Truax Park Redevelopment, Phase I, LLC

Financial Report

December 31, 2021

SVA® Certified Public Accountants, S.C.
Tax, Audit and Business Strategy

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

CONTENTS

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

C O N T E N T S (Continued)

INDEPENDENT AUDITOR'S REPORT

To the Members
Truax Park Redevelopment, LLC
Madison, WI

Opinion

We have audited the accompanying financial statements of Truax Park Redevelopment, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, 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 Truax Park Redevelopment, LLC as of December 31, 2021 and 2020, 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 Truax Park 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 Truax Park 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.

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 Truax Park 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 Truax Park 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, including the schedules of project operating expenses required by the investor member and the supplemental information required by the Wisconsin Housing and Economic Development Authority (WHEDA), 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, 2022

Lead auditor: Lynn C. Heslinga, CPA
SVA Certified Public Accountants, S.C.
ID #39-1203191
Phone number: (608) 831-8181

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

BALANCE SHEETS

December 31, 2021 and 2020

	2021	2020
ASSETS		
Restricted cash	$ 816,876	$ 762,062
Accounts receivable, tenants	3,527	2,886
Accounts receivable, related party	187,852	156,925
Prepaid expenses	22,249	10,981
Rental property, net	8,723,493	9,165,625
Tax credit fees, net	42,528	53,160
TOTAL ASSETS	$ 9,796,525	$ 10,151,639
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable	$ 3,219,202	$ 3,278,243
Development completion guaranty loan	112,586	112,586
Deferred revenue	414,767	440,161
Development fee payable	58,735	58,735
Accounts payable	55,038	28,826
Accrued interest	1,353,753	1,209,879
Accrued expenses	138,620	128,249
Tenants' security deposits payable	25,115	24,930
Prepaid rents	6,285	4,288
Total liabilities	5,384,101	5,285,897
MEMBERS' EQUITY	4,412,424	4,865,742
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 9,796,525	$ 10,151,639

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Rental income	$ 449,718	$ 415,628
Operating subsidies	222,125	189,541
Vacancies and concessions	(5,233)	(22,378)
Other revenue	14,053	17,081
Total revenues	680,663	599,872
Rental expenses:		
Rent and administrative	111,915	110,018
Utilities	90,454	72,971
Operating and maintenance	227,081	238,664
Taxes and insurance	106,918	120,524
Total rental expenses	536,368	542,177
Net rental income	144,295	57,695
Financial income (expense):		
Interest income	132	331
Interest expense	(160,833)	(158,330)
Total financial income (expense)	(160,701)	(157,999)
Loss before other income (expenses)	(16,406)	(100,304)
Other income (expenses):		
Amortization of deferred revenue	25,394	25,394
Depreciation	(442,132)	(442,132)
Amortization	(10,632)	(10,632)
Asset management fee	(9,542)	(9,264)
Total other income (expenses)	(436,912)	(436,634)
Net loss	$ (453,318)	$ (536,938)

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2021 and 2020

	Managing member	Investor member - MS Shared Investment Fund I, LLC	Investor member - NEF Assignment Corporation	Total
Balances, December 31, 2019	$ (359)	$ 485,705	$ 4,917,334	$ 5,402,680
Net loss	(53)	(48,486)	(488,399)	(536,938)
Balances, December 31, 2020	(412)	437,219	4,428,935	4,865,742
Net loss	(45)	(40,935)	(412,338)	(453,318)
Balances, December 31, 2021	$ (457)	$ 396,284	$ 4,016,597	$ 4,412,424
Ownership percentages	0.01%	9.03%	90.96%	100.000%

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (453,318)	$ (536,938)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	442,132	442,132
Amortization	10,632	10,632
Amortization of deferred revenue	(25,394)	(25,394)
Increase (decrease) in cash due to changes in:		
Accounts receivable, tenants	(641)	(79)
Accounts receivable, related party	(30,927)	(13,164)
Prepaid expenses	(11,268)	1,100
Accounts payable	26,212	16,894
Accrued interest	143,874	139,651
Accrued expenses	10,371	7,575
Tenants' security deposits payable	185	2,225
Prepaid rents	1,997	(737)
Net cash provided by operating activities	113,855	43,897
CASH FLOWS FROM INVESTING ACTIVITIES	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(59,041)	(57,321)
Change in cash, cash equivalents, and restricted cash	54,814	(13,424)
Cash, cash equivalents, and restricted cash:		
Beginning	762,062	775,486
Ending	$ 816,876	$ 762,062
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	$ 0	$ 0
Restricted cash	816,876	762,062
Total cash, cash equivalents, and restricted cash	$ 816,876	$ 762,062
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 16,959	$ 18,679

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

NOTE A -- Nature of business and significant accounting policies

Nature of business

Truax Park Redevelopment, Phase I, LLC (the company), was organized on March 24, 2009, as a limited liability company under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, rehabilitate and operate a six building, 71-unit apartment complex located in Madison, Wisconsin, called Truax Park Apartments (the project). The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The original property, including the buildings, common area and land, was acquired under a capital lease dated October 29, 2010. The company completed rehabilitation of the 6 buildings on various dates from March through December of 2011.

The company consists of one managing member, the Community Development Authority of the City of Madison (CDA), and two investor members, with rights, preferences and privileges as described in the 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:

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.

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

Accounts receivable and revenue recognition

The company utilizes the direct write-off method of accounting for bad debts. The use of this method has no material effect on the financial statements. Accounts receivable are written off when management determines an account is uncollectible.

Rental revenue is recognized when earned. The company leases apartments to eligible applicants under operating leases which are substantially all on a yearly or monthly basis. Other revenue consists of various tenant charges and other services and is recognized when the service is complete.

Rental property

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

	Years
Land and buildings under capital lease	98
Land improvements	15
Buildings and improvements	20 - 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.

It is the company's policy to include amortization expense on assets acquired under capital leases with depreciation expense on owned assets.

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 $159,479 to the Wisconsin Housing and Economic Development Authority (WHEDA). The company is amortizing these fees on the straight-line method over the related tax credit compliance period of 15 years.

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

Deferred revenue

Governmental agencies have provided grant funding to the company to encourage the development of affordable housing. The company has received funds under the Tax Credit Exchange Program (TCEP) (see Note I). The deferred revenue relating to these grants is recognized as revenue in the statements of operations (shown as amortization of deferred revenue) under the straight-line method over the estimated useful lives of the underlying assets acquired.

Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income, public housing residential real estate market. In addition, the project operates in a heavily regulated environment. The operations of the project are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies including, but not limited to CDA under the Regulatory & Operating Agreement (R&O Agreement) and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by CDA or HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including additional administrative burden to comply with a change.

Subsequent events

These financial statements have not been updated for subsequent events occurring after February 25, 2022, 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:

	2021	2020
Operating and ACC reserve	$ 816,876	$ 762,062

Annual Contributions Contract (ACC) reserve

The operating agreement and R&O Agreement requires the company to fund an ACC reserve equal to $350,000 upon the receipt of the investor members' third installment of their capital contributions. Disbursements are to be used to pay operating and debt service deficits that directly result from the reduction or loss of the ACC operating subsidy. Funds may only be withdrawn with the 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. The ACC reserve is currently being held in the same bank account as the operating reserve.

NOTE B -- Restricted cash (Continued)

Operating reserve

The operating agreement and R&O Agreement require the company to fund and maintain an operating reserve in the amount of $232,360 upon the receipt of the investor members' third installment of their capital contributions. 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 $232,360, 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. The operating reserve is currently being held in the same bank account as the ACC reserve.

	2021	2020
Balance, beginning	$ 762,062	$ 775,486
Annual deposits – replacement reserve	27,792	0
Additional deposits – replacement reserve	26,982	0
Interest earned	40	76
Withdrawals	0	(13,500)
Balance ending	$ 816,876	$ 762,062

Replacement reserve

The operating agreement and R&O Agreement require the company to make monthly deposits to the replacement reserve initially equal to $300 per unit per year, and increasing 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.

The balance of the replacement reserve was $233,875 and $179,101 as of December 31, 2021 and 2020, respectively. The required deposits for the replacement reserve of $26,982 were not made in 2020. The required deposits for the replacement reserve for both 2021 and 2020 were made during 2021 totaling $54,744 to the same bank account that holds the operating and ACC reserves. See disclosure on operating reserve above.

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	2021	2020
Land and buildings under capital lease	$ 1,846,000	$ 1,846,000
Land improvements	191,117	191,117
Buildings and improvements	11,325,047	11,325,047
Furnishings and equipment	240,052	240,052
	13,602,216	13,602,216
Less accumulated depreciation	4,878,723	4,436,591
	$ 8,723,493	$ 9,165,625

NOTE D -- Mortgage notes payable

Mortgage notes payable consists of the following:

	2021	2020
CDA; non-recourse mortgage note payable under the capital lease described in Note E; due in one installment on October 29, 2050, together with interest at 4.00%, compounded annually; collateralized by a mortgage on the project's rental property; accrued interest was $1,015,723 and $905,656 as of December 31, 2021 and 2020, respectively; interest expense totaled $110,067 and $105,833 for the years ended December 31, 2021 and 2020, respectively.	$ 1,846,000	$ 1,846,000
CDA; non-recourse mortgage note payable; annual installments of $76,000 through October 29, 2025, including interest at 3% per annum; balloon payment of all outstanding principal and accrued interest due on October 28, 2026; collateralized by a mortgage on the project's rental property; accrued interest was $1,539 and $2,409 as of December 31, 2021 and 2020, respectively; interest expense totaled $16,089 and $17,819 for the years ended December 31, 2021 and 2020, respectively.	506,260	565,301
Balance carried forward	2,352,260	2,411,301

NOTE D -- Mortgage notes payable (Continued)

	2021	2020
Balance brought forward	$ 2,352,260	$ 2,411,301
CDA; non-recourse mortgage note payable in the amount of $400,000; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal and accrued interest due in one installment on October 29, 2050, together with interest at 4.00% per annum; collateralized by a mortgage on the project's rental property; accrued interest was $169,949 and $153,949 as of December 31, 2021 and 2020, respectively; interest expense totaled $16,000 for each of the years ended December 31, 2021 and 2020.	400,000	400,000
CDA; non-recourse mortgage note payable in the amount of $466,942; due to the extent and priority provided in the operating agreement with the remainder of all outstanding principal and accrued interest due in one installment on October 29, 2050, together with interest at 4.00% per annum; collateralized by a mortgage on the project's rental property; accrued interest was $166,542 and $147,865 as of December 31, 2021 and 2020, respectively; interest expense totaled $18,677 and $18,678 for the years ended December 31, 2021 and 2020, respectively.	466,942	466,942
	$ 3,219,202	$ 3,278,243

NOTE D -- Mortgage notes payable (Continued)

Repayment of principal on the mortgage notes payable as of December 31, 2021, is as follows:

Year ending December 31,	
2022	$ 60,544
2023	62,385
2024	64,283
2025	66,238
2026	252,810
Thereafter	2,712,942
	$ 3,219,202

NOTE E -- Capital lease

The company has entered into a capital lease agreement with the CDA dated October 29, 2010, to operate and manage the project during the term of the capital lease in accordance with all applicable public housing requirements. Rental property recorded under this non-cancellable capital lease consists of:

Land	$ 71,000
Buildings	1,775,000
Total	$ 1,846,000

In accordance with accounting principles generally accepted in the United States, the land and buildings are capitalized as a single unit and amortized over the lease term of 98 years. Accumulated depreciation on the land and building under the capital lease was $210,344 and $191,507 as of December 31, 2021 and 2020, respectively.

Base rent under the lease was payable in a single installment of $1,846,000 on October 29, 2010. The balance of unpaid base rent accrues interest at 4.00%, compounded annually (See Note D). Payments made by the company shall be applied first to accrued interest and then against the unpaid base rent amount. The base rent and all accrued interest thereon is due October 28, 2050. The capital lease obligation is secured by a mortgage note as described in Note D. The lease expires October 28, 2108.

NOTE F -- Members' capital contributions

The managing member is required to make capital contributions of $100 and the investor members are required to make capital contributions totaling $9,758,907. The members have made the required capital contributions as of December 31, 2020.

NOTE G -- Related-party transactions

Accounts receivable

Included in accounts receivable, related party are amounts due from the CDA for reimbursable expenses related to the service coordinator totaling $2,660 and $3,674 as of December 31, 2021 and 2020, respectively.

Accounts payable

Included in accounts payable are amounts due to the City of Madison, an affiliate of the managing member, for project funds paid by the City of Madison on behalf of the project totaling $25,710 and $9,468 as of December 31, 2021 and 2020, respectively.

Regulatory and Operating Agreement

The company has entered into an R&O Agreement with the CDA. Provisions of the agreement require the company to maintain 47 units as public housing units. With regards to the public housing units, the CDA is to pay operating subsidies to the company equal to project expenses less income received from tenants residing in the public housing units. The operating subsidy shall terminate no later than January 1, 2051. The agreement will expire upon the earliest to occur of the expiration of 40 years from the date of first occupancy or at the option of the project at the close of the first project year of which the CDA ceases to pay operating subsidies. Operating subsidies totaling $222,125 and $189,541 were earned during the years ended December 31, 2021 and 2020, respectively. Included in accounts receivable, related party are operating subsidies receivable of $185,192 and $153,251 as of December 31, 2021 and 2020, respectively

Development completion guaranty

Under terms of the operating agreement, the managing member is obligated to complete the required rehabilitation of the project. In the event the company lacks sufficient funds from the member capital contributions and proceeds from the construction and permanent mortgages to pay for the rehabilitation costs, the managing member is obligated to provide such funds to the company in the form of an unsecured loan. Any loans under this agreement shall not bear interest and shall be payable in accordance with the operating agreement. The development completion guaranty loan was $112,586 as of December 31, 2021 and 2020.

Development fee

The company has entered into a development agreement with the CDA. The agreement provides for the payment of a development fee of $1,314,342, which has been capitalized into the cost of the buildings. The unpaid portion of the development fee is payable from future capital contributions and available cash flow as defined in the operating agreement. If not paid in full by the twelfth year of the compliance period, it shall be paid from the proceeds of an additional capital contribution from the managing member to the company in an amount equal to the unpaid portion of the development fees, as defined in the operating agreement. Development fee payable was $58,735 as of December 31, 2021 and 2020.

NOTE G -- Related-party transactions (Continued)

Property management agreement

The company has entered into a property management agreement with the CDA under which the company is obligated to pay a property management fee equal to 5% of gross residential rents on a monthly basis. The agreement is automatically renewed from year to year unless otherwise terminated. Property management fees totaled $22,224 and $19,662 for the years ended December 31, 2021 and 2020, respectively.

Asset management fee

The company is obligated to pay an affiliate of an investor member an annual asset management fee in the initial amount of $7,100, increasing annually by 3%. The fee is payable only out of cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Included in accrued expenses are accrued asset management fees of $84,167 and $74,625 as of December 31, 2021 and 2020, respectively. Asset management fees incurred totaled $9,542 and $9,264 for the years ended December 31, 2021 and 2020, respectively.

NOTE H -- 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 members.

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 members' capital accounts have a negative balance prior to the distribution of any sale or refinancing proceeds, 99.99% to the investor members and 0.01% to the managing member until the investor members' negative balance reaches zero.

2. 99.99% to the investor members and 0.01% to the managing member until the investor members' 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 members and .01% to the managing member.

There were no distributions made during the years ended December 31, 2021 and 2020.

NOTE I -- 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 members. The company is obligated to certify tenant eligibility.

TCEP

The company has entered into a TCEP Subaward Agreement (Subaward Agreement) with WHEDA. Under the Subaward Agreement, the company received grant funds totaling $698,333 pursuant to Section 1602 of the American Recovery and Reinvestment Act of 2009. If the company fails to continuously comply with the guidelines of the Subaward Agreement, it may be required to refund up to the full amount of the grant funds received and reimburse WHEDA for the costs and fees incurred in connection with the recapture event. As a condition to making the Subaward Agreement, WHEDA required the owner to enter into a corporate guarantee. The Subaward Agreement terminates at the expiration of the low-income housing tax credit compliance period.

Project Based Housing Assistance Payments Contract

The company entered into a Project Based Housing Assistance Payments Contract (the Agreement) with the CDA. The CDA has entered into a Consolidated Annual Contributions Contract with HUD allowing its participation in HUD's Section 8 Project Based Housing Assistance Payments Program (the Program). The Agreement, approved by HUD, authorizes the CDA to set aside on a long-term basis 24 certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays no more than 30% of its annual income for rents and utilities, provided that the rent and utilities do not exceed the applicable fair market rents (FMR). The agreement may be terminated upon at least 30 days notice if it is determined that the contract units were not meeting HUD requirements. The length of the initial term of the contract is 15 years.

SUPPLEMENTARY INFORMATION

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

SUPPLEMENTAL INFORMATION REQUIRED BY INVESTOR MEMBER

Years ended December 31, 2021 and 2020

SCHEDULES OF PROJECT OPERATING EXPENSES

	2021	2020
RENT AND ADMINISTRATIVE		
Office salaries	$ 66,793	$ 63,855
Office expense	9,881	10,018
Property management fees	22,224	19,662
Professional fees - audit	8,905	8,880
Miscellaneous rent and administrative	4,112	7,603
TOTAL RENT AND ADMINISTRATIVE	$ 111,915	$ 110,018
UTILITIES		
Electric	$ 15,377	$ 16,011
Water	32,557	25,703
Gas	17,347	12,742
Sewer	25,173	18,515
TOTAL UTILITIES	$ 90,454	$ 72,971
OPERATING AND MAINTENANCE		
Payroll	$ 84,994	$ 87,172
Supplies	25,115	21,858
Contracts	47,551	85,183
Garbage and trash removal	22,860	14,424
Security services	18,889	20,622
Snow removal	1,149	394
Vehicle/maintenance equipment repairs	26,476	8,984
Miscellaneous operating and maintenance	47	27
TOTAL OPERATING AND MAINTENANCE	$ 227,081	$ 238,664
TAXES AND INSURANCE		
Real estate taxes	$ 40,718	$ 40,553
Payroll taxes	11,203	10,586
Property and liability insurance	11,940	35,186
Health insurance and other employee benefits	43,057	34,199
TOTAL TAXES AND INSURANCE	$ 106,918	$ 120,524

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA
December 31, 2021

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

Accounts receivable, related party - CDA	$ 2,660
Accounts receivable, ACC subsidy, related party	185,192
	$ 187,852

DELINQUENT TENANTS' ACCOUNTS RECEIVABLE

	Number of tenants	Amount past due
Delinquent 30 days	13	$ 3,527
Delinquent 31 to 60 days	0	0
Delinquent 61 to 90 days	0	0
Delinquent over 90 days	0	0
		$ 3,527

DISTRIBUTIONS

None.

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD BY WHEDA

	Operating & ACC reserve
Balance, beginning	$ 762,062
Deposits	54,774
Withdrawals	0
Interest earned	40
Balance, ending	$ 816,876

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA (Continued)
December 31, 2021

RELATED PARTY TRANSACTIONS

Development fee		
Beginning balance	$	58,735
Payments		0
Ending balance	$	58,735
Asset management fee		
Beginning accrual	$	74,625
Current year expense		9,542
Fee paid		0
Ending accrual	$	84,167
Property management fee		
Beginning accrual	$	0
Current year expense		22,224
Fee paid		(22,224)
Ending accrual	$	0

COMPUTATION OF SURPLUS CASH

CURRENT ASSETS				
Accounts receivable, related party			$	187,852
MEMO - Tenants' security deposits	$	0		
Total current assets				187,852
CURRENT LIABILITIES				
MEMO - Tenants' security deposits	$	25,115		
Accounts payable				55,038
Accrued interest				1,539
Accrued expenses				54,453
Underfunded tenants' security deposits				25,115
Prepaid rents				6,285
Total current liabilities				142,430
SURPLUS CASH			$	45,422

Version 2021.1.0

WHEDA

STANDARDIZED FINANCIAL TEMPLATE

Main Information

Field Name	Value
Property Info	
Property Name	Truax Park Redevelopment, Phase I, LLC
Project Number	5495
HFA Number	51962
Balance Sheet Date of Statement:	12/31/2021
P&L Statement Period:	01/01/2021 - 12/31/2021

BALANCE SHEET

51962

Date of Statement: 12/31/2021

Section	Account ID	Agency Label	Amount	Comment
1100 CURRENT ASSETS	1120.01	Cash - Operations	$ -	
	1121.01	Construction Cash Account		
	1125.11	Cash - Entity		
	1130.01	Tenant Accounts Receivable	$ 3,527	
	1130.02	Allowance for Doubtful Accounts (deduct)		
	1140.01	Accounts and Notes Receivable-Operations	$ 187,852	
	1140.91	Accounts Receivable-WHEDA		
	1145.01	Accounts and Notes Receivable-Entity		
	1160.01	Accounts Receivable-Interest		
	1160.11	Interest Reduction Payment Receivable		
	1170.11	Short Term Investments- Operations		
	1170.21	Short Term Investments-Entity		
	1190.01	Misc Current Assets		
	1191.01	Tenant Security Deposits	$ -	
	1100	**Total Current Assets**	**$ 191,379**	
1200 PREPAID EXPENSES	1210.01	Misc Prepaid Expenses	$ 22,249	
	1200	**Total Prepaid Expenses**	**$ 22,249**	
1300 FUNDED RESERVES	1310.01	Escrow Deposits		
	1310.21	Insurance Escrow		
	1310.22	Real Estate Tax or PILOT Escrow	$ -	
	1320.01	Reserve for Replacements	$ -	
	1330.01	Other Reserve	$ 816,876	Operating/ACC/Replacement Reserve
	1340.01	Residual Receipts Reserve		
	1360.01	Development Cost Escrow		
	1360.41	FHA Insurance Reserve		
	1380.01	Management Improvement and Operating Plan		
	1300	**Total Funded Reserves**	**$ 816,876**	
1400 FIXED ASSETS	1410.01	Land	$ 1,846,000	
	1420.01	Building	$ 11,325,047	
	1440.01	Building Equipment (portable)		
	1450.01	Furnishings	$ 240,052	
	1450.31	Furniture for Project/Tenant Use		
	1450.91	Office Furniture and Equipment		
	1470.01	Maintenance Equipment		
	1480.01	Motor Vehicles		
	1490.01	Misc Fixed Assets	$ 191,117	Land Improvements
	1490.11	Accumulated Depreciation (deduct)	$ (4,878,723)	
	1400	**Total Fixed Assets**	**$ 8,723,493**	
1500 INVESTMENTS	1510.01	Investments-Operations		
	1515.01	Investments-Entity		
	1530.01	Intangible Assets	$ 42,528	Tax Credit Fees - Net of Amortization
	1500	**Total Investment Long-term**	**$ 42,528**	
1900 MISC ASSETS	1910.01	Misc Other Assets		
	1900	**Total Other Assets**	**$ -**	
		TOTAL ASSETS	**$ 9,796,525**	

BALANCE SHEET

51962

Date of Statement: **12/31/2021**

	Account ID	Agency Label	Amount	Comment
2100 CURRENT LIABILITIES	2105.01	Bank Overdraft-Operations		
	2110.01	Accounts Payable-Operations	$ 55,038	
	2110.11	Accounts Payable-Construction/Development		
	2110.91	Accounts Payable-30 Days		
	2112.01	Accounts Payable-Project Improvements Items		
	2113.01	Accounts Payable-Entity	$ 142,902	
	2115.11	Accounts Payable-236 Excess Income Due HUD		
	2115.21	Accounts Payable-WHEDA/HUD		
	2120.01	Accrued Wages Payable	$ 6,600	
	2120.11	Accrued Payroll Taxes Payable	$ 2,949	
	2120.31	Accrued Management Fee Payable	$ -	
	2130.01	Accrued Interest Payable-First Mortgage	$ 1,539	
	2130.31	Accrued Interest Payable-Second Mortgage		
	2130.41	Accrued Interest Payable-Section 236		
	2131.11	Accrued Interest Payable-Other Loans (Surp Cash)	$ 1,352,214	
	2131.12	Accrued Interest Payable-Other Loans and Notes		
	2131.21	Accrued Interest Payable-Flexible Subsidy Loan		
	2131.31	Accrued Interest Payable-Capital Improvement Loan		
	2131.32	Accrued Interest Payable-Operating Loss Loan		
	2150.11	Accrued Real Estate & Property Tax Payable	$ -	
	2160.01	Short Term Notes Payable		
	2160.31	Other Loans and Notes Payable, Surplus Cash ST		
	2160.32	Other Loans and Notes (Short Term)		
	2160.41	Flexible Subsidy Loan Payable (Short Term)		
	2160.51	Capital Improvement Loan Payable (Short Term)		
	2160.52	Operating Loss Loan Payable (Short Term)		
	2170.11	Mortgage Payable-First Mortgage (Short Term)	$ 60,544	
	2170.31	Mortgage Payable-Second Mortgage (Short Term)		
	2180.01	Utility Allowances		
	2190.01	Misc Current Liabilities/Preservation Fee	$ 70,298	
	2191.01	Tenant Security Deposits	$ 25,115	
	2210.01	Prepaid Revenue	$ 6,285	
	2100	**Current Liabilities**	**$ 1,723,484**	
2300 LONG-TERM LIABILITIES	2310.01	Notes Payable-Long Term		
	2310.31	Notes Payable-Surplus Cash		
	2310.32	Other Loans and Notes Payable	$ 2,712,942	
	2310.33	Other Loans and Notes Payable-Surplus Cash		
	2310.41	Flexible Subsidy Loan Payable		
	2310.51	Capital Improvement Loan Payable		
	2310.52	Operating Loss Loan Payable		
	2320.11	Mortgage Payable-First Mortgage	$ 445,716	
	2320.31	Mortgage Payable-Second Mortgage	$ -	
	2390.01	Misc Long Term Liabilities	$ 501,959	
	2300	**Long-Term Liabilities**	**$ 3,660,617**	
		TOTAL LIABILITIES	**$ 5,384,101**	
	3110.11	Total Equity/Retained Earnings	$ 4,412,424	
		TOTAL EQUITY	**$ 4,412,424**	
		TOTAL LIABILITIES & EQUITY	**$ 9,796,525**	

WHEDA

PROFIT & LOSS STATEMENT

51962

Statement Period: **01/01/2021 - 12/31/2021**

Section	Account ID	Agency Label	Amount	Comment
5100 RENT REVENUE	5120.11	Rent Revenue-Gross Potential	$ 449,718	
	5120.21	Tenant Assistance Payments	$ 222,125	
	5140.01	Rent Revenue - Commercial/Stores @ 100%		
	5170.01	Rent Revenue-Garage/Parking @ 100%	$ -	
	5180.01	Flexible Subsidy Revenue		
	5190.01	Misc Rent Revenue		
	5190.11	Excess Rent		
	5190.12	Rent Revenue/Insurance		
	5190.13	Special Claims Revenue		
	5190.14	Retained Excess Income		
	5100	**Rent Revenue**	**$ 671,843**	
5200 VACANCY	5220.01	Apartment Vacancies (deduct)	$ (5,233)	
	5240.01	Stores/Commercial Vacancies or Concessions (deduct)		
	5250.01	Rental Concessions (deduct)	$ -	
	5270.01	Garage/Parking Vacancies or Concessions (deduct)	$ -	
	5290.01	Miscellaneous (deduct)		
	5200	**Vacancy**	**$ (5,233)**	
5300 ELDERLY SERVICE REVENUE	5310.14	Priv Pay Room / Board		
	5310.24	Medicare Room / Board		
	5310.34	Medicaid Room / Board		
	5310.44	VA Room / Board		
	5320.34	Food		
	5320.51	Housekeeping		
	5320.71	Laundry / Linen		
	5300	**Elderly Service Revenue**	**$ -**	
5400 FINANCIAL REVENUE	5410.01	Financial Revenue-Project Operations	$ 132	
	5430.01	Revenue from Investments-Residual Receipts		
	5440.01	Revenue from Investments-Replacement Reserve	$ -	
	5490.01	Revenue from Investments-Miscellaneous	$ -	
	5400	**Financial Revenue**	**$ 132**	
5900 OTHER REVENUE	5910.01	Laundry/Vending Income (Net)	$ -	
	5920.01	Tenant Charges	$ 2,509	
	5990.01	Miscellaneous Revenue	$ 36,938	
	5900	**Other Revenue**	**$ 39,447**	
	5000	**REVENUE**	**$ 706,189**	
6200-6300 RENT/ADMIN EXPENSES	6210.01	Advertising/Marketing Expense	$ -	
	6250.01	Other Rent Expense	$ -	
	6310.01	Office Salaries	$ 66,793	
	6311.01	Office Expenses	$ 9,881	
	6311.21	Office or Model Apartment Rent		
	6320.01	Management Fees All	$ 22,224	
	6330.11	Manager/Superintendent Salaries		
	6330.21	Administrative Rent-Free Unit	$ -	
	6340.01	Legal Expense-Project Only	$ -	
	6350.01	Audit Expense - Project Only	$ 8,905	
	6351.01	Bookkeeping Fees/Accounting Services	$ -	
	6370.01	Bad Debt Expense	$ -	
	6390.01	Misc Administrative Expenses	$ 4,112	
	6200	**Administrative Expense**	**$ 111,915**	
6400 UTILITY EXPENSE	6420.01	Fuel Oil		
	6450.11	Electricity	$ 15,377	
	6450.21	Gas	$ 17,347	
	6450.32	Water	$ 32,557	
	6450.33	Sewer	$ 25,173	
	6400	**Utility Expense**	**$ 90,454**	
6500 OPERATING & MAINTENANCE EXPENSE	6510.01	Payroll	$ 84,994	
	6510.31	Operating and Maintenance Rent Free Unit		
	6515.01	Supplies	$ 25,115	
	6520.01	Contracts	$ 47,551	
	6525.01	Garbage & Trash Removal	$ 22,860	
	6530.11	Security Payroll/Contract (incl taxes and benefits)	$ 18,889	
	6530.21	Security Rent Free Unit		
	6540.11	Heating/Cooling Repairs & Maintenance	$ -	
	6540.21	Snow Removal	$ 1,149	
	6570.01	Vehicle/Maintenance Equipment Operation & Repairs	$ 26,476	
	6580.01	RR releases to reimburse expensed items and/or CAPEX paid from project operations (deduct)		
	6590.01	Misc Operating & Maintenance Expense	$ 47	
	6500	**Operating and Maintenance Expense**	**$ 227,081**	

PROFIT & LOSS STATEMENT

51962

Statement Period: **01/01/2021 - 12/31/2021**

Section	Account ID	Agency Label	Amount	Comment
6700 TAXES AND INSURANCE				
	6710.01	Real Estate & Personal Property Taxes	$ 40,718	
	6711.01	Payroll Taxes - Project Share	$ 11,203	
	6720.01	Property & Liability Insurance (Hazard)	$ 11,940	
	6723.01	Health Insurance and Other Employee Benefits	$ 43,057	
	6723.11	Fidelity Bond Insurance		
	6723.21	Workmens Compensation		
	6790.01	Misc Taxes, Licenses, Permits, and Insurance	$ -	
	6700	**Tax and Insurance Expense**	**$ 106,918**	
6900 ELDERLY SERVICE EXPENSE	6930.11	Dietary Salaries		
	6930.21	Food		
	6930.22	Dietary Prchsd Serv		
	6940.11	Regstrd Nurse Salary		
	6950.11	Housekeeping Salary		
	6950.21	Housekeeping Supply		
	6950.31	Other Housekeeping		
	6960.22	Medical Supplies		
	6960.29	Medical Prchsd Serv		
	6970.01	Laundry Expenses		
	6975.01	Medical Records		
	6980.11	Recreation/Rehab		
	6980.21	Activity Supplies		
	6990.01	Elderly Service Other		
	6900	**Elderly Service Expense**	**$ -**	
RR DEPOSITS	11320.01	Annual Replacement Reserve Deposits	$ -	
		TOTAL OPERATING EXPENSES	**$ 536,368**	
		NET OPERATING INCOME (NOI)	**$ 169,821**	
6800 FINANCIAL EXPENSE	6810.01	WHEDA Senior Hard Debt Interest		
	6820.01	WHEDA Junior Hard Debt Interest		
	6825.01	Other Mortgage Interest	$ 160,833	
	6850.01	Mortgage Insurance Premium/Service Charge		
	6890.01	Misc Financial Expense/Preservation Fee		
	6800	**Financial Expense**	**$ 160,833**	
DEPRECIATION AMORTIZATION	6610.01	Depreciation Expense	$ 442,132	
	6620.01	Amortization Expense	$ 10,632	
		OPERATING PROFIT OR LOSS	**$ (443,776)**	
7100 CORPORATE OR MORTGAGOR EXPENSE	7110.01	Officer's Salaries		
	7120.01	Legal Expense		
	7130.01	Federal, State, and Other Income Taxes		
	7140.01	Interest Income		
	7140.11	Interest on Notes Payable	$ -	
	7140.21	Interest on Mortgage Payable		
	7190.01	Other Expense	$ 9,542	
	7100	**Net Entity Expenses**	**$ 9,542**	
TOTAL PRINCIPAL PAYMENTS	16810.01	WHEDA Senior Hard Debt Principal		
	16820.01	WHEDA Junior Hard Debt Principal		
	16825.01	Other Debt Principal	59,041	

TRUAX PARK REDEVELOPMENT, PHASE I, LLC
WHEDA Project No. 5495
CERTIFICATION BY MANAGING MEMBER OF MORTGAGOR
December 31, 2021

I hereby certify that I have examined the accompanying financial statements and supplemental information of Truax Park Redevelopment, Phase I, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

Matthew Wachter — 2-25-2022

By: Matt Wachter, Executive Director
Community Development Authority of the
City of Madison, Managing Member

Date

ID #39-6006968

TRUAX PARK REDEVELOPMENT, PHASE I, LLC
WHEDA Project No. 5495
CERTIFICATION BY MANAGEMENT AGENT
December 31, 2021

I hereby certify that I have examined the accompanying financial statements and supplemental information of Truax Park Redevelopment, Phase I, LLC and, to the best of my knowledge and belief, the same are complete and accurate.

Matthew Wachter — 2-25-2022

By: Matt Wachter, Executive Director
Community Development Authority of the
City of Madison, Management Agent

Date

ID #39-6006968