

# Burr Oaks Senior Housing, LLC

Financial Report

December 31, 2013

# **BURR OAKS SENIOR HOUSING, LLC**

## **C O N T E N T S**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Burr Oaks Senior Housing, LLC, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, members' equity, and cash flows for the years ended December 31, 2013 and 2012, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

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, 2013 and 2012, and the results of its operations, changes in members' equity, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on 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 shown on pages 14 – 15, 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, 2014

# BURR OAKS SENIOR HOUSING, LLC

## BALANCE SHEETS

December 31, 2013 and 2012

	2013	2012
<b>ASSETS</b>		
Cash and cash equivalents	\$ 335,584	\$ 348,836
Restricted cash	310,757	293,959
Accounts receivable	1,307	384
Prepaid expenses	2,416	2,176
Rental property, net	6,018,833	6,215,128
Loan costs, net	62,462	63,138
Tax credit fees, net	66,062	71,143
<b>TOTAL ASSETS</b>	<u>\$ 6,797,421</u>	<u>\$ 6,994,764</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>LIABILITIES</b>		
Mortgage notes payable	\$ 1,541,030	\$ 1,555,000
Accounts payable	4,824	132
Construction payable	0	100
Accrued interest	5,925	5,996
Accrued real estate taxes	50,275	44,453
Other accrued expenses	36,135	39,414
Prepaid rents	17,020	15,832
Tenants' security deposits payable	16,895	17,001
Total liabilities	1,672,104	1,677,928
<b>MEMBERS' EQUITY</b>	<u>5,125,317</u>	<u>5,316,836</u>
<b>TOTAL LIABILITIES AND MEMBERS' EQUITY</b>	<u>\$ 6,797,421</u>	<u>\$ 6,994,764</u>

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

# **BURR OAKS SENIOR HOUSING, LLC**

## **STATEMENTS OF OPERATIONS**

Years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues:		
Rental income	\$ 390,642	\$ 387,540
Vacancies	(5,371)	(16,860)
Concessions	(12)	(1,887)
Other revenue	<u>7,982</u>	<u>5,595</u>
Total revenues	393,241	374,388
Rental expenses:		
Administrative	80,328	88,156
Utilities	38,104	35,232
Operating and maintenance	53,592	32,933
Taxes and insurance	<u>63,660</u>	<u>56,164</u>
Total rental expenses	<u>235,684</u>	<u>212,485</u>
Net rental income	157,557	161,903
Financial income (expense):		
Interest income	49	18
Interest expense	<u>(76,308)</u>	<u>(46,245)</u>
Total financial income (expense)	<u>(76,259)</u>	<u>(46,227)</u>
Income before other expenses	81,298	115,676
Other expenses:		
Depreciation	196,295	196,208
Amortization	5,081	5,082
Asset management fees	<u>15,450</u>	<u>15,000</u>
Total other expenses	<u>216,826</u>	<u>216,290</u>
Net loss	<u>\$ (135,528)</u>	<u>\$ (100,614)</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, 2013 and 2012

	<u>Managing member</u>	<u>Investor member</u>	<u>Total</u>
Members' equity:			
Balances, December 31, 2011	\$ 84	\$ 5,417,366	\$ 5,417,450
Net loss	<u>(10)</u>	<u>(100,604)</u>	<u>(100,614)</u>
Balances, December 31, 2012	74	5,316,762	5,316,836
Distributions	(6)	(55,985)	(55,991)
Net loss	<u>(14)</u>	<u>(135,514)</u>	<u>(135,528)</u>
Balances, December 31, 2013	54	5,125,263	5,125,317
Subscriptions receivable:			
Balances, December 31, 2011	0	795,603	795,603
Subscription receipts	<u>0</u>	<u>(795,603)</u>	<u>(795,603)</u>
Balances, December 31, 2012 and 2013	<u>0</u>	<u>0</u>	<u>0</u>
Total members' equity	<u>\$ 54</u>	<u>\$ 5,125,263</u>	<u>\$ 5,125,317</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, 2013 and 2012

	2013	2012
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (135,528)	\$ (100,614)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	196,295	196,208
Amortization	5,081	5,082
Amortization of loan costs	4,814	0
Increase (decrease) in cash due to changes in:		
Tenants' security deposits	(18)	1,842
Real estate escrow	(2,062)	(44,504)
Insurance escrow	(482)	(11,896)
Accounts receivable	(923)	217
Prepaid expenses	(240)	(477)
Accounts payable	4,692	(5,335)
Accrued interest	(71)	2,132
Accrued real estate taxes	5,822	39,562
Other accrued expenses	(3,279)	22,504
Prepaid rents	1,188	1,945
Tenants' security deposits payable	(106)	1,301
Net cash provided by operating activities	75,183	107,967
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development and construction of rental property	(100)	(28,518)
Purchase of rental property	0	(4,503)
Net deposits to replacement reserve	(14,323)	(21,995)
Net withdrawals from (deposits to) operating reserve	87	(197,637)
Payment of development fee payable	0	(570,000)
Net cash used in investing activities	(14,336)	(822,653)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from mortgage notes payable	0	1,246,519
Principal payments on mortgage notes payable	(13,970)	(1,080,936)
Payment of tax credit fees	0	(2,500)
Payment of loan costs	(4,138)	(36,507)
Distributions	(55,991)	0
Subscription receipts	0	795,603
Net cash provided by (used in) financing activities	(74,099)	922,179
Change in cash and cash equivalents	(13,252)	207,493
Cash and cash equivalents:		
Beginning	348,836	141,343
Ending	\$ 335,584	\$ 348,836
<b>SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION</b>		
Cash payments for interest	\$ 71,565	\$ 44,113

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



# **BURR OAKS SENIOR HOUSING, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

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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%
Wachovia 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 company's income tax filings are subject to audit by various taxing authorities. Open periods subject to audit for federal and Wisconsin purposes are generally the previous three and four years of tax returns filed, respectively. There were no interest or penalties recorded for the years ended December 31, 2013 and 2012.

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.

# **BURR OAKS SENIOR HOUSING, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

December 31, 2013

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

#### **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.

#### **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 basis.

#### **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	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.

#### **Loan costs**

Loan costs incurred by the company 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 \$4,814 and \$0 for the years ended December 31, 2013 and 2012, respectively.

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

#### 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.

#### Subsequent events

These financial statements have not been updated for subsequent events occurring after February 25, 2014, 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>2013</u>	<u>2012</u>
Tenants' security deposits	\$ 17,945	\$ 17,927
Real estate tax escrow	46,566	44,504
Insurance escrow	12,378	11,896
Operating reserve	197,550	197,637
Replacement reserve	<u>36,318</u>	<u>21,995</u>
	<u>\$ 310,757</u>	<u>\$ 293,959</u>

#### 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 after the managing member has fulfilled its obligations to fund operating deficit loans as described in Note F.

	<u>2013</u>	<u>2012</u>
Balance, beginning	\$ 197,637	\$ 0
Deposits	0	197,637
Interest earned	0	0
Bank service charges	<u>(87)</u>	<u>0</u>
Balance, ending	<u>\$ 197,550</u>	<u>\$ 197,637</u>

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

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

#### 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>2013</u>	<u>2012</u>
Balance, beginning	\$ 21,995	\$ 0
Monthly deposits	15,038	21,995
Interest earned	30	0
Withdrawals	<u>(745)</u>	<u>0</u>
Balance, ending	<u>\$ 36,318</u>	<u>\$ 21,995</u>

### NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 302,980	\$ 302,980
Land improvements	249,784	249,784
Building and improvements	5,619,578	5,619,578
Furnishings and equipment	<u>319,634</u>	<u>319,634</u>
	6,491,976	6,491,976
Less accumulated depreciation	<u>473,143</u>	<u>276,848</u>
	<u>\$ 6,018,833</u>	<u>\$ 6,215,128</u>

# BURR OAKS SENIOR HOUSING, LLC

## NOTES TO FINANCIAL STATEMENTS

December 31, 2013

### NOTE D -- Mortgage notes payable

	<u>2013</u>	<u>2012</u>
Impact C.I.L., LLC (Impact), originally funded by Wells Fargo but assigned to Impact on November 27, 2012; permanent mortgage note payable; loan amount of \$1,170,000; beginning January 1, 2013, 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.	\$ 1,156,030	\$ 1,170,000
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>
	<u>\$ 1,541,030</u>	<u>\$ 1,555,000</u>

Repayment of principal on the mortgage notes payable as of December 31, 2013, is as follows:

#### Year ending December 31,

2014	\$ 14,854
2015	15,794
2016	16,793
2017	17,855
2018	18,985
Thereafter	<u>1,456,749</u>
	<u>\$ 1,541,030</u>

### NOTE E -- Capital contributions

The company's managing member is required to make contributions totaling \$100. As of December 31, 2013, the managing member has made the contribution. The investor member is required to make installment contributions totaling \$5,581,942. As of December 31, 2013, 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. No such increases have been made as of December 31, 2013 and 2012.

**BURR OAKS SENIOR HOUSING, LLC**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2013

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

**Operating deficit guaranty**

Under the operating agreement, the managing member is required to fund operating deficits through operating deficit loans. At any time during a minimum of 5 years after receipt of the final equity installment (until November 2017), the managing member's obligation to fund operating deficits through loans continues at an additional amount not to exceed \$161,098 in the aggregate. If the company maintains a debt service coverage ratio of 1.2 for any twelve month period commencing with the 4 year anniversary of receipt of the final equity installment, and the operating reserve is fully funded, the managing member's obligation to fund operating deficits will be terminated. All operating deficit loans shall bear interest at the prime rate, compounded annually and be payable from available cash flow as defined in the operating agreement. There were no operating deficit loans as of December 31, 2013 and 2012.

**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 \$7,725 and \$7,500 for the years ended December 31, 2013 and 2012, respectively. Accrued asset management fees included in other accrued expenses on the balance sheets were \$7,725 and \$7,500 as of December 31, 2013 and 2012, 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 \$7,725 and \$7,500 for the years ended December 31, 2013 and 2012, respectively. Accrued asset management fees included in other accrued expenses on the balance sheets were \$7,725 and \$7,500 as of December 31, 2013 and 2012, 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, 2013

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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 \$31,094 and \$29,951 for the years ended December 31, 2013 and 2012, respectively. Of this amount, \$7,500 and \$9,882 have been deferred as of December 31, 2013 and 2012, respectively and are 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, 2013 and 2012

	2013	2012
Other revenue:		
Laundry	\$ 2,252	\$ 788
Tenant charges	4,378	4,230
Other	1,352	577
	<u>7,982</u>	<u>5,595</u>
Total other revenue	<u>\$ 7,982</u>	<u>\$ 5,595</u>
Administrative:		
Advertising/marketing	\$ 2,002	\$ 7,473
Credit bureau expense	230	227
Office expense	6,089	5,717
Manager salaries	17,337	16,782
Property management fees	31,094	29,951
Administrative staff rent credit	11,451	11,280
Audit and accounting fees	6,550	9,376
Bad debt expense	72	0
Miscellaneous	3,173	4,920
State housing compliance fees	2,250	2,000
Leasing commissions	80	430
	<u>80,328</u>	<u>88,156</u>
Total administrative	<u>\$ 80,328</u>	<u>\$ 88,156</u>
Utilities:		
Electricity	\$ 18,451	\$ 16,576
Water and sewer	10,262	11,787
Natural gas/oil	9,391	6,869
	<u>38,104</u>	<u>35,232</u>
Total utilities	<u>\$ 38,104</u>	<u>\$ 35,232</u>
Operating and maintenance:		
Maintenance salaries	\$ 14,789	\$ 8,196
Security contract	2,373	1,580
Snow removal	7,118	3,271
Repairs and maintenance contracts	18,667	13,569
HVAC repairs and maintenance	360	423
Trash removal	4,784	4,465
Supplies	5,501	1,429
	<u>53,592</u>	<u>32,933</u>
Total operating and maintenance	<u>\$ 53,592</u>	<u>\$ 32,933</u>

**BURR OAKS SENIOR HOUSING, LLC**  
SCHEDULES OF OTHER REVENUE AND EXPENSES (Continued)  
Years ended December 31, 2013 and 2012

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	<u>2013</u>	<u>2012</u>
Taxes and insurance:		
Real estate taxes	\$ 50,275	\$ 44,453
Property insurance	<u>13,385</u>	<u>11,711</u>
Total taxes and insurance	<u><u>\$ 63,660</u></u>	<u><u>\$ 56,164</u></u>
Interest expense:		
Interest expense - Wells Fargo	\$ 0	\$ 39,449
Interest expense - Impact	71,494	6,796
Loan costs amortization	<u>4,814</u>	<u>0</u>
Total interest expense	<u><u>\$ 76,308</u></u>	<u><u>\$ 46,245</u></u>