



Financial Statements

December 31, 2023 and 2022

Riverview Townhomes, LLC

Project No. SD99-H001-074

Riverview Townhomes, LLC

Project No. SD99-H001-074

Table of Contents

December 31, 2023 and 2022

Independent Accountant's Compilation Report	1
Financial Statements	
Balance Sheets	2
Statements of Operations and Changes in Members' Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Information	
Balance Sheets – HUD Format	10
Statements of Profit and Loss – HUD Format	12
Statements of Cash Flows – HUD Format	15
Supplementary Information Required by HUD	17
Owners' Certification	18



The Members
Riverview Townhomes, LLC
Philip, South Dakota

Management is responsible for the accompanying financial statements of Riverview Townhomes, LLC which comprise the balance sheets as of December 31, 2023 and 2022, and the related statements of operations and changes in members' equity and cash flows for the years then ended, and the related notes to the financial statements, in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with the Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The accompanying supplementary information included on pages 10 through 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagements. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

A handwritten signature in black ink that reads "Eide Bailly LLP".

Sioux Falls, South Dakota
September 10, 2024

Riverview Townhomes, LLC

Project No. SD99-H001-074

Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Current Assets		
Cash	\$ 16,286	\$ 70,124
Tenant accounts receivable	296	4,087
Subsidy receivable	1,289	-
Due from management company	703	-
Prepaid expenses	103	-
Total current assets	<u>18,677</u>	<u>74,211</u>
Restricted Cash		
Tenant security deposits	<u>4,218</u>	<u>2,919</u>
Total restricted cash	<u>4,218</u>	<u>2,919</u>
Property and Equipment, at cost		
Land	21,330	21,330
Land improvements	13,904	13,904
Building	235,154	235,154
Furniture and fixtures	74,661	61,446
	<u>345,049</u>	<u>331,834</u>
Less accumulated depreciation	<u>(103,172)</u>	<u>(92,399)</u>
Property and equipment, net	<u>241,877</u>	<u>239,435</u>
	<u><u>\$ 264,772</u></u>	<u><u>\$ 316,565</u></u>

Riverview Townhomes, LLC

Project No. SD99-H001-074

Balance Sheets

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Members' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 5,632	\$ 5,428
Accounts payable	1,733	41,053
Accrued real estate taxes	7,138	7,336
Accrued interest payable	338	454
Prepaid rent	<u>1,535</u>	<u>153</u>
Total current liabilities	16,376	54,424
Tenant Security Deposits Payable	1,679	1,487
Deferred Grant Revenue	53,865	61,843
Long-Term Debt, Less Current Maturities and Net of Unamortized Debt Issuance Costs	<u>134,684</u>	<u>139,280</u>
Total liabilities	206,604	257,034
Members' Equity	<u>58,168</u>	<u>59,531</u>
	<u><u>\$ 264,772</u></u>	<u><u>\$ 316,565</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Operations and Changes in Members' Equity
Years Ended December 31, 2023 and 2022

Operations

	<u>2023</u>	<u>2022</u>
Revenues		
Tenant rent	\$ 104,159	\$ 101,527
Less vacancies and utility allowances	<u>(50,312)</u>	<u>(36,396)</u>
Net tenant rent	53,847	65,131
Financial revenue	8	1
Grant revenue	7,978	9,158
Other revenue	<u>43,383</u>	<u>2,615</u>
Total revenues	<u>105,216</u>	<u>76,905</u>
Expenses		
Administrative	30,807	18,833
Utilities	13,104	11,427
Operating and maintenance	24,842	12,587
Depreciation	15,700	16,763
Taxes and insurance	13,855	12,864
Financial	<u>6,271</u>	<u>7,485</u>
Total expenses	<u>104,579</u>	<u>79,959</u>
Net Income (Loss)	<u><u>\$ 637</u></u>	<u><u>\$ (3,054)</u></u>

Members' Equity

Balance, December 31, 2021	\$ 62,585
Net loss	<u>(3,054)</u>
Balance, December 31, 2022	59,531
Member distributions	(2,000)
Net income	<u>637</u>
Balance, December 31, 2023	<u><u>\$ 58,168</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Net income (loss)	\$ 637	\$ (3,054)
Charges to net income (loss) not affecting cash		
Depreciation	15,700	16,763
Interest expense attributable to amortization of debt issuance costs	74	723
Loss on disposal of assets	589	-
Bad debts	10,393	-
Recognition of deferred grant revenue	(7,978)	(9,158)
Changes in operating assets and liabilities		
Accounts receivable	(8,594)	(2,461)
Prepaid insurance	(103)	3,382
Accounts payable	(39,320)	39,788
Accrued interest payable	(116)	454
Accrued real estate taxes	(198)	(6)
Tenant security deposits payable	192	335
Prepaid rent	1,382	(400)
Net Cash from (used for) Operating Activities	<u>(27,342)</u>	<u>46,366</u>
Net Cash used for Investing Activities		
Purchase of property and equipment	<u>(18,731)</u>	<u>-</u>
Financing Activities		
Payment of debt issuance costs	-	(1,489)
Principal payments on long-term debt	(4,466)	(154,901)
Issuance of long-term debt	-	150,961
Member distributions	(2,000)	-
Net Cash used for Financing Activities	<u>(6,466)</u>	<u>(5,429)</u>
Net Change in Cash and Restricted Cash	(52,539)	40,937
Cash and Restricted Cash, Beginning of Year	<u>73,043</u>	<u>32,106</u>
Cash and Restricted Cash, End of Year	<u>\$ 20,504</u>	<u>\$ 73,043</u>
Cash	\$ 16,286	\$ 70,124
Restricted Cash - Tenant Security Deposits Held in Trust	<u>4,218</u>	<u>2,919</u>
Total Cash and Restricted Cash	<u>\$ 20,504</u>	<u>\$ 73,043</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 6,313	\$ 6,308

Note 1 - Principal Business Activity and Significant Accounting Policies

Principal Business Activity, Risks, and Uncertainty

Riverview Townhomes, LLC (Company) was formed in February 2016 as a limited liability company under the laws of the state of South Dakota. It was formed for owning and operating a 10-unit low-income housing project in Philip, South Dakota. Substantially all the Company's revenue is derived from the rental of its apartment units.

A significant portion of the Company's rental income is received from HUD. The Company has entered into a Housing Assistance Payment (HAP) contract with the U.S. Department of Housing and Urban Development (HUD).

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from residential tenants and from HUD. Payments on accounts receivable are applied to specific months. Management reviews accounts receivable monthly and charges operations with those considered uncollectible. All remaining accounts receivable are considered collectible.

Tenant Deposits Held in Trust

The Company sets aside funds needed to repay tenant deposits held in trust after lease termination.

Property and Equipment

Property and equipment is recorded at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs are charged to expense. When equipment is retired or sold, the cost and related accumulated depreciation are eliminated from the accounts and the resultant gain or loss is reflected in income. All of the Company's property and equipment is subject to operating leases with the residential tenants at December 31, 2023 and 2022.

Depreciation is computed principally by the straight-line method over the following estimated useful lives:

Buildings	40 years
Land improvements	15 years
Furniture and fixtures	5 years

Management reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the way the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2023 and 2022.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method. The straight-line method is a reasonable estimate of the effective interest method. Debt issuance costs are included within long-term debt on the balance sheets. Amortization of debt issuance costs are included in financial expense on the statements of operations.

Income Taxes

As a limited liability company, the Company's taxable income or loss was allocated to the members in accordance with the operating agreement. Therefore, no provision for income taxes was included in the financial statements.

The Company evaluated its tax positions that were taken or were expected to be taken on income tax returns to determine if an accrual was necessary for uncertain tax positions. As of December 31, 2023 and 2022, the unrecognized tax benefit accrual was zero. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Rental Income

Housing units are rented under operating lease agreements with terms of one year or less. Tenant rent revenue and housing assistance payments are recognized in the month in which they are earned rather than received. Any rent received prior to the month of occupancy is reported as prepaid rent. Tenant rent represents gross rent for all units in the project. Vacancy loss for unrented units is recorded as a reduction to gross rent potential to arrive at net tenant rent.

The future cash flows from operating lease payments to be received as of December 31, 2023 in 2024 are approximately \$27,300.

Deferred Grant Revenue

During the year ended December 31, 2018, the Company received a grant from SDHDA in the amount of \$100,000 for remodeling of the property. The grant has been recorded as deferred revenue and will be recognized over the life of the assets purchased. Deferred grant revenue of \$7,978 and \$9,158 was recognized during 2023 and 2022.

Advertising Costs

Advertising costs are expensed as incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Company has evaluated subsequent events through September 10, 2024, the date which the financial statements were available to be issued.

Note 2 - Long-Term Debt

Long-term debt as of December 31, 2023 and 2022 consists of:

	<u>2023</u>	<u>2022</u>
3.70% \$150,961 mortgage note payable to BankWest, due in 60 monthly installments of \$898, including interest, then 180 monthly installments of \$914 at an interest rate of 3.95%, maturing February 7, 2042, secured by property and equipment of the project, net of unamortized debt costs of \$1,340 in 2023 and \$1,415 in 2022 (based on an effective interest rate of 3.7%)	\$ 140,316	\$ 144,708
Less current maturities	<u>(5,632)</u>	<u>(5,428)</u>
Long-term debt, less current maturities and net of unamortized debt issuance costs	<u>\$ 134,684</u>	<u>\$ 139,280</u>

Long-term debt maturities are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2024	\$ 5,632
2025	5,844
2026	6,064
2027	6,196
2028	6,424
Thereafter	111,496
Less unamortized debt issuance costs	<u>(1,340)</u>
	<u><u>\$ 140,316</u></u>

Note 3 - Members' Equity

<u>Members</u>	<u>Ownership Percentages</u>
Heartland Properties, LLC	50.00%
CBDB Ventures, LLC	<u>50.00%</u>
	<u><u>100.00%</u></u>

Operating profits and losses are allocated to each member in accordance with their relative ownership interest.

Note 4 - Management Fees

The Company has entered into a management agreement with CBF LLC to provide management services. Under the terms of the agreement, the management company is to receive fees of 6% of gross revenue plus sales tax. During the years ended December 31, 2023 and 2022, the Company incurred management fees (including sales tax) of \$3,588 and \$4,353, respectively.



Supplementary Information
December 31, 2023 and 2022

Riverview Townhomes, LLC
Project No. SD99-H001-074

Riverview Townhomes, LLC

Project No. SD99-H001-074

Balance Sheets – HUD Format

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
1100 Current Assets		
1120 Cash - operations	\$ 16,286	\$ 70,124
1130 Tenant accounts receivable	296	4,087
1135 Accounts receivable - HUD	1,289	-
1140 Due from management company	703	-
1200 Prepaid expenses	<u>103</u>	<u>-</u>
1100T Total current assets	<u>18,677</u>	<u>74,211</u>
1191 Tenant Security Deposits Held in Trust	<u>4,218</u>	<u>2,919</u>
1400 Fixed Assets		
1410 Land and land improvements	35,234	35,234
1420 Building	235,154	235,154
1460 Furniture and fixtures	<u>74,661</u>	<u>61,446</u>
1400T Total fixed assets	<u>345,049</u>	<u>331,834</u>
1495 Accumulated depreciation	<u>(103,172)</u>	<u>(92,399)</u>
1400N Net fixed assets	<u>241,877</u>	<u>239,435</u>
1000T Total assets	<u><u>\$ 264,772</u></u>	<u><u>\$ 316,565</u></u>

Riverview Townhomes, LLC

Project No. SD99-H001-074

Balance Sheets – HUD Format

December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Members' Equity		
2100 Current Liabilities		
2110 Accounts payable - operations	\$ 1,733	\$ 41,053
2131 Accrued interest payable	338	454
2150 Accrued real estate taxes	7,138	7,336
2170 Current maturities of long-term debt	5,632	5,428
2210 Prepaid revenue	<u>1,535</u>	<u>153</u>
2122T Total current liabilities	<u>16,376</u>	<u>54,424</u>
2191 Tenant Security Deposits Payable	<u>1,679</u>	<u>1,487</u>
2300 Long-Term Liabilities		
2320 Mortgage payable, less current maturities	136,024	140,695
2340 Debt issuance costs	(1,340)	(1,415)
2390 Deferred grant revenue	<u>53,865</u>	<u>61,843</u>
2300T Total long-term liabilities	<u>188,549</u>	<u>201,123</u>
2000T Total Liabilities	<u>206,604</u>	<u>257,034</u>
3100 Members' Equity		
3130 Members' equity	<u>58,168</u>	<u>59,531</u>
2033T Total liabilities and members' equity	<u>\$ 264,772</u>	<u>\$ 316,565</u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Profit and Loss – HUD Format
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
5100 Rental Revenue		
5120 Apartments	\$ 68,163	\$ 57,751
5121 Housing assistance payments	<u>35,996</u>	<u>43,776</u>
5100T Total rental revenue	<u>104,159</u>	<u>101,527</u>
5200 Total Vacancies		
5220 Apartments	(47,946)	(33,400)
5290 Utility allowance	<u>(2,366)</u>	<u>(2,996)</u>
5200T Total vacancies	<u>(50,312)</u>	<u>(36,396)</u>
5152N Net Rental Revenue	<u>53,847</u>	<u>65,131</u>
5400 Financial Revenue		
5410 Revenue from project operations	<u>8</u>	<u>1</u>
5400T Total financial revenue	<u>8</u>	<u>1</u>
5900 Other Revenue		
5920 Tenant charges	-	2,603
5990 Other income - SDHDA grant	7,978	9,158
5990 Other income	<u>43,383</u>	<u>12</u>
5900T Total other revenue	<u>51,361</u>	<u>11,773</u>
5000T Total revenue	<u>105,216</u>	<u>76,905</u>
6263 Administrative		
6210 Advertising and marketing	137	30
6250 Other renting expenses	25	1,280
6311 Office expense	3,502	979
6320 Management fee	3,373	4,088
6330 Manager salary	7,515	4,889
6340 Legal fees - project	817	2,881
6350 Audit expense	5,045	4,686
6370 Bad debt expense	<u>10,393</u>	<u>-</u>
6263T Total administrative expenses	<u>30,807</u>	<u>18,833</u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Profit and Loss – HUD Format
Years Ended December 31, 2023 and 2022

	2023	2022
6400 Utilities		
6450 Electricity	\$ 6,649	\$ 7,529
6451 Water	3,590	1,811
6453 Sewer	2,865	2,087
6400T Total utilities expenses	13,104	11,427
6500 Operating and Maintenance		
6510 Payroll	6,258	4,008
6515 Supplies	2,111	3,043
6520 Contracts	8,831	3,834
6525 Garbage and trash removal	5,140	1,649
6548 Snow removal	1,913	53
6590 Loss on disposal of assets	589	-
6500T Total operating and maintenance expenses	24,842	12,587
6700 Taxes and Insurance		
6710 Real estate taxes	7,138	7,336
6711 Payroll taxes	1,099	624
6720 Property and liability insurance	3,931	3,382
6722 Workmen's compensation	233	754
6723 Health insurance and other employee benefits	1,164	452
6790 Miscellaneous taxes, license, permits	290	316
6700T Total taxes and insurance expenses	13,855	12,864
6800 Financial Expenses		
6820 Interest on first mortgage payable	6,271	7,485
6800T Total financial expenses	6,271	7,485
6000T Total cost of operations before depreciation	88,879	63,196
5060T Profit before depreciation	16,337	13,709
6600 Depreciation expense	15,700	16,763
3250 Profit or Loss	\$ 637	\$ (3,054)

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Profit and Loss – HUD Format
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
S1000-010 Total mortgage principal payments required during the year	\$ 4,466	\$ 154,901
S1000-020 Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement	-	-
S1000-030 Replacement reserve or residual receipts reserve releases, which are included as expense items on this profit and loss statement	-	-
S1100-010 Beginning of Year Balance	\$ 59,531	\$ 62,585
S1100-420 Distributions	(2,000)	-
3250 Net Income or Loss	<u>637</u>	<u>(3,054)</u>
3130 End of Year	<u><u>\$ 58,168</u></u>	<u><u>\$ 59,531</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Cash Flows – HUD Format
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Sources of Funds		
Operating		
Receipts		
S1200-010 Rental receipts	\$ 47,338	\$ 62,270
S1200-020 Interest receipts	8	1
S1200-030 Other receipts	<u>5,346</u>	<u>40,652</u>
S1200-040 Total receipts	<u>52,692</u>	<u>102,923</u>
Expenditures		
S1200-050 Administrative	17,730	14,180
S1200-070 Management fee	4,303	4,356
S1200-090 Utilities	11,902	11,252
S1200-110 Operating and maintenance	25,871	11,291
S1200-120 Real estate taxes	7,336	7,342
S1200-140 Property insurance	3,970	-
S1200-150 Taxes and insurance	2,801	2,163
S1200-180 Mortgage interest	6,313	6,308
S1200-160 Tenant security deposits, net	<u>1,107</u>	<u>254</u>
S1200-230 Total expenditures	<u>81,333</u>	<u>57,146</u>
S1200-240 Net Cash from operating activities	<u>(28,641)</u>	<u>45,777</u>
Investing Activities		
S1200-330 Net purchase of fixed assets	<u>(18,731)</u>	<u>-</u>
S1200-350 Net Cash used for investing activities	<u>(18,731)</u>	<u>-</u>
Financing Activities		
S1200-450 Payment of debt issuance costs	-	(1,489)
S1200-360 Principal payments on first mortgage	(4,466)	(154,901)
S1200-365 Proceeds from mortgages	-	150,961
S1200-420 Distributions	<u>(2,000)</u>	<u>-</u>
S1200-460 Net cash used for financing activities	<u>(6,466)</u>	<u>(5,429)</u>
S1200-470 Change in Cash	(53,838)	40,348
S1200-480 Cash, at Beginning of Year	<u>70,124</u>	<u>29,776</u>
S1200T Cash, at End of Year	<u><u>\$ 16,286</u></u>	<u><u>\$ 70,124</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Cash Flows – HUD Format
Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating activities		
3250 Net income (loss)	\$ 637	\$ (3,054)
Changes to net income (loss) not affecting cash		
6600 Depreciation expense	15,700	16,763
S1200-486 Interest expense attributed to amortization of debt issuance costs	74	723
S1200-600 Loss on disposal of assets	589	-
S1200-600 Bad debts	10,393	-
S1200-600 Recognition of grant revenue	(7,978)	(9,158)
Changes in assets and liabilities		
S1200-490 Tenant accounts receivable	3,791	(2,461)
S1200-500 Accounts receivable - other	(12,385)	-
S1200-520 Prepaid expenses	(103)	3,382
S1200-530 Tenant security deposits	(1,299)	(589)
S1200-540 Accounts payable	(39,320)	39,788
S1200-560 Accrued liabilities	(198)	(6)
S1200-570 Accrued interest payable	(116)	454
S1200-580 Tenant security deposits held in trust	192	335
S1200-590 Prepaid revenue	1,382	(400)
S1200-610 Net Cash from Operating Activities	<u>\$ (28,641)</u>	<u>\$ 45,777</u>

Add: Cash

S1300-010 Cash	\$ 20,504
1135 Accounts receivable - HUD	<u>1,289</u>
S1300-040 Total cash	<u>21,793</u>

Less: Current Obligations

S1300-075 Accounts payable	1,733
S1300-100 Accrued expenses (not escrowed)	7,476
2210 Prepaid revenue	1,535
2191 Tenant security deposits held in trust	<u>1,679</u>
S1300-140 Total current obligations	<u>12,423</u>

S1300-150 Surplus cash	<u>\$ 9,370</u>
------------------------	-----------------

S1300-200 Amount available for distribution during next fiscal period	<u>\$ 9,370</u>
---	-----------------

	Balance 12/31/22	Additions*	Deductions	Balance 12/31/23
Land	\$ 21,330	\$ -	\$ -	\$ 21,330
Land improvements	13,904	-	-	13,904
Building	235,154	-	-	235,154
Furniture and fixtures	<u>61,446</u>	<u>18,731</u>	<u>5,516</u>	<u>74,661</u>
	331,834	18,731	5,516	345,049
Accumulated Depreciation	<u>(92,399)</u>	(15,700)	(4,927)	<u>(103,172)</u>
	<u>\$ 239,435</u>			<u>\$ 241,877</u>

Additions:

Carpet and vinyl \$ 18,731

Disposals:

Carpet and vinyl \$ 5,516

Riverview Townhomes, LLC

Project No. SD99-H001-074

Owners' Certification

December 31, 2023

We hereby certify that we have examined the foregoing financial statements and supplementary information of Riverview Townhomes, LLC, Project No. SD99-H001-074 as of December 31, 2023 and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2023.

By: _____
Jeffrey P. Brooks, Managing Member