

RESPONSES TO QUESTIONS ON LLC FINANCES

Question 1: On the Statement of Cash Flows for the Merrill Park LLC on page 7, why is there a change from 2023 to 2024 for accrued interest of a half million dollars?

In the Statement of Cash Flows on page 7, changes in accrued interest payable are reported in the operating activities section as an adjustment to net income. An increase in accrued interest is added back to net income, while a decrease is subtracted, reflecting the difference between interest expense incurred and cash interest paid.

The accrued interest for this property is primarily made up of interest on an acquisition mortgage note from HACM and a loan from additional federal funds from HACM. On both of these loans, with payments payable on both only to the extent of available cash flow as defined in the Operating Agreement.

These loans and their associated accrued interest amounts are detailed in Note D to the financial statements.

Accrued interest on the balance sheet was \$658,588 at 12/31/22 and \$376,516 at 12/31/23. The change from 2022 to 2023 was a decrease of \$282,072.

At 12/31/2024, accrued interest on the Balance Sheet was \$675,698. The change from 2023 to 2024 was an increase of \$299,182.

Question 2: On the Statement of Cash Flows for the Holton Terrace LLC on page 7, what is does the amount of \$477,092 in “Payments received on advances, related party” and why does it look like a loss?

This amount is not a loss in 2024, it is net activity that increased cash of Holton Terrace LLC during 2024. The Statement of Cash Flows reflects net changes in various asset and liability accounts that would relate to the inflows and outflows of cash for the entity.

The amount on the Balance sheet for 12/31/23 for “Advances, Related Party” was \$576,874 and the balance at 12/31/24 was \$99,782.

The decrease of \$477,892 in “Advances, Related Party” from 2023 to 2024 is a reduction in a receivable asset. During 2024, Travaux Reimbursement paid for invoices on behalf of Holton Terrace LLC and Holton Terrace LLC did not reimburse Travaux for the items up to the \$477,892. These invoices would be part of the total rental expenses of \$722,738 that Holton Terrace LLC incurred in 2024. That is also part of the reason why the cash and cash equivalents went from \$445,574 as of 12/31/2023 to \$832,047 as of 12/31/2024.