

# Burr Oaks Senior Housing, LLC

Financial Report

December 31, 2022

# BURR OAKS SENIOR HOUSING, LLC

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## INDEPENDENT AUDITOR'S REPORT

To the Members  
Burr Oaks Senior Housing, LLC  
Madison, WI

### Opinion

We have audited the accompanying financial statements of Burr Oaks Senior Housing, 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 Burr Oaks Senior Housing, 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 Burr Oaks Senior Housing, 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 Burr Oaks Senior Housing, 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 Burr Oaks Senior Housing, 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 Burr Oaks Senior Housing, 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 schedules of other revenue and expenses are presented for purposes of additional analysis and are 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 24, 2023

# BURR OAKS SENIOR HOUSING, LLC

## BALANCE SHEETS

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 179,770	\$ 217,185
Restricted cash	528,234	505,693
Accounts receivable	5,496	6,668
Prepaid expenses	19,786	12,688
Rental property, net	4,417,674	4,580,061
Tax credit fees, net	20,327	25,409
<b>TOTAL ASSETS</b>	<u>\$ 5,171,287</u>	<u>\$ 5,347,704</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable, net	\$ 1,345,700	\$ 1,365,842
Accounts payable	10,485	300
Accrued interest	5,038	5,162
Accrued real estate taxes	63,820	55,379
Other accrued expenses	35,094	33,903
Prepaid rents	18,825	22,603
Tenants' security deposits payable	21,383	21,982
Total liabilities	1,500,345	1,505,171
<b>MEMBERS' EQUITY</b>	<u>3,670,942</u>	<u>3,842,533</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 5,171,287</u>	<u>\$ 5,347,704</u>

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

# BURR OAKS SENIOR HOUSING, LLC

## STATEMENTS OF OPERATIONS

Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Rental income	\$ 474,068	\$ 455,048
Vacancies and concessions	(6,379)	(1,370)
Other revenue	7,822	13,628
	<u>475,511</u>	<u>467,306</u>
Total revenues	475,511	467,306
Rental expenses:		
Administrative	98,150	91,979
Utilities	45,725	39,226
Operating and maintenance	114,762	81,977
Taxes and insurance	90,505	72,678
	<u>349,142</u>	<u>285,860</u>
Total rental expenses	349,142	285,860
Net rental income	126,369	181,446
Financial income (expense):		
Interest income	1,876	550
Interest expense	(65,269)	(66,816)
	<u>(63,393)</u>	<u>(66,266)</u>
Total financial income (expense)	(63,393)	(66,266)
Income before other expenses	62,976	115,180
Other expenses:		
Depreciation	162,387	173,056
Amortization	5,082	5,081
Asset management fees	20,162	19,574
	<u>187,631</u>	<u>197,711</u>
Total other expenses	187,631	197,711
Net loss	<u>\$ (124,655)</u>	<u>\$ (82,531)</u>

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

# BURR OAKS SENIOR HOUSING, LLC

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

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	<u>Managing member</u>	<u>Investor member</u>	<u>Total</u>
Balances, December 31, 2020	\$ (59)	\$ 4,058,619	\$ 4,058,560
Distributions	(13)	(133,483)	(133,496)
Net loss	<u>(8)</u>	<u>(82,523)</u>	<u>(82,531)</u>
Balances, December 31, 2021	(80)	3,842,613	3,842,533
Distributions	(5)	(46,931)	(46,936)
Net loss	<u>(12)</u>	<u>(124,643)</u>	<u>(124,655)</u>
Balances, December 31, 2022	<u>\$ (97)</u>	<u>\$ 3,671,039</u>	<u>\$ 3,670,942</u>
Percentage interest	<u>0.01%</u>	<u>99.99%</u>	<u>100%</u>

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

# BURR OAKS SENIOR HOUSING, LLC

## STATEMENTS OF CASH FLOWS

Years ended December 31, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (124,655)	\$ (82,531)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	162,387	173,056
Amortization	5,082	5,081
Amortization of debt issuance costs	4,122	4,218
Increase (decrease) in cash due to changes in:		
Accounts receivable	1,172	(5,506)
Prepaid expenses	(7,098)	(4,120)
Accounts payable	10,185	300
Accrued interest	(124)	(117)
Accrued real estate taxes	8,441	2,772
Other accrued expenses	1,191	(3,211)
Prepaid rents	(3,778)	1,800
Tenants' security deposits payable	(599)	889
Net cash provided by operating activities	56,326	92,631
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net cash provided by (used in) investing activities	0	0
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage notes payable	(24,264)	(22,821)
Distributions	(46,936)	(133,496)
Net cash used in financing activities	(71,200)	(156,317)
Change in cash, cash equivalents, and restricted cash	(14,874)	(63,686)
Cash, cash equivalents, and restricted cash:		
Beginning	722,878	786,564
Ending	\$ 708,004	\$ 722,878
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND RESTRICTED CASH TO BALANCE SHEET</b>		
Cash and cash equivalents	\$ 179,770	\$ 217,185
Restricted cash	528,234	505,693
Total cash, cash equivalents, and restricted cash	\$ 708,004	\$ 722,878
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 61,271	\$ 62,715

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

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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

#### Nature of business

Burr Oaks Senior Housing, LLC (the company), a limited liability company, was organized on August 9, 2010, under the Wisconsin Limited Liability Company Act (the Act). It has constructed and is operating a 50-unit project called Burr Oaks Senior Housing (the project) located in Madison, Wisconsin. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project was placed in service July 27, 2011.

Under the operating agreement dated December 14, 2010, the company consists of two members with the following ownership:

Community Development Authority (CDA) of the City of Madison (managing member)	0.01%
Wells Fargo Affordable Housing Community Development Corporation (investor member)	<u>99.99%</u>
	<u>100.00%</u>

The company consists of one managing member and one investor member, and a to-be designated corporation as the special member, 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 accompanying financial statements do not include the personal or corporate assets and liabilities of the members, their obligation 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 operating agreement states that the company shall be dissolved on or before December 31, 2053.

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 project 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.

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### 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, 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. The company utilizes the practical expedient to account for the lease and nonlease components as a single operating lease component. Rental revenue is recognized, net of vacancies and concessions, on a straight-line basis over the term of the leases.

Other revenue 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. Other revenue also includes an unconditional grant from the management agent totaling \$4,904 during the year ended December 31, 2021.

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	\$ 467,689	\$ 453,678
Fixed operating lease revenue from other rentals and services included in other revenue	5,440	5,400
Variable operating lease revenue included in other revenue	<u>1,677</u>	<u>2,144</u>
Total lease income	<u>\$ 474,806</u>	<u>\$ 461,222</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	\$ 472,311	\$ 457,514

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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

#### Rental property

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

	<u>Years</u>
Land improvements	15
Building and improvements	10 - 40
Furnishings and equipment	5 - 12

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.

#### Debt issuance costs

Debt issuance costs totaled \$67,276. The company is amortizing these costs into interest expense using the effective interest method over 16 years, the life of the permanent mortgage described in Note D.

Amortized costs included in interest expense amounted to \$4,122 and \$4,218 for the years ended December 31, 2022 and 2021, respectively.

#### Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company has paid fees totaling \$76,225 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.

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### 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. 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 operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of 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.

As a lessor, the adoption of the new standard did not have a material impact on the financial statements and did not change the accounting for operating leases.

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after February 24, 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.

### NOTE B -- Restricted cash

Restricted cash is comprised of the following:

	<u>2022</u>	<u>2021</u>
Tenants' security deposits	\$ 22,739	\$ 22,604
Real estate tax escrow	52,851	50,685
Insurance escrow	6,190	7,136
Operating reserve	251,477	250,154
Replacement reserve	<u>194,977</u>	<u>175,114</u>
	<u>\$ 528,234</u>	<u>\$ 505,693</u>

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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

#### Operating reserve

The operating agreement requires the company to establish an operating reserve of at least \$167,000. Funds from the operating reserve may be used to pay for operating or other expenses with the consent of the investor member.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 250,154	\$ 249,754
Deposits	0	0
Interest earned	1,499	400
Bank service charges	<u>(176)</u>	<u>0</u>
Balance, ending	<u>\$ 251,477</u>	<u>\$ 250,154</u>

#### Replacement reserve

The operating agreement requires the company to establish and maintain a replacement reserve account commencing the earlier of December 10, 2012 or closing on the permanent loan described in Note D. Monthly deposits are required in an amount equal to \$300 per unit per year for the first year, increasing by 3% each twelve-month period thereafter. Disbursements are restricted to fund capital improvements or any other use approved by the investor member.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 175,114	\$ 155,949
Monthly deposits	19,621	19,049
Interest earned	242	116
Withdrawals	<u>0</u>	<u>0</u>
Balance, ending	<u>\$ 194,977</u>	<u>\$ 175,114</u>

### NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2022</u>	<u>2021</u>
Land	\$ 302,980	\$ 302,980
Land improvements	253,476	253,476
Building and improvements	5,667,905	5,667,905
Furnishings and equipment	<u>319,634</u>	<u>319,634</u>
	6,543,995	6,543,995
Less accumulated depreciation	<u>2,126,321</u>	<u>1,963,934</u>
	<u>\$ 4,417,674</u>	<u>\$ 4,580,061</u>

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2022

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### NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consists of the following:

	<u>2022</u>	<u>2021</u>
Impact C.I.L., LLC (Impact); permanent mortgage note payable; original loan amount of \$1,170,000; monthly payments of \$7,128, including interest at 6.15% per annum; due December 1, 2028; non-recourse; subject to a prepayment premium; collateralized by a mortgage, security agreement and fixture financing statement on the rental property, including the assignment of rents and leases; unamortized debt issuance costs associated with this note totaled \$22,317 and \$26,439 as of December 31, 2022 and 2021, respectively.	\$ 983,017	\$ 1,007,281
CDA; HOME loan; in an amount not to exceed \$385,000; subordinated second mortgage note payable; non-interest bearing loan; due the earliest of December 31, 2040 or the sale, transfer, or discontinuance of the permitted use of the property; non-recourse; collateralized by a mortgage on the rental property, including the assignment of rents thereon.	<u>385,000</u>	<u>385,000</u>
Total mortgage notes payable	1,368,017	1,392,281
Less unamortized debt issuance costs	<u>22,317</u>	<u>26,439</u>
	<u>\$ 1,345,700</u>	<u>\$ 1,365,842</u>

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

#### Year ending December 31,

2023	\$ 25,799
2024	27,431
2025	29,167
2026	31,012
2027	32,974
Thereafter	<u>1,221,634</u>
	<u>\$ 1,368,017</u>

# **BURR OAKS SENIOR HOUSING, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2022

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### **NOTE E -- Capital contributions**

The company's managing member is required to make contributions totaling \$100. As of December 31, 2022 and 2021, the managing member has made the contribution. The investor member is required to make installment contributions totaling \$5,581,942. As of December 31, 2022 and 2021, the investor member has contributed the entire amount. The maximum increase in the investor member's required capital contribution allowed under the operating agreement is \$250,000. Additional equity totaling \$52,407 was contributed by the investor member in a previous year.

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

#### **Asset management fees**

The company is obligated to pay an annual cumulative asset management fee in the initial amount of \$7,500 to the managing member. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum. Asset management fees incurred totaled \$10,081 and \$9,787 for the years ended December 31, 2022 and 2021, respectively. Accrued asset management fees included in other accrued expenses on the balance sheets were \$10,081 and \$9,787 as of December 31, 2022 and 2021, respectively.

The company is obligated to pay an annual cumulative asset management fee in the initial amount of \$7,500 to the investor member. The annual fee is payable from cash flow as defined in the operating agreement. The fee shall increase by 3% per annum. Asset management fees incurred totaled \$10,081 and \$9,787 for the years ended December 31, 2022 and 2021, respectively. Accrued asset management fees included in other accrued expenses on the balance sheets were \$10,081 and \$9,787 as of December 31, 2022 and 2021, respectively.

#### **Purchase option agreement**

For one year after the close of the 15-year compliance period (right of first refusal period), the company may not sell the property to any third party that has made a bona fide purchase offer, without first offering the managing member the right of first refusal to purchase the property. The company shall offer the property to the managing member at a price equal to the greater of \$100 or the sum of the company's outstanding debt plus an amount sufficient to enable the company to make liquidation distributions pursuant to the operating agreement.

The company has granted the managing member an option to purchase the investor member's membership interest in the company for a 24-month period after the end of the right of first refusal period. The option price to purchase will be the balance of all unpaid amounts due to the investor member plus the greater of \$100 plus the amount of the company's outstanding debt plus an amount sufficient to make termination distributions pursuant to the operating agreement or the fair market value of the investor member's interest in the company.

# **BURR OAKS SENIOR HOUSING, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2022

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### **NOTE G -- Commitments and contingencies**

#### **Property management fee**

The company entered into a property management agreement with a third party. A management fee in the amount of 8% of the effective gross income (rental and other incidental income received on a cash basis) is payable on a monthly basis. A portion of the monthly management fee equal to 2% of effective gross income shall be deferred without interest and payable only out of available cash flow as defined in the operating agreement. The deferred management fee shall not exceed an annual amount of \$7,500. Management fees incurred under this agreement totaled \$36,031 and \$35,244 for the years ended December 31, 2022 and 2021, respectively. Of this amount, \$7,500 has been deferred as of December 31, 2022 and 2021, and is included in other accrued expenses on the balance sheets.

#### **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.

#### **HOME program agreement**

The managing member received \$385,000 from the City of Madison through the HOME program. This amount was subsequently loaned to the company by the managing member (see Note D). The company is subject to a HOME loan agreement and LURA which specifies that there shall be 11 HOME-assisted units in the project. Occupancy of these units is restricted to tenants whose income does not exceed a certain percentage of the published County Median Income (CMI), adjusted for family size. Certain rent limits also apply to these units. The agreement is in force until 20 years after the date of project completion.

#### **Project Based Housing Assistance Payments Contract**

The company entered into a Project Based Housing Assistance Payments Contract (the Agreement) with the managing member. The managing member has entered into a Consolidated Annual Contributions Contract with the U.S. Department of Housing and Urban Development (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 certificates for future residents of the project. Under terms of the Program, each household that holds a certificate pays 30% of its annual income for rents and utilities, provided that the rent and utilities do not exceed the CDA's payment standards.

SUPPLEMENTARY INFORMATION

**BURR OAKS SENIOR HOUSING, LLC**  
**SCHEDULES OF OTHER REVENUE AND EXPENSES**  
Years ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Other revenue:		
Laundry	\$ 1,617	\$ 1,979
Tenant charges	5,500	5,565
Other	705	6,084
	<u>705</u>	<u>6,084</u>
 Total other revenue	 <u>\$ 7,822</u>	 <u>\$ 13,628</u>
 Administrative:		
Advertising/marketing	\$ 3,549	\$ 4,917
Credit bureau expense	56	26
Office expense	11,071	10,456
Manager salaries	30,441	28,271
Property management fees	36,031	35,244
Audit and accounting fees	7,600	6,900
Bad debt expense	1,023	2,107
Miscellaneous	6,129	1,808
State housing compliance fees	2,250	2,250
	<u>2,250</u>	<u>2,250</u>
 Total administrative	 <u>\$ 98,150</u>	 <u>\$ 91,979</u>
 Utilities:		
Electricity	\$ 18,385	\$ 16,823
Water and sewer	15,567	13,694
Natural gas/oil	11,773	8,709
	<u>11,773</u>	<u>8,709</u>
 Total utilities	 <u>\$ 45,725</u>	 <u>\$ 39,226</u>
 Operating and maintenance:		
Maintenance salaries	\$ 23,492	\$ 18,408
Security contract	1,468	1,555
Snow removal	11,096	5,480
Repairs and maintenance contracts	57,308	41,754
HVAC repairs and maintenance	5,797	1,996
Trash removal	6,431	7,811
Supplies	9,170	4,973
	<u>9,170</u>	<u>4,973</u>
 Total operating and maintenance	 <u>\$ 114,762</u>	 <u>\$ 81,977</u>

**BURR OAKS SENIOR HOUSING, LLC**  
SCHEDULES OF OTHER REVENUE AND EXPENSES (Continued)  
Years ended December 31, 2022 and 2021

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	<u>2022</u>	<u>2021</u>
Taxes and insurance:		
Real estate taxes	\$ 63,820	\$ 55,379
Property insurance	21,809	16,292
Sales tax	2,560	1,007
Special assessments	2,316	0
	<u>90,505</u>	<u>72,678</u>
Total taxes and insurance	<u>\$ 90,505</u>	<u>\$ 72,678</u>
Interest expense:		
Interest expense - Impact	\$ 61,147	\$ 62,598
Debt issuance costs amortization	4,122	4,218
	<u>65,269</u>	<u>66,816</u>
Total interest expense	<u>\$ 65,269</u>	<u>\$ 66,816</u>