

**CREEKWOOD SOUTH, LLC**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Partners  
Creekwood South, LLC  
Wilmington, North Carolina

### Report on the Financial Statements

#### **Opinion**

We have audited the accompanying financial statements of Creekwood South, LLC (the Company), which comprises the balance sheets as of December 31, 2021 and 2020, 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 Creekwood South, LLC as of December 31, 2021 and 2020, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Creekwood South, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 these 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 Creekwood South, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' 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 GAAS and *Government 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 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 GAAS and *Government 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 Creekwood South, 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 the Creekwood South, 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.

Partners  
Creekwood South, LLC

***Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of certain income and expenses herein, is presented for the 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.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 29, 2022

**CREEKWOOD SOUTH, LLC  
BALANCE SHEETS  
DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash	\$ 242,125	\$ 45,501
Tenant Accounts Receivable, Net of Allowance of \$48,225 and \$35,509, Respectively	14,779	18,668
Total Current Assets	256,904	64,169
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>		
Tenant Security Deposits	34,645	32,145
FSS Escrow	13,727	12,743
Replacement Reserve	512,484	446,235
Operating Deficit Reserve	364,751	364,642
Affordability Reserve	245,219	245,145
Total Restricted Deposits and Funded Reserves	1,170,826	1,100,910
<b>RENTAL PROPERTY</b>		
Land	222,251	222,251
Building and Improvements	12,466,526	11,298,549
Furniture and Equipment	139,341	139,341
Accumulated Depreciation	(2,804,275)	(2,521,811)
Total Rental Property	10,023,843	9,138,330
<b>OTHER ASSETS</b>		
Tax Credit Monitoring Fees, Net	82,081	95,761
Other Assets	35,031	12,390
Total Other Assets	117,112	108,151
Total Assets	\$ 11,568,685	\$ 10,411,560
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 364,406	\$ 130,840
Asset Management Fee Payable	-	4,300
Accrued Expenses	28,603	22,546
Total Current Liabilities	393,009	157,686
<b>DEPOSITS AND PREPAID LIABILITY</b>		
Tenant Security Deposits	34,645	33,145
Prepaid Rent	16,489	19,106
Total Deposits and Prepaid Liability	51,134	52,251
<b>LONG-TERM LIABILITIES</b>		
Notes Payable	1,325,143	1,325,143
Capital Lease Payable	1,810,000	1,810,000
Deferred Interest Payable	1,425,375	1,289,625
Deferred Developer Fee Payable	375,903	375,903
Total Long-Term Liabilities	4,936,421	4,800,671
<b>MEMBERS' EQUITY</b>		
Total Liabilities and Members' Equity	\$ 11,568,685	\$ 10,411,560

See accompanying Notes to Financial Statements.

**CREEKWOOD SOUTH, LLC**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>REVENUE</b>		
Rental Income	\$ 1,235,141	\$ 1,219,553
Vacancies and Concessions	(9,949)	(10,338)
Interest Income	336	422
Other Operating Income	1,425,274	101,427
Total Revenue	2,650,802	1,311,064
<b>OPERATING EXPENSES</b>		
Salaries and Employee Benefits	344,358	304,695
Repairs and Maintenance	371,813	379,828
Utilities	365,271	387,890
Property and Other Insurance	124,962	113,069
Miscellaneous Operating Expenses	225,336	218,317
Total Operating Expenses	1,431,740	1,403,799
<b>OTHER INCOME (EXPENSE)</b>		
Interest Expense	(135,750)	(135,750)
Depreciation	(282,463)	(286,757)
Amortization	(13,680)	(13,680)
Total Other Income (Expense)	(431,893)	(436,187)
<b>NET INCOME (LOSS)</b>	\$ 787,169	\$ (528,922)

See accompanying Notes to Financial Statements.

**CREEKWOOD SOUTH, LLC  
STATEMENTS OF MEMBERS' EQUITY  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>Managing Member</u>	<u>Special Investor Member</u>	<u>Investor Member</u>	<u>Total Members' Equity (Deficit)</u>
<b>BALANCE - DECEMBER 31, 2019</b>	\$ (297)	\$ (34)	\$ 5,930,205	\$ 5,929,874
Net Loss	<u>(48)</u>	<u>(5)</u>	<u>(528,869)</u>	<u>(528,922)</u>
<b>BALANCE - DECEMBER 31, 2020</b>	(345)	(39)	5,401,336	5,400,952
Net Income	<u>71</u>	<u>8</u>	<u>787,090</u>	<u>787,169</u>
<b>BALANCE - DECEMBER 31, 2021</b>	<u>\$ (274)</u>	<u>\$ (31)</u>	<u>\$ 6,188,426</u>	<u>\$ 6,188,121</u>
Members' Percentage of Company Losses	<u>0.009%</u>	<u>0.001%</u>	<u>99.990%</u>	<u>100%</u>

See accompanying Notes to Financial Statements.



**CREEKWOOD SOUTH, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Income (Loss)	\$ 787,169	\$ (528,922)
Adjustments to Reconcile Net Loss to Net Cash Used by Operating Activities:		
Depreciation	282,463	286,757
Amortization	13,680	13,680
Change in Allowance for Doubtful Accounts	(27,144)	(30,220)
Contribution of Fixed Assets	(1,167,976)	-
Effects of Changes in Operating Assets and Liabilities:		
Tenant Accounts Receivable	31,033	21,180
Other Assets	(22,641)	(5,285)
Accounts Payable	233,566	50,030
Accrued Expenses	6,057	6,780
Accrued Asset Management Fee Payable	(4,300)	1,994
Tenant Security Deposit Liability	1,500	1,450
Accrued Interest Payable	135,750	135,750
Prepaid Rent	(2,617)	(6,100)
Net Cash Provided (Used) by Operating Activities	266,540	(52,906)
 <b>NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH</b>	 266,540	 (52,906)
 Cash and Restricted Cash - Beginning of Year	 1,146,411	 1,199,317
 <b>CASH AND RESTRICTED CASH - END OF YEAR</b>	 <u>\$ 1,412,951</u>	 <u>\$ 1,146,411</u>
 <b>RECONCILIATION OF CASH AND RESTRICTED CASH - END OF YEAR PER STATEMENT OF CASH FLOW TO CASH AND RESTRICTED CASH PER THE BALANCE SHEET</b>		
Cash	\$ 242,125	\$ 45,501
Tenant Security Deposits	34,645	32,145
FSS Escrow	13,727	12,743
Replacement Reserve	512,484	446,235
Operating Deficit Reserve	364,751	364,642
Affordability Reserve	245,219	245,145
Cash and Restricted Cash per Cash Flow Statement	\$ 1,412,951	\$ 1,146,411

See accompanying Notes to Financial Statements.

**CREEKWOOD SOUTH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 ORGANIZATION AND NATURE OF OPERATIONS**

Creekwood South, LLC (the Company) was formed on May 10, 2010 as a limited liability company under the laws of the state of North Carolina for the purpose of acquiring, owning, operating, and financing a rental housing project known as Creekwood South (the Project) under Section 8 of the National Housing Act as regulated by the U.S. Department of Housing and Urban Development (HUD). The Project consists of 138 units located in Wilmington, North Carolina.

During 2011, the operating agreement was amended to allow the withdrawal of Housing and Economic Opportunities, Inc. and admit RBC Tax Credit Equity, LLC, an Illinois limited liability company, as a limited member (Investor Member) and RBC Tax Credit Manager II, Inc., a Delaware corporation, as a limited member (Special Investor Member). WHA Partners I, LLC remained as the Managing Member.

The Company has been awarded allocation of low income housing tax credits from the state of North Carolina. To qualify for the tax credits, the Company must meet certain requirements, including attaining a qualified eligible basis sufficient to support the allocation.

Each building of the Project has qualified for and was allocated low income housing credits pursuant to Internal Revenue Code Section 42 (Section 42) which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each building of the Project must meet the provisions of these regulations during each of 15 consecutive years in order to remain qualified to receive the credits. The credit allocation will be allowed annually in the amount of \$1,151,673 for 10 years if the Project remains in compliance.

On June 29, 2011, the Company acquired assets comprising the rental property of the project in a transaction with a related party for \$1,810,000. In accordance with accounting guidance under common control, the acquired assets are recorded at their respective net book values at the date of acquisition as reflected on the seller's books. The carrying value of the assets transferred was equal to \$1,810,000.

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES**

**Tenant Receivables**

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

**CREEKWOOD SOUTH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Rental Property**

Rental property is carried at cost. Depreciation will be computed on the straight-line method with service lives of five years for furniture and fixtures, 40 years for buildings and building improvements and 15 years for land improvements. For income tax purposes, accelerated lives and methods are used.

**Impairment of Long-Lived Assets**

The Company reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2021 and 2020.

**Deferred Tax Credit Monitoring Fees**

Tax credit monitoring fees of \$205,202 will be amortized on the straight-line method over the tax credit compliance period.

Amortization for the years ended December 31, 2021 and 2020 was \$13,680. Accumulated amortization at December 31, 2021 and 2020 was \$123,121 and \$109,441, respectively.

**Income Taxes**

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions, and tax credits are passed through to and are reported by its members on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service (IRS) and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Investor has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the IRS for a period of three years. No income tax returns are currently being examined by the IRS.

**CREEKWOOD SOUTH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Rental Income**

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

**Capital Grant Revenue**

The Regulatory and Operating Agreement between the Housing Authority of the City of Wilmington (WHA), an affiliate of the Managing Member, and the Company provides for a capital grant amount for repairs and maintenance and capital improvements. For the years ended December 31, 2021 and 2020, the Company received \$144,231 and \$38,946, respectively, in capital grant revenue to fund operations which is included in miscellaneous other income. Funds received in a given year are expended and earned in that same year.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. Such reclassifications have no effect on the change in the members' equity in total as previously reported.

**Subsequent Events**

In preparing these financial statements, the Company has considered events and transactions that have occurred through September 29, 2022, the date the financial statements were available to be issued.

**NOTE 3 RESTRICTED DEPOSITS AND FUNDED RESERVES**

**Replacement Reserve**

The Company is required to establish and maintain a reserve for replacements account for use in funding maintenance and replacement costs. The Company is required to make annual deposits of \$48,300, increasing annually at a rate of 4%.

**Operating Reserve**

The Company is required to establish and maintain an operating reserve funded from the proceeds of the Third Capital Contribution, as defined, in the initial amount of \$487,164. The reserve shall be held in order to meet operating expenses and debt service of the Company.

**Affordability Reserve**

The Company is required to establish and maintain an affordability reserve funded from the proceeds of the Third Capital Contribution, as defined, in the initial amount of \$243,901. The reserve shall be held in order to cover operating deficits of the project and shortfalls in the operating subsidy.

**CREEKWOOD SOUTH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 3 RESTRICTED DEPOSITS AND FUNDED RESERVES (CONTINUED)**

**FSS Escrows**

The Company is required to establish an interest-bearing account for each participating family in the Family Self Sufficiency program.

The activity for the years ended December 31, 2021 and 2020, are as follows:

	Replacement Reserve	Operating Reserve	Affordability Reserve
Balance - December 31, 2019	\$ 382,514	\$ 489,480	\$ 245,050
Deposits	63,564	35,000	-
Withdrawals	-	(160,000)	-
Interest Earned	157	162	95
Balance - December 31, 2020	446,235	364,642	245,145
Deposits	66,107	-	-
Interest Earned	142	109	74
Balance - December 31, 2021	<u>\$ 512,484</u>	<u>\$ 364,751</u>	<u>\$ 245,219</u>

**NOTE 4 RELATED PARTY TRANSACTIONS**

**Development Fee**

The Company has entered into a development agreement with WHA, an affiliate of the Managing Member. The agreement provides for development fee and overhead in the amount of \$800,000, for services in connection with the development of the Project and the supervision of construction. Development fees are earned based upon the occurrence of certain events, as defined, during construction and are payable from cash flow as defined in the operating agreement. The full amount has been earned and capitalized into the building in prior years. As of both December 31, 2021 and 2020, \$375,903 remains payable.

**Asset Management Fee**

The Company is required to pay the Investor Member a cumulative annual asset management fee in the amount of \$7,500, increasing 3% per annum, and beginning upon final certificate of occupancy of the Project. During the years ended December 31, 2021 and 2020, \$14,536 and \$9,500, respectively, has been earned, of which \$0- and \$4,300 are payable at December 31, 2021 and 2020, respectively.

**CREEKWOOD SOUTH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 4 RELATED PARTY TRANSACTIONS (CONTINUED)**

**Property Management Fee**

The Company has entered into an agreement with WHA, an affiliate of the Managing Member, in connection with the management of the rental operations of the Project. The property management fee is \$50 per unit per month, increasing 3% annually. For the years ended December 31, 2021 and 2020, \$96,817 and \$94,276, respectively, has been charged to operations.

**NOTE 5 NOTE PAYABLE**

**State Tax Credit Loan (STC Loan)**

The Company has a STC Loan with the North Carolina Housing Finance Agency in an amount of \$1,325,143. The loan is noninterest bearing and no payment of principal will be due before maturity. The maturity date of the loan is August 19, 2051. Outstanding principal as of December 31, 2021 and 2020, was \$1,325,143.

**NOTE 6 CAPITAL LEASE**

On July 1, 2011, the Company entered into a ground lease with WHA. The principal term of the lease commenced on July 31, 2011 and expires 99 years after this date. The agreement requires an initial one-time payment of \$1,810,000 as a leasehold acquisition fee. The payment was evidenced by a seller note with WHA in the amount of \$1,810,000 which bears interest at 7.5% and requires no payment until maturity on June 30, 2068. After payment of the leasehold acquisition fee, the Company is required to pay the landlord an annual rent payment in the sum of \$1. Upon expiration of the lease, the lessee has a bargain purchase option of \$100 and, therefore, the lease is treated as a long-term capital lease. As of December 31, 2021 and 2020, the remaining balance was \$1,810,000. Interest expense incurred during both the years ended December 31, 2021 and 2020 was \$135,750. As of December 31, 2021 and 2020, \$1,425,375 and \$1,289,625, respectively, of accrued interest remains payable. Depreciation expense relating to the lease for both the years ended December 31, 2021 and 2020, was \$39,248.

**NOTE 7 CONCENTRATION OF CREDIT RISK**

The Company maintains its cash balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at December 31, 2021 and 2020.

**CREEKWOOD SOUTH, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 8 MEMBERS' CAPITAL CONTRIBUTIONS**

The Company's Managing Member is required to make capital contributions of \$100. The Special Investor Member is required to make a capital contribution of \$10. The Investor Member is required to make capital contributions of \$9,514,773. In previous years, the Investor Member has made contributions totaling \$9,253,975. The remaining balance will be paid in accordance with the terms of the Operating Agreement.

**NOTE 9 DISTRIBUTIONS**

In accordance with the Operating Agreement, all profits and losses from operations are generally allocated 99.99% to the Investor Member, .001% to the Special Investor Member, and .009% to the Managing Member.

Cash flow, as defined in the Operating Agreement, subject to certain restrictions outlined in the Operating Agreement, is to be distributed as follows:

- (i) to the investor member until the aggregate amount of distributions made to the investor member for the current year and all prior years equal the investor member's assumed tax liability;
- (ii) to the investor member in the amount equal to any unpaid tax credit shortfall; for any IM loans, and for any other amounts due and owing to the investor member;
- (iii) to the special investor member for any asset management fees that were not paid in full when due;
- (iv) to manager member until the aggregate amount of distributions made to the manager member for the current year and all prior years equal the manager member's assumed tax liability;
- (v) to replenish the affordability reserve;
- (vi) to replenish the operating reserves;
- (vii) until all amounts due under the developer agreement have been paid in full, to the payments of such amounts;
- (viii) to the payment of any outstanding operating deficit loans and mm loans, based on the respective outstanding balances of each;
- (ix) to the payment of accrued interest and principal on the lease acquisition loan; and
- (x) thereafter, 99.99% to the investor member, .001% to the special investor member, and .009% to the managing member.

As of the date of this report, no cash flow distributions have been made.

**CREEKWOOD SOUTH, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 10 ANNUAL CONTRIBUTIONS CONTRACT**

WHA has entered into a Regulatory and Operating Agreement with the Company that provides for an operating subsidy amount for annual operations. Pursuant to the Agreement, all of the units at the Project are to be operating as Public Housing Units and subject to all regulations therein. In addition, WHA may provide funding obtained through their Capital Fund Grant to the Company for use in their operations. HUD payments related to the operating subsidy for the years ended December 31, 2021 and 2020 were \$994,260 and \$948,290, respectively. WHA funding provided through the Capital Fund Grant to the Company for the years ended December 31, 2021 and 2020 were \$144,231 and \$38,946, respectively.

On April 30, 2020, WHA was awarded \$145,953 related to Creekwood South, LLC pursuant to the CARES Act. HUD payments related to the CARES Act Funding for the years ended December 31, 2021 and 2020 were \$108,014 and 37,939, respectively.

**NOTE 11 COMMITMENTS AND CONTINGENCIES GUARANTY AGREEMENT**

**Guaranty Agreement**

Pursuant to the operating agreement, the Managing Member will provide funds to the Company necessary to pay any operating deficit in the form of a loan to the Company. The Operating Deficit Loan shall be interest free and shall be repaid solely as provided in the operating agreement. The maximum amount of Operating Deficit Loans that the Managing Member shall be required to have outstanding at any one time is \$487,000. As of December 31, 2021 and 2020, no amounts have been funded.

**Low Income Housing Tax Credits**

The Project's low income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investment Member.



**SUPPLEMENTARY INFORMATION**

**CREEKWOOD SOUTH, LLC**  
**SCHEDULES OF CERTAIN INCOME AND EXPENSES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Rental Income:		
Rent Revenue - Gross Potential	\$ 240,881	\$ 271,263
Operating Subsidy	994,260	948,290
Total Rental Income	<u>\$ 1,235,141</u>	<u>\$ 1,219,553</u>
Vacancies and Concessions:		
Apartment Vacancies	\$ (9,949)	\$ (10,338)
Total Vacancies and Concessions	<u>\$ (9,949)</u>	<u>\$ (10,338)</u>
Interest Income:		
Investment Income - Restricted	\$ 336	\$ 422
Total Interest Income	<u>\$ 336</u>	<u>\$ 422</u>
Other Operating Income:		
Tenant Charges	\$ 125	\$ 864
Capital Fund Grant Revenue - Operations	144,231	38,946
Miscellaneous Other Income	1,280,918	61,617
Total Other Operating Income	<u>\$ 1,425,274</u>	<u>\$ 101,427</u>
Salaries and Employee Benefits:		
Salaries - Administrative	\$ 87,668	\$ 64,792
Salaries - Maintenance	164,032	173,365
Health Insurance and Other Benefits	90,115	64,475
Workmen's Compensation Insurance	2,543	2,063
Total Salaries and Employee Benefits	<u>\$ 344,358</u>	<u>\$ 304,695</u>
Repairs and Maintenance:		
Exterminating	\$ 14,145	\$ 11,859
Grounds	29,964	28,457
Security Services/Contract	28,237	28,371
Supplies	70,689	102,562
HVAC Expense	32,504	19,231
Repairs and Maintenance - Contracts	157,385	170,019
Miscellaneous Maintenance Expenses	38,889	19,329
Total Repairs and Maintenance	<u>\$ 371,813</u>	<u>\$ 379,828</u>
Utilities:		
Electricity	\$ 251,625	\$ 269,726
Water	48,238	48,885
Sewer	53,269	54,988
Stormwater	12,139	14,291
Total Utilities	<u>\$ 365,271</u>	<u>\$ 387,890</u>

**CREEKWOOD SOUTH, LLC**  
**SCHEDULES OF CERTAIN INCOME AND EXPENSES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
Miscellaneous Operating Expenses:		
Office Supplies and Expense	\$ 6,068	\$ 4,334
Training and Travel	159	1,319
Telephone and Answering Service	8,821	12,401
Computer Supplies and Expense	3,911	3,211
Bad Debt Expense	27,144	30,220
Miscellaneous Administrative	4,281	5,505
Advertising and Newspaper	-	120
Legal	3,207	2,935
Audit	13,323	12,863
Accounting	11,963	11,970
Property Management Fees	96,817	94,276
Asset Management Fees	14,536	9,500
Outside Management Fees	10,103	7,886
Other Professional Fees	25,003	21,777
Total Miscellaneous Operating Expenses	<u>\$ 225,336</u>	<u>\$ 218,317</u>
Interest Expense:		
Interest Expense - Lease Acquisition Loan	<u>\$ 135,750</u>	<u>\$ 135,750</u>
Total Interest Expense	<u>\$ 135,750</u>	<u>\$ 135,750</u>



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