

Allied Drive Redevelopment, LLC

Financial Report

December 31, 2022

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, 2022 and 2021, 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, 2022 and 2021, 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.

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 23, 2023

ALLIED DRIVE REDEVELOPMENT, LLC

BALANCE SHEETS

December 31, 2022 and 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 138,127	\$ 106,232
Restricted cash	433,959	411,030
Accounts receivable	9,985	6,963
Operating lease right-of-use asset	335,667	339,667
Prepaid expenses	9,505	13,885
Rental property under land lease, net	4,679,183	5,017,025
Tax credit fees, net	7,382	14,764
TOTAL ASSETS	<u>\$ 5,613,808</u>	<u>\$ 5,909,566</u>
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable	\$ 2,273,637	\$ 2,324,018
Accounts payable	14,473	2,838
Accrued interest	361,472	301,682
Accrued expenses	375,620	359,458
Tenants' security deposits payable	49,077	46,200
Prepaid rents	34,392	39,413
Total liabilities	3,108,671	3,073,609
MEMBERS' EQUITY	<u>2,505,137</u>	<u>2,835,957</u>
TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$ 5,613,808</u>	<u>\$ 5,909,566</u>

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

ALLIED DRIVE REDEVELOPMENT, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Rental income	\$ 684,652	\$ 677,364
Vacancies and concessions	(16,405)	(25,968)
Other revenue	5,423	515
Total revenues	673,670	651,911
Rental expenses:		
Rent and administrative	114,648	124,203
Utilities	66,588	53,095
Operating and maintenance	220,366	233,245
Operating lease expense	4,000	4,000
Taxes and insurance	107,104	105,382
Total rental expenses	512,706	519,925
Net rental income	160,964	131,986
Financial income (expense):		
Interest income	1,096	160
Interest expense	(97,481)	(99,702)
Total financial income (expense)	(96,385)	(99,542)
Income before other expenses	64,579	32,444
Other expenses:		
Depreciation	351,597	355,214
Amortization	7,382	7,382
Loss on disposal of rental property	0	503
Managing member management fee	29,371	28,516
Asset management fee	7,049	6,844
Total other expenses	395,399	398,459
Net loss	\$ (330,820)	\$ (366,015)

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

ALLIED DRIVE REDEVELOPMENT, LLC

STATEMENTS OF MEMBERS' EQUITY Years ended December 31, 2022 and 2021

	<u>Managing member</u>	<u>Investor member</u>	<u>Total</u>
Balances, December 31, 2020	\$ (327)	\$ 3,202,299	\$ 3,201,972
Net loss	<u>(37)</u>	<u>(365,978)</u>	<u>(366,015)</u>
Balances, December 31, 2021	(364)	2,836,321	2,835,957
Net loss	<u>(33)</u>	<u>(330,787)</u>	<u>(330,820)</u>
Balances, December 31, 2022	<u>\$ (397)</u>	<u>\$ 2,505,534</u>	<u>\$ 2,505,137</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, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (330,820)	\$ (366,015)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	351,597	355,214
Amortization	7,382	7,382
Amortization of operating lease right-of-use asset	4,000	4,000
Loss on disposal of rental property	0	503
Increase (decrease) in cash due to changes in:		
Accounts receivable	(3,022)	9,260
Prepaid expenses	4,380	6,479
Accounts payable	11,635	(20,642)
Accrued interest	59,790	59,798
Accrued expenses	16,162	41,975
Tenants' security deposits payable	2,877	(209)
Prepaid rents	(5,021)	(826)
Net cash provided by operating activities	118,960	96,919
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of rental property	(13,755)	(59,597)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(50,381)	(48,168)
Change in cash, cash equivalents, and restricted cash	54,824	(10,846)
Cash, cash equivalents, and restricted cash:		
Beginning	517,262	528,108
Ending	<u>\$ 572,086</u>	<u>\$ 517,262</u>
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	\$ 138,127	\$ 106,232
Restricted cash	433,959	411,030
Total cash, cash equivalents, and restricted cash	<u>\$ 572,086</u>	<u>\$ 517,262</u>
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 37,691</u>	<u>\$ 39,904</u>

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

ALLIED DRIVE REDEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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 expected to generate 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, 2022

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.

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, 2022 and 2021, 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, 2022, 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>2022</u>	<u>2021</u>
Fixed operating lease revenue from apartment rentals, net of vacancies and concessions	\$ 668,247	\$ 651,396
Variable operating lease revenue included in other revenue	<u>5,423</u>	<u>12</u>
Total lease income	<u>\$ 673,670</u>	<u>\$ 651,408</u>

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

	<u>2022</u>	<u>2021</u>
Cash received from operating leases		
Operating cash flows from operating leases	\$ 665,627	\$ 653,971

ALLIED DRIVE REDEVELOPMENT, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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

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.

Adoption of New Accounting Standard – Codification Improvements

In October 2020, FASB issued Accounting Standards Update (ASU) No. 2020-10, *Codification Improvements*, which provides improvements and clarifications to the accounting guidance. Specifically, the amendments clarified the requirement to disclose the effective interest rate on notes receivable and notes payable that reflects the effect of compounding interest in a year. The entity was required to adopt this new accounting standard during its fiscal year ended December 31, 2022.

ALLIED DRIVE REDEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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

Adoption of New Accounting Standard - Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, Leases) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The company adopted the standard effective January 1, 2022 and recognized and measured leases existing at, or entered into after, January 1, 2021 (the beginning of the earliest comparative period presented) using a modified retrospective approach, with certain practical expedients available.

The company elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The standard did not have a material impact on the company's financial statements. The most significant impact was changing the terminology of the operating lease to ROU asset on the balance sheets and operating lease expense on the statements of operation. As a lessor, the adoption of the new standard did not have a material impact and did not change the accounting for operating leases.

Subsequent events

These financial statements have not been updated for subsequent events occurring after February 23, 2023, 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.

ALLIED DRIVE REDEVELOPMENT, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE B -- Restricted cash

Restricted cash is comprised of the following:

	<u>2022</u>	<u>2021</u>
Tenants' security deposits	\$ 49,077	\$ 46,200
Replacement reserve	48,592	27,493
Mortgage escrow deposits	5,707	7,728
Operating reserve	<u>330,583</u>	<u>329,609</u>
	<u>\$ 433,959</u>	<u>\$ 411,030</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>2022</u>	<u>2021</u>
Balance, beginning	\$ 27,493	\$ 23,957
Annual deposits	21,063	20,549
Approved withdrawals	0	(17,021)
Interest earned	<u>36</u>	<u>8</u>
Balance, ending	<u>\$ 48,592</u>	<u>\$ 27,493</u>

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>2022</u>	<u>2021</u>
Balance, beginning	\$ 329,609	\$ 329,472
Interest earned	<u>974</u>	<u>137</u>
Balance, ending	<u>\$ 330,583</u>	<u>\$ 329,609</u>

ALLIED DRIVE REDEVELOPMENT, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE C -- Rental property under leased land, net

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

	<u>2022</u>	<u>2021</u>
Non-depreciable land improvements	\$ 401,396	\$ 401,396
Sitework	165,436	165,436
Buildings	8,187,651	8,187,651
Furnishings and equipment	<u>543,023</u>	<u>529,268</u>
	9,297,506	9,283,751
Less accumulated depreciation	<u>4,618,323</u>	<u>4,266,726</u>
	<u>\$ 4,679,183</u>	<u>\$ 5,017,025</u>

NOTE D -- Mortgage notes payable

Mortgage notes payable consist of the following:

	<u>2022</u>	<u>2021</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 \$2,058 and \$2,247 as of December 31, 2022 and 2021, respectively; interest expense totaled \$25,742 and \$27,964 for the years ended December 31, 2022 and 2021, respectively.	<u>\$ 548,773</u>	<u>\$ 599,154</u>
Balance carried forward	548,773	599,154

ALLIED DRIVE REDEVELOPMENT, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2022

NOTE D -- Mortgage notes payable (Continued)

	<u>2022</u>	<u>2021</u>
Balance brought forward	\$ 548,773	\$ 599,154
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, 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, 2022 and 2021.	392,000	392,000
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 (effective interest rate of 4.59%) commence on the date the project reaches stabilized occupancy 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 \$359,414 and \$299,435 as of December 31, 2022 and 2021, respectively; interest expense totaled \$59,979 and \$59,978 for the years ended December 31, 2022 and 2021, respectively.	<u>1,332,864</u>	<u>1,332,864</u>
	<u>\$ 2,273,637</u>	<u>\$ 2,324,018</u>

ALLIED DRIVE REDEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

NOTE D -- Mortgage notes payable (Continued)

Repayment of principal on the mortgage notes payable as of December 31, 2022, is as follows:

Year ending December 31,

2023	\$ 52,695
2024	55,116
2025	57,648
2026	60,297
2027	63,067
Thereafter	<u>1,984,814</u>
	<u>\$ 2,273,637</u>

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, 2022.

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 \$335,667 and \$339,667 as of December 31, 2022 and 2021, respectively. Operating lease expense totaled \$4,000 for each of the years ended December 31, 2022 and 2021.

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 \$341,733 and \$312,362 as of December 31, 2022 and 2021, respectively. Managing member management fees totaled \$29,371 and \$28,516 for the years ended December 31, 2022 and 2021, 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 \$7,049 and \$13,488 as of December 31, 2022 and 2021, respectively. Asset management fees totaled \$7,049 and \$6,844 for the years ended December 31, 2022 and 2021, respectively.

ALLIED DRIVE REDEVELOPMENT, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2022

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, 2022 and 2021.

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 expires June 30, 2023. Management fees incurred under this agreement totaled \$39,046 and \$38,940 for the years ended December 31, 2022 and 2021, respectively.

SUPPLEMENTARY INFORMATION

ALLIED DRIVE REDEVELOPMENT, LLC
SCHEDULES OF PROJECT OPERATING EXPENSES
Years ended December 31, 2022 and 2021

	2022	2021
RENT AND ADMINISTRATIVE		
Other rent expense	\$ 117	\$ 54
Office expense	15,531	18,904
Office salaries	6,317	2,607
Management fees	39,046	38,940
Professional fees - audit	10,110	14,000
Bookkeeping fees	8,880	9,030
Bad debt expense	1,188	0
Manager salaries	30,645	36,507
Miscellaneous rent and administrative	2,814	4,161
TOTAL RENT AND ADMINISTRATIVE	<u>\$ 114,648</u>	<u>\$ 124,203</u>
UTILITIES		
Electric	\$ 9,544	\$ 8,974
Water	19,067	13,968
Gas	16,082	13,537
Sewer	21,895	16,616
TOTAL UTILITIES	<u>\$ 66,588</u>	<u>\$ 53,095</u>
OPERATING AND MAINTENANCE		
Payroll	\$ 36,922	\$ 44,110
Supplies	24,050	43,668
Contracts	139,873	124,906
Garbage and trash removal	6,004	0
Security and fire safety	3,712	12,778
Heating and cooling repair and maintenance	305	0
Snow removal	9,500	7,783
TOTAL OPERATING AND MAINTENANCE	<u>\$ 220,366</u>	<u>\$ 233,245</u>
OPERATING LEASE EXPENSE	<u>\$ 4,000</u>	<u>\$ 4,000</u>
TAXES AND INSURANCE		
Real estate tax	\$ 71,953	\$ 67,871
Payroll taxes	7,098	7,135
Property and liability insurance	14,993	15,266
Employee benefits	13,060	15,110
TOTAL TAXES AND INSURANCE	<u>\$ 107,104</u>	<u>\$ 105,382</u>