

Westlawn Renaissance V LLC

Financial Report

December 31, 2024



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WESTLAWN RENAISSANCE V LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Westlawn Renaissance V LLC
Milwaukee, WI

Opinion

We have audited the accompanying financial statements of Westlawn Renaissance V 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 year ended December 31, 2024 and the period from inception (June 26, 2018) through December 31, 2023, 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 Westlawn Renaissance V LLC as of December 31, 2024 and 2023, and the results of its operations and its cash flows for the period 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 Westlawn Renaissance V 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 Westlawn Renaissance V 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 Westlawn Renaissance V 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 Westlawn Renaissance V 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

WESTLAWN RENAISSANCE V LLC

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 60,905	\$ 16,507
Restricted cash	5,818	0
Accounts receivable	32,741	11,080
Prepaid expenses	27,260	35,283
Rental property, net	15,513,278	15,914,380
Tax credit fees, net	89,713	95,068
TOTAL ASSETS	\$15,729,715	\$16,072,318
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 7,676,851	\$13,206,546
Development fee payable	624,562	624,562
Accounts payable	12,617	2,320
Related party payables	339,707	71,603
Construction payables	0	1,315,752
Accrued interest	189,612	137,883
Accrued PILOT	7,932	0
Accrued asset management fees	3,300	0
Accrued company management fees	3,300	0
Other accrued expenses	9,240	0
Prepaid rents	15,279	702
Tenants' security deposits payable	10,894	0
Total liabilities	8,893,294	15,359,368
MEMBERS' EQUITY	6,836,421	712,950
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$15,729,715	\$16,072,318

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

WESTLAWN RENAISSANCE V LLC

STATEMENTS OF OPERATIONS

Year ended December 31, 2024

and period from inception (June 26, 2018) through December 31, 2023

	2024	2023
Revenues:		
Rental income	\$ 439,838	\$ 92,175
Vacancies and concessions	(45,339)	(75,603)
Bad debt expense	(58,760)	0
Other revenue	3,200	0
Total revenues	338,939	16,572
Rental expenses:		
Rent and administrative	130,119	13,722
Utilities	39,699	4,438
Operating and maintenance	91,006	5,161
Taxes and insurance	65,282	1,191
Total rental expenses	326,106	24,512
Net rental income (loss)	12,833	(7,940)
Financial expense:		
Interest expense	511,635	156,367
Loss before other expenses	(498,802)	(164,307)
Other income (expenses):		
Depreciation	(425,682)	(106,347)
Amortization	(6,355)	0
Organization costs	0	(3,754)
Start-up costs	0	(8,750)
Donated land	0	220,000
Asset management fee	(3,300)	0
Company management fee	(3,300)	0
Total other income (expenses)	(438,637)	101,149
Net loss	\$ (937,439)	\$ (63,158)

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

WESTLAWN RENAISSANCE V LLC

STATEMENTS OF MEMBERS' EQUITY

Year ended December 31, 2024

and period from inception (June 26, 2018) through December 31, 2023

	Manager member	Special member	Investor member	Total
Members' equity:				
Balances from inception	\$ 0	\$ 0	\$ 0	\$ 0
Capital subscriptions	100	10	8,375,245	8,375,355
Syndication costs	0	0	(61,518)	(61,518)
Net loss	<u>(6)</u>	<u>0</u>	<u>(63,152)</u>	<u>(63,158)</u>
Balances, December 31, 2023	94	10	8,250,575	8,250,679
Net loss	<u>(94)</u>	<u>0</u>	<u>(937,345)</u>	<u>(937,439)</u>
Balances, December 31, 2024	0	10	7,313,230	7,313,240
Subscriptions receivable:				
Balances from inception	0	0	0	0
Capital subscriptions	100	10	8,375,245	8,375,355
Subscription receipts	<u>(100)</u>	<u>0</u>	<u>(837,526)</u>	<u>(837,626)</u>
Balances, December 31, 2023	0	10	7,537,719	7,537,729
Subscription receipts	<u>0</u>	<u>(10)</u>	<u>(7,060,900)</u>	<u>(7,060,910)</u>
Balances, December 31, 2024	<u>0</u>	<u>0</u>	<u>476,819</u>	<u>476,819</u>
Total members' equity	<u>\$ 0</u>	<u>\$ 10</u>	<u>\$ 6,836,411</u>	<u>\$ 6,836,421</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.

WESTLAWN RENAISSANCE V LLC

STATEMENTS OF CASH FLOWS

Year ended December 31, 2024

and period from inception (June 26, 2018) through December 31, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (937,439)	\$ (63,158)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	425,682	106,347
Amortization of tax credit fees	6,355	0
Amortization of debt issuance costs	33,796	11,909
Bad debt expense	58,760	0
Interest expense added to principal of mortgage notes payable	174,540	77,361
Donated land	0	(220,000)
Increase (decrease) in cash due to changes in:		
Accounts receivable	(80,421)	(11,080)
Prepaid expenses	8,023	(35,283)
Accounts payable	10,297	2,320
Related party payables	268,104	71,603
Accrued company management fees	3,300	0
Accrued asset management fees	3,300	0
Accrued interest	51,729	67,096
Accrued PILOT	7,932	0
Other accrued expenses	9,240	0
Prepaid rents	14,577	702
Tenants' security deposits payable	10,894	0
Net cash provided by operating activities:	68,669	7,817
CASH FLOWS FROM INVESTING ACTIVITIES		
Development of rental property	(24,580)	(13,474,906)
Payment of construction payables	(1,315,752)	0
Net cash used in investing activities	(1,340,332)	(13,474,906)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from mortgage notes payable	1,317,023	12,950,844
Payments on mortgage notes payable	(7,050,000)	0
Subscription receipts	7,060,910	837,626
Payment of syndication costs	0	(61,518)
Payment of debt issuance costs	(5,054)	(148,288)
Payment of tax credit fees	(1,000)	(95,068)
Net cash provided by financing activities	1,321,879	13,483,596
Change in cash, cash equivalents, and restricted cash	50,216	16,507
Cash, cash equivalents, and restricted cash:		
Beginning	16,507	0
Ending	\$ 66,723	\$ 16,507
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	\$ 60,905	16,507
Restricted cash	5,818	0
The accompanying notes are an integral part of these financial statements.		
Total cash, cash equivalents, and restricted cash	\$ 66,723	\$ 16,507

WESTLAWN RENAISSANCE V LLC

STATEMENTS OF CASH FLOWS (Continued)

Year ended December 31, 2024

and period from inception (June 26, 2018) through December 31, 2023

	2024	2023
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest, net of capitalized interest of \$0 (2024) and \$316,355 (2023), respectively; and interest expense added to principal balance of \$174,540 (2024) and \$77,361 (2023), respectively	<u>\$ 251,570</u>	<u>\$ 0</u>
SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Construction payables capitalized into rental property	<u>\$ 0</u>	<u>\$ 1,315,752</u>
Development fee payable capitalized into rental property	<u>\$ 0</u>	<u>\$ 624,562</u>
Interest expense added to principal balance of mortgage notes payable	<u>\$ 174,540</u>	<u>\$ 77,361</u>
Capitalized interest added to principal balance of mortgage notes payable	<u>\$ 0</u>	<u>\$ 245,569</u>
Accrued interest capitalized into rental property	<u>\$ 0</u>	<u>\$ 70,787</u>
Amortization of debt issuance costs capitalized into rental property	<u>\$ 0</u>	<u>\$ 69,151</u>
Land acquired through donation	<u>\$ 0</u>	<u>\$ 220,000</u>
Capital subscriptions	<u>\$ 0</u>	<u>\$ 8,375,355</u>

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

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A -- Nature of business and significant accounting policies

Nature of business

Westlawn Renaissance V LLC (the company), was formed on June 26, 2018, as a limited liability company (LLC) under the Wisconsin Limited Liability Company Act (the Act). The company was formed to acquire, construct, and operate Westlawn Renaissance V (the project) located in Milwaukee, Wisconsin. The project consists of one 44-unit building. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The land for the project was donated by the Housing Authority of the City of Milwaukee (HACM), member of the manager member on July 6, 2022 at fair value of \$220,000. The buildings were placed in service on October 10, 2023.

The company consists of one manager member, one investor member, and one special 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 continue in perpetuity unless sooner terminated in accordance with the operating agreement.

A summary of significant accounting policies follows:

Basis of accounting

The financial statements include the accounts of the company and have been prepared on the accrual basis of accounting. Accordingly, the financial statements reflect all significant receivables, payables and other liabilities.

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.

WESTLAWN RENAISSANCE V 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 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 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. Residential apartment leases often provide residents with the option to have a pet or use the project's parking, laundry, and/or storage facilities, etc. which are fixed fee lease components. To the extent the company provides such lease components, they are included in other revenue. 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.

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 resident operating leases are as follows for the period ended December 31:

	<u>2024</u>	<u>2023</u>
Fixed operating lease revenue from apartment rentals, net of vacancies and concessions and bad debt expense	\$ 335,739	\$ 16,572
Variable operating lease revenue included in other revenue	<u>636</u>	<u>0</u>
Total lease income	<u>\$ 336,375</u>	<u>\$ 16,572</u>

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	\$ 329,291	\$ 6,194

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

Rental property

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

	<u>Years</u>
Land improvements	20
Buildings and improvements	40
Furnishings and equipment	10

Maintenance and repairs of rental property are charged to operations, and major improvements are capitalized. Upon retirement, sale or other disposition of rental property, the cost and accumulated depreciation are eliminated from the accounts, and any resulting gain or loss is included in operations.

Impairment of long-lived assets

The company reviews long-lived assets, including rental property and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Debt issuance costs

Debt issuance costs totaled \$153,342 and \$148,288 as of December 31, 2024 and 2023, respectively. Of these costs, \$5,054 (2024) and \$140,083 (2023) were incurred in connection with the financing from the Wisconsin Housing and Economic Development Authority (WHEDA), and \$0 (2024) and \$13,259 (2023) were incurred in connection with financing from HACM, all of which are described in Note D:

	<u>Amortization Period</u>	<u>2024</u>	<u>2023</u>
WHEDA Note #1	37 years	\$ 24,230	\$ 19,176
WHEDA Note #2	27 years	3,196	3,196
WHEDA Note #3	2 years	112,657	112,657
ARPA Loan	50 years	<u>13,259</u>	<u>13,259</u>
		<u>\$ 153,342</u>	<u>\$ 148,288</u>

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

Of the total amortized debt issuance costs for the year and periods ended December 31, 2024 and 2023, \$0 and \$69,151 was capitalized, and \$33,796 and \$11,909 was included in interest expense, respectively.

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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 \$96,068 and \$95,068 as of December 31, 2024 and 2023, respectively. The company is amortizing these fees on the straight-line basis over the related tax credit compliance period of 15 years.

Current vulnerability due to certain concentrations

The project's operations are concentrated in the low-income 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 the Housing Authority of the City of Milwaukee (HACM), sole member of manager member, under the Project Based Voucher Housing Assistance Payments Contract (see Note F), 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 notice 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.

NOTE B -- Restricted cash

Replacement reserve

Under provisions of the operating agreement, the company is required to make annual deposits in the initial amount of \$300 per unit, beginning with the date required by WHEDA or the six-month anniversary of the replacement reserve commencement date, but in no event later than June 1, 2024, to the replacement reserve, made in equal monthly deposits, which are also required by the Replacement Reserve and Security Agreement with WHEDA. Under the operating agreement, the deposits are to increase by 3% each anniversary of the replacement reserve commencement date. Disbursements are restricted to capital improvements and repairs to the project. Withdrawals require approval of the investor member. The replacement reserve has not been funded as of December 31, 2024.

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE B -- Restricted cash (Continued)

Operating reserve

The WHEDA Operating Deficit Reserve and Security Agreement and the operating agreement require the company to establish an operating reserve in the amount of at least \$175,470. Under the provisions of the operating agreement, the reserve is to be funded on the date of receipt of the investor member's fourth capital contribution while the agreement with WHEDA requires the reserve to be established on or before the conversion date of the WHEDA loan. Funds from the operating reserve may be used to pay for operating or other expenses, which require consent of the investor member if the balance of the operating reserve falls below \$175,470 after such withdrawal. 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 of \$175,470 at all times. 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. Beginning on the eleventh anniversary of the completion date, and each year thereafter, the required balance in the operating reserve may be reduced in accordance with the operating agreement. The operating reserve has not been funded as of December 31, 2024.

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 220,000	\$ 220,000
Land improvements	190,021	190,021
Buildings and improvements	15,293,702	15,269,122
Furnishings and equipment	<u>341,584</u>	<u>341,584</u>
	16,045,307	16,020,727
Less accumulated depreciation	<u>532,029</u>	<u>106,347</u>
	<u>\$ 15,513,278</u>	<u>\$ 15,914,380</u>

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consist of the following:

	<u>2024</u>	<u>2023</u>
HACM; \$700,000 construction and term mortgage note; accrues interest at 1.50% per annum; payments are subject to surplus cash flow as defined in the operating agreement; due July 6, 2072; collateralized by a mortgage on the project's rental property and a general business security agreement; prepayment allowed any time; of the \$10,500 and \$15,621 in interest incurred for the periods ended December 31, 2024 and 2023, respectively, \$0 and \$13,262 was capitalized and \$10,500 and \$2,359 was expensed; accrued interest was \$26,121 and \$15,621 as of December 31, 2024 and 2023, respectively.	\$ 700,000	\$ 700,000
WHEDA construction-perm mortgage note payable in an amount not to exceed \$1,200,000 (WHEDA Note #1); interest only payments of 4.95% through the conversion date; at time of conversion, principal payments required sufficient to achieve a DSCR of 1.175 to 1.0; upon conversion, monthly principal and interest payments are due at 4.95% (effective interest rate of 5.06%); due 35 years after the conversion date; collateralized by a first mortgage on the project's rental property and assignment rents and security agreement thereon; nonrecourse; subject to a prepayment penalty as defined in the note; of the \$59,400 and \$82,437 in interest incurred for the periods ended December 31, 2024 and 2023, respectively \$0 and \$69,184 was capitalized and \$59,400 and \$13,253 was expensed; unamortized debt issuance costs associated with this note totaled \$22,942 and \$18,442 as of December 31, 2024 and 2023, respectively; accrued interest was \$4,950 as of December 31, 2024 and 2023.	<u>1,200,000</u>	<u>1,200,000</u>
Balance carried forward	1,900,000	1,900,000

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

Mortgage notes payable, net consist of the following:

	<u>2024</u>	<u>2023</u>
Balance brought forward	\$ 1,900,000	\$ 1,900,000
WHEDA; up to \$200,000 mortgage note payable (WHEDA Note #2); monthly interest only payments at 3.00% per annum through the conversion date; commencing on the conversion date, payments are subject to surplus cash as defined in the agreement; due 25 years after the conversion date; collateralized by a first mortgage on the project's rental property and assignment of rents and security agreement thereon; nonrecourse; of the \$6,000 and \$7,517 in interest incurred for the periods ended December 31, 2024 and 2023, \$0 and \$6,178 was capitalized and \$6,000 and \$1,339 was expensed; unamortized debt issuance costs associated with this note totaled \$2,924 and \$3,043 as of December 31, 2024 and 2023, respectively; accrued interest was \$500 as of December 31, 2024 and 2023.	200,000	200,000
WHEDA, note payable in an amount not to exceed \$7,050,000 (WHEDA Note #3); interest only payments at the greater of 3% or the Replacement Index Plus Spread Rate plus 3% (8.46% as of December 31, 2023), adjusted monthly; due on conversion date; collateralized by a first mortgage on the project's rental property and assignment of rents and security agreement thereon; nonrecourse; of the \$318,781 and \$280,355 in interest incurred for the periods ended December 31, 2024 and 2023, \$0 and \$170,206 and was capitalized and \$318,781 and \$110,149 was expensed, respectively; unamortized debt issuance costs associated with this note totaled \$0 and \$32,859 as of December 31, 2024 and 2023, respectively; accrued interest was \$0 and \$41,929 as of December 31, 2024 and 2023, respectively; the loan was repaid in full on July 19, 2024.	<u>0</u>	<u>5,987,244</u>
Balance carried forward	2,100,000	8,087,244

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

Mortgage notes payable, net consist of the following:

	<u>2024</u>	<u>2023</u>
Balance brought forward	\$ 2,100,000	\$ 8,087,244
HACM; \$4,865,337 construction and term mortgage note; accrues interest at 1.50% per annum; payments are subject to surplus cash flow as defined in the operating agreement; due July 6, 2072; collateralized by a mortgage on the project's rental property and a general business security agreement; prepayment allowed any time; of the \$72,980 and \$71,270 in interest incurred for the periods ended December 31, 2024 and 2023, \$0 and \$54,987 was capitalized and \$72,980 and \$16,283 was expensed, respectively; unamortized debt issuance costs associated with this note totaled \$12,620 and \$12,884 as of December 31, 2024 and 2023, respectively; accrued interest was \$144,250 and \$71,270 as of December 31, 2024 and 2023, respectively.	4,865,337	4,865,337
HACM; \$750,000 mortgage note; accrues interest at 1.50% per annum; terms subject to retention recapture agreement; due July 6, 2052; collateralized by a mortgage on the project's rental property, nonrecourse; prepayment allowed any time; of the \$10,178 and \$3,613 in interest incurred for the year and period ended December 31, 2024 and 2023 respectively, \$0 and \$2,538 was capitalized and \$10,178 and \$1,075 was expensed, respectively; accrued interest was \$13,791 and \$3,613 as of December 31, 2024 and 2023, respectively.	<u>750,000</u>	<u>321,193</u>
Total mortgage notes payable	7,715,337	13,273,774
Less unamortized debt issuance costs	<u>38,486</u>	<u>67,228</u>
	<u>\$ 7,676,851</u>	<u>\$ 13,206,546</u>

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

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

Year ending December 31,

2025	\$	4,299
2026		13,329
2027		14,004
2028		14,713
2029		15,458
Thereafter		<u>7,653,534</u>
	\$	<u>7,715,337</u>

NOTE E -- Related-party transactions

Development completion guaranty

The manager 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. All advances shall constitute interest free unsecured loans. There were no development completion guaranty loans as of December 31, 2024 and 2023.

Operating deficit guaranty

The operating agreement requires the manager member to fund operating deficits occurring after the period in which the projects reach Stabilized Occupancy, as defined in the operating agreement, and continue until the 60-month anniversary of the achievement of Stabilized Occupancy. The manager member's obligation shall be limited to \$170,891. All advances shall constitute unsecured, non-interest-bearing loans 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.

Development fee

The company entered into an amended and restated development services agreement with the manager member, which provides for the payment of a development fee of \$832,750. The entire fee has been earned and capitalized into the cost of rental property. The total fee is to be paid from capital contributions and project cash flow as set forth in the operating agreement. In the event the entire development fees have not been paid by the 13th anniversary of the completion date, as defined in the agreement, the manager member shall immediately make a capital contribution to the company sufficient to satisfy the remaining unpaid portion of the fee. Development fee payable was \$624,562 as of December 31, 2024 and 2023.

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE E -- Related-party transactions (Continued)

Asset management fee

Commencing in 2024, the operating agreement provides for the company to pay an annual asset management fee in the initial amount of \$75 per unit, increasing by 3% each year, to the investor. The fee is payable out of operating cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Asset management fees incurred were \$3,300 and \$0 for the periods ended December 31, 2024 and 2023, respectively. Accrued asset management fees were \$3,300 and \$0 as of December 31, 2024 and 2023, respectively.

Company management fee

Commencing in 2024, the operating agreement provides for the company to pay an annual company management fee in the initial amount of \$75 per unit, increasing by 3% each year, to the manager. The fee is payable out of operating cash flow as defined in the operating agreement and shall be cumulative and accrued if not paid. Company management fees incurred were \$3,300 and \$0 for the periods ended December 31, 2024 and 2023, respectively. Accrued company management fees were \$3,300 and \$0 as of December 31, 2024 and 2023, respectively.

Right of first refusal

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 manager member at 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.

Put Option

After the end of the credit period, the investor member has the right to put its interest to HACM. The option price to purchase will be the balance of all unpaid amounts due to the investor member plus \$1,000 and the costs of transfer of interest.

Management fee

The company entered into a management agreement with HACM. Under this agreement, the company is obligated to pay a management fee equal to 5% of gross rents collected for the preceding month. Management fees incurred totaled \$20,349 and \$12 for the periods ended December 31, 2024 and 2023, respectively. Accrued management fees totaled \$9,240 and \$0 as of December 31, 2024 and 2023, respectively. During the lease-up period, the company is obligated to pay \$35 per tenant application reviewed, \$50 per home visit conducted, \$60 per tenant income certification, and \$20 for each initial tenant file reviewed by the management agent's consultant. Lease-up fees incurred were \$1,067 and \$5,415 for the periods ended December 31, 2024 and 2023, respectively.

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE E -- Related-party transactions (Continued)

Related party payables

Related party payables had a balance of \$339,707 and \$71,603 as of December 31, 2024 and 2023, respectively, for reimbursement of operating expenses. These amounts are payable to the following as of December 31:

	<u>2024</u>	<u>2023</u>
HACM	\$ 82,979	\$ 17,979
Travaux, affiliate of manager member	<u>256,728</u>	<u>53,624</u>
	<u>\$ 339,707</u>	<u>\$ 71,603</u>

Construction contract

In connection with the development of the project, the company entered into a construction contract with an affiliate of the manager member in the amount of \$12,597,373. Profit and overhead earned on the contract totaled \$829,305. The balance of the construction contract in construction payables was \$0 and \$1,195,356 as of December 31, 2024 and 2023, respectively.

NOTE F -- Commitments and contingencies

Cooperation Agreement

HACM anticipates entering 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 the low-income housing units.

Project Based Voucher Housing Assistance Payments (HAP) Contract

The company and HACM entered into RAD Conversion Commitments with HUD effective August 1, 2022.

The company entered into Project Based Voucher Housing Assistance Payments (HAP) Contracts with HACM whereby HACM agrees to make housing assistance payments to the project for 3 of the units under the RAD HAP contract and for 28 of the units under the Section 8 Project Based Voucher HAP contract. The HAP contracts are effective July 1, 2022 and have an initial term of 20 years set to expire June 30, 2042. Rental revenue under the HAP contracts represents approximately 62% of rental income for the periods ended December 31, 2024 and 2023. Included in accounts receivable are amounts due under these contracts totaling \$18,598 and \$5,768 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.

WESTLAWN RENAISSANCE V LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE F -- Commitments and contingencies (Continued)

Project Based Voucher Housing Assistance Payments (HAP) Contract (continued)

The company entered into a RAD Use Agreements 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.

Affordable housing program (AHP)

The company has entered into an AHP Retention/Recapture Agreement for Rental Projects Using Low Income Housing Tax Credits which requires that the project maintain certain affordability requirements for a period of 15 years from the date of project completion.

Land Use Restriction Agreements (LURAs)

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 that 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 company entered into LURAs with WHEDA as a condition to obtaining financing (see Note D). The agreements with WHEDA place occupancy restrictions on rents charged and the minimum set aside of units occupied by targeted individuals or families whose income meets the requirements as described in the LURAs. The agreements expire when the WHEDA loans (Note D) are paid in full.