

Truax Park Redevelopment, Phase I, LLC

Financial Report

December 31, 2020

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Truax Park Redevelopment, Phase I, LLC
Madison, Wisconsin

We have audited the accompanying financial statements of Truax Park Redevelopment, Phase I, LLC, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, members' equity, and cash flows for the years then ended, 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 Truax Park Redevelopment, Phase I, LLC as of December 31, 2020 and 2019, 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 supplementary information, including the schedules of project operating expenses required by the investor member shown on page 17 and the supplemental information required by the Wisconsin Housing and Economic Development Authority (WHEDA) shown on pages 18 – 25, 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 26, 2021

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, 2020 and 2019

	2020	2019
ASSETS		
Restricted cash	\$ 762,062	\$ 775,486
Accounts receivable, tenants	2,886	2,807
Accounts receivable, related party	156,925	143,761
Prepaid expenses	10,981	12,081
Rental property, net	9,165,625	9,607,757
Tax credit fees, net	53,160	63,792
TOTAL ASSETS	\$ 10,151,639	\$ 10,605,684
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable	\$ 3,278,243	\$ 3,335,564
Development completion guaranty loan	112,586	112,586
Deferred revenue	440,161	465,555
Development fee payable	58,735	58,735
Accounts payable	28,826	11,932
Accrued interest	1,209,879	1,070,228
Accrued expenses	128,249	120,674
Tenants' security deposits payable	24,930	22,705
Prepaid rents	4,288	5,025
Total liabilities	5,285,897	5,203,004
MEMBERS' EQUITY	4,865,742	5,402,680
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 10,151,639	\$ 10,605,684

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Rental income	\$ 415,628	\$ 422,918
Operating subsidies	189,541	226,374
Vacancies and concessions	(22,378)	(23,324)
Other revenue	17,081	21,615
	<u>599,872</u>	<u>647,583</u>
Total revenues	599,872	647,583
Rental expenses:		
Rent and administrative	110,018	127,403
Utilities	72,971	69,490
Operating and maintenance	238,664	243,647
Taxes and insurance	120,524	114,954
	<u>542,177</u>	<u>555,494</u>
Total rental expenses	542,177	555,494
Net rental income	57,695	92,089
Financial income (expense):		
Interest income	331	890
Interest expense	(158,330)	(155,936)
	<u>(157,999)</u>	<u>(155,046)</u>
Total financial income (expense)	(157,999)	(155,046)
Loss before other income (expenses)	(100,304)	(62,957)
Other income (expenses):		
Amortization of deferred revenue	25,394	25,394
Depreciation	(442,132)	(442,132)
Amortization	(10,632)	(10,632)
Asset management fee	(9,264)	(8,994)
	<u>(436,634)</u>	<u>(436,364)</u>
Total other income (expenses)	(436,634)	(436,364)
Net loss	<u><u>\$ (536,938)</u></u>	<u><u>\$ (499,321)</u></u>

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, 2020 and 2019

	Managing member	Investor member - MS Shared Investment Fund I, LLC	Investor member - NEF Assignment Corporation	Total
Balances, December 31, 2018	\$ (309)	\$ 530,794	\$ 5,371,516	\$ 5,902,001
Net loss	<u>(50)</u>	<u>(45,089)</u>	<u>(454,182)</u>	<u>(499,321)</u>
Balances, December 31, 2019	(359)	485,705	4,917,334	5,402,680
Net loss	<u>(53)</u>	<u>(48,486)</u>	<u>(488,399)</u>	<u>(536,938)</u>
Balances, December 31, 2020	<u>\$ (412)</u>	<u>\$ 437,219</u>	<u>\$ 4,428,935</u>	<u>\$ 4,865,742</u>
Ownership percentages	<u>0.01%</u>	<u>9.03%</u>	<u>90.96%</u>	<u>100.000%</u>

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, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (536,938)	\$ (499,321)
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	(79)	3,864
Accounts receivable, related party	(13,164)	29,773
Prepaid expenses	1,100	892
Accounts payable	16,894	(8,833)
Accrued interest	139,651	135,588
Accrued expenses	7,575	3,291
Tenants' security deposits payable	2,225	1,655
Prepaid rents	(737)	(9,096)
Net cash provided by operating activities	43,897	85,183
CASH FLOWS FROM INVESTING ACTIVITIES	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage notes payable	(57,321)	(55,652)
Change in cash, cash equivalents, and restricted cash	(13,424)	29,531
Cash, cash equivalents, and restricted cash:		
Beginning	775,486	745,955
Ending	\$ 762,062	\$ 775,486
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	\$ 0	\$ 0
Restricted cash	762,062	775,486
Total cash, cash equivalents, and restricted cash	\$ 762,062	\$ 775,486
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 18,679	\$ 20,348

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

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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:

	<u>Years</u>
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.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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 26, 2021, 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>2020</u>	<u>2019</u>
Operating and ACC reserve	<u>\$ 762,062</u>	<u>\$ 775,486</u>

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.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

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. The required deposits for the replacement reserve were made to the same bank account that holds the operating and ACC reserves in 2019.

	<u>2020</u>	<u>2019</u>
Balance, beginning	\$ 775,486	\$ 745,955
Annual deposits – replacement reserve	0	26,196
Additional deposits – replacement reserve	0	3,195
Interest earned	76	140
Withdrawals	<u>(13,500)</u>	<u>0</u>
Balance ending	<u>\$ 762,062</u>	<u>\$ 775,486</u>

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 \$179,101 and \$192,601 as of December 31, 2020 and 2019, respectively. The required deposits for the replacement reserve of \$26,982 were not made in 2020. The required deposits for the replacement reserve were made in 2019 to the same bank account that holds the operating and ACC reserves. See disclosure on operating reserve above.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2020</u>	<u>2019</u>
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	<u>240,052</u>	<u>240,052</u>
	13,602,216	13,602,216
Less accumulated depreciation	<u>4,436,591</u>	<u>3,994,459</u>
	<u>\$ 9,165,625</u>	<u>\$ 9,607,757</u>

NOTE D -- Mortgage notes payable

Mortgage notes payable consists of the following:

	<u>2020</u>	<u>2019</u>
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 \$905,656 and \$799,823 as of December 31, 2020 and 2019, respectively; interest expense totaled \$105,833 and \$101,762 for the years ended December 31, 2020 and 2019, 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 \$2,409 and \$3,269 as of December 31, 2020 and 2019, respectively; interest expense totaled \$17,819 and \$20,056 for the years ended December 31, 2020 and 2019, respectively.	<u>565,301</u>	<u>622,622</u>
Balance carried forward	2,411,301	2,468,622

TRUAX PARK REDEVELOPMENT, PHASE I, LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE D -- Mortgage notes payable (Continued)

	<u>2020</u>	<u>2019</u>
Balance brought forward	\$ 2,411,301	\$ 2,468,622
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 \$153,949 and \$137,949 as of December 31, 2020 and 2019, respectively; interest expense totaled \$16,000 and \$15,440 for the years ended December 31, 2020 and 2019, respectively.	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 \$147,865 and \$129,187 as of December 31, 2020 and 2019, respectively; interest expense totaled \$18,678 for each of the years ended December 31, 2020 and 2019.	<u>466,942</u>	<u>466,942</u>
	<u>\$ 3,278,243</u>	<u>\$ 3,335,564</u>

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2020

NOTE D -- Mortgage notes payable (Continued)

Repayment of principal on the mortgage notes payable as of December 31, 2020, is as follows:

Year ending December 31,

2021	\$ 58,757
2022	60,544
2023	62,385
2024	64,283
2025	66,238
Thereafter	<u>2,966,036</u>
	<u>\$ 3,278,243</u>

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	<u>1,775,000</u>
Total	<u>\$ 1,846,000</u>

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 \$191,507 and \$172,670 as of December 31, 2020 and 2019, 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.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

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 \$3,674 and \$1,099 as of December 31, 2020 and 2019, 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 \$9,468 and \$0 as of December 31, 2020 and 2019, 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 \$189,541 and \$226,374 were earned during the years ended December 31, 2020 and 2019, respectively. Included in accounts receivable, related party are operating subsidies receivable of \$153,251 and \$142,662 as of December 31, 2020 and 2019, 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, 2020 and 2019.

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, 2020 and 2019.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 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 \$19,662 and \$19,980 for the years ended December 31, 2020 and 2019, 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 \$74,625 and \$65,361 as of December 31, 2020 and 2019, respectively. Asset management fees incurred totaled \$9,264 and \$8,994 for the years ended December 31, 2020 and 2019, 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, 2020 and 2019.

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 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.

Uncertainty

In March 2020, the World Health Organization (WHO) characterized the coronavirus disease (COVID-19) as a global pandemic. Since that time, local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic by mandating temporary work stoppage in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management cannot quantify the financial and other impact to the company as of February 26, 2021, management believes that a material impact on the company's financial position and results of future operations is reasonably possible.

SUPPLEMENTARY INFORMATION

TRUAX PARK REDEVELOPMENT, PHASE I, LLC
SUPPLEMENTAL INFORMATION REQUIRED BY INVESTOR MEMBER
Years ended December 31, 2020 and 2019

SCHEDULES OF PROJECT OPERATING EXPENSES

	2020	2019
RENT AND ADMINISTRATIVE		
Office salaries	\$ 63,855	\$ 81,734
Office expense	10,018	9,709
Property management fees	19,662	19,980
Professional fees - audit	8,880	9,520
Miscellaneous rent and administrative	7,603	6,460
	<u>110,018</u>	<u>127,403</u>
TOTAL RENT AND ADMINISTRATIVE	<u>\$ 110,018</u>	<u>\$ 127,403</u>
 UTILITIES		
Electric	\$ 16,011	\$ 15,742
Water	25,703	23,729
Gas	12,742	14,272
Sewer	18,515	15,747
	<u>72,971</u>	<u>69,490</u>
TOTAL UTILITIES	<u>\$ 72,971</u>	<u>\$ 69,490</u>
 OPERATING AND MAINTENANCE		
Payroll	\$ 87,172	\$ 98,218
Supplies	21,858	27,643
Contracts	85,183	93,477
Garbage and trash removal	14,424	10,428
Security services	20,622	1,000
Snow removal	394	719
Vehicle/maintenance equipment repairs	8,984	11,966
Miscellaneous operating and maintenance	27	196
	<u>238,664</u>	<u>243,647</u>
TOTAL OPERATING AND MAINTENANCE	<u>\$ 238,664</u>	<u>\$ 243,647</u>
 TAXES AND INSURANCE		
Real estate taxes	\$ 40,553	\$ 38,752
Payroll taxes	10,586	13,324
Property and liability insurance	35,186	21,702
Health insurance and other employee benefits	34,199	41,176
	<u>120,524</u>	<u>114,954</u>
TOTAL TAXES AND INSURANCE	<u>\$ 120,524</u>	<u>\$ 114,954</u>

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495

SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA

December 31, 2020

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

Accounts receivable, related party - CDA	\$ 3,674
Accounts receivable, ACC subsidy, related party	<u>153,251</u>
	<u>\$ 156,925</u>

DELINQUENT TENANTS' ACCOUNTS RECEIVABLE

	Number of tenants	Amount past due
Delinquent 30 days	16	\$ 2,886
Delinquent 31 to 60 days	0	0
Delinquent 61 to 90 days	0	0
Delinquent over 90 days	0	<u>0</u>
		<u>\$ 2,886</u>

DISTRIBUTIONS

None.

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD BY WHEDA

	Operating & ACC reserve
Balance, beginning	\$ 775,486
Deposits	0
Withdrawals	(13,500)
Interest earned	<u>76</u>
Balance, ending	<u>\$ 762,062</u>

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495

SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA (Continued)

December 31, 2020

RELATED PARTY TRANSACTIONS

Development fee		
Beginning balance	\$	58,735
Payments		<u>0</u>
Ending balance	\$	<u>58,735</u>
Asset management fee		
Beginning accrual	\$	65,361
Current year expense		9,264
Fee paid		<u>0</u>
Ending accrual	\$	<u>74,625</u>
Property management fee		
Beginning accrual	\$	0
Current year expense		19,662
Fee paid		<u>(19,662)</u>
Ending accrual	\$	<u>0</u>

COMPUTATION OF SURPLUS CASH

CURRENT ASSETS

Accounts receivable, related party		\$	156,925
MEMO - Tenants' security deposits	\$	0	<u></u>
Total current assets			156,925

CURRENT LIABILITIES

MEMO - Tenants' security deposits	\$	24,930	
Accounts payable			28,826
Accrued interest			2,409
Accrued expenses			53,624
Underfunded tenants' security deposits			24,930
Prepaid rents			<u>4,288</u>
Total current liabilities			<u>114,077</u>

SURPLUS CASH		\$	<u>42,848</u>
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Main Information

Field Name		Value
Property Info		
Property Name	Truax Park Redevelopment, Phase I, LLC	
Project Number		5495
HFA Number		



Version 2020.1.1

ProLink Solutions HFA - Standardized Financials Input Template

Date of Statement

12/31/2020

ProLink Account ID (Layer 4)	Agency Label	Amount	Comment
1000	Asset	\$ 10,151,639	
1100	Current Asset	\$ 159,811	
1120	Cash Operation Unrestricted	\$ -	
1120.01	Cash - Operations	0	
1125	Cash Restricted	\$ -	
1125.11	Cash - Entity		
1130	A/R Tenant	\$ 2,886	
1130.01	Tenant Accounts Receivable	2,886	
1130.02	Allowance for Doubtful Accounts		
1140	A/R Operation	\$ 156,925	
1140.01	Accounts and Notes Receivable-Operations	156,925	
1140.11	Accounts Receivable-WHEDA		
1145	N/R Affiliate	\$ -	
1145.01	Accounts and Notes Receivable-Entity		
1170	Investment Short-term	\$ -	
1170.11	Short Term Investments- Operations		
1170.21	Short Term Investments-Entity		
1190	Other Current Asset	\$ -	
1190.01	Misc Current Assets		
1191	Tenant Deposit	\$ -	
1191.01	Tenant Security Deposits	0	
1200	Prepaid Expense	\$ 10,981	
1210	Misc Prepaid Expenses	\$ 10,981	
1210.01	Misc Prepaid Expenses	10,981	
1300	Funded Reserve	\$ -	
1310	Escrow Deposit	\$ -	
1310.01	Escrow Deposits		
1310.21	Insurance Escrow		
1311.00	Real Estate Tax or PILOT Escrow		
1320	Replacement Reserve	\$ -	
1320.01	Reserve for Replacements		
1330	Other Reserve Restricted	\$ -	
1330.01	Other Reserve		
1340	Residual Receipt Reserve	\$ -	
1340.01	Residual Receipts Reserve		
1400	Fixed Asset	\$ 9,165,625	
1410	Land	\$ 1,846,000	
1410.01	Land	1,846,000	
1420	Building	\$ 11,325,047	
1420.01	Building	11,325,047	
1450	Furniture	\$ 240,052	
1450.01	Furnishings	240,052	
1450.31	Furniture for Project/Tenant Use		
1450.91	Office Furniture and Equipment		
1470	Maintenance Equipment	\$ -	
1470.01	Maintenance Equipment		
1480	Motor Vehicle	\$ -	
1480.01	Motor Vehicles		
1490	Other Fixed Asset	\$ (4,245,474)	
1490.01	Misc Fixed Assets	191,117	Land Improvements
1490.11	Accumulated Depreciation	(4,436,591)	
1500	Investment Long-term	\$ 53,160	
1510	Investment Long-term Operation	\$ -	
1510.01	Investments-Operations		
1530	Intangible Asset	\$ 53,160	
1530.01	Intangible Assets	53,160	Tax Credit Fees, net of amortization
1900	Other Asset	\$ 762,062	
1910	Other Asset	\$ 762,062	
1910.01	Misc Other Assets	762,062	ACC & Operating Reserves



Version 2020.1.1

ProLink Solutions HFA - Standardized Financials Input Template

Date of Statement

12/31/2020

ProLink Account ID (Layer 4)	Agency Label	Amount	Comment
2000	Liability	\$ 5,285,897	
2100	Current Liability	\$ 1,539,058	
2105	Bank Overdraft	\$ -	
2105.01	Bank Overdraft-Operations		
2110	A/P Operation	\$ 28,826	
2110.01	Accounts Payable-Operations	28,826	
2115	A/P Government	\$ -	
2115.21	Accounts Payable-WHEDA/HUD		
2120	Accrued Wage Payable	\$ 7,286	
2120.01	Accrued Wages Payable	4,838	
2120.11	Accrued Payroll Taxes Payable	\$ 2,448	
2120.31	Accrued Management Fee Payable	0	
2130	Accrued Mortgage Interest Payable	\$ 2,409	
2130.01	Accrued Interest Payable-First Mortgage	2,409	
2130.31	Accrued Interest Payable-Second Mortgage		
2131	Accrued Interest Payable	\$ 1,207,470	
2131.11	Accrued Interest Payable-Other Loans (Surp Cash)	\$ 1,207,470	
2131.12	Accrued Interest Payable-Other Loans and Notes		
2150	Accrued Operating Expense	\$ -	
2150.11	Accrued Real Estate & Property Tax Payable	0	
2160	N/P Short Term	\$ -	
2160.01	Short Term Notes Payable		
2160.31	Other Loans and Notes Payable, Surplus Cash ST		
2170	Mortgage Payable Current	\$ 58,757	
2170.11	Mortgage Payable-First Mortgage (Short Term)	58,757	
2170.31	Mortgage Payable-Second Mortgage (Short Term)		
2180	Utility Allowance	\$ -	
2180.01	Utility Allowances		
2190	Current Liability Other	\$ 205,092	
2190.01	Misc Current Liabilities/Preservation Fee	205,092	includes A/P-Entity
2191	Tenant Deposit	\$ 24,930	
2191.01	Tenant Security Deposits	24,930	
2210	Prepaid Revenue	\$ 4,288	
2210.01	Prepaid Revenue	4,288	
2300	Long-term Liability	\$ 3,746,839	
2310	N/P Long-Term	\$ 2,712,942	
2310.01	Notes Payable-Long Term		
2310.32	Other Loans and Notes Payable	\$ 2,712,942	
2320	Mortgage Payable Long-Term	\$ 506,544	
2320.11	Mortgage Payable-First Mortgage	506,544	
2320.31	Mortgage Payable-Second Mortgage	0	
2390	Long-term Liability Other	\$ 527,353	
2390.01	Misc Long Term Liabilities	\$ 527,353	
3000	Equity	\$ 4,865,742	
3100	Owner Equity	\$ 4,865,742	
3110	Owner Equity	\$ 4,865,742	
3110.11	Total Equity/Retained Earnings	4,865,742	



ProLink Solutions HFA - Standardized Financials Input Template

Statement Period

01/01/2020 - 12/31/2020

ProLink Account ID (Layer 4)	Agency Label	Amount	Comment
5000	Revenue	\$ 625,597	
5100	Rent Revenue	\$ 605,169	
5120	Residential Rent	\$ 605,169	
5120.11	Rent Revenue-Gross Potential	415,628	
5120.21	Tenant Assistance Payments	189,541	
5140	Commercial Rent	\$ -	
5140.01	Rent Revenue - Commercial/Stores @ 100%		
5170	Garage Rent	\$ -	
5170.01	Rent Revenue-Garage/Parking @ 100%		
5180	Flexible Subsidy	\$ -	
5180.01	Flexible Subsidy Revenue		
5190	Other Rent	\$ -	
5190.01	Misc Rent Revenue		
5200	Vacancy	\$ (22,378)	
5220	Residential Vacancy	\$ (22,378)	
5220.01	Apartment Vacancies	(22,378)	
5240	Commercial Vacancy	\$ -	
5240.01	Stores/Commercial Vacancies or Concessions		
5250	Rental Concession	\$ -	
5250.01	Rental Concessions	0	
5270	Garage Vacancy	\$ -	
5270.01	Garage/Parking Vacancies or Concessions		
5290	Other Rent Vacancy	\$ -	
5290.01	Miscellaneous		
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		
5400	Financial Revenue	\$ 331	
5410	Financial Revenue from Operation	\$ -	
5410.01	Financial Revenue-Project Operations		
5430	Investment Revenue Residual Receipt	\$ -	
5430.01	Revenue from Investments-Residual Receipts		
5440	Investment Revenue Replacement Reserve	\$ -	
5440.01	Revenue from Investments-Replacement Reserve	0	
5490	Investment Revenue Other	\$ 331	
5490.01	Revenue from Investments-Miscellaneous	331	
5900	Other Revenue	\$ 42,475	
5910	Laundry and Vending Revenue	\$ -	
5910.01	Laundry/Vending Income (Net)	0	
5920	Tenant Charge	\$ 7,834	
5920.01	Tenant Charges	7,834	
5990	Other Revenue	\$ 34,641	
5990.01	Miscellaneous Revenue	34,641	
6000	Expense	\$ 1,162,535	
6200	Administrative Expense	\$ 110,018	
6210	Advertising	\$ -	
6210.01	Advertising/Marketing Expense	0	
6250	Other Renting Expense	\$ -	
6250.01	Other Rent Expense	0	
6310	Office Salary	\$ 63,855	
6310.01	Office Salaries	63,855	
6311	Office Expense	\$ 10,018	
6311.01	Office Expenses	10,018	
6311.21	Office or Model Apartment Rent		
6320	Management Fee	\$ 19,662	
6320.01	Management Fees All	19,662	
6330	Property Manager	\$ -	
6330.11	Manager/Superintendent Salaries		
6330.21	Administrative Rent-Free Unit	0	
6340	Legal	\$ -	
6340.01	Legal Expense-Project Only	0	
6350	Audit	\$ 8,880	
6350.01	Audit Expense - Project Only	8,880	
6351	Accounting	\$ -	
6351.01	Bookkeeping Fees/Accounting Services	0	
6370	Bad Debt	\$ -	
6370.01	Bad Debt Expense	0	
6390	Other Administrative Expense	\$ 7,603	
6390.01	Misc Administrative Expenses	7,603	



ProLink Solutions HFA - Standardized Financials Input Template

Statement Period

01/01/2020 - 12/31/2020

ProLink Account ID (Layer 4)	Agency Label	Amount	Comment
6400	Utility Expense	\$ 72,971	
6420	Fuel	\$ -	
6420.01	Fuel Oil		
6450	Utility	\$ 72,971	
6450.11	Electricity	\$ 16,011	
6450.21	Gas	\$ 12,742	
6450.32	Water	\$ 25,703	
6450.33	Sewer	\$ 18,515	
6500	Operating and Maintenance Expense	\$ 238,664	
6510	Payroll	\$ 87,172	
6510.01	Payroll	\$ 87,172	
6510.31	Operating and Maintenance Rent Free Unit		
6515	Supply	\$ 21,858	
6515.01	Supplies	\$ 21,858	
6520	Contract	\$ 85,183	
6520.01	Contracts	\$ 85,183	
6525	Garbage	\$ 14,424	
6525.01	Garbage & Trash Removal	\$ 14,424	
6530	Security	\$ 20,622	
6530.11	Security Payroll/Contract (incl taxes and benefits)	\$ 20,622	
6530.21	Security Rent Free Unit		
6540	Seasonal Maintenance Expense	\$ 394	
6540.11	Heating/Cooling Repairs & Maintenance	\$ -	
6540.21	Snow Removal	\$ 394	
6570	Vehicle	\$ 8,984	
6570.01	Vehicle/Maintenance Equipment Operation & Repairs	\$ 8,984	
6580	RR releases to reimburse expensed items and/or CAPEX paid from project operations	\$ -	
6580.01	RR releases to reimburse expensed items and/or CAPEX paid from project operations	\$ -	
6590	Operating and Maintenance Expense Other	\$ 27	
6590.01	Misc Operating & Maintenance Expense	\$ 27	
6600	Depreciation and Amortization Expense	\$ 452,764	
6610	Depreciation Expense	\$ 442,132	
6610.01	Depreciation Expense	\$ 442,132	
6620	Amortization Expense	\$ 10,632	
6620.01	Amortization Expense	\$ 10,632	
6700	Tax and Insurance Expense	\$ 120,524	
6710	Tax Property	\$ 40,553	
6710.01	Real Estate & Personal Property Taxes	\$ 40,553	
6711	Tax Payroll	\$ 10,586	
6711.01	Payroll Taxes - Project Share	\$ 10,586	
6720	Insurance Property	\$ 35,186	
6720.01	Property & Liability Insurance (Hazard)	\$ 35,186	
6723	Insurance Payroll	\$ 34,199	
6723.01	Health Insurance and Other Employee Benefits	\$ 34,199	
6723.11	Fidelity Bond Insurance		
6723.21	Workmens Compensation		
6790	Tax and Insurance Other	\$ -	
6790.01	Misc Taxes, Licenses, Permits, and Insurance		
6800	Financial Expense	\$ 158,330	
6810	WHEDA Senior Hard Debt Interest	\$ -	
6810.01	Interest on Mortgage Payable	\$ -	
6820	WHEDA Junior Hard Debt Interest	\$ -	
6820.01	Interest on Mortgage Payable		
6825	Other Mortgage Interest	\$ 158,330	
6825.01	Interest on Mortgage Payable	\$ 158,330	
6850	Mortgage Insurance	\$ -	
6850.01	Mortgage Insurance Premium/Service Charge		
6890	Other Financial Expense	\$ -	
6890.01	Misc Financial Expense/Preservation Fee	\$ -	
7000	Other Expense	\$ -	
7010	Net Entity Expenses	\$ -	
7010.01	Net Entity Expenses		
7100	Corporate Partnership Expense	\$ 9,264	
7110	Officer Salary	\$ -	
7110.01	Officer's Salaries		
7120	Entity Legal	\$ -	
7120.01	Legal Expense		
7130	Entity Income Tax	\$ -	
7130.01	Federal, State, and Other Income Taxes		
7140	Entity Interest Income	\$ -	
7140.01	Interest Income		
7140.11	Interest on Notes Payable		
7140.21	Interest on Mortgage Payable		
7190	Other Entity Expense	\$ 9,264	
7190.01	Other Expense	\$ 9,264	



ProLink Solutions HFA - Standardized Financials Input Template

Statement Period

01/01/2020 - 12/31/2020

ProLink Account ID (Layer 4)	Agency Label	Amount	Comment
10000	Other Financial		
11300	Reserve Deposit	\$ -	
11320	Deposit to Replacement Reserve	\$ -	
11320.01	Annual Replacement Reserve Deposits	\$ -	
16800	Mortgage Principal Payment	\$ 57,321	
16810	WHEDA Senior Hard Debt Principal	\$ -	
16810.01	WHEDA Senior Hard Debt Principal	\$ -	
16820	WHEDA Junior Hard Debt Principal	\$ -	
16820.01	WHEDA Junior Hard Debt Principal		
16825	Other Debt Principal	\$ 57,321	
16825.01	Other Debt Principal	\$ 57,321	

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495

CERTIFICATION BY MANAGING MEMBER OF MORTGAGOR

December 31, 2020

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.



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

2-26-2021

Date

ID #39-6006968

TRUAX PARK REDEVELOPMENT, PHASE I, LLC

WHEDA Project No. 5495
CERTIFICATION BY MANAGEMENT AGENT
December 31, 2020

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.



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

2-26-2021

Date

ID #39-6006968