

# Allied Drive Redevelopment, LLC

Financial Report

December 31, 2024



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# ALLIED DRIVE REDEVELOPMENT, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Allied Drive Redevelopment, LLC  
Madison, WI

### Opinion

We have audited the accompanying financial statements of Allied Drive Redevelopment, LLC, which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allied Drive Redevelopment, LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Allied Drive Redevelopment, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

## Supplementary Information

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

*SVA Certified Public Accountants, S.C.*

Madison, Wisconsin

February 25, 2025

# ALLIED DRIVE REDEVELOPMENT, LLC

## BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 107,560	\$ 44,499
Restricted cash	406,692	458,264
Accounts receivable, net	26,579	24,188
Operating lease right-of-use asset	327,667	331,667
Prepaid expenses	14,685	8,525
Rental property under land lease, net	4,066,860	4,369,535
<b>TOTAL ASSETS</b>	<b>\$ 4,950,043</b>	<b>\$ 5,236,678</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable	\$ 2,165,825	\$ 2,220,941
Accounts payable	23,090	20,840
Accrued interest	481,025	421,253
Accrued expenses	449,242	396,809
Tenants' security deposits payable	50,364	45,491
Prepaid rents	46,040	37,107
Total liabilities	3,215,586	3,142,441
<b>MEMBERS' EQUITY</b>	<b>1,734,457</b>	<b>2,094,237</b>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<b>\$ 4,950,043</b>	<b>\$ 5,236,678</b>

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

**ALLIED DRIVE REDEVELOPMENT, LLC****STATEMENTS OF OPERATIONS**

Years ended December 31, 2024 and 2023

	2024	2023
Revenues:		
Rental income	\$ 790,240	\$ 672,425
Vacancies and concessions	(64,435)	(42,498)
Bad debt expense	(412)	(7,046)
Other revenue	5,685	26,780
Total revenues	731,078	649,661
Rental expenses:		
Rent and administrative	160,572	132,581
Utilities	67,929	65,543
Operating and maintenance	288,033	270,658
Operating lease expense	4,000	4,000
Taxes and insurance	110,797	110,695
Total rental expenses	631,331	583,477
Net rental income	99,747	66,184
Financial income (expense):		
Interest income	5,429	5,100
Interest expense	(92,726)	(95,158)
Total financial income (expense)	(87,297)	(90,058)
Income (loss) before other expenses	12,450	(23,874)
Other expenses:		
Depreciation	333,592	342,132
Amortization	0	7,382
Managing member management fee	31,160	30,252
Asset management fee	7,478	7,260
Total other expenses	372,230	387,026
Net loss	\$ (359,780)	\$ (410,900)

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

# ALLIED DRIVE REDEVELOPMENT, LLC

## STATEMENTS OF MEMBERS' EQUITY Years ended December 31, 2024 and 2023

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	Managing member	Investor member	Total
Balances, December 31, 2022	\$ (397)	\$ 2,505,534	\$ 2,505,137
Net loss	<u>(41)</u>	<u>(410,859)</u>	<u>(410,900)</u>
Balances, December 31, 2023	(438)	2,094,675	2,094,237
Net loss	<u>(36)</u>	<u>(359,744)</u>	<u>(359,780)</u>
Balances, December 31, 2024	<u>\$ (474)</u>	<u>\$ 1,734,931</u>	<u>\$ 1,734,457</u>
Ownership percentages	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

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



**ALLIED DRIVE REDEVELOPMENT, LLC**STATEMENTS OF CASH FLOWS  
Years ended December 31, 2024 and 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (359,780)	\$ (410,900)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Bad debt expense	412	7,046
Depreciation	333,592	342,132
Amortization	0	7,382
Amortization of operating lease right-of-use asset	4,000	4,000
Increase (decrease) in cash due to changes in:		
Accounts receivable	(2,803)	(21,249)
Prepaid expenses	(6,160)	980
Accounts payable	2,250	6,367
Accrued interest	59,772	59,781
Accrued expenses	52,433	21,189
Tenants' security deposits payable	4,873	(3,586)
Prepaid rents	8,933	2,715
Net cash provided by operating activities	97,522	15,857
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of rental property	(30,917)	(32,484)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage notes payable	(55,116)	(52,696)
Change in cash, cash equivalents, and restricted cash	11,489	(69,323)
Cash, cash equivalents, and restricted cash:		
Beginning	502,763	572,086
Ending	<u>\$ 514,252</u>	<u>\$ 502,763</u>
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEETS</b>		
Cash and cash equivalents	\$ 107,560	\$ 44,499
Restricted cash	406,692	458,264
Total cash, cash equivalents, and restricted cash	<u>\$ 514,252</u>	<u>\$ 502,763</u>
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	<u>\$ 32,954</u>	<u>\$ 35,377</u>

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

# **ALLIED DRIVE REDEVELOPMENT, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2024

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### **NOTE A -- Nature of business and significant accounting policies**

#### **Nature of business**

Allied Drive Redevelopment, LLC (the company), was organized on January 25, 2008, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, construct, and operate a 49-unit apartment complex located in Madison, Wisconsin, called Revival Ridge (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The buildings were placed in service from June 2009 through September 2009.

The company consists of one managing member and one investor member with rights, preferences and privileges as described in the amended and restated operating agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the financial statements do not include the personal or corporate assets and liabilities of the members, including their obligations for income taxes on their distributive shares of the net income of the company or their rights to refunds on its net loss, nor any provision for income tax expense.

The company's operating agreement states that the company shall be dissolved upon the occurrence of specific events which are described in the agreement.

A summary of significant accounting policies follows:

#### **Allocation of income/loss and tax credits**

Income or loss of the company is allocated .01% to Community Development Authority of the City of Madison (CDA), the managing member and 99.99% to NEF Assignment Corporation, the investor member. The company is generating low-income housing tax credits which will be allocated in the same manner. Allocation of gain or loss from a sale of the project, if applicable, is subject to different terms as described in the operating agreement.

#### **Use of estimates**

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

#### **Cash and cash equivalents**

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the company due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

# ALLIED DRIVE REDEVELOPMENT, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2024

### NOTE A -- Nature of business and significant accounting policies (Continued)

#### Accounts receivable and revenue recognition

The company follows FASB Codification Topic 842 *Leases* and Topic 450-20 *Loss Contingencies* to account for its operating lease receivables included in accounts receivable. When the company concludes collectibility of specific operating lease receivables is not probable, those receivables are written off to bad debt expense which is presented as a reduction to revenue in the statement of operations. In addition, the company establishes a general allowance at each reporting date when its individual operating leases are considered probable of collection, but when it expects a portion of the operating receivables will be uncollectible based on historical evidence and expectations of future collections. The allowance for uncollectible operating lease receivables totaled \$33,581 and \$10,866 as of December 31, 2024 and 2023, respectively.

The company leases apartments to eligible residents under operating leases which are substantially all on a yearly basis. Residential apartment leases often provide residents with the option to have a pet or use the project's parking, laundry, and/or storage facilities, etc. which are fixed fee lease components. To the extent the company provides such lease components, they are included in other revenue. Rental revenue is recognized, net of vacancies and concessions, on a straight-line basis over the term of the leases.

Other revenue also consists of various tenant charges provided for in the lease contract, such as late fees, cleaning fees, and damages fees which are variable payments that do not provide a transfer of a good or service to the tenants and are not considered components of the lease contract. These fees are recognized as revenue when assessed. Certain services are also provided to tenants outside of the lease contract and are recognized when the service is complete.

As of December 31, 2024 and 2023, all of the company's real estate assets are subject to operating leases.

The residential leases do not provide extension options. A new lease agreement is executed if both parties wish to continue the tenancy upon expiration of the existing lease term. As of December 31, 2024, the average remaining term of the company's residential leases is less than 12 months.

The components of rental revenue for all resident operating leases are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>
Fixed operating lease revenue from apartment rentals, net of vacancies and concessions and bad debt expense	\$ 725,393	\$ 622,881
Variable operating lease revenue included in other revenue	<u>5,685</u>	<u>26,780</u>
Total lease income	<u>\$ 731,078</u>	<u>\$ 649,661</u>

**ALLIED DRIVE REDEVELOPMENT, LLC**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024

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**NOTE A -- Nature of business and significant accounting policies (Continued)**

Supplemental statement of cash flows information related to leases as of December 31, is as follows:

	<u>2024</u>	<u>2023</u>
Cash received from operating leases		
Operating cash flows from operating leases	\$ 737,620	\$ 638,173

**Leases - Lessee**

The company determines if an arrangement is or contains a lease at inception. The company has entered into an operating lease for land. Operating leases are included in right-of-use (ROU) assets in the balance sheet. ROU assets include prepaid rent. Operating lease expense is recognized on a straight-line basis over the lease term.

**Rental property on leased land**

Rental property on leased land is stated at cost. Depreciation of rental property on leased land is computed on the straight-line and declining balance methods based upon the following estimated useful lives of the assets:

	<u>Years</u>
Sitework	15
Buildings	27.5
Furnishings and equipment	5

Maintenance and repairs of rental property are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

**Impairment of long-lived assets**

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

**Tax credit fees**

In connection with obtaining an allocation of low-income housing tax credits, the company paid fees totaling \$110,732 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees using the straight-line method over the related tax credit compliance period of 15 years.

**Reclassifications**

Some items in the 2023 financial statements have been reclassified to be consistent with the current year's presentation.

# ALLIED DRIVE REDEVELOPMENT, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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### NOTE A -- Nature of business and significant accounting policies (Continued)

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after February 25, 2025, which is the date these financial statements were available to be issued. The company has no responsibility to update these financial statements for events and circumstances occurring after this date.

### NOTE B -- Restricted cash

Restricted cash is comprised of the following:

	<u>2024</u>	<u>2023</u>
Tenants' security deposits	\$ 45,159	\$ 45,491
Replacement reserve	16,323	70,743
Mortgage escrow deposits	5,315	7,050
Operating reserve	<u>339,895</u>	<u>334,980</u>
	<u>\$ 406,692</u>	<u>\$ 458,264</u>

#### Replacement reserve

The company's operating agreement requires the company to make monthly deposits to the replacement reserve initially equal to \$300 per unit per year, and increased annually by 3%. Disbursements are restricted to capital improvements and repairs of the project. Disbursements in excess of \$5,000 per month will require written approval of the managing member and asset manager. Any funds remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement.

	<u>2024</u>	<u>2023</u>
Balance, beginning	\$ 70,743	\$ 48,592
Annual deposits	22,346	21,696
Interest earned	260	455
Approved withdrawals	<u>(77,026)</u>	<u>0</u>
Balance, ending	<u>\$ 16,323</u>	<u>\$ 70,743</u>

**ALLIED DRIVE REDEVELOPMENT, LLC**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024

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**NOTE B -- Restricted cash (Continued)**

**Operating reserve**

The company's operating agreement requires the company to fund and maintain an operating reserve on or before the investor member's third equity installment in the amount of \$328,555. Any excess amount remaining at the end of the compliance period shall be distributed to the members as provided for in the operating agreement. If the balance in the operating reserve falls below \$187,903, the company is obligated to replenish the operating reserve from cash flow or the proceeds of sales or refinancing. Disbursements require the approval of the managing member and the asset manager.

	<u>2024</u>	<u>2023</u>
Balance, beginning	\$ 334,980	\$ 330,583
Interest earned	<u>4,915</u>	<u>4,397</u>
Balance, ending	<u><u>\$ 339,895</u></u>	<u><u>\$ 334,980</u></u>

**NOTE C -- Rental property under leased land, net**

Rental property under leased land, net is comprised of the following:

	<u>2024</u>	<u>2023</u>
Non-depreciable land improvements	\$ 401,396	\$ 401,396
Sitework	192,651	185,961
Buildings	8,187,651	8,187,651
Furnishings and equipment	<u>579,209</u>	<u>554,982</u>
	9,360,907	9,329,990
Less accumulated depreciation	<u>5,294,047</u>	<u>4,960,455</u>
	<u><u>\$ 4,066,860</u></u>	<u><u>\$ 4,369,535</u></u>

# ALLIED DRIVE REDEVELOPMENT, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2024

### NOTE D -- Mortgage notes payable

Mortgage notes payable consist of the following:

	<u>2024</u>	<u>2023</u>
CDA; original amount of \$1,255,091; recourse until the three-year anniversary of the expiration of the compliance period; monthly payments of \$6,359, including interest at 4.50% computed on exact days and a 360-day year; due January 1, 2042, or any earlier date on which the entire note balance is required to be paid in full, by acceleration or otherwise; the note may be repaid, in whole or in part, at any time; collateralized by a subordinated mortgage on the project's rental property including the assignment of rents and security agreement; accrued interest was \$1,654 and \$1,860 as of December 31, 2024 and 2023, respectively; interest expense totaled \$20,988 and \$23,419 for the years ended December 31, 2024 and 2023, respectively.	\$ 440,961	\$ 496,077
CDA; original amount of \$760,006; recourse until the three-year anniversary of the expiration of the compliance period; monthly simple interest-only payments at 3.00%; balloon payment of principal and unpaid interest due 30 years from the date the project reaches stabilized occupancy (stabilized occupancy met January 1, 2012), or any earlier date on which the entire note balance is required to be paid in full, by acceleration or otherwise; the note may be repaid, in whole or in part, at any time; collateralized by a subordinated mortgage on the project's rental property including the assignment of rents and security agreement; interest expense totaled \$11,760 for each of the years ended December 31, 2024 and 2023.	<u>392,000</u>	<u>392,000</u>
Balance carried forward	832,961	888,077

**ALLIED DRIVE REDEVELOPMENT, LLC**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024

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**NOTE D -- Mortgage notes payable (Continued)**

	<u>2024</u>	<u>2023</u>
Balance brought forward	\$ 832,961	\$ 888,077
CDA; original amount of \$1,705,426; recourse until the three-year anniversary of the expiration of the compliance period; monthly interest payments at 4.50% to the extent that there is excess cash flow available; monthly principal and interest payments of \$6,753 (effective interest rate of 4.59%) commence on the date the project reaches stabilized occupancy (January 1, 2012) to the extent that there is excess cash flow available; due 30 years from the date the project reaches stabilized occupancy, or any earlier date on which the entire note balance is required to be paid in full, by acceleration or otherwise; the note may be repaid, in whole or in part, at any time; collateralized by a subordinated mortgage on the project's rental property including the assignment of rents and security agreement; accrued interest was \$479,371 and \$419,393 as of December 31, 2024 and 2023, respectively; interest expense totaled \$59,978 for each of the years ended December 31, 2024 and 2023.	<u>1,332,864</u>	<u>1,332,864</u>
	<u>\$ 2,165,825</u>	<u>\$ 2,220,941</u>

Repayment of principal on the mortgage notes payable as of December 31, 2024, is as follows:

Year ending December 31,

2025	\$ 57,648
2026	60,297
2027	63,067
2028	65,964
2029	68,995
Thereafter	<u>1,849,854</u>
	<u>\$ 2,165,825</u>



**ALLIED DRIVE REDEVELOPMENT, LLC**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024

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**NOTE E -- Members' capital contributions**

The managing member has made their required capital contribution of \$100. The investor member has made their required capital contributions totaling \$7,514,874 as of December 31, 2024.

**NOTE F -- Related-party transactions**

**Operating lease ROU asset**

The company leases its land under an operating lease with the managing member which required a one-time rental fee of \$392,000. The term of the lease began on December 4, 2008, and ends on December 3, 2106, unless terminated earlier in accordance with the ground lease agreement. Operating lease ROU asset was \$327,667 and \$331,667 as of December 31, 2024 and 2023, respectively. Operating lease expense totaled \$4,000 for each of the years ended December 31, 2024 and 2023.

**Managing member management fee**

The operating agreement provides for the company to pay a cumulative annual managing member management fee to the managing member in the initial amount of \$20,000, increasing annually by 3%. The fee is payable out of cash flow as defined in the operating agreement. Accrued managing member management fees included in accrued expenses were \$403,145 and \$371,985 as of December 31, 2024 and 2023, respectively. Managing member management fees totaled \$31,160 and \$30,252 for the years ended December 31, 2024 and 2023, respectively.

**Asset management fee**

The operating agreement provides for the company to pay a cumulative annual asset management fee to an affiliate of the investor member in the initial amount of \$4,800, increasing annually by 3%. The fee is payable out of cash flow as defined in the operating agreement. Accrued asset management fees included in accrued expenses were \$7,478 and \$0 as of December 31, 2024 and 2023, respectively. Asset management fees totaled \$7,478 and \$7,260 for the years ended December 31, 2024 and 2023, respectively.

**ALLIED DRIVE REDEVELOPMENT, LLC**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2024

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**NOTE G -- Company profits and losses and distributions**

Distributable cash flow, as defined by the company agreement, is allocated .01% to the managing member and 99.99% to the investor member.

Gain, if any, from a sale or exchange or other disposition of the property owned by the company is allocable as follows:

1. If the investor member's capital account has a negative balance prior to the distribution of any sale or refinancing proceeds, 99.99% to the investor member and 0.01% to the managing member until the investor member's negative balance reaches zero.
2. 99.99% to the investor member and 0.01% to the managing member until the investor member's capital account balance equals the projected tax liabilities as defined in the operating agreement.
3. The remainder of such gain, if any, 99.99% to the investor member and .01% to the managing member.

There were no distributions made during the years ended December 31, 2024 and 2023.

**NOTE H -- Commitments and contingencies**

**Land Use Restriction Agreement (LURA)**

The company has entered into a LURA with WHEDA as a condition to receiving an allocation of low-income housing tax credits. Under this agreement, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreement places occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the company fails to comply with this agreement or with the IRC, it may be ineligible for low-income housing tax credits, and the members may be required to recapture a portion of the tax credits previously claimed on their income tax returns. In addition, noncompliance may require an adjustment to the contributed capital of the investor member. The company is obligated to certify tenant eligibility.

**Management fee**

The company entered into a property management agreement with Lutheran Social Services of Wisconsin & Upper Michigan, Inc. under which the company is obligated to pay a management fee of 6% of gross rental income. The agreement expired on June 30, 2024, but was renewed for an additional one-year term. Management fees incurred under this agreement totaled \$41,236 and \$34,571 for the years ended December 31, 2024 and 2023, respectively.

## SUPPLEMENTARY INFORMATION

**ALLIED DRIVE REDEVELOPMENT, LLC**  
**SCHEDULES OF PROJECT OPERATING EXPENSES**  
Years ended December 31, 2024 and 2023

	2024	2023
<b>RENT AND ADMINISTRATIVE</b>		
Other rent expense	\$ 1,213	\$ 488
Office expense	25,945	17,978
Office salaries	21,424	29,508
Management fees	41,236	34,571
Professional fees - legal	26,663	7,919
Professional fees - audit	10,490	10,020
Bad debt expense	412	7,046
Manager salaries	28,980	26,736
Miscellaneous rent and administrative	4,621	5,361
<b>TOTAL RENT AND ADMINISTRATIVE</b>	<u>\$ 160,984</u>	<u>\$ 139,627</u>
<b>UTILITIES</b>		
Electric	\$ 10,223	\$ 9,929
Water	24,999	18,985
Gas	8,837	15,025
Sewer	23,870	21,604
<b>TOTAL UTILITIES</b>	<u>\$ 67,929</u>	<u>\$ 65,543</u>
<b>OPERATING AND MAINTENANCE</b>		
Payroll	\$ 52,310	\$ 50,792
Supplies	33,278	28,430
Contracts	155,329	148,768
Garbage and trash removal	34,986	36,584
Heating and cooling repair and maintenance	115	384
Snow removal	12,015	5,700
<b>TOTAL OPERATING AND MAINTENANCE</b>	<u>\$ 288,033</u>	<u>\$ 270,658</u>
<b>OPERATING LEASE EXPENSE</b>	<u>\$ 4,000</u>	<u>\$ 4,000</u>
<b>TAXES AND INSURANCE</b>		
Real estate tax	\$ 80,050	\$ 75,116
Payroll taxes	8,639	8,775
Property and liability insurance	6,543	9,802
Employee benefits	15,565	17,002
<b>TOTAL TAXES AND INSURANCE</b>	<u>\$ 110,797</u>	<u>\$ 110,695</u>