

Lapham Park LLC

Financial Report

December 31, 2024



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LAPHAM PARK LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Lapham Park LLC
Milwaukee, WI

Opinion

We have audited the accompanying financial statements of Lapham 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 Lapham 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 Lapham 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 Lapham 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.

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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 Lapham 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 Lapham 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.

SVA Certified Public Accountants, S.C.

Madison, Wisconsin

June 16, 2025

LAPHAM PARK LLC
BALANCE SHEETS
December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 208,353	\$ 1,227,872
Restricted cash	1,507,820	1,410,275
Accounts receivable	250,332	132,862
Advances, related party	470,178	0
Prepaid expenses	118,998	114,110
Rental property, net	22,055,467	22,866,762
Tax credit fees, net	11,435	16,094
TOTAL ASSETS	<u>\$24,622,583</u>	<u>\$25,767,975</u>
 LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable	\$19,535,097	\$19,535,097
Accounts payable	134,537	280,041
Accrued real estate taxes and PILOT	372,691	314,378
Development fee payable	1,161,468	1,638,565
Accrued interest	242,785	191,635
Accrued expenses	702,859	753,086
Prepaid rents	17,308	18,746
Tenants' security deposits payable	96,553	97,456
 Total liabilities	22,263,298	22,829,004
 MEMBERS' EQUITY	<u>2,359,285</u>	<u>2,938,971</u>
 TOTAL LIABILITIES AND MEMBERS' EQUITY	<u>\$24,622,583</u>	<u>\$25,767,975</u>

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

LAPHAM PARK LLC
STATEMENTS OF OPERATIONS
Years ended December 31, 2024 and 2023

	2024	2023
Revenue:		
Rental income	\$ 2,000,094	\$ 1,844,033
Vacancies and concessions	(168,419)	(98,061)
Bad debt expense	0	(26,242)
Other revenue	84,273	19,878
	<u>1,915,948</u>	<u>1,739,608</u>
Total revenue	1,915,948	1,739,608
Rental expenses:		
Administrative	334,526	252,330
Utilities	315,466	289,267
Operating and maintenance	698,218	538,256
Taxes and insurance	236,304	206,194
	<u>1,584,514</u>	<u>1,286,047</u>
Total rental expenses	1,584,514	1,286,047
Net rental income	331,434	453,561
Financial income (expense):		
Interest income	38,321	35,375
Interest expense	(51,150)	(50,157)
	<u>(12,829)</u>	<u>(14,782)</u>
Total financial income (expense)	(12,829)	(14,782)
Income before other expenses	318,605	438,779
Other expenses:		
Depreciation	811,295	812,919
Amortization	4,659	4,659
Asset management fee	10,452	10,452
Authority oversight fee	41,735	40,520
Company management fee	30,150	30,150
	<u>898,291</u>	<u>898,700</u>
Total other expenses	898,291	898,700
Net loss	<u>\$ (579,686)</u>	<u>\$ (459,921)</u>

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

LAPHAM PARK LLC
STATEMENTS OF MEMBERS' EQUITY
Years ended December 31, 2024 and 2023

	<u>Manager member</u>	<u>Special member</u>	<u>Investor member</u>	<u>Total</u>
Balances, December 31, 2022	\$ 312	\$ 10	\$3,398,570	\$3,398,892
Net loss	<u>(46)</u>	<u>0</u>	<u>(459,875)</u>	<u>(459,921)</u>
Balances, December 31, 2023	266	10	2,938,695	2,938,971
Net loss	<u>(58)</u>	<u>0</u>	<u>(579,628)</u>	<u>(579,686)</u>
Balances, December 31, 2024	<u>\$ 208</u>	<u>\$ 10</u>	<u>\$2,359,067</u>	<u>\$2,359,285</u>
Percentage interest	<u>0.01%</u>	<u>0.00%</u>	<u>99.99%</u>	<u>100.00%</u>

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

LAPHAM PARK LLC
STATEMENTS OF CASH FLOWS
Years ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (579,686)	\$ (459,921)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	815,954	817,579
Bad debts	0	26,242
Increase (decrease) in cash due to changes in:		
Accounts receivable	(117,470)	(51,099)
Prepaid expenses	(4,888)	(25,111)
Accounts payable	(145,504)	(15,949)
Accrued real estate taxes and PILOT	58,313	53,404
Accrued interest	51,150	50,157
Accrued expenses	(50,227)	211,182
Prepaid rents	(1,438)	(8,973)
Tenants' security deposits payable	(903)	11,154
Net cash provided by operating activities	25,301	608,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Issuance of advances, related party	(470,178)	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of development fee	(477,097)	0
Change in cash, cash equivalents, and restricted cash	(921,974)	608,665
Cash, cash equivalents, and restricted cash:		
Beginning	2,638,147	2,029,482
Ending	\$ 1,716,173	\$ 2,638,147
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	\$ 208,353	\$ 1,227,872
Restricted cash	1,507,820	1,410,275
Total cash, cash equivalents, and restricted cash	\$ 1,716,173	\$ 2,638,147

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

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE A -- Nature of business and significant accounting policies

Nature of business

Lapham Park LLC (the company), was organized on October 11, 2011, as a limited liability company (LLC) formed under the Wisconsin Limited Liability Company Act (the Act). The company acquired, rehabilitated, and is operating a 201-unit apartment complex called Lapham Park located in Milwaukee, Wisconsin, (the project) which qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The project was placed in service on various dates ranging from November 2011 to November 2012.

The company consists of one manager member, one special member, and one investor member, with rights, preferences and privileges as described in the Amended and Restated Operating Agreement (operating agreement). Each member's liability for the debts and obligations of the company shall be limited to the maximum extent permitted by the Act and other applicable laws.

The company shall be operated in a manner consistent with its treatment as a partnership for federal and state income tax purposes. Therefore, the 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:

Use of estimates

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

Cash and cash equivalents

For purposes of reporting cash flows, the company considers all investments purchased with a maturity of three months or less to be cash equivalents, with the exception of cash not available to the project due to restrictions placed on it.

The company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The company has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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

Accounts receivable and revenue recognition

The company utilizes the allowance method of accounting for credit losses for any accounts receivable outside the scope of FASB Codification Topic 842 *Leases*. The company follows FASB Codification Topic 842 *Leases* to account for its operating lease receivables included in accounts receivable. When the company concludes collectability 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. Residential apartment leases often provide residents with the option to use the project's laundry facilities, which is a fixed fee lease component. To the extent the company provides such a lease component, it is included in other revenue.

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 F).

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.

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

	<u>2024</u>	<u>2023</u>
Fixed operating lease revenue from apartment rentals and rooftop space, net of vacancies and concessions and bad debt expense	\$ 1,831,675	\$ 1,719,730
Variable operating lease revenue included in other revenue	<u>14,246</u>	<u>19,467</u>
Total lease income	<u>\$ 1,845,921</u>	<u>\$ 1,739,197</u>

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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

Accounts receivable and revenue recognition

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

	<u>2024</u>	<u>2023</u>
Cash received from operating leases		
Operating cash flows from operating leases	\$ 1,912,366	\$ 1,705,367

Other receivables and Advances, related party

Other receivables and Advances, related party are reported in the balance sheet at the outstanding principal balance less the allowance for credit losses (\$0 at December 31, 2024 and 2023). The company's estimate of its allowance for credit losses include consideration of: past events, including historical loan loss experience and historical concessions, current economic conditions and such other factors, which in management's best judgment, deserve current recognition in estimating loan losses; and certain forward-looking information, including reasonable and supportable forecasts.

Rental property

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

	<u>Years</u>
Land improvements	20
Building and improvements	10 - 40
Furnishings 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.

Tax credit fees

In connection with obtaining an allocation of low-income housing tax credits, the company has incurred fees totaling \$69,892 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.

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

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

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, Housing Authority of the City of Milwaukee (HACM) under the Project Based Voucher Housing Assistance Payments Contract and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HACM 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.

Reclassifications

Some items in the 2023 financial statements have been reclassified to be consistent with the current year's presentation.

Subsequent events

These financial statements have not been updated for subsequent events occurring after June 16, 2025, 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. Management evaluated the activity of the company through the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE B -- Restricted cash

Restricted cash is comprised of the following:

	<u>2024</u>	<u>2023</u>
Replacement reserve	\$ 749,899	\$ 675,237
Operating reserve	673,731	656,511
Tenants' security deposits	<u>84,190</u>	<u>78,527</u>
	<u>\$ 1,507,820</u>	<u>\$ 1,410,275</u>

Replacement reserve

In connection with the Rental Assistance Demonstration (RAD) conversion (see Note F), the amended operating agreement requires deposits of \$334 per unit per year, increasing by 3% every June 1 thereafter. The replacement reserve shall be used to fund repairs, capital expenditures, and other costs as approved by the investor member.

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE B -- Restricted cash (Continued)

	<u>2024</u>	<u>2023</u>
Balance, beginning	\$ 675,237	\$ 615,025
Monthly deposits	56,010	43,515
Interest earned	<u>18,652</u>	<u>16,697</u>
Balance, ending	<u>\$ 749,899</u>	<u>\$ 675,237</u>

Operating reserve

The operating agreement requires the company to establish an operating reserve of at least \$628,000. Funds from the operating reserve may be used to pay for operating or other expenses with the consent of the investor member. The company is required to fund the operating reserve from available cash flow as defined in the operating agreement, in order to maintain a balance at all times of \$628,000. The reserve shall be maintained throughout the 15 year tax credit compliance period. Upon the 3 year anniversary of the achievement of stabilized occupancy, as defined in the operating agreement, any excess amounts in the operating reserve shall be released to pay applicable principal and interest on the mortgage notes payable due to HACM (see Note D). Beginning June 2024, and each year thereafter, the required balance in the operating reserve may be reduced in accordance with the operating agreement.

	<u>2024</u>	<u>2023</u>
Balance, beginning	\$ 656,511	\$ 640,052
Interest earned	<u>17,220</u>	<u>16,459</u>
Balance, ending	<u>\$ 673,731</u>	<u>\$ 656,511</u>

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 836,946	\$ 836,946
Land improvements	62,060	62,060
Building and improvements	31,130,541	31,130,541
Furnishings and equipment	<u>592,717</u>	<u>592,717</u>
	32,622,264	32,622,264
Less accumulated depreciation	<u>10,566,797</u>	<u>9,755,502</u>
	<u>\$ 22,055,467</u>	<u>\$ 22,866,762</u>

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE D -- Mortgage notes payable

Mortgage notes payable consist of the following:

	<u>2024</u>	<u>2023</u>
HACM, sole member of the manager member, construction, and term loan; recourse; principal amount not to exceed \$19,500,000; non-interest bearing; principal payable to the extent of available cash flow; due February 29, 2052; collateralized by a mortgage on the rental property and a general business security agreement.	\$ 19,199,657	\$ 19,199,657
HACM, AHP loan in the amount of \$335,440; recourse; principal and interest are payable to the extent of available cash flow; interest accrues at a rate of 2.60%; due February 29, 2052; collateralized by a mortgage on the rental property and a general business security agreement; accrued interest was \$104,658 and \$95,937 as of December 31, 2024 and 2023, respectively; interest expense was \$8,721 and \$8,722 for the years ended December 31, 2024 and 2023, respectively.	<u>335,440</u>	<u>335,440</u>
	<u>\$ 19,535,097</u>	<u>\$ 19,535,097</u>

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

Year ending December 31,

2025	\$ 0
2026	0
2027	0
2028	0
2029	0
Thereafter	<u>19,535,097</u>
	<u>\$ 19,535,097</u>

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE E -- Related-party transactions

Development fee

The company entered into a development agreement with the manager member, which provides for the payment of a development fee of \$3,009,701. The entire fee has been capitalized into the cost of the building and is to be paid from capital contributions and project cash flow as set forth in the operating agreement. All unpaid amounts at the time of the project completion date shall bear interest at the long-term AFR as of the date of completion (2.4%), compounded annually. In the event the entire development fee has not been paid within 13 years of the date of completion of the project, the unpaid fee and accrued interest shall be paid by the manager member as a development fee advance, which is only repayable from available cash flow. Development fee payable was \$1,161,468 and \$1,638,565 for the years ended December 31, 2024 and 2023, respectively. Interest expense incurred on the development fee payable totaled \$42,429 and \$41,435 for the years ended December 31, 2024 and 2023, respectively. Accrued interest totaled \$138,127 and \$95,698 as of December 31, 2024 and 2023, respectively.

Asset management fee

The company is obligated to pay an annual cumulative asset management fee to the investor member in the amount of \$52 per credit unit (\$10,452) commencing in 2013. Asset management fees incurred totaled \$10,452 for each of the years ended December 31, 2024 and 2023. Included in accrued expenses are accrued asset management fees totaling \$10,452 and \$10,452 as of December 31, 2024 and 2023, respectively.

Management agreement

The company entered into a management agreement with HACM, under which the company is obligated to pay a management fee equal to 6% of gross residential rents on a monthly basis. The management agreement automatically renews from year to year unless terminated. Management fees incurred under this agreement totaled \$111,587 and \$96,797 for the years ended December 31, 2024 and 2023, respectively. Accrued management fees included in accrued expenses totaled \$28,852 and \$150,964 as of December 31, 2024 and 2023, respectively.

Company management fee

The company is obligated to pay an annual cumulative company management fee to the manager in an amount equal to \$150 per credit unit (\$30,150) commencing in 2013. The fee is payable only from available cash flow as defined in the operating agreement. Company management fees incurred totaled \$30,150 for each of the years ended December 31, 2024 and 2023. Included in accrued expenses are accrued company management fees totaling \$361,800 and \$331,650 as of December 31, 2024 and 2023, respectively.

Authority oversight fee

The company is obligated to pay HACM an annual cumulative authority oversight fee in the amount of \$30,150 commencing in 2013 and increasing by 3% every year thereafter. Authority oversight fees incurred totaled \$41,735 and \$40,520 for the years ended December 31, 2024 and 2023, respectively. Included in accrued expenses are accrued authority oversight fees totaling \$301,755 and \$260,020 as of December 31, 2024 and 2023, respectively.

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE E -- Related-party transactions (Continued)

Advances, related party

Advances, related party, had a balance of \$470,178 and \$0 as of December 31, 2024 and 2023, respectively, for payments made to Travaux, Inc., affiliate of manager member, in excess of reimbursable operating expenses.

Regulatory and Operating Agreement

There are operating subsidy payables of \$19,636 as of December 31, 2024 and 2023 included in accounts payable on the balance sheet in accordance with the R&O Agreement with HACM prior to termination in 2018.

Related party payables

Related party payables, included in accounts payable, had a balance of \$0 and \$165,389 as of December 31, 2024 and 2023, respectively, for reimbursement of operating expenses to Travaux, Inc. Related party payables also includes a balance of \$0 and \$21,161 as of December 31, 2024 and 2023, respectively, due to an affiliate for reimbursement of operating expenses.

NOTE F -- Commitments and contingencies

Project Based Voucher Housing Assistance Payments (HAP) Contract

The company and HACM entered into a RAD Conversion Commitment with HUD in November 2017 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective May 1, 2018.

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 131 of the units. The HAP contract is effective May 1, 2018 and has an initial term of 20 years set to expire April 30, 2038. Gross rental income under the HAP contract represents approximately 53% and 54% of residential rental income (excluding rooftop lease income) for the years ended December 31, 2024 and 2023, respectively. Included in accounts receivable are amounts due, under this contract of \$118,705 and \$61,783 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.

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE F -- Commitments and contingencies (Continued)

Land Use Restriction Agreement (LURA)

The company 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, the company 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.

Declaration of Condominium of Lapham Park Condominium

The company entered into a Declaration of Condominium agreement to form Lapham Park Condominium. Under the agreement, the building was divided into two units, which are occupied by the project.

Rooftop lease income

HACM had a non-cancelable operating lease agreement with Verizon Wireless to rent a portion of its rooftop space for antenna systems and storage areas for communication transmitters. In February 2012, HACM assigned its interest in the lease to the company. Payments on the lease increase 2% each year through December 31, 2025. The lease includes five remaining five year options to renew.

The project entered into a non-cancelable operating lease agreement with T-Mobile to rent a portion of its rooftop space for the maintenance and operation of telecommunications equipment. The lease requires an annual lease payment of \$27,000 commencing in 2017 which is to increase 4% each year. The lease expired in April 2022 and was renewed for an additional five years. The lease expires April 2028. The lease includes four remaining five year options to renew.

Rooftop lease income included in rental income totaled \$71,889 and \$78,172 for the years ended December 31, 2024 and 2023, respectively.

Future minimum rental income under the rooftop leases is as follows:

Year ending December 31,

2025	\$	74,956
2026		37,936
2027		39,454
2028		<u>13,322</u>
	\$	<u>165,668</u>

LAPHAM PARK LLC
NOTES TO FINANCIAL STATEMENTS
December 31, 2024

NOTE F -- Commitments and contingencies (Continued)

Cooperation Agreement

HACM had entered into a cooperation agreement with the City of Milwaukee whereby any low-rent housing developed by HACM receiving federal assistance from the United States of America shall make annual payments in lieu of taxes (PILOT) in an amount equal to 10% of the shelter rent. Shelter rent is defined as the total of all rents charged to tenants less the cost of utilities. The company is subject to the same agreement with respect to its project-based voucher units.

Affordable Housing Program (AHP)

In connection with the AHP note with HACM, the project must comply with certain affordability requirements outlined in an AHP Subsidy Agreement between HACM and the Federal Home Loan Bank.