Merrill Park LLC

Financial Report

December 31, 2024

MERRILL PARK LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Merrill Park LLC
Milwaukee, WI

Opinion

We have audited the accompanying financial statements of Merrill Park LLC, which comprise the balance sheets as of December 31, 2024 and 2023, 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 Merrill Park LLC as of December 31, 2024 and 2023, 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 Merrill Park 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 Merrill Park 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 Merrill Park 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 Merrill Park 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information required by the Wisconsin Housing and Economic Development Authority (WHEDA) is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit 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.

Madison, Wisconsin

REPORT DATE

MERRILL PARK LLC

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 1,353,833	$ 1,206,388
Restricted cash	709,059	581,013
Accounts receivable	500,014	299,719
Prepaid expenses	8,378	42,175
Rental property, net	12,477,103	12,857,501
Tax credit fees, net	78,201	85,280
TOTAL ASSETS	$ 15,126,588	$ 15,072,076
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	$ 6,900,638	$ 6,912,532
Accounts payable	112,306	22,839
Accrued interest	675,698	376,516
Accrued expenses	38,176	32,630
Accrued PILOT	161,945	128,291
Prepaid rents	22,102	9,216
Deferred revenue	19,414	17,049
Tenants' security deposits payable	54,782	47,439
Total liabilities	7,985,061	7,546,512
MEMBERS' EQUITY	7,141,527	7,525,564
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 15,126,588	$ 15,072,076

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

MERRILL PARK LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2024 and 2023

	2024	2023
Revenue:		
Rental income	$ 1,200,611	$ 1,204,893
Vacancies and concessions	(192,055)	(199,498)
Bad debt expense (recoveries)	167,795	(253,125)
Other revenue	6,207	8,627
Total revenue	1,182,558	760,897
Rental expenses:		
Rent and administrative	233,283	172,121
Utilities	158,565	185,438
Operating and maintenance	353,306	260,111
PILOT and insurance	86,163	73,615
Total rental expenses	831,317	691,285
Net rental income	351,241	69,612
Financial income (expense):		
Interest income	28,325	22,994
Interest expense	(363,209)	(360,413)
Total financial income (expense)	(334,884)	(337,419)
Income (loss) before other expenses	16,357	(267,807)
Other expenses:		
Depreciation	380,398	380,398
Amortization	7,079	7,079
Asset management fee	12,917	12,540
Total other expenses	400,394	400,017
Net loss	$ (384,037)	$ (667,824)

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

MERRILL PARK LLC

STATEMENTS OF MEMBERS' EQUITY

Years ended December 31, 2024 and 2023

	Managing member	Special investor member	Investor member	Total
Members' equity				
Balances, December 31, 2022	$ 90	$ 9	$ 8,174,269	$ 8,174,368
Equity adjuster	0	0	19,020	19,020
Net loss	(60)	(7)	(667,757)	(667,824)
Balances, December 31, 2023	30	2	7,525,532	7,525,564
Net loss	(35)	(4)	(383,998)	(384,037)
Balances, December 31, 2024	(5)	(2)	7,141,534	7,141,527
Subscriptions receivable:				
Balances, December 31, 2022	0	0	225,000	225,000
Equity adjuster	0	0	19,020	19,020
Subscription receipts	0	0	(244,020)	(244,020)
Balances, December 31, 2023 and 2024	0	0	0	0
Total members' equity	$ (5)	$ (2)	$ 7,141,534	$ 7,141,527
Ownership percentages	0.009%	0.001%	99.99%	100.00%

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

MERRILL PARK LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (384,037)	$ (667,824)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	380,398	380,398
Amortization of debt issuance costs	1,120	1,119
Amortization of tax credit fees	7,079	7,079
Bad debts	0	253,125
Increase (decrease) in cash due to changes in:		
Accounts receivable	(200,295)	(164,305)
Prepaid expenses	33,797	(509)
Accounts payable	89,467	(27,724)
Accrued interest	299,182	(282,072)
Accrued expenses	5,546	3,245
Accrued PILOT	33,654	27,369
Prepaid rents	12,886	(15,678)
Deferred revenue	2,365	(8,619)
Tenants' security deposits payable	7,343	(2,844)
Net cash provided by operating activities	288,505	(497,240)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments of development fee	0	(225,000)
Payments of construction payables	0	(77,600)
Net cash used in investing activities	0	(302,600)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage notes payable	0	705,423
Principal payments on mortgage notes payable	(13,014)	(12,337)
Payment of tax credit fees	0	(3,300)
Subscription receipts	0	244,020
Net cash used in financing activities	(13,014)	933,806
Change in cash, cash equivalents, and restricted cash	275,491	133,966
Cash, cash equivalents, and restricted cash:		
Beginning	1,787,401	1,653,435
Ending	$ 2,062,892	$ 1,787,401
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	$ 1,353,833	$ 1,206,388
Restricted cash	709,059	581,013
Total cash, cash equivalents, and restricted cash	$ 2,062,892	$ 1,787,401

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

MERRILL PARK LLC

STATEMENTS OF CASH FLOWS (Continued)

Years ended December 31, 2024 and 2023

	2024	2023
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	$ 62,907	$ 641,366
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equity adjuster	$ 0	$ 19,020

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

NOTE A -- Nature of business and significant accounting policies

Nature of business

Merrill Park LLC (the company), was formed on August 12, 2019, as a limited liability company (LLC) under the Wisconsin Limited Liability Company Act (the Act) to acquire, rehabilitate and operate a 120-unit low-income housing project called Merrill Park Apartments (the project) with admission preferences for rental to seniors age sixty-two years or older or disabled persons of low income located in Milwaukee, Wisconsin. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project was acquired on December 17, 2019 from the Housing Authority of the City of Milwaukee (HACM), sole member of managing member. Rehabilitation of the building was substantially completed on December 16, 2021.

The company consists of one managing member, one special investor member, and one investor member, each with the 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 law.

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 perpetual unless sooner terminated in accordance with the operating agreement.

A summary of significant accounting policies follows:

Accrual basis of accounting

As prescribed by accounting principles generally accepted in the United States of America, assets and liabilities, and income and expenses, are recognized on the accrual basis of accounting.

Allocations of income/loss and tax credits

Income or loss of the company is allocated 0.009% to Merrill Park Development, LLC, the managing member; 0.001% to RBC Tax Credit Manager II, Inc., the special investor member; and 99.99% to RBC Tax Credit Equity Fund - 99, the investor member. The company is generating low-income housing tax credits, which are allocated in the same manner. Allocation of gain or loss from a sale of the project, if applicable, is subject to different terms, as described in the company's operating agreement.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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 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.

Accounts receivable and revenue recognition

The company utilizes the direct write-off method of accounting for credit losses for any accounts receivable outside the scope of FASB Codification Topic 842 *Leases*. The use of this method has no material effect on the financial statements. The company follows FASB Codification Topic 842 *Leases* to account for its operating lease receivables included in accounts receivable. When the company concludes collectibility of specific operating lease receivables is not probable, those receivables are written off to bad debt expense which is presented as a reduction to revenue in the statement of operations.

The company leases apartments to eligible residents under operating leases which are substantially all on a yearly basis. Rental revenue is recognized, net of vacancies and concessions, on a straight-line basis over the term of the leases.

Other revenue also consists of various tenant charges provided for in the lease contract, such as late fees, cleaning fees, and damages fees which are variable payments that do not provide a transfer of a good or service to the tenants and are not considered components of the lease contract. These fees are recognized as revenue when assessed. Certain services are also provided to tenants outside of the lease contract and are recognized when the service is complete.

The company also leases rooftop space (see Note G).

As of December 31, 2024 and 2023, 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, 2024, the average remaining term of the company's residential leases is less than 12 months.

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

The components of rental revenue for all resident and rooftop space operating leases are as follows for the years ended December 31:

	2024	2023
Fixed operating lease revenue from apartment rentals and rooftop space, net of vacancies and concessions and bad debts	$ 1,176,351	$ 752,270
Variable operating lease revenue included in other revenue	6,207	8,627
Total lease income	$ 1,182,558	$ 760,897

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

	2024	2023
Cash received from operating leases		
Operating cash flows from operating leases	$ 1,263,058	$ 825,420

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:

	Years
Building and improvements	40
Land Improvements	20
Furnishings, fixtures, and equipment	5 - 10

Maintenance and repairs of rental property and equipment are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property and equipment, 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.

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 from the Wisconsin Housing and Economic Development Authority (WHEDA), the company paid fees totaling $106,184 as of December 31, 2024 **and 2023**. The company is amortizing these fees on the straight-line method over the related tax credit compliance period of 15 years, commencing in 2021.

Debt issuance costs

Debt issuance costs incurred by the company totaled $43,166 as of December 31, 2024 and 2023. Of these costs, $35,106 were incurred in connection with the financing from the Wisconsin Housing and Economic Development Authority (WHEDA) and $8,060 were incurred in connection with financing from the Housing Authority of the City of Milwaukee (HACM), all of which are described in Note D:

	Amortization Period	Amount
WHEDA Note #1	37 years	$ 35,106
HACM Acquisition Loan	50 years	4,477
HACM Fed Loan	50 years	3,583
		$ 43,166

The company is amortizing these costs into interest expense using the straight-line method rather that the effective interest method. The use of the straight-line method rather than the effective interest method has no material effect on the financial statements.

Amortized costs included in interest expense amounted to $1,120 and $1,119 for the years ended December 31, 2024 and 2023, respectively.

Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income, 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 the Housing Authority of the City of Milwaukee (HACM) under the Project Based Voucher Housing Assistance Payments Contract and the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by 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.

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

Subsequent events

These financial statements have not been updated for subsequent events occurring after REPORT DATE, 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:

	2024	2023
Tenants' security deposits	$ 46,510	$ 7,596
Replacement reserve	140,328	98,361
PILOT escrow	76,618	51,769
Operating reserve	445,603	423,287
	$ 709,059	$ 581,013

Replacement reserve

Under the provisions of the operating agreement, the company is required to fund a replacement reserve with an initial deposit of $36,000 no later than the Third Capital Contribution date, November 1, 2021. The company is then required to make annual deposits equal to $300 per unit, which shall increase 3% per year. The replacement reserve shall be used for the purpose of replacing capital assets or providing capital improvements. Withdrawals may be made only upon the approval of investor member.

	2024	2023
Balance, beginning	$ 98,361	$ 54,428
Monthly deposits	36,000	40,518
Interest earned	5,967	3,415
Balance, ending	$ 140,328	$ 98,361

NOTE B -- Restricted cash (Continued)

Operating reserve

Under the provisions of the operating agreement, the company is required to fund an operating reserve in the initial amount of $400,000 no later than the Third Capital Contribution date, November 1, 2021. The operating reserve, including interest thereon, is to be utilized primarily to fund operating deficits. Withdrawals may be made only upon the approval of the special investor member.

	2024	2023
Balance, beginning	$ 423,287	$ 403,845
Interest earned	22,316	19,442
Balance, ending	$ 445,603	$ 423,287

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	2024	2023
Land	$ 379,439	$ 379,439
Building	12,884,072	12,884,072
Land improvements	277,441	277,441
Furnishings, fixtures, and equipment	398,744	398,744
	13,939,696	13,939,696
Less accumulated depreciation	1,462,593	1,082,195
	$ 12,477,103	$ 12,857,501

NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consist of the following:

	2024	2023
WHEDA construction-perm mortgage note payable in an amount not to exceed $1,200,000; interest only payments at the greater of 3.00% or 30-day LIBOR plus 300 basis points through the conversion date, which was June 1, 2022; commencing July 1, 2022, monthly payments are due of $6,327, including interest at 5.35% (effective interest rate is 5.48%); due June 1, 2057; collateralized by a mortgage on the project's rental property and assignment of leases and rents thereon; nonrecourse; prepayment not allowed prior to conversion; subject to a prepayment penalty as defined in the note; unamortized debt issuance costs associated with the note totaled $30,752 and $31,711 as of December 31, 2024 and 2023, respectively.	$ 1,168,723	$ 1,181,737
HACM $3,690,000 acquisition mortgage note; accrues interest at 5%, compounded annually; nonrecourse; payments are payable to the extent of available cash flow as defined in the operating agreement; unpaid principal and interest due December 17, 2069; collateralized by a mortgage on the project's rental property and a general business security agreement; accrued interest was $410,122 and $214,878 as of December 31, 2024 and 2023, respectively; interest expense was $195,244 and $202,250 for the years ended December 31, 2024 and 2023, respectively; unamortized debt issuance costs associated with this note totaled $4,029 and $4,119 as of December 31, 2024 and 2023, respectively.	3,690,000	3,690,000
Balance carried forward	4,858,723	4,871,737

NOTE D -- Mortgage notes payable, net (Continued)

	2024	2023
Balance brought forward	$ 4,858,723	$ 4,871,737
HACM; original amount of $2,952,767 federal funds note; accrues interest at 5% per annum; recourse; unpaid principal balance and accrued interest are payable to the extent of available cash flow; due December 17, 2069; collateralized by a mortgage on the project's rental property and a security agreement; accrued interest was $260,365 and $156,369 as of December 31, 2024 and 2023, respectively; interest expense was $103,996 and $93,516 for the years ended December 31, 2024 and 2023, respectively; unamortized debt issuance costs associated with this note totaled $3,225 and $3,296 as of December 31, 2024 and 2023, respectively.	2,079,921	2,079,921
Total mortgage notes payable	6,938,644	6,951,658
Less unamortized debt issuance costs	38,006	39,126
	$ 6,900,638	$ 6,912,532

Repayment of principal on the mortgage notes payable as of December 31, 2024, is as follows:

Year ending December 31,	
2025	$ 13,727
2026	14,480
2027	15,274
2028	16,111
2029	16,995
Thereafter	6,862,057
	$ 6,938,644

NOTE E -- Related-party transactions

Development completion guaranty

The managing member is obligated to provide all funds required of the company to complete development of the property to the extent the funds are not then available under the mortgage notes payable, construction loans, or investor member capital contributions. In addition, the managing member is obligated to fund operating deficits until Stabilized Occupancy is achieved as defined in the operating agreement. The managing member’s obligation shall be limited to $250,000, and all advances shall constitute interest free unsecured loans. Loans are repayable from net proceeds resulting from any capital transaction and proceeds resulting from the liquidation of the company’s assets. There were no development completion loans as of December 31, 2024 and 2023.

Operating deficit guaranty

The operating agreement requires the managing member to fund operating deficits occurring after the period in which the project reaches Stabilized Occupancy, as defined in the operating agreement, and continue until the Release Date, as defined in the operating agreement. The managing member’s obligation shall be limited to $400,000. All advances shall constitute unsecured loans, bearing interest at 5%, and are repayable from available cash flow as defined in the operating agreement. There were no operating deficit loans as of December 31, 2024 and 2023.

Related party receivables

Included in accounts receivable are related party receivables of $490,065 and $215,862 as of December 31, 2024 and 2023, respectively. These amounts are receivable from the following as of December 31:

	2024	2023
HACM	$ 0	$ 81,963
Travaux, affiliate of manager member	286,593	133,899
	$ 286,593	$ 215,862

The amounts due from HACM are in connection with cellular tower income described in Note G. The amounts due from Travaux are for the company’s excess payments to reimburse Travaux for operating expenses.

Related party payables

Included in accounts payable are related party payables due to HACM of $52,314 and $0 as of December 31, 2024 and 2023, respectively. The amounts due to HACM are for reimbursement of operational expenses.

NOTE E -- Related-party transactions (Continued)

Asset management fees

The operating agreement provides for the payment of an annual asset management fee to the investor member of $6,000, commencing one year after the initial closing. The investor asset management fee shall increase annually by 3% and is cumulative and payable solely from available cash flow as defined in the operating agreement. Investor asset management fees incurred were $6,552 and $6,360 for the years ended December 31, 2024 and 2023, respectively.

The operating agreement provides for the payment of an annual asset management fee to the managing member of $6,000, commencing the first calendar quarter after the project is placed in service. The placed in-service date is to be considered when the company receives a certificate of substantial completion for rehabilitation of the project. The managing member asset management fee shall increase annually by 3% and is cumulative and payable solely from available cash flow as defined in the operating agreement. Managing member asset management fees incurred were $6,365 and $6,180 for the years ended December 31, 2024 and 2023, respectively. Accrued managing member asset management fee was $18,545 and $12,180 as of December 31, 2024 and 2023, respectively.

Development fee

The company entered into a development agreement with HACM. The agreement provides for the company to pay a development fee of $1,356,311 to HACM. The entire fee has been earned and capitalized into the cost of the rental property. It is anticipated that the development fee will be paid from proceeds of capital contributions made by the investor member and cash flow as set forth in the operating agreement. In the event the entire development fee has not been paid by the end of the tax credit compliance period, the managing member shall immediately make a capital contribution to the company sufficient to satisfy the remaining unpaid portion of the fee. Development fee was paid in full as of December 31, 2024 and 2023.

Option to Purchase and Right of first refusal

The company has granted HACM an option to purchase the project or the investor member's interests after the close of the 10-year credit period. The purchase price under the project option is the greater of an amount sufficient to pay all debts and liabilities of the company or the fair market value. Under the membership interest option, the purchase price is the greater of the fair market value or an amount sufficient to pay amounts due and owing to the investor member or the special investor member.

After the expiration of the 15-year compliance period, the company may not sell the project to any third party that has made a bona fide purchase offer, without first offering HACM the right of first refusal to purchase the property. The company shall offer the property to the managing member at the greater of a price equal to 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 or fair market value.

NOTE E -- Related-party transactions (Continued)

Management fee

The company entered into a management agreement with the managing member. Under this agreement, the company is obligated to pay a monthly management fee equal to $31.25 per unit, increasing 3% annually. Management fees incurred totaled $58,357 and $47,187 for the years ended December 31, 2024 and 2023, respectively. Included in accrued expenses are accrued management fees totaling $24,001 and $22,367 as of December 31, 2024 and 2023, respectively.

NOTE F -- Commitments and contingencies

Payment in Lieu of Taxes (PILOT)

HACM entered into a PILOT agreement with the City of Milwaukee, based on the determination that the property is exempt from taxation under the Wisconsin statutes. The PILOT is to be 10% of the difference between dwelling and non-dwelling rental income collected from the tenants and the utilities of the property through the term of the agreement. The company is subject to the same agreement with respect to the low-income housing units. PILOT totaled $33,654 and $27,481 for the years ended December 31, 2024 and 2023, respectively. Accrued PILOT expenses were $161,945 and $128,291 as of December 31, 2024 and 2023, respectively.

Project Based Voucher Housing Assistance Payments (HAP) Contract

The company and HACM entered into a RAD Conversion Commitment with HUD in December 2019 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective February 1, 2020.

The company entered into a Project Based Voucher Housing Assistance Payments Contract with HACM whereby HACM agrees to make housing assistance payments to the project for 120 of the units. These units have been designated for elderly or disabled families under the contract. The HAP contract is effective February 1, 2020 and has an initial term of 20 years set to expire February 1, 2040. Gross rental income under the HAP contract represents approximately 48% and 50% of residential rental income (excluding cellular tower lease income) for the years ended December 31, 2024 and 2023, respectively. Included in accounts receivable are amounts due under this contract of $203,472 and $108,090 as of December 31, 2024 and 2023, respectively. The HAP receivable as of December 31, 2024 will be repaid either from HACM unrestricted funds or coincide with repayment of current operating payables due to HACM as the balance is a result of either tenants not certified under the program or HAP received by HACM but that did not flow through to the company.

The company and HACM entered into a RAD Use Agreement with HUD pursuant to the RAD HAP contract which will coincide with the term of the HAP contract. The assisted units are to be leased in accordance with the RAD HAP contract, including applicable eligibility and income requirements.

NOTE F -- Commitments and contingencies (Continued)

Land Use Restriction Agreements (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. The agreement expires 30 years from the anniversary of project completion.

In connection with the WHEDA mortgage note described in Note D, the company has entered into a LURA with WHEDA which requires, among other things, that the company set aside at least 100 units for occupancy by individuals or families whose incomes do not exceed 60% of the Milwaukee County area median income (AMI). The agreement expires upon repayment of the mortgage note in full.

NOTE G -- Cellular tower lease income

HACM had entered into three non-cancelable operating lease agreements with T-Mobile, US Cellular, and Verizon (collectively known as “tenants”) to lease ground space for the purpose of constructing, maintaining, and operating cellular towers. Concurrent with the sale of the property to the company, HACM assigned its interest in the leases to the company. Under the terms of the lease agreements, the company receives monthly payments in varying amounts, increasing annually. Each of the leases include five successive five-year options to renew the leases. The exercise of these renewal options is at the sole discretion of the tenants. The current terms of the lease agreements with T-Mobile, US Cellular, and Verizon expire April 10, 2027, June 14, 2026 and December 31, 2025, respectively. Rental income earned under the leases totaled $118,632 and $111,795 for the years ended December 31, 2024 and 2023, respectively. The company recognizes the lease payments as income based on the actual rents charged. The use of this method rather than on a straight-line basis has no material effect on the financial statements.

The undiscounted cash flows to be received from lease payments on the company’s cellular tower operating lease as of December 31, 2024, is as follows:

Year ending December 31,	
2025	$ 113,756
2026	50,604
2027	9,097
2028	0
2029	0
Thereafter	0
	$ 173,457

SUPPLEMENTARY INFORMATION

MERRILL PARK LLC

WHEDA Project No. 6401
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA
December 31, 2024

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

Accounts receivable, related parties	$ 490,065

DELINQUENT TENANTS' ACCOUNTS RECEIVABLE

	Number of tenants	Amount past due
Delinquent 0 to 30 days	28	$ 6,161
Delinquent 31 to 60 days	12	3,753
Delinquent 61 to 90 days	1	35
Delinquent over 90 days	0	0
		$ 9,949

DISTRIBUTIONS

Investor asset management fee	$ 6,552
	$ 6,552

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD WITH WHEDA

None.

MERRILL PARK LLC

WHEDA Project No. 6401
SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA (Continued)
December 31, 2024

RELATED PARTY TRANSACTIONS (Continued)

Property management fee		
Beginning accrual		$ 22,367
Current year expense		58,357
Fee paid		(56,723)
Ending accrual		$ 24,001
Managing member asset management fee		
Beginning accrual		12,180
Current year expense		6,365
Fee paid		0
Ending accrual		$ 18,545
Investor asset management fee		
Beginning accrual		0
Current year expense		6,552
Fee paid		(6,552)
Ending accrual		$ 0

CURRENT ASSETS		
Project cash on hand		$ 1,353,833
MEMO - Tenants' security deposits	$ 46,510	
Accounts receivable, other		$ 490,065
Real estate tax escrow		76,618
Total current assets		1,920,516
CURRENT LIABILITIES		
MEMO - Tenants' security deposits payable	$ 54,782	
Accounts payable		112,306
Accrued management fee		24,001
Accrued real estate taxes		161,945
Accrued interest, WHEDA		5,211
Prepaid rent		37,146
Underfunded tenant security deposits		8,272
Total current liabilities		348,881
SURPLUS CASH		$ 1,571,635

WHEDA

STANDARDIZED FINANCIAL TEMPLATE

Main Information

Field Name	Value
Property Info	
Property Name	Merrill Park LLC
Project Number	6401
HFA Number	53079
Balance Sheet Date of Statement:	12/31/2024
P&L Statement Period:	01/01/2024 - 12/31/2024

BALANCE SHEET

6401 | **Merrill Park LLC**

Date of Statement: **12/31/2024**

Section	Account ID	Agency Label		Amount	Comment
1100 CURRENT ASSETS	1120.01	Cash - Operations	$	1,353,833	
	1121.01	Construction Cash Account			
	1125.11	Cash - Entity			
	1130.01	Tenant Accounts Receivable	$	9,949	
	1130.02	Allowance for Doubtful Accounts (enter a negative amount)	$	-	
	1140.01	Accounts and Notes Receivable-Operations	$	490,065	
	1140.91	Accounts Receivable-WHEDA			
	1145.01	Accounts and Notes Receivable-Entity			
	1160.01	Accounts Receivable-Interest			
	1160.11	Interest Reduction Payment Receivable			
	1170.11	Short Term Investments- Operations			
	1170.21	Short Term Investments-Entity			
	1190.01	Misc Current Assets	$	-	
	1191.01	Tenant Security Deposits	$	46,510	
	1100	**Total Current Assets**	**#REF!**		
1200 PREPAID EXPENSES	1210.01	Misc Prepaid Expenses	$	8,378	
	1200	**Total Prepaid Expenses**	**$**	**8,378**	
1300 FUNDED RESERVES	1310.01	Escrow Deposits			
	1310.21	Insurance Escrow			
	1310.22	Real Estate Tax or PILOT Escrow	$	76,618	
	1320.01	Reserve for Replacements	$	140,328	
	1330.01	Other Reserve	$	445,603	Operating Deficit Reserve
	1340.01	Residual Receipts Reserve			
	1360.01	Development Cost Escrow			
	1360.41	FHA Insurance Reserve			
	1380.01	Management Improvement and Operating Plan			
	1300	**Total Funded Reserves**	**$**	**662,549**	
1400 FIXED ASSETS	1410.01	Land	$	379,439	
	1420.01	Building	$	12,884,072	
	1440.01	Building Equipment (portable)			
	1450.01	Furnishings	$	398,744	
	1450.31	Furniture for Project/Tenant Use			
	1450.91	Office Furniture and Equipment			
	1470.01	Maintenance Equipment			
	1480.01	Motor Vehicles			
	1490.01	Misc Fixed Assets	$	277,441	Land Improvements
	1490.11	Accumulated Depreciation (enter a negative amount)	$	(1,462,593)	
	1400	**Total Fixed Assets**	**$**	**12,477,103**	
1500 INVESTMENTS	1510.01	Investments-Operations			
	1515.01	Investments-Entity			
	1530.01	Intangible Assets	$	78,201	Tax Credit Fees - Net of Amortization
	1500	**Total Investment Long-term**	**$**	**78,201**	
1900 MISC ASSETS	1910.01	Misc Other Assets			
	1900	**Total Other Assets**	**$**	**-**	
		TOTAL ASSETS	**#REF!**		

BALANCE SHEET

	6401	Merrill Park LLC		
		Date of Statement:	12/31/2024	

	Account ID	Agency Label	Amount	Comment
2100 CURRENT LIABILITIES	2105.01	Bank Overdraft-Operations		
	2110.01	Accounts Payable-Operations		
	2110.11	Accounts Payable-Construction/Development	$ -	
	2110.91	Accounts Payable-30 Days	$ 112,306	
	2112.01	Accounts Payable-Project Improvements Items		
	2113.01	Accounts Payable-Entity	$ 18,545	
	2115.11	Accounts Payable-236 Excess Income Due HUD		
	2115.21	Accounts Payable-WHEDA/HUD		
	2120.01	Accrued Wages Payable		
	2120.11	Accrued Payroll Taxes Payable		
	2120.31	Accrued Management Fee Payable	$ 24,001	
	2130.01	Accrued Interest Payable-First Mortgage	$ 5,211	
	2130.31	Accrued Interest Payable-Second Mortgage		
	2130.41	Accrued Interest Payable-Section 236		
	2131.11	Accrued Interest Payable-Other Loans (Surp Cash)	$ 670,487	
	2131.12	Accrued Interest Payable-Other Loans and Notes		
	2131.21	Accrued Interest Payable-Flexible Subsidy Loan		
	2131.31	Accrued Interest Payable-Capital Improvement Loan		
	2131.32	Accrued Interest Payable-Operating Loss Loan		
	2150.11	Accrued Real Estate & Property Tax Payable	$ 161,945	
	2160.01	Short Term Notes Payable		
	2160.31	Other Loans and Notes Payable, Surplus Cash ST		
	2160.32	Other Loans and Notes (Short Term)		
	2160.41	Flexible Subsidy Loan Payable (Short Term)		
	2160.51	Capital Improvement Loan Payable (Short Term)		
	2160.52	Operating Loss Loan Payable (Short Term)		
	2170.11	Mortgage Payable-First Mortgage (Short Term)	$ 13,727	
	2170.31	Mortgage Payable-Second Mortgage (Short Term)		
	2180.01	Utility Allowances		
	2190.01	Misc Current Liabilities/Preservation Fee	$ -	
	2191.01	Tenant Security Deposits	$ 54,782	
	2210.01	Prepaid Revenue	$ 37,146	
	2100	**Current Liabilities**	**$ 1,098,150**	
2300 LONG-TERM LIABILITIES	2310.01	Notes Payable-Long Term		
	2310.31	Notes Payable-Surplus Cash	$ 5,762,667	
	2310.32	Other Loans and Notes Payable		
	2310.33	Other Loans and Notes Payable-Surplus Cash		
	2310.41	Flexible Subsidy Loan Payable		
	2310.51	Capital Improvement Loan Payable		
	2310.52	Operating Loss Loan Payable		
	2320.11	Mortgage Payable-First Mortgage	$ 1,124,244	
	2320.31	Mortgage Payable-Second Mortgage		
	2390.01	Misc Long Term Liabilities	$ -	
	2300	**Long-Term Liabilities**	**$ 6,886,911**	
		TOTAL LIABILITIES	**$ 7,985,061**	
	3110.11	Total Equity/Retained Earnings	$ 7,141,527	
		TOTAL EQUITY	**$ 7,141,527**	
		TOTAL LIABILITIES & EQUITY	**$ 15,126,588**	

PROFIT & LOSS STATEMENT

WHEDA

6401 Merrill Park LLC

Statement Period: 01/01/2024 - 12/31/2024

Section	Account ID	Agency Label	Amount	Comment
5100 RENT REVENUE	5120.11	Rent Revenue-Gross Potential	$ 561,890	
	5120.21	Tenant Assistance Payments	$ 520,089	
	5140.01	Rent Revenue - Commercial/Stores @ 100%		
	5170.01	Rent Revenue-Garage/Parking @ 100%	$ -	
	5180.01	Flexible Subsidy Revenue		
	5190.01	Misc Rent Revenue	$ 118,632	
	5190.11	Excess Rent		
	5190.12	Rent Revenue/Insurance		
	5190.13	Special Claims Revenue		
	5190.14	Retained Excess Income		
	5100	**Rent Revenue**	**$ 1,200,611**	
5200 VACANCY	5220.01	Apartment Vacancies (enter a negative amount)	$ (192,055)	
	5240.01	Stores/Commercial Vacancies or Concessions (enter a negative amount)		
	5250.01	Rental Concessions (enter a negative amount)	$ -	
	5270.01	Garage/Parking Vacancies or Concessions (enter a negative amount)	$ -	
	5290.01	Miscellaneous (enter a negative amount)		
	5200	**Vacancy**	**$ (192,055)**	
5300 ELDERLY SERVICE REVENUE	5310.14	Priv Pay Room / Board		
	5310.24	Medicare Room / Board		
	5310.34	Medicaid Room / Board		
	5310.44	VA Room / Board		
	5320.34	Food		
	5320.51	Housekeeping		
	5320.71	Laundry / Linen		
	5300	**Eldery Service Revenue**	**$ -**	
5400 FINANCIAL REVENUE	5410.01	Financial Revenue-Project Operations	$ 42	
	5430.01	Revenue from Investments-Residual Receipts		
	5440.01	Revenue from Investments-Replacement Reserve	$ 5,967	
	5490.01	Revenue from Investments-Miscellaneous	$ 22,316	
	5400	**Financial Revenue**	**$ 28,325**	
5900 OTHER REVENUE	5910.01	Laundry/Vending Income (Net)	$ -	
	5920.01	Tenant Charges	$ 6,207	
	5990.01	Miscellaneous Revenue		
	5900	**Other Revenue**	**$ 6,207**	
	5000	**REVENUE**	**$ 1,043,088**	
6200-6300 RENT/ADMIN EXPENSES	6210.01	Advertising/Marketing Expense	$ 3,330	
	6250.01	Other Rent Expense	$ -	
	6310.01	Office Salaries	$ 93,510	
	6311.01	Office Expenses	$ 29,646	
	6311.21	Office or Model Apartment Rent		
	6320.01	Management Fees All	$ 58,357	
	6330.11	Manager/Superintendent Salaries		
	6330.21	Administrative Rent-Free Unit	$ -	
	6340.01	Legal Expense-Project Only	$ 6,747	
	6350.01	Audit Expense - Project Only	$ 24,700	
	6351.01	Bookkeeping Fees/Accounting Services	$ 12,000	
	6370.01	Bad Debt Expense	$ (167,795)	
	6390.01	Misc Administrative Expenses	$ 4,993	
	6200	**Administrative Expense**	**$ 65,488**	
6400 UTILITY EXPENSE	6420.01	Fuel Oil		
	6450.11	Electricity	$ 80,159	
	6450.21	Gas	$ 27,338	
	6450.32	Water	$ 51,068	
	6450.33	Sewer		
	6400	**Utility Expense**	**$ 158,565**	
6500 OPERATING & MAINTENANCE EXPENSE	6510.01	Payroll	$ 24,967	
	6510.31	Operating and Maintenance Rent Free Unit		
	6515.01	Supplies	$ 25,115	
	6520.01	Contracts	$ 252,682	
	6525.01	Garbage & Trash Removal	$ 13,242	
	6530.11	Security Payroll/Contract (incl taxes and benefits)	$ 33,277	
	6530.21	Security Rent Free Unit		
	6540.11	Heating/Cooling Repairs & Maintenance	$ -	
	6540.21	Snow Removal	$ 1,293	
	6570.01	Vehicle/Maintenance Equipment Operation & Repairs	$ 2,730	
	6580.01	RR releases to reimburse expensed items (enter a negative amount) (*MEMO ONLY*)		
	6590.01	Misc Operating & Maintenance Expense	$ -	
	6500	**Operating and Maintenance Expense**	**$ 353,306**	

PROFIT & LOSS STATEMENT

	6401	Merrill Park LLC		
		Statement Period:	01/01/2024 - 12/31/2024	
	Account ID	**Agency Label**	**Amount**	**Comment**
6700 TAXES AND INSURANCE	6710.01	Real Estate & Personal Property Taxes	$ 33,654	
	6711.01	Payroll Taxes - Project Share		
	6720.01	Property & Liability Insurance (Hazard)	$ 51,092	
	6723.01	Health Insurance and Other Employee Benefits		
	6723.11	Fidelity Bond Insurance		
	6723.21	Workmens Compensation	1,417	
	6790.01	Misc Taxes, Licenses, Permits, and Insurance	$ -	
	6700	**Tax and Insurance Expense**	**$ 86,163**	
6900 ELDERLY SERVICE EXPENSE	6930.11	Dietary Salaries		
	6930.21	Food		
	6930.22	Dietary Prchsd Serv		
	6940.11	Regstrd Nurse Salary		
	6950.11	Housekeeping Salary		
	6950.21	Housekeeping Supply		
	6950.31	Other Housekeeping		
	6960.22	Medical Supplies		
	6960.29	Medical Prchsd Serv		
	6970.01	Laundry Expenses		
	6975.01	Medical Records		
	6980.11	Recreation/Rehab		
	6980.21	Activity Supplies		
	6990.01	Elderly Service Other		
	6900	**Eldery Service Expense**	**$ -**	
RR DEPOSITS	11320.01	Annual Replacement Reserve Deposits (*MEMO ONLY*)	$ 36,000	
		TOTAL OPERATING EXPENSES	**$ 663,522**	
		NET OPERATING INCOME (NOI)	**$ 379,566**	
6800 FINANCIAL EXPENSE	6810.01	WHEDA Senior Hard Debt Interest	$ 63,807	
	6820.01	WHEDA Junior Hard Debt Interest		
	6825.01	Other Mortgage Interest	$ -	
	6850.01	Mortgage Insurance Premium/Service Charge		
	6890.01	Misc Financial Expense/Preservation Fee		
	6800	**Financial Expense**	**$ 63,807**	
DEPRECIATION	6610.01	Depreciation Expense	$ 380,398	
AMORTIZATION	6620.01	Amortization Expense	$ 7,079	
		OPERATING PROFIT OR LOSS	**$ (71,718)**	
7100 CORPORATE OR MORTGAGOR EXPENSE	7110.01	Officer's Salaries		
	7120.01	Legal Expense		
	7130.01	Federal, State, and Other Income Taxes		
	7140.01	Interest Income		
	7140.11	Interest on Notes Payable	$ 299,402	
	7140.21	Interest on Mortgage Payable		
	7190.01	Other Expense	$ 12,917	
	7100	**Net Entity Expenses**	**$ 312,319**	
TOTAL PRINCIPAL PAYMENTS	16810.01	WHEDA Senior Hard Debt Principal	$ 13,014	
	16820.01	WHEDA Junior Hard Debt Principal		
	16825.01	Other Debt Principal		

MERRILL PARK LLC

WHEDA Project No. 6401
CERTIFICATION BY MANAGING MEMBER OF MORTGAGOR
December 31, 2024

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

Signed: ______________________________

Date: ______________________________

Name of Signatory:	Kenneth Barbeau
Title of Certifying Official:	Interim Executive Director, Housing Authority of the City of Milwaukee, Sole Member Merrill Park Development, LLC, Manager Member
Telephone Number:	414-286-5824

MERRILL PARK LLC
WHEDA Project No. 6401
CERTIFICATION BY MANAGEMENT AGENT
December 31, 2024

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

Signed: ______________________________

Date: ______________________________

Name of Signatory:	Kenneth Barbeau
Title of Certifying Official:	Interim Executive Director, Housing Authority of the City of Milwaukee, Sole Member Merrill Park Development, LLC, Manager Member
Telephone Number:	414-286-5824