

Westlawn Renaissance III LLC

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Financial Report

NOT TO BE COPIED OR DISTRIBUTED

December 31, 2024

SUBJECT TO CHANGE AND THEREFORE

NOT TO BE RELIED UPON



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WESTLAWN RENAISSANCE III LLC

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INDEPENDENT AUDITOR'S REPORT

To the Members
Westlawn Renaissance III LLC
Milwaukee, WI

Opinion

We have audited the accompanying financial statements of Westlawn Renaissance III 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 Westlawn Renaissance III 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 Westlawn Renaissance III 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 III 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 Westlawn Renaissance III 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 III 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 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.

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Madison, Wisconsin

REPORT DATE



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WESTLAWN RENAISSANCE III LLC

BALANCE SHEETS

December 31, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 158,633	\$ 301,476
Restricted cash	709,332	617,480
Accounts receivable	148,120	146,292
Prepaid expenses	0	11,191
Rental property, net	29,347,779	30,237,772
Tax credit fees, net	25,078	27,586
TOTAL ASSETS	\$ 30,388,942	\$ 31,341,797
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Mortgage notes payable, net	\$ 22,489,262	\$ 22,591,041
Development fee payable	690,911	690,911
Accounts payable	2,673	13,706
Related party payables	138,011	143,540
Accrued expenses	49,752	43,548
Accrued interest	354,870	279,124
Accrued PILOT	94,960	70,771
Accrued asset management fees	7,050	7,050
Prepaid rents	10,415	16,901
Tenants' security deposits payable	56,158	54,986
Total liabilities	23,894,062	23,911,578
MEMBERS' EQUITY	6,494,880	7,430,219
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 30,388,942	\$ 31,341,797

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

WESTLAWN RENAISSANCE III LLC

STATEMENTS OF OPERATIONS

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Revenues:		
Rental income	\$ 762,650	\$ 742,660
Vacancies and concessions	(87,038)	(72,626)
Bad debt expense	(37,044)	(99,745)
Other revenue	<u>809</u>	<u>9,101</u>
Total revenues	639,377	579,390
Rental expenses:		
Administrative	125,632	100,449
Utilities	72,846	91,549
Operating and maintenance	234,415	237,528
Taxes and insurance	<u>98,449</u>	<u>92,879</u>
Total rental expenses	<u>531,342</u>	<u>522,405</u>
Net rental income	108,035	56,985
Financial income (expense):		
Interest income	23,007	18,646
Interest expense	<u>(166,830)</u>	<u>(168,725)</u>
Total financial income (expense)	<u>(143,823)</u>	<u>(150,079)</u>
Loss before other expenses	(35,788)	(93,094)
Other expenses:		
Depreciation	889,993	889,994
Amortization	2,508	2,508
Asset management fee	<u>7,050</u>	<u>7,050</u>
Total other expenses	<u>899,551</u>	<u>899,552</u>
Net loss	<u>\$ (935,339)</u>	<u>\$ (992,646)</u>

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

WESTLAWN RENAISSANCE III LLC
 STATEMENTS OF MEMBERS' EQUITY
 Years ended December 31, 2024 and 2023

	Manager member	Special member	Investor member	Total
Members' equity:				
Balances, December 31, 2022	\$ 231	\$ 10	\$ 8,423,086	\$ 8,422,865
Net loss	<u>(99)</u>	<u>0</u>	<u>(992,547)</u>	<u>(992,646)</u>
Balances, December 31, 2023	(330)	10	7,430,539	7,430,219
Net loss	<u>(94)</u>	<u>0</u>	<u>(935,245)</u>	<u>(935,339)</u>
Balances, December 31, 2024	<u>(424)</u>	<u>10</u>	<u>6,495,294</u>	<u>6,494,880</u>
Total members' equity	<u>\$ (424)</u>	<u>\$ 10</u>	<u>\$ 6,495,294</u>	<u>\$ 6,494,880</u>
Ownership percentages	<u>0.01%</u>	<u>0.00%</u>	<u>99.99%</u>	<u>100.00%</u>

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

WESTLAWN RENAISSANCE III LLC

STATEMENTS OF CASH FLOWS

Years ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (935,339)	\$ (992,646)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	889,993	889,994
Amortization of tax credit fees	2,508	2,508
Amortization of debt issuance costs	801	801
Bad debt expense	37,044	99,745
Increase (decrease) in cash due to changes in:		
Accounts receivable	(38,872)	(95,305)
Prepaid expenses	11,191	(5,812)
Accounts payable	(11,033)	3,964
Related party payables	(5,529)	(13,664)
Accrued expenses	6,204	39,556
Accrued interest	75,746	76,590
Accrued PILOT	24,189	21,367
Prepaid rents	(6,486)	(584)
Tenants' security deposits payable	1,172	(2,834)
Net cash provided by operating activities:	51,589	23,680
CASH FLOWS FROM INVESTING ACTIVITIES	0	0
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on mortgage notes payable	(102,580)	(20,438)
Change in cash, cash equivalents, and restricted cash	(50,991)	3,242
Cash, cash equivalents, and restricted cash:		
Beginning	918,956	915,714
Ending	\$ 867,965	\$ 918,956
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH TO BALANCE SHEET		
Cash and cash equivalents	\$ 158,633	\$ 301,476
Restricted cash	709,332	617,480
Total cash, cash equivalents, and restricted cash	\$ 867,965	\$ 918,956
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	\$ 90,283	\$ 91,334

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

WESTLAWN RENAISSANCE III LLC

STATEMENTS OF CASH FLOWS (Continued)

Years ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
SUPPLEMENTAL DISCLOSURE(S) OF CASH FLOW INFORMATION		
Cash payments for interest	<u>\$ 90,283</u>	<u>\$ 91,334</u>

SUPPLEMENTAL SCHEDULE(S) OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Equity adjuster	<u>\$ 0</u>	<u>\$ 0</u>

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WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE A -- Nature of business and significant accounting policies

Nature of business

Westlawn Renaissance III LLC (the company), was formed on September 5, 2017, 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 III Apartments (the project) located in Milwaukee, Wisconsin. The project consists of two 47-unit buildings, with up to 51 parking spaces available to tenants on the site and approximately 3,000 square feet of commercial space. The project qualifies for low-income housing tax credits pursuant to Section 42 of the Internal Revenue Code (IRC). The buildings were placed in service on December 5, 2019 and April 28, 2020.

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.

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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 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.

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

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

	<u>2024</u>	<u>2023</u>
Fixed operating lease revenue from apartment rentals, net of vacancies and concessions and bad debt expenses	\$ 638,568	\$ 570,289
Variable operating lease revenue included in other revenue	<u>809</u>	<u>9,101</u>
Total lease income	<u>\$ 639,377</u>	<u>\$ 579,390</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	\$ 631,063	\$ 587,210

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.

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

Debt issuance costs

Debt issuance costs totaled \$27,322 as of December 31, 2024 and 2023. Of these costs, \$21,161 were incurred in connection with the financing from the Wisconsin Housing and Economic Development Authority (WHEDA), and \$6,161 were incurred in connection with financing from the Housing Authority of the City of Milwaukee (HACM), all of which are described in Note E:

	<u>Amortization Period</u>		<u>Amount</u>
WHEDA Note #1	37 years	\$	18,222
WHEDA Note #3	19 years		2,939
HACM Non-fed Loan	40 years		2,566
HACM Fed Loan	40 years		<u>3,595</u>
		\$	<u>27,322</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.

Amortized costs included in interest expense totaled \$801 for each of the years ended December 31, 2024 and 2023.

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 \$37,617. 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) 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.

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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	\$ 57,018	\$ 52,568
Construction cash	74,427	63,708
Replacement reserve	141,389	106,939
Holding reserve	101,904	76,428
Operating reserve	334,594	317,837
	\$ 709,332	\$ 617,480

Replacement reserve

Under provisions of the operating agreement, the company is required to make an initial deposit of \$300 per units (\$28,200) from the fifth capital contribution from the investor member. Beginning with the date required by HACM or the six-month anniversary of the completion date, but in no event later than July 1, 2020, annual deposits are required in the initial amount of \$300 per unit 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 and the lender.

	2024	2023
Balance, beginning	\$ 106,939	\$ 71,152
Monthly deposits	28,200	30,815
Interest income	6,250	4,972
Balance, ending	\$ 141,389	\$ 106,939

WESTLAWN RENAISSANCE III 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 \$300,000. 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 \$300,000 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 \$300,000 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.

	<u>2024</u>	<u>2023</u>
Balance, beginning	\$ 317,837	\$ 303,238
Interest income	<u>16,757</u>	<u>14,599</u>
Balance, ending	<u>\$ 334,594</u>	<u>\$ 317,837</u>

NOTE C -- Rental property, net

Rental property, net is comprised of the following:

	<u>2024</u>	<u>2023</u>
Land	\$ 243,789	\$ 243,789
Land improvements	291,609	291,609
Buildings and improvements	32,521,359	32,521,359
Furnishings and equipment	<u>623,789</u>	<u>623,789</u>
	33,680,546	33,680,546
Less accumulated depreciation	<u>4,332,767</u>	<u>3,442,774</u>
	<u>\$ 29,347,779</u>	<u>\$ 30,237,772</u>

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE D -- Mortgage notes payable, net

Mortgage notes payable, net consist of the following:

	2024	2023
<p>WHEDA; up to \$1,550,000 mortgage note (WHEDA Note #1); interest only payments at 5.52% through the conversion date, which was June 1, 2021; commencing July 1, 2021, monthly payments are due of \$8,344, including interest at 5.52%; effective interest rate is 5.66%; due 35 years after the conversion date; collateralized by a first mortgage on the project's rental property and assignment of leases and rents thereon; nonrecourse; subject to a prepayment penalty as defined in the note; unamortized debt issuance costs associated with this note totaled \$15,432 and \$15,924 as of December 31, 2024 and 2023, respectively.</p>	\$ 1,493,892	\$ 1,511,047
<p>WHEDA; up to \$250,000 mortgage note (WHEDA Note #3); monthly interest only payments at 3% through the conversion date, which was June 1, 2021; commencing January 1, 2022, and each January 1 thereafter, annual payments of \$11,635, including interest at 3%, subject to surplus cash and the waterfall set forth in Section 3c of the note; due 17 years after the conversion date; collateralized by a first mortgage on the project's rental property and assignment of leases and rents thereon; nonrecourse; unamortized debt issuance costs associated with this note totaled \$2,062 and \$2,217 as of December 31, 2024 and 2023, respectively.</p>	157,956	243,381
<p>HACM; \$9,009,277 construction and term mortgage note; non-interest bearing; payments are subject to surplus cash flow as defined in the operating agreement; remaining balance due April 16, 2059; collateralized by a mortgage on the project's rental property and a general business security agreement; prepayment allowed any time; unamortized debt issuance costs associated with this note totaled \$2,203 and \$2,267 as of December 31, 2024 and 2023, respectively.</p>	7,319,331	7,319,331
<p>Balance carried forward</p>	\$ 8,971,179	\$ 9,073,759

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

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

Balance brought forward	\$ 8,971,179	\$ 9,073,759
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HACM; \$12,620,865 construction and term mortgage note; accrues interest at 0.50%; payments are subject to surplus cash flow as defined in the operating agreement; due April 16, 2059; collateralized by a mortgage on the project's rental property and a general business security agreement; prepayment allowed any time; interest expense was \$63,104 for each of the years ended December 31, 2024 and 2023; accrued interest was \$282,379 and \$219,275 as of December 31, 2024 and 2023, respectively; unamortized debt issuance costs associated with this note totaled \$3,085 and \$3,175 as of December 31, 2024 and 2023, respectively.

	12,620,865	12,620,865
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HACM; \$170,000 land loan note; accrues interest at 2.89%; payments are subject to surplus cash flow as defined in the operating agreement; due April 16, 2069; collateralized by a mortgage on the project's rental property and a general business security agreement; prepayment allowed any time; interest expense was \$4,913 for each of the years ended December 31, 2024 and 2023; accrued interest was \$27,995 and \$23,082 as of December 31, 2024 and 2023, respectively.

	170,000	170,000
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HACM; \$750,000 AHP loan; accrues interest at 1.17%; payments are subject to surplus cash flow as defined in the operating agreement; due July 8, 2050; collateralized by a mortgage on the project's rental property; prepayment allowed any time; interest expense was \$8,775 for each of the years ended December 31, 2024 and 2023; accrued interest was \$30,869 and \$22,094 as of December 31, 2024 and 2023, respectively.

	<u>750,000</u>	<u>750,000</u>
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Total mortgage notes payable	22,512,044	22,614,624
Less unamortized debt issuance costs	<u>22,782</u>	<u>23,583</u>
	<u>\$ 22,489,262</u>	<u>\$ 22,591,041</u>

WESTLAWN RENAISSANCE III 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	\$	22,667
2026		23,832
2027		25,058
2028		26,350
2029		27,713
Thereafter		<u>22,386,424</u>
	\$	<u>22,512,044</u>

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.

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 \$286,200. 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 \$5,700,000. The entire fee has been earned and capitalized into the cost of the buildings. 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 \$690,911 as of December 31, 2024 and 2023.

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.

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE E -- Related-party transactions (Continued)

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.

Asset management fee

The operating agreement provides for the company to pay an annual asset management fee commencing in 2020 and continuing until the expiration of the compliance period to the investor member in the initial amount of \$75 per credit unit. 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 totaled \$7,050 for each of the years ended December 31, 2024 and 2023. Accrued asset management fees totaled \$7,050 as of December 31, 2024 and 2023.

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 \$36,417 and \$32,912 for the years ended December 31, 2024 and 2023, respectively. Accrued property management fees included in related party payables totaled \$52,192 and \$55,725 as of December 31, 2024 and 2023, respectively.

Related party payables

Related party payables had a balance of \$85,819 and \$87,815 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	\$ 55,000	\$ 55,000
Travaux, affiliate of manager member	<u>30,819</u>	<u>32,815</u>
	<u>\$ 85,819</u>	<u>\$ 87,815</u>

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.

WESTLAWN RENAISSANCE III LLC

NOTES TO FINANCIAL STATEMENTS

December 31, 2024

NOTE F -- Commitments and contingencies (Continued)

Project Based Voucher Housing Assistance Payments (HAP) Contract

The company and HACM entered into RAD Conversion Commitments with HUD in December 2016 pursuant to which the public housing units were converted to Section 8 project based-vouchers effective May 1, 2019.

The company entered into Project Based Voucher Housing Assistance Payments Contracts with HACM whereby HACM agrees to make housing assistance payments to the project for 84 of the units. The HAP contract is effective May 1, 2019 and has an initial term of 20 years set to expire April 30, 2039. Rental revenue under the HAP contract represents approximately 53% and 54% of rental income for the years ended December 31, 2024 and 2023, respectively. HAP receivables were \$124,107 and \$101,226 for the years ended 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 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 conditions to receiving an allocation of low-income housing tax credits and obtaining financing from WHEDA (see Note D). Under these agreements, the company must continuously comply with IRC Section 42 and other applicable sections of the IRC. The agreements place 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 these agreements 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.

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WESTLAWN RENAISSANCE III LLC

WHEDA Project No. 6391

SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA - Westlawn Renaissance III

December 31, 2024

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

Accounts receivable, related party \$ 124,107

DELINQUENT TENANTS' ACCOUNTS RECEIVABLE

	Number of tenants	Amount past due
Delinquent 30 days	0	\$ 0
Delinquent 31 to 60 days	46	14,987
Delinquent 61 to 90 days	28	9,026
Delinquent over 90 days	0	<u>0</u>
		<u>\$ 24,013</u>

DISTRIBUTIONS

Asset management fee \$ 7,050

PARTNERSHIP CASH AND RESERVE FUNDS NOT HELD BY WHEDA

None.

WESTLAWN RENAISSANCE III LLC

WHEDA Project No. 6391

SUPPLEMENTAL INFORMATION REQUIRED BY WHEDA - WESTLAWN RENAISSANCE III (Continued)

December 31, 2024

RELATED PARTY TRANSACTIONS

Development fee payable		
Beginning balance	\$	690,911
Fee paid		<u>0</u>
Ending accrual	\$	<u>690,911</u>
Asset management fee		
Beginning accrual	\$	7,050
Current year expense		7,050
Fee paid		<u>(7,050)</u>
Ending accrual	\$	<u>7,050</u>

COMPUTATION OF SURPLUS CASH

CURRENT ASSETS

Project cash on hand		\$	158,633
MEMO - Tenants' security deposits	\$	57,018	
Accounts receivable, other			124,107
Real estate tax escrow			<u>101,904</u>
Total current assets			384,644

CURRENT LIABILITIES

MEMO - Tenants' security deposits payable	\$	56,158	
Accounts payable			140,684
Accrued expenses			49,752
Accrued interest, WHEDA			7,294
Prepaid rent			10,415
Accrued real estate taxes			<u>94,960</u>
Total current liabilities			<u>303,105</u>

SURPLUS CASH

\$ 81,539

STANDARDIZED FINANCIAL TEMPLATE

Main Information

Field Name	Value
Property Info	
Property Name	Westlawn Renaissance III LLC
Project Number	6391
HFA Number	52937
Balance Sheet Date of Statement:	12/31/2024
P&L Statement Period:	01/01/2024 - 12/31/2024

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BALANCE SHEET

6391 Westlawn Renaissance III LLC

Date of Statement:

12/31/2024

Account ID	Agency Label	Amount	Comment	
1100 CURRENT ASSETS	1120.01	Cash - Operations	\$ 158,633	
	1121.01	Construction Cash Account	\$ 74,427	
	1125.11	Cash - Entity		
	1130.01	Tenant Accounts Receivable	\$ 24,013	
	1130.02	Allowance for Doubtful Accounts (enter a negative amount)		
	1140.01	Accounts and Notes Receivable-Operations	\$ 124,107	
	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	\$ 57,018	
	1100	Total Current Assets	\$ 438,198	
1200 PREPAID EXPENSES	1210.01	Misc Prepaid Expenses	\$ -	
	1200	Total Prepaid Expenses	\$ -	
1300 FUNDED RESERVES	1310.01	Escrow Deposits	\$ 101,904	
	1310.21	Insurance Escrow		
	1310.22	Real Estate Tax or PILOT Escrow		
	1320.01	Reserve for Replacements	\$ 141,389	
	1330.01	Other Reserve	\$ 334,594	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	\$ 577,887		
1400 FIXED ASSETS	1410.01	Land	\$ 243,789	
	1420.01	Building	\$ 32,521,359	
	1440.01	Building Equipment (portable)		
	1450.01	Furnishings	\$ 623,789	
	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	\$ 291,609	Land Improvements
	1490.11	Accumulated Depreciation (enter a negative amount)	\$ (4,332,767)	
1400	Total Fixed Assets	\$ 29,347,779		
1500 INVESTMENTS	1510.01	Investments-Operations		
	1515.01	Investments-Entity		
	1530.01	Intangible Assets	\$ 25,078	Tax Credit Fees - Net of Amortization
1500	Total Investment Long-term	\$ 25,078		
1900 MISC ASSETS	1910.01	Misc Other Assets		
	1900	Total Other Assets	\$ -	
TOTAL ASSETS		\$ 30,388,942		



BALANCE SHEET

6391

Date of Statement:

12/31/2024

Account ID	Agency Label	Amount	Comment
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**2100
CURRENT
LIABILITIES**

2105.01	Bank Overdraft-Operations		
2110.01	Accounts Payable-Operations		
2110.11	Accounts Payable-Construction/Development	\$	690,911
2110.91	Accounts Payable-30 Days	\$	140,684
2112.01	Accounts Payable-Project Improvements Items		
2113.01	Accounts Payable-Entity	\$	7,050
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		
2130.01	Accrued Interest Payable-First Mortgage	\$	7,294
2130.31	Accrued Interest Payable-Second Mortgage	\$	-
2130.41	Accrued Interest Payable-Section 236		
2131.11	Accrued Interest Payable-Other Loans (Surp Cash)	\$	347,576
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	\$	94,960
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)	\$	22,667
2170.31	Mortgage Payable-Second Mortgage (Short Term)		
2180.01	Utility Allowances		
2190.01	Misc Current Liabilities/Preservation Fee	\$	49,752 Other accrued expenses
2191.01	Tenant Security Deposits	\$	56,158
2210.01	Prepaid Revenue	\$	10,415
2100	Current Liabilities	\$	1,427,467

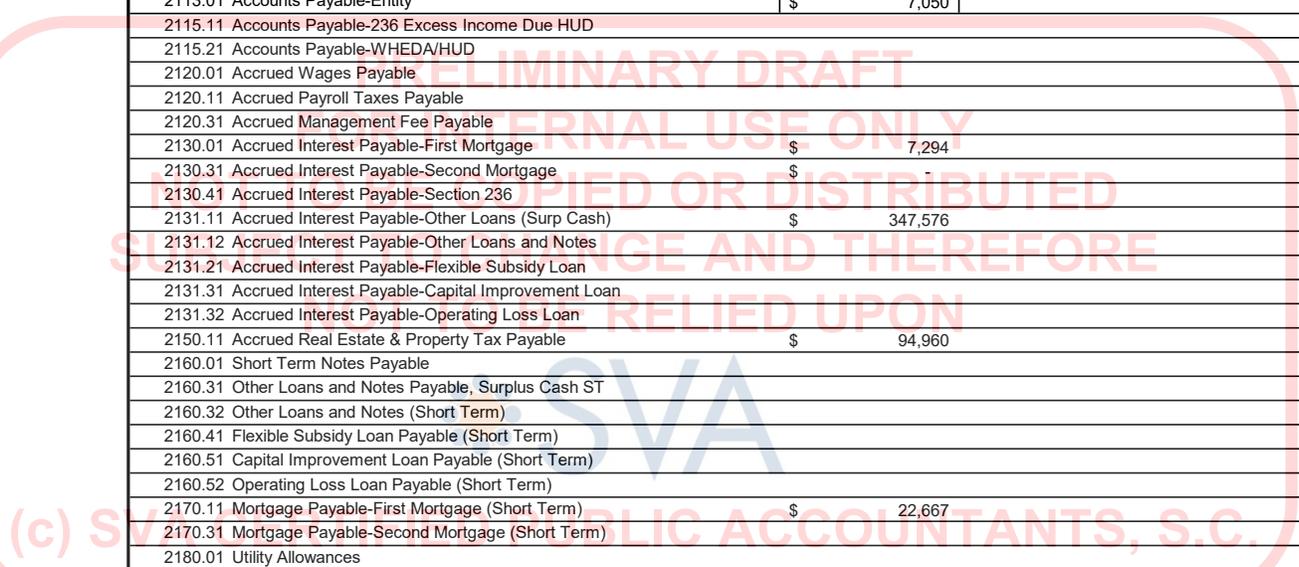
**2300
LONG-TERM
LIABILITIES**

2310.01	Notes Payable-Long Term		
2310.31	Notes Payable-Surplus Cash	\$	21,010,802
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	\$	1,455,793
2320.31	Mortgage Payable-Second Mortgage	\$	-
2390.01	Misc Long Term Liabilities		
2300	Long-Term Liabilities	\$	22,466,595

TOTAL LIABILITIES	\$	23,894,062
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3110.11	Total Equity/Retained Earnings	\$	6,494,880
TOTAL EQUITY	\$	6,494,880	

TOTAL LIABILITIES & EQUITY	\$	30,388,942
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PROFIT & LOSS STATEMENT

6391 Westlawn Renaissance III LLC

Statement Period:

01/01/2024 - 12/31/2024

Account ID	Agency Label	Amount	Comment	
5100 RENT REVENUE	5120.11	Rent Revenue-Gross Potential	\$ 401,782	
	5120.21	Tenant Assistance Payments	\$ 360,868	
	5140.01	Rent Revenue - Commercial/Stores @ 100%		
	5170.01	Rent Revenue-Garage/Parking @ 100%	\$ -	
	5180.01	Flexible Subsidy Revenue		
	5190.01	Misc Rent Revenue		
	5190.11	Excess Rent		
	5190.12	Rent Revenue/Insurance		
	5190.13	Special Claims Revenue		
	5190.14	Retained Excess Income		
	5100	Rent Revenue	\$ 762,650	
	5200 VACANCY	5220.01	Apartment Vacancies (enter a negative amount)	\$ (87,038)
		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	\$ (87,038)		
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	0	
	5430.01	Revenue from Investments-Residual Receipts		
	5440.01	Revenue from Investments-Replacement Reserve	\$ 6,250	
	5490.01	Revenue from Investments-Miscellaneous	\$ 16,757	
5400	Financial Revenue	\$ 23,007		
5900 OTHER REVENUE	5910.01	Laundry/Vending Income (Net)	\$ -	
	5920.01	Tenant Charges	\$ 809	
	5990.01	Miscellaneous Revenue	\$ -	
	5900	Other Revenue	\$ 809	
5000	REVENUE	\$ 699,428		
6200-6300 RENT/ADMIN EXPENSES	6210.01	Advertising/Marketing Expense	\$ 76	
	6250.01	Other Rent Expense	0	
	6310.01	Office Salaries	\$ 49,108	
	6311.01	Office Expenses	\$ 5,593	
	6311.21	Office or Model Apartment Rent		
	6320.01	Management Fees All	\$ 36,649	
	6330.11	Manager/Superintendent Salaries		
	6330.21	Administrative Rent-Free Unit	\$ -	
	6340.01	Legal Expense-Project Only	\$ 795	
	6350.01	Audit Expense - Project Only	\$ 28,760	
	6351.01	Bookkeeping Fees/Accounting Services	\$ -	
	6370.01	Bad Debt Expense	\$ 37,044	
	6390.01	Misc Administrative Expenses	4,651	
	6200	Administrative Expense	\$ 162,676	
6400 UTILITY EXPENSE	6420.01	Fuel Oil		
	6450.11	Electricity	\$ 44,554	
	6450.21	Gas	\$ 10,362	
	6450.32	Water	\$ 17,930	
	6450.33	Sewer		
6400	Utility Expense	\$ 72,846		
6500 OPERATING & MAINTENANCE EXPENSE	6510.01	Payroll	\$ 34,552	
	6510.31	Operating and Maintenance Rent Free Unit		
	6515.01	Supplies	\$ 15,467	
	6520.01	Contracts	\$ 155,451	
	6525.01	Garbage & Trash Removal	\$ -	
	6530.11	Security Payroll/Contract (incl taxes and benefits)	\$ 22,745	
	6530.21	Security Rent Free Unit		
	6540.11	Heating/Cooling Repairs & Maintenance	\$ -	
	6540.21	Snow Removal	\$ 6,200	
	6570.01	Vehicle/Maintenance Equipment Operation & Repairs		
	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	\$ 234,415		



PROFIT & LOSS STATEMENT

6391 Westlawn Renaissance III LLC

Statement Period:

01/01/2024 - 12/31/2024

Account ID	Agency Label	Amount	Comment
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6700 TAXES AND INSURANCE	6710.01	Real Estate & Personal Property Taxes	\$ 24,190
	6711.01	Payroll Taxes - Project Share	
	6720.01	Property & Liability Insurance (Hazard)	\$ 52,287
	6723.01	Health Insurance and Other Employee Benefits	20,768
	6723.11	Fidelity Bond Insurance	
	6723.21	Workmens Compensation	1,204
	6790.01	Misc Taxes, Licenses, Permits, and Insurance	\$ -
6700	Tax and Insurance Expense	\$ 98,449	

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	Elderly Service Expense	\$ -	

RR DEPOSITS	11320.01	Annual Replacement Reserve Deposits (MEMO ONLY)	\$ 28,200
		TOTAL OPERATING EXPENSES	\$ 568,386
		NET OPERATING INCOME (NOI)	\$ 131,042

6800 FINANCIAL EXPENSE	6810.01	WHEDA Senior Hard Debt Interest	\$ 82,639
	6820.01	WHEDA Junior Hard Debt Interest	\$ 7,245
	6825.01	Other Mortgage Interest	
	6850.01	Mortgage Insurance Premium/Service Charge	
	6890.01	Misc Financial Expense/Preservation Fee	
6800	Financial Expense	\$ 89,884	

DEPRECIATION AMORTIZATION	6610.01	Depreciation Expense	\$ 889,993
	6620.01	Amortization Expense	2,508
		OPERATING PROFIT OR LOSS	\$ (851,343)

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	\$ -
	7140.21	Interest on Mortgage Payable	\$ 76,946
	7190.01	Other Expense	\$ 7,050
7100	Net Entity Expenses	\$ 83,996	

TOTAL PRINCIPAL PAYMENTS	16810.01	WHEDA Senior Hard Debt Principal	\$ 17,155
	16820.01	WHEDA Junior Hard Debt Principal	\$ 85,425
	16825.01	Other Debt Principal	\$ -

WESTLAWN RENAISSANCE III LLC

WHEDA Project No. 6391
CERTIFICATION BY MORTGAGOR
December 31, 2024

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

Signed: _____

Date: _____

Name of Signatory:

Title of Certifying Official:

Ken Barbeau.

Interim Secretary-Executive Director,
Housing Authority of the City of Milwaukee,
Sole Member

Westlawn Renaissance Development III,
LLC, Manager Member

Telephone Number:

414-286-5824

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WESTLAWN RENAISSANCE III LLC

WHEDA Project No. 6391

CERTIFICATION BY MANAGEMENT AGENT

December 31, 2024

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

Signed: _____

Date: _____

Name of Signatory:

Title of Certifying Official:

Ken Barbeau

Interim Secretary-Executive Director,
Housing Authority of the City of Milwaukee,
Sole Member

Westlawn Renaissance Development III,
LLC, Manager Member

Telephone Number:

414-286-5824

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