: Revenue from Investments - Residual Receipts	5430	\$ -
C. Less: Revenue from Investments - Replacement Reserves	5440	\$ 245
D. Less: Revenue from Investments - Miscellaneous (Restricted Accounts Only)	5490	\$ 3,867
E. Plus: Total Financial Expenses	6800T	\$ 1,161,587
F. Less: Replacement Reserve Deposits	Part II #2	\$ 22,330
G. Net Operating Income (NOI)		\$ 411,853

Part II - IDENTIFY SPECIAL FINANCIAL CONDITIONS FOR ADJUSTMENT

A. Replacement Reserves

1) Disbursements from replacement reserve during period covered by the statement \$ (38,165)

a) Plus: Pending requests at year-end for the release of funds from the replacement reserve to cover items either expensed or capitalized during the period covered by the statement _____

b) Less: Total of funds received from replacement reserve during the period covered by the statement that were expensed or capitalized in prior years _____

c) Less: Amount capitalized as increases in fixed assets during the period covered by the statement _____

d) Total disbursements from the replacement reserve included as expenses on HM 6-50 \$ (38,165)

2) Are there any extraordinary or one-time sources of income and/or expense(s) that are included on the Statement of Operations? (e.g.: Proceeds from Insurance claim not received in the same period as the loss) YES NO

3) If YES, explain reason(s) and amount(s) below:

_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -

TOTAL Extraordinary or one-time income / expense(s) \$ -

B. Other Restricted Reserves

1) Have all disbursements from other restricted reserve accounts (Operating Reserve, Residual Receipts, etc.) been capitalized as increases on the Schedule of Fixed Assets? YES NO N/A

2) If NO, what is the amount of other restricted reserve account releases that are represented as expenditures on the Statement of Operations? Explain reason(s) and amount(s) below:

Repairs and Maintenance \$ 38,165

_____ \$ -

\$ 38,165

C. Interest Reduction Payments (HUD Section 236 developments only) YES NO N/A

1) Are Interest Reduction Payments (IRP) from HUD Section 236 contracts shown as Income in Account #5945 and included in the expense line item Interest on Mortgage Payable in Account #6820?

2) If NO, what is the annual amount of the IRP paid to CHFA by HUD on the developments behalf not included as income in Account #5945? \$ -

Part III - ADJUSTED NET OPERATING INCOME FROM PART II

	Source	
Net Operating Income	Part I - G	\$ 411,853
Plus: Replacement Reserve releases included as expenses in Statement of Operations	Part II - A1	\$ (38,165)
Less/Plus: Extraordinary or one-time income / expense(s)	Part II - A3	\$ -
Plus: Other Restricted Reserve Accounts	Part II - B2	\$ 38,165
Plus: Interest Reduction Payments	Part II - C2	\$ -
Equals: Adjusted Net Operating Income (NOI)		\$ 411,853

Supplementary Information

Supporting Data Required by CHFA

CHFA Project No.: 86-007P

STATEMENT OF OPERATIONS

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-50 (Rev 12/2006)

Project Name: Ninth Square - Tax Exempt	Fiscal Year: 09/30/2011
CHFA Number: 86-007P	Beginning:
HUD Number:	Mortgagor:

Part I- P&L	Description of Account	Account No.	Amount*	
Rental Income 5100	Rent Revenue- Gross Potential	5120	\$ 2,662,918	
	Tenant Assistance Payments (HAP Receipts)	5121	\$ 1,208,322	
	Rent Revenue- Stores & Commercial	5140	\$ 366,623	
	Rent Revenue- Garage & Parking	5170	\$ 110,142	
	Flexible Subsidy Revenue	5180	\$ -	
	Miscellaneous Rent Revenue**	5190	\$ (6,390)	
	Excess Rent	5191	\$ -	
	Rent Revenue- Insurance	5192	\$ -	
	Special Claims Revenue	5193	\$ -	
	Retained Excess Income	5194	\$ -	
	Total Rent Revenue (GPI @ 100% Occupancy)	5100T		\$ 4,341,615
Vacancies 5200	Apartments- Vacancy	5220	\$ 219,197	
	Stores & Commercial- Vacancy	5240	\$ (3,790)	
	Rental Concessions	5250	\$ -	
	Garage & Parking- Vacancy	5270	\$ -	
	Miscellaneous** (other vacancy)	5290	\$ -	
	Total Vacancies	5200T		\$ 215,407
	Net Rental Revenue Rent Revenue Less Vacancy	5125N		\$ 4,126,208
Financial Revenue 5400	Elderly & Congregate Service Income (attach schedule)	5300	\$ -	
	Financial Revenue-Project Operations	5410	\$ -	
	Revenue from Investments- Residual Receipts	5430	\$ -	
	Revenue from Investments- Replacement Reserves	5440	\$ 1,992	
	Revenue from Investments- Miscellaneous **	5490	\$ 1,700	
	Total Financial Revenue	5400T		\$ 3,692
Other Revenue 5900	Laundry & Vending Revenue	5910	\$ -	
	Tenant Charges	5920	\$ -	
	Interest Reduction Payments	5945	\$ -	
	Miscellaneous (Specify) **	5990	\$ 9,800	
	Total Other Revenue	5900T		\$ 9,800
	Total Revenue	5000T		\$ 4,139,700
Administrative Expenses 6200/6300	Conventions & Meetings	6203	\$ -	
	Management Consultants	6204	\$ -	
	Advertising & Marketing	6210	\$ (145)	
	Apartment Resale Expenses (Coops)	6235	\$ -	
	Other Renting Expenses	6250	\$ 4,509	
	Office Salaries	6310	\$ 109,120	
	Office Expenses	6311	\$ 46,051	
	Office or Model Apartment Rent	6312	\$ -	
	Management Fee	6320	\$ 217,131	
	Manager or Superintendent Salaries	6330	\$ 186,253	
	Administrative Rent Free Unit	6331	\$ 21,840	
	Legal Expense (Project)	6340	\$ 89,366	
	Audit Expense	6350	\$ 27,913	
	Bookkeeping Fees/Accounting Services	6351	\$ -	
	Bad Debts	6370	\$ 9,936	
Miscellaneous Administrative Expenses **	6390	\$ 78,920		
	Total Administrative Expenses	6263T		\$ 790,894

Statement of Operations

Part I- Cont.

	Description of Account	Account No.	Amount*	
Utilities Expenses 6400	Fuel Oil/ Coal	6420	\$	
	Electricity	6450	\$	109,707
	Water	6451	\$	71,776
	Gas	6452	\$	92,435
	Sewer	6453	\$	64,796
	Total Utilities Expense	6400T		
Operating & Maintenance Expenses 6500	Payroll	6510	\$	140,580
	Supplies	6515	\$	297,888
	Contracts	6520	\$	90,556
	Operating & Maintenance Rent Free Unit	6521	\$	
	Garbage & Trash Removal	6525	\$	23,490
	Security Payroll/ Contracts	6530	\$	36,647
	Security Rent Free Unit	6531	\$	
	Heating/Cooling Repairs & Maintenance	6546	\$	4,400
	Snow Removal	6548	\$	4,747
	Vehicle & Maintenance Equip. Operation & Repair	6570	\$	
	Miscellaneous Operating & Maintenance **	6590	\$	9,113
	Total Operating & Maintenance Expenses	6500T		
Taxes & Insurance 6700	Real Estate Tax	6710	\$	590,528
	Payroll Taxes (project share)	6711	\$	44,242
	Property & Liability Insurance	6720	\$	118,841
	Fidelity Bond Insurance	6721	\$	
	Workmen's Compensation	6722	\$	14,311
	Health Insurance & Other Benefits	6723	\$	103,849
	Misc. Taxes, Licenses, Permits & Insurance **	6790	\$	35,997
	Total Taxes & Insurance	6700T		
Financial Expenses 6800	Interest on Mortgage Payable	6820	\$	2,406,997
	Interest on Notes Payable (Long Term)	6830	\$	
	Interest on Notes Payable (Short Term)	6840	\$	
	Mortgage Insurance Premium/ Services Charges	6850	\$	
	Miscellaneous Financial Expenses **	6890	\$	67,037
	Total Financial Expenses	6800T		
	Elderly & Congregate Services (attach schedule)	6900	\$	
	Total Cost of Operations before Depreciation	6000T		\$ 5,118,831
	Profit (Loss) before Depreciation	5060T		\$ -979,131
	Depreciation Expenses	6600	\$	1,143,194
	Amortization Expense	6610	\$	
	Total Depreciation & Amortization Expense			\$ 1,143,194
	Operating Profit (Loss)	5060N		\$ -2,122,325
Entity Expenses 7100	Officer's Salaries	7110	\$	
	Legal Expenses	7120	\$	
	Federal, State, and Other Income Taxes	7130	\$	
	Interest Income	7140	\$	
	Interest on Notes Payable	7141	\$	
	Interest on Mortgage Payable	7142	\$	
	Other Expenses	7190	\$	5,775
	Net Entity Expenses	7100T		
	Net Profit (Loss)	3250		\$ -2,128,100

* All amounts must be rounded to the nearest dollar, \$.50 and over, round up, \$.49 and below, round down.

** If miscellaneous or Other Income and Expense Accounts exceed the Account Groupings by 10% or more, attach a separate schedule describing or explaining the Income or Expense.

Statement of Operations
Part II- Principal & Reserve

1	Total principal payments required under the mortgage in the audit year (12 monthly payments). This applies to all direct loans and HUD-held and fully insured mortgages. Any HUD approved second mortgages should be included in the figures.	\$	1,033,566
2	Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$	74,820
3	Replacement or Painting Reserve releases which are included as expense items on the Income Statement.	\$	-109,002
4	Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Income Statement.	\$	
5	Compute the following:		
	Cash plus Tenant and HUD Receivables (Accts. 1110, 1120, 1130 & 1135)	\$	1,413,713
	Accounts Payable	\$	43,345
	Modified Quick Ratio		32.62
6	Compute the following:		
	Monthly Average Cash Flow from Rents (Acct. 5125N divided by 12)	\$	343,851
	Less: Monthly Debt Service (including reserves)		191,292
	Divided by		
	Current Accounts Payable	\$	43,345
	Coverage Ratio		3.52

Part III- Income & Expense Sub-Accounts

	Description of Account	Account No.***	Amount*
Tenant Charges 5920	NSF & Late Charges		\$
	Damages & Cleaning Fees		\$
	Forfeited Tenant Security Deposits		\$
	Tenant Charges	5920	\$ 0
Office 6311	Office Supplies		\$ 28,886
	Telephone and Answering Service		\$ 17,165
	Office Expenses	6311	\$ 46,051
Payroll 6510	Janitor and Cleaning Payroll		\$ 140,580
	Grounds Payroll		\$
	Repairs Payroll		\$
	Payroll	6510	\$ 140,580
Supplies 6515	Janitor and Cleaning Supplies		\$ 16,756
	Exterminating Supplies		\$ 9,203
	Ground Supplies		\$ 43,716
	Repairs Material		\$ 228,213
	Decorating Supplies		\$ -
	Supplies	6515	\$ 297,888
Contracts 6520	Janitor and Cleaning Contracts		\$ 19,320
	Exterminating Contracts		\$ -
	Grounds Contracts		\$ -
	Repairs Contracts		\$ -
	Elevator Maintenance Contract		\$ 14,309
	Swimming Pool Maintenance Contract		\$ -
	Decorating (Painting) Contract/Payroll		\$ 56,927
	Contracts	6520	\$ 90,556
Misc. 6790	Miscellaneous Taxes, Licenses, Permits		\$ 35,997
	Other Insurance		\$
	Miscellaneous Taxes, Permits & Insurance	6790	\$ 35,997

*** Owner to specify account numbers if not provided

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007P**

Supplementary Information - Continued

**Schedule of Revenue from Investments, Other Revenue and
Miscellaneous Administrative Expenses**

Year ended September 30, 2012

Revenue from Investments - Miscellaneous - Account 5490

Tenant improvement interest income	\$ 1,700
	<u>\$ 1,700</u>

Other Revenue - Account 5990

Application fees	\$ 3,365
Door fee	4,675
Feasibility fund income	1,760
	<u>\$ 9,800</u>

Miscellaneous Administrative Expenses - Account 6390

Charitable contribution	\$ 1,155
Consulting	33,238
Miscellaneous administrative	1,388
Hiring	2,166
Meals and entertainment	229
Membership dues	73
Kitchen	76
Personnel expense reimbursement	986
Subscription	522
Temporary labor	8,708
Tenant relation	753
Training	5,560
Uniform	4,878
Temporary labor	16,751
Express mail service	257
Professional fee	1,427
Parties and Christmas	347
Conference and seminar	12
Travel	394
	<u>\$ 78,920</u>

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007P**

Supplementary Information - Continued

Year ended September 30, 2012

Accounts and Notes Receivable (Other Than from Regular Tenants)

<u>Name of Borrower</u>	<u>Original Date</u>	<u>Terms</u>	<u>Original Amount</u>	<u>Balance Due</u>
Bentara, LLC	September 25, 1998	Payments per loan agreement	<u>\$ 30,618</u>	<u>\$ 10,000</u>

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007P**

Supplementary Information - Continued

Year ended September 30, 2012

Reserve for Replacements

In accordance with the provisions of the Regulatory Agreement, restricted cash is held by the Connecticut Housing Finance Authority (CHFA) to be used for replacement of property with the approval of CHFA as follows:

Balance as of September 30, 2010	\$ 1,165,524
Monthly deposits	
\$6,235 x 12	74,820
Withdrawals	(109,002)
Interest earned	<u>1,992</u>
Balance at September 30, 2011 confirmed by mortgagee	<u><u>\$ 1,133,334</u></u>

Identity-of-Interest Companies and Activities

<u>Company name</u>	<u>Type of service</u>	<u>Amount paid</u>
Related Management Co., L.P.	Property Management	<u><u>\$ 389,758</u></u>

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007P**

Supplementary Information - Continued

Year ended September 30, 2012

**COMPUTATION OF SURPLUS CASH,
DISTRIBUTIONS, AND RESIDUAL RECEIPTS**

**Connecticut Housing Finance Authority
Asset Management - Multifamily Housing**

CHFA Form HM 6-51 (Rev. 12/2006)

Project Name: Ninth Square - Tax Exempt	Fiscal Year: 09/30/12
CHFA Number: 86-007P	Beginning:
HUD Number:	Mortgagor:

Part A - COMPUTE SURPLUS CASH

CASH	1. Cash (Accounts 1110, 1120, 1191, 1192)	\$ 1,638,374		
	2. Tenant Subsidy vouchers due for period covered by financial statement	\$		
	3. Other (describe)	\$		
	(A) Total Cash (Add Lines 1, 2, and 3)		\$ 1,638,374	
CURRENT OBLIGATIONS	4. Accrued mortgage interest payable	\$ 210,591		
	5. Delinquent mortgage principal payments	\$		
	6. Delinquent deposits to reserve for replacements	\$		
	7. Accounts payable (due within 30 days)	\$ 561		
	8. Loans and notes payable (due within 30 days, if allowed under CHFA loan documents)	\$		
	9. Deficient Tax Insurance or MIP Escrow Deposits	\$		
	10. Accrued expenses (not escrowed)	\$ 42,784		
	11. Prepaid Rents (Account 2210)	\$ 28,852		
	12. Tenant security deposits liability (Account 2191)	\$ 302,880		
	13. Other (Describe)	\$ 76,273		
	<i>Due from general partners (\$8,745) and due to other projects \$85,018</i>			
	(B) Less: Total Current Obligations (Add Lines 4 through 13)		\$ 661,941	
	(C) Surplus Cash (Deficiency) (Line (A) minus Line (B))		\$ 976,433	

**Ninth Square Project Limited Partnership
CHFA Project No.: 86-007P**

Supplementary Information - Continued

Year ended September 30, 2012

Part B - COMPUTE DISTRIBUTIONS TO OWNERS AND REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

	1a. Surplus Cash (From Line (C))		\$ 976,433
	1b. Less: Additional Interest Due CHFA, if applicable		\$
	1c. Surplus Cash Available for Distribution		\$ 976,433
LIMITED DIVIDEND PROJECTS	2a. Annual Distribution Earned During Fiscal Period Covered by Statement	\$	
	2b. Distribution Accrued and Unpaid as of the End of the Fiscal Period	\$	
	2c. Distributions Paid During Fiscal Period Covered by Statement	\$	
	3. Amount to be Carried on Balance Sheet as Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ 0	
	4. Amount Available for Distribution During Next Fiscal Period		\$
	5. Deposits Due Residual Receipts (Must be deposited with Mortgagee within 60 days after Fiscal Period ends)		\$

Ninth Square Project Limited Partnership
CHFA Project No.: 86-007P

Supplementary Information - Continued

Year ended September 30, 2012

Changes in Fixed Asset Accounts

	Assets			Balance 9/30/2012
	Balance 9/30/2011	Additions	Deletions	
Land	\$ 809,239	\$ -	\$ -	\$ 809,239
Buildings and improvements	47,222,102	-	-	47,222,102
Furniture and equipment	2,395,056	-	-	2,395,056
	<u>\$ 50,426,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,426,397</u>
Accumulated depreciation	<u>\$ 23,446,602</u>	<u>\$ 1,143,194</u>	<u>\$ -</u>	<u>\$ 24,589,796</u>
Total net book value	<u>\$ 26,979,795</u>			<u>\$ 25,836,601</u>

COMPUTATION OF NET OPERATING INCOME

Connecticut Housing Finance Authority
Asset Management - Multifamily Housing

CHFA Form HM 6-52 (Rev. 12/2006)

Project Name: Ninth Square - Tax Exempt	Fiscal Year End: 09/30/12
CHFA Number: 86-007P	Beginning:
HUD Number:	Mortgagor:

Part I - COMPUTE NET OPERATING INCOME (Source HM 6-50 "Statement of Operations")

A. Profit (Loss) before Depreciation	Account #	5060T	\$ (979,131)
B. Less: Revenue from Investments - Residual Receipts	5430		\$ -
C. Less: Revenue from Investments - Replacement Reserves	5440		\$ 1,992
D. Less: Revenue from Investments - Miscellaneous (Restricted Accounts Only)	5490		\$ 1,700
E. Plus: Total Financial Expenses	6800T		\$ 2,474,034
F. Less: Replacement Reserve Deposits	Part II #2		\$ 74,820
G. Net Operating Income (NOI)			\$ 1,416,391

Part II - IDENTIFY SPECIAL FINANCIAL CONDITIONS FOR ADJUSTMENT

A. Replacement Reserves

1) Disbursements from replacement reserve during period covered by the statement \$ (109,002)

a) Plus: Pending requests at year-end for the release of funds from the replacement reserve to cover items either expensed or capitalized during the period covered by the statement _____

b) Less: Total of funds received from replacement reserve during the period covered by the statement that were expensed or capitalized in prior years _____

c) Less: Amount capitalized as increases in fixed assets during the period covered by the statement _____

d) Total disbursements from the replacement reserve included as expenses on HM 6-50 \$ (109,002)

2) Are there any extraordinary or one-time sources of income and/or expense(s) that are included on the Statement of Operations? (e.g.: Proceeds from Insurance claim not received in the same period as the loss) YES NO

3) If YES, explain reason(s) and amount(s) below:

_____	\$ -
_____	\$ -
_____	\$ -
_____	\$ -

TOTAL Extraordinary or one-time income / expense(s) \$ -

B. Other Restricted Reserves

1) Have all disbursements from other restricted reserve accounts (Operating Reserve, Residual Receipts, etc.) been capitalized as Increases on the Schedule of Fixed Assets? YES NO N/A

2) If NO, what is the amount of other restricted reserve account releases that are represented as expenditures on the Statement of Operations? Explain reason(s) and amount(s) below:

Repairs and Maintenance \$ 109,002

_____ \$ -

\$ 109,002

C. Interest Reduction Payments (HUD Section 236 developments only) YES NO N/A

1) Are Interest Reduction Payments (IRP) from HUD Section 236 contracts shown as income in Account #5945 and included in the expense line item Interest on Mortgage Payable in Account #6820? YES NO N/A

2) If NO, what is the annual amount of the IRP paid to CHFA by HUD on the development's behalf not included as income in Account #5945? \$ -

Part III - ADJUSTED NET OPERATING INCOME FROM PART II

Net Operating Income	Source	Part I - G	\$ 1,416,391
Plus: Replacement Reserve releases included as expenses in Statement of Operations	Part II - A1		\$ (109,002)
Less/Plus: Extraordinary or one-time income / expense(s)	Part II - A3		\$ -
Plus: Other Restricted Reserve Accounts	Part II - B2		\$ 109,002
Plus: Interest Reduction Payments	Part II - C2		\$ -
Equals: Adjusted Net Operating Income (NOI)			\$ 1,416,391

Supplementary Information

Partnership

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Annual Surplus Cash Distribution Schedule A

Year ended September 30, 2012

		Total	Tax-Exempt	Taxable
1	SURPLUS CASH FLOW HUD93486(12-80) line 13c	\$ 727,486	\$ 976,433	\$ (248,947)
2	Deposits to Taxable Oper. Res. (\$1.5M)	-		
3	Deposit to Tax Exempt Oper. Res (\$0.8M)	-		
4	BALANCE 1	727,486	976,433	(248,947)
5	Deposit to Taxable Reserve (T-E Sub Acct), (\$1.5M)	-	-	
6	Deposit to Tax Exempt Oper. Res. (\$0.8M)	-		
7	BALANCE 2	727,486	976,433	(248,947)
8	Less: Rate Cap Interest on Tax Exempt			
9	BALANCE 3	976,433	976,433	
10	Less: Pro Rata Shares			
11	CHFA for Spread Interest Deferral X % 72.99%	712,698	712,698	
12	New Yale Loan Advances X %	-		
13	Def. Man. Fee X % 27.01%	83,998	83,998	
14	Sub Total 100 %	796,696		
15	BALANCE 4	179,737	179,737	
16	Less: Additional Interest Tax Exempt (Cap \$350k p.a.)	179,737	179,737	
17	BALANCE 5	-	-	
18	Less: Feasibility Loan Cash Flow Shares			
19	CHFA 33.32% *			
20	Yale 33.32%			
21	BALANCE 6			
22	Less: Next Tier Feasibility Cash Flow Shares			
23	(Additional Yield)			
24	CHFA (5%)			
25	Yale (15%)			
26	BALANCE 7			
27	Less: 1st Tier Equity Distribution of 8% non-cumulative			
28	on UDAG defined equity of \$ _____ \$ _____			
29	BALANCE 8			
30	Less: UDAG loan interest & principal			
31	BALANCE 9			
32	Less: City \$2.2MM interest & principal (58.67%)			
33	Less: City \$1.55 interest and principal (41.33%)			
34	BALANCE 10			
35	Less: 2nd Tier Equity Distribution			
36	10% Cum. less 8% Non-Cumulative paid above			
37	BALANCE 11			
38	Residual Receipt Deposit			

* Used to pay down interest accrued with respect to said fiscal year, then against the principal balance (but not below \$100k).

**Ninth Square Project Limited Partnership
CHFA Project Nos.: 86-007M/86-007P**

Operating Deficit Cash Flow*

Year ended September 30, 2012

	<u>Taxable</u>	<u>Tax-Exempt</u>	<u>Total</u>
Gross revenue	\$ 1,336,295	\$ 4,139,700	\$ 5,475,995
Operating expenses			
Administrative	236,185	857,931	1,094,116
Utilities	112,605	338,714	451,319
Operating and maintenance	247,656	607,421	855,077
Taxes and insurance	301,554	907,768	1,209,322
Interest	<u>1,161,587</u>	<u>2,406,997</u>	<u>3,568,584</u>
	2,059,587	5,118,831	7,178,418
Excess of expenses over revenue	(723,292)	(979,131)	(1,702,423)
Less amounts in operating reserves	<u>(290)</u>	<u>(1,036,824)</u>	<u>(1,037,114)</u>
Operating excess (deficit)	<u>\$ (723,582)</u>	<u>\$ (2,015,955)</u>	<u>\$ (2,739,537)</u>

*As defined by the Yale Line of Credit Agreement dated September 18, 1997

Independent Auditor's Report on Internal Control

To the Partners
Ninth Square Project Limited Partnership

We have audited the financial statements of Ninth Square Project Limited Partnership, as of and for the year ended September 30, 2012, and have issued our report thereon dated May 2, 2013. We have also audited Ninth Square Project Limited Partnership's compliance with requirements applicable to major CHFA-assisted programs and have issued our report thereon dated May 2, 2013.

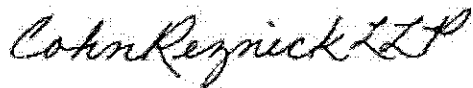
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the "Consolidated Audit Guide for Audits of HUD Programs" (the Guide) issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether Ninth Square Project Limited Partnership complied with laws and regulations, noncompliance with which would be material to a major CHFA-assisted program.

The management of the Partnership is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements and compliance, we considered the Partnership's internal control over financial reporting and its internal control over compliance with requirements that could have a direct and material effect on a major CHFA-assisted program in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting and internal control over compliance.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct (a) misstatements of the Partnership's financial statements or (b) noncompliance with applicable requirements of a CHFA-assisted program on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that (a) a material misstatement of the Partnership's financial statements or (b) material noncompliance with applicable requirements of a CHFA-assisted program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting and internal control over compliance was for the limited purpose described in the third paragraph of this report and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the partners, management and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Cohn Reznick LLP".

Sacramento, California
May 2, 2013

Independent Auditor's Report on Compliance with
Specific Requirements Applicable to Major CHFA Programs

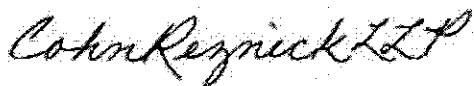
To the Partners
Ninth Square Project Limited Partnership

We have audited Ninth Square Project Limited Partnership's compliance with the specific program requirements governing federal financial reports; mortgage status; cash receipts; cash disbursements and tenant security deposits that could have a direct and material effect on each of its major CHFA-assisted programs for the year ended September 30, 2012. Compliance with those requirements is the responsibility of the Partnership's management. Our responsibility is to express an opinion on the Partnership's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the "Consolidated Audit Guide for Audits of HUD Programs" (the Guide), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major CHFA-assisted program occurred. An audit includes examining, on a test basis, evidence about Ninth Square Project Limited Partnership's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Partnership's compliance with those requirements.

Ninth Square Project Limited Partnership complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major CHFA-assisted programs for the year ended September 30, 2012..

This report is intended solely for the information and use of the partners, management and CHFA and is not intended to be and should not be used by anyone other than these specified parties.



Sacramento, California
May 2, 2013

Independent Auditor's Report on Compliance with Specific
Requirements Applicable to Fair Housing and Non-Discrimination

To the Partners
Ninth Square Project Limited Partnership

We have applied procedures to test Ninth Square Project Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements applicable to its CHFA-assisted programs for the year ended September 30, 2012.

Our procedures were limited to the applicable compliance requirement described by the "Consolidated Audit Guide for Audits of HUD Programs" (the Guide) issued by the HUD Office of the Inspector General. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on Ninth Square Project Limited Partnership's compliance with the Fair Housing and Non-Discrimination requirements. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under the Guide.

This report is intended solely for the information and use of the partners, management and the Connecticut Housing Finance Authority and is not intended to be and should not be used by anyone other than these specified parties.

CohnReznick LLP

Sacramento, California
May 2, 2013