



Financial Statements

December 31, 2022 and 2021

Riverview Townhomes, LLC

Project No. SD99-H001-074

Riverview Townhomes, LLC

Project No. SD99-H001-074

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December 31, 2022 and 2021

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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, 2022 and 2021, 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
November 9, 2023

Riverview Townhomes, LLC

Project No. SD99-H001-074

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash	\$ 70,124	\$ 29,776
Tenant accounts receivable	4,087	1,626
Prepaid insurance	<u>-</u>	<u>3,382</u>
Total current assets	<u>74,211</u>	<u>34,784</u>
Restricted Cash		
Tenant security deposits	<u>2,919</u>	<u>2,330</u>
Total restricted cash	<u>2,919</u>	<u>2,330</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	<u>61,446</u>	<u>61,446</u>
	<u>331,834</u>	<u>331,834</u>
Less accumulated depreciation	<u>(92,399)</u>	<u>(75,636)</u>
Property and equipment, net	<u>239,435</u>	<u>256,198</u>
	<u><u>\$ 316,565</u></u>	<u><u>\$ 293,312</u></u>

Riverview Townhomes, LLC

Project No. SD99-H001-074

Balance Sheets

December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Members' Equity		
Current Liabilities		
Current maturities of long-term debt	\$ 5,428	\$ 14,600
Accounts payable	41,053	1,265
Accrued real estate taxes	7,336	7,342
Accrued interest payable	454	-
Prepaid rent	<u>153</u>	<u>553</u>
Total current liabilities	54,424	23,760
Tenant Security Deposits Payable	1,487	1,152
Deferred Grant Revenue	61,843	71,001
Long-Term Debt, Less Current Maturities and Net of Unamortized Debt Issuance Costs	<u>139,280</u>	<u>134,814</u>
Total liabilities	257,034	230,727
Members' Equity	<u>59,531</u>	<u>62,585</u>
	<u><u>\$ 316,565</u></u>	<u><u>\$ 293,312</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Operations and Changes in Members' Equity
Years Ended December 31, 2022 and 2021

Operations

	<u>2022</u>	<u>2021</u>
Revenues		
Tenant rent	\$ 101,527	\$ 88,861
Less vacancies and utility allowances	<u>(36,396)</u>	<u>(23,511)</u>
Net tenant rent	65,131	65,350
Financial revenue	1	1
Grant revenue	9,158	9,158
Other revenue	<u>2,615</u>	<u>802</u>
Total revenues	<u>76,905</u>	<u>75,311</u>
Expenses		
Administrative	18,833	14,218
Utilities	11,427	10,518
Operating and maintenance	12,587	7,456
Depreciation	16,763	17,465
Taxes and insurance	12,864	13,007
Financial	<u>7,485</u>	<u>10,165</u>
Total expenses	<u>79,959</u>	<u>72,829</u>
Net Income (Loss)	<u><u>\$ (3,054)</u></u>	<u><u>\$ 2,482</u></u>

Members' Equity

Balance, December 31, 2020	\$ 70,103
Member distributions	(10,000)
Net income	<u>2,482</u>
Balance, December 31, 2021	62,585
Net loss	<u>(3,054)</u>
Balance, December 31, 2022	<u><u>\$ 59,531</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Net income (loss)	\$ (3,054)	\$ 2,482
Charges to net income (loss) not affecting cash		
Depreciation	16,763	17,465
Interest expense attributable to amortization of debt issuance costs	723	169
Recognition of deferred grant revenue	(9,158)	(9,157)
Changes in operating assets and liabilities		
Tenant accounts receivable	(2,461)	(1,100)
Prepaid insurance	3,382	(2,309)
Accounts payable	39,788	245
Accrued interest payable	454	-
Accrued real estate taxes	(6)	379
Tenant security deposits payable	335	(27)
Prepaid rent	(400)	8
Net Cash from Operating Activities	<u>46,366</u>	<u>8,155</u>
Net Cash used for Investing Activities		
Purchase of property and equipment	<u>-</u>	<u>(919)</u>
Financing Activities		
Payment of debt issuance costs	(1,489)	(846)
Principal payments on long-term debt	(154,901)	(176,907)
Issuance of long-term debt	150,961	165,000
Member distributions	<u>-</u>	<u>(10,000)</u>
Net Cash used for Financing Activities	<u>(5,429)</u>	<u>(22,753)</u>
Net Change in Cash and Restricted Cash	40,937	(15,517)
Cash and Restricted Cash, Beginning of Year	<u>32,106</u>	<u>47,623</u>
Cash and Restricted Cash, End of Year	<u>\$ 73,043</u>	<u>\$ 32,106</u>
Cash	\$ 70,124	\$ 29,776
Restricted Cash - Tenant Security Deposits Held in Trust	<u>2,919</u>	<u>2,330</u>
Total Cash and Restricted Cash	<u>\$ 73,043</u>	<u>\$ 32,106</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	\$ 6,308	\$ 9,996

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. All of the Company's property and equipment is subject to operating leases with the residential tenants at December 31, 2022 and 2021. 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.

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, 2022 and 2021.

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. Amortization of debt issuance costs for each of the next 2 years is expected to be \$169 and is expected to be \$142 in 2025.

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, 2022 and 2021, 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.

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 \$9,158 and \$9,158 was recognized during 2022 and 2021.

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 November 9, 2023, the date which the financial statements were available to be issued.

Note 2 - Long-Term Debt

Long-term debt consists of:

	2022	2021
4.50% \$165,000 mortgage note payable to First Premier Bank, due in monthly installments of \$1,750, including interest, maturing October 2025, secured by property and equipment of the project, net of unamortized debt costs of \$649 in 2021 (based on an effective interest rate of 4.64%), paid in full in 2022	\$ -	\$ 149,414
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 \$1,415 in 2022 (based on an effective interest rate of 3.7%)	144,708	-
Less current maturities	(5,428)	(14,600)
Long-term debt, less current maturities and net of unamortized debt issuance costs	\$ 139,280	\$ 134,814

Long-term debt maturities are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2023	\$ 5,428
2024	5,632
2025	5,844
2026	6,064
2027	6,196
Thereafter	116,959
Less unamortized debt issuance costs	<u>(1,415)</u>
	<u><u>\$ 144,708</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, 2022 and 2021, the Company incurred management fees (including sales tax) of \$4,353 and \$4,370, respectively.



Supplementary Information
December 31, 2022 and 2021

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

Riverview Townhomes, LLC
Project No. SD99-H001-074
Balance Sheets – HUD Format
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
1100 Current Assets		
1120 Cash - operations	\$ 70,124	\$ 29,776
1130 Tenant accounts receivable	4,087	1,626
1200 Prepaid expenses	<u>-</u>	<u>3,382</u>
1100T Total current assets	<u>74,211</u>	<u>34,784</u>
1191 Tenant Security Deposits Held in Trust	<u>2,919</u>	<u>2,330</u>
1400 Fixed Assets		
1410 Land and land improvements	35,234	35,234
1420 Building	235,154	235,154
1460 Furniture and fixtures	<u>61,446</u>	<u>61,446</u>
1400T Total fixed assets	<u>331,834</u>	<u>331,834</u>
1495 Accumulated depreciation	<u>(92,399)</u>	<u>(75,636)</u>
1400N Net fixed assets	<u>239,435</u>	<u>256,198</u>
1000T Total assets	<u><u>\$ 316,565</u></u>	<u><u>\$ 293,312</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Balance Sheets – HUD Format
December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Liabilities and Members' Equity		
2100 Current Liabilities		
2110 Accounts payable - operations	\$ 41,053	\$ 1,265
2131 Accrued interest payable	454	-
2150 Accrued real estate taxes	7,336	7,342
2170 Current maturities of long-term debt	5,428	14,600
2210 Prepaid revenue	<u>153</u>	<u>553</u>
2122T Total current liabilities	<u>54,424</u>	<u>23,760</u>
2191 Tenant Security Deposits Payable	<u>1,487</u>	<u>1,152</u>
2300 Long-Term Liabilities		
2320 Mortgage payable, less current maturities	140,695	135,463
2340 Debt issuance costs	(1,415)	(649)
2390 Deferred grant revenue	<u>61,843</u>	<u>71,001</u>
2300T Total long-term liabilities	<u>201,123</u>	<u>205,815</u>
2000T Total Liabilities	<u>257,034</u>	<u>230,727</u>
3100 Members' Equity		
3130 Members' equity	<u>59,531</u>	<u>62,585</u>
2033T Total liabilities and members' equity	<u>\$ 316,565</u>	<u>\$ 293,312</u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Profit and Loss – HUD Format
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
5100 Rental Revenue		
5120 Apartments	\$ 57,751	\$ 36,084
5121 Housing assistance payments	<u>43,776</u>	<u>52,777</u>
5100T Total rental revenue	<u>101,527</u>	<u>88,861</u>
5200 Total Vacancies		
5220 Apartments	(33,400)	(20,490)
5290 Utility allowance	<u>(2,996)</u>	<u>(3,021)</u>
5200T Total vacancies	<u>(36,396)</u>	<u>(23,511)</u>
5152N Net Rental Revenue	<u>65,131</u>	<u>65,350</u>
5400 Financial Revenue		
5410 Revenue from project operations	<u>1</u>	<u>1</u>
5400T Total financial revenue	<u>1</u>	<u>1</u>
5900 Other Revenue		
5920 Tenant charges	2,603	802
5990 Other income - SDHDA grant	9,158	9,158
5990 Other income	<u>12</u>	<u>-</u>
5900T Total other revenue	<u>11,773</u>	<u>9,960</u>
5000T Total revenue	<u>76,905</u>	<u>75,311</u>
6263 Administrative		
6210 Advertising and marketing	30	-
6250 Other renting expenses	1,280	35
6311 Office expense	979	544
6320 Management fee	4,088	4,103
6330 Manager salary	4,889	5,063
6340 Legal fees - project	2,881	-
6350 Audit expense	<u>4,686</u>	<u>4,473</u>
6263T Total administrative expenses	<u>18,833</u>	<u>14,218</u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Profit and Loss – HUD Format
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
6400 Utilities		
6450 Electricity	\$ 7,529	\$ 4,904
6451 Water	1,811	5,614
6453 Sewer	<u>2,087</u>	<u>-</u>
6400T Total utilities expenses	<u>11,427</u>	<u>10,518</u>
6500 Operating and Maintenance		
6510 Payroll	4,008	1,064
6515 Supplies	3,043	175
6520 Contracts	3,361	3,123
6525 Garbage and trash removal	1,649	2,106
6548 Snow removal	53	653
6590 Miscellaneous operating and maintenance	<u>473</u>	<u>335</u>
6500T Total operating and maintenance expenses	<u>12,587</u>	<u>7,456</u>
6700 Taxes and Insurance		
6710 Real estate taxes	7,336	7,342
6711 Payroll taxes	624	495
6720 Property and liability insurance	3,382	4,757
6722 Workmen's compensation	754	146
6723 Health insurance and other employee benefits	452	-
6790 Miscellaneous taxes, license, permits	<u>316</u>	<u>267</u>
6700T Total taxes and insurance expenses	<u>12,864</u>	<u>13,007</u>
6800 Financial Expenses		
6820 Interest on first mortgage payable	<u>7,485</u>	<u>10,165</u>
6800T Total financial expenses	<u>7,485</u>	<u>10,165</u>
6000T Total cost of operations before depreciation	<u>63,196</u>	<u>55,364</u>
5060T Profit before depreciation	<u>13,709</u>	<u>19,947</u>
6600 Depreciation expense	<u>16,763</u>	<u>17,465</u>
3250 Profit or Loss	<u>\$ (3,054)</u>	<u>\$ 2,482</u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Profit and Loss – HUD Format
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
S1000-010 Total mortgage principal payments required during the year	\$ 154,901	\$ 176,907
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	62,585	70,103
S1100-420 Distributions	-	(10,000)
3250 Net Income or Loss	<u>(3,054)</u>	<u>2,482</u>
3130 End of Year	<u><u>\$ 59,531</u></u>	<u><u>\$ 62,585</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Cash Flows – HUD Format
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Sources of Funds		
Operating		
Receipts		
S1200-010 Rental receipts	\$ 62,270	\$ 64,258
S1200-020 Interest receipts	1	1
S1200-030 Other receipts	<u>40,652</u>	<u>803</u>
S1200-040 Total receipts	<u>102,923</u>	<u>65,062</u>
Expenditures		
S1200-050 Administrative	14,180	9,991
S1200-070 Management fee	4,356	3,996
S1200-090 Utilities	11,252	10,646
S1200-110 Operating and maintenance	11,291	7,321
S1200-120 Real estate taxes	7,342	6,963
S1200-140 Property insurance	-	7,066
S1200-150 Taxes and insurance	2,163	901
S1200-180 Mortgage interest	6,308	9,996
S1200-160 Tenant security deposits, net	<u>254</u>	<u>27</u>
S1200-230 Total expenditures	<u>57,146</u>	<u>56,907</u>
S1200-240 Net Cash from operating activities	<u>45,777</u>	<u>8,155</u>
Investing Activities		
S1200-330 Net purchase of fixed assets	<u>-</u>	<u>(919)</u>
S1200-350 Net Cash used for investing activities	<u>-</u>	<u>(919)</u>
Financing Activities		
S1200-450 Payment of debt issuance costs	(1,489)	(846)
S1200-360 Principal payments on first mortgage	(154,901)	(176,907)
S1200-365 Proceeds from mortgages	150,961	165,000
S1200-420 Distributions	<u>-</u>	<u>(10,000)</u>
S1200-460 Net cash used for financing activities	<u>(5,429)</u>	<u>(22,753)</u>
S1200-470 Change in Cash	40,348	(15,517)
S1200-480 Cash, at Beginning of Year	<u>29,776</u>	<u>45,293</u>
S1200T Cash, at End of Year	<u><u>\$ 70,124</u></u>	<u><u>\$ 29,776</u></u>

Riverview Townhomes, LLC
Project No. SD99-H001-074
Statements of Cash Flows – HUD Format
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating activities		
3250 Net income (loss)	\$ (3,054)	\$ 2,482
Changes to net income (loss) not affecting cash		
6600 Depreciation expense	16,763	17,465
S1200-486 Interest expense attributed to amortization of debt issuance costs	723	169
S1200-600 Recognition of grant revenue	(9,158)	(9,157)
Changes in assets and liabilities		
S1200-490 Tenant accounts receivable	(2,461)	(1,100)
S1200-520 Prepaid expenses	3,382	(2,309)
S1200-530 Tenant security deposits	(589)	-
S1200-540 Accounts payable	39,788	245
S1200-560 Accrued liabilities	(6)	379
S1200-570 Accrued interest payable	454	-
S1200-580 Tenant security deposits held in trust	335	(27)
S1200-590 Prepaid revenue	<u>(400)</u>	<u>8</u>
S1200-610 Net Cash from Operating Activities	<u>\$ 45,777</u>	<u>\$ 8,155</u>

Add: Cash

S1300-010 Cash	\$ 73,043
S1300-040 Total cash	<u>73,043</u>

Less: Current Obligations

S1300-075 Accounts payable	41,053
S1300-100 Accrued expenses (not escrowed)	7,790
2210 Prepaid revenue	153
2191 Tenant security deposits held in trust	<u>1,487</u>
S1300-140 Total current obligations	<u>50,483</u>

S1300-150 Surplus cash	<u>\$ 22,560</u>
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S1300-200 Amount available for distribution during next fiscal period	<u>\$ 22,560</u>
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	Balance 12/31/21	Additions*	Deductions	Balance 12/31/22
Land	\$ 21,330	\$ -	\$ -	\$ 21,330
Land improvements	13,904	-	-	13,904
Building	235,154	-	-	235,154
Furniture and fixtures	<u>61,446</u>	-	-	<u>61,446</u>
	331,834	-	-	331,834
Accumulated Depreciation	<u>(75,636)</u>	(16,763)	-	<u>(92,399)</u>
	<u>\$ 256,198</u>			<u>\$ 239,435</u>

Riverview Townhomes, LLC

Project No. SD99-H001-074

Owners' Certification

December 31, 2022

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, 2022 and to the best of our knowledge and belief, the same is a true statement of the financial condition as of December 31, 2022.

By: _____
Jeffrey P. Brooks, Managing Member