

**RANKIN PLACE TERRACE, LLC**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**



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## INDEPENDENT AUDITORS' REPORT

Partners  
Rankin Place Terrace, LLC  
Wilmington, North Carolina

### **Report on the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of Rankin Place Terrace, 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 Rankin Place Terrace, 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 Rankin Place Terrace, 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 Rankin Place Terrace, 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 Rankin Place Terrace, 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 Rankin Place Terrace, 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 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.

Partners  
Rankin Place Terrace, LLC

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  
October 17, 2022

**RANKIN PLACE TERRACE, LLC**  
**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash	\$ 32,880	\$ 111,635
Tenant Accounts Receivable, Net of Allowance of \$88,717 and \$39,330	16,928	116,096
Accounts Receivable - Other	6,255	-
Total Current Assets	56,063	227,731
<b>RESTRICTED DEPOSITS AND FUNDED RESERVES</b>		
Tenant Security Deposits	18,159	16,909
Replacement Reserve	139,311	146,069
Operating Deficit Reserve	325,375	325,277
Total Restricted Deposits and Funded Reserves	482,845	488,255
<b>RENTAL PROPERTY</b>		
Land	172,344	172,344
Building and Improvements	7,689,559	7,689,559
Furniture and Equipment	95,059	95,059
Accumulated Depreciation	(1,288,509)	(1,079,796)
Total Rental Property	6,668,453	6,877,166
<b>OTHER ASSETS</b>		
Tax Credit Monitoring Fees, Net	71,504	79,465
Other Assets	4,736	8,715
Total Other Assets	76,240	88,180
Total Assets	\$ 7,283,601	\$ 7,681,332
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 170,848	\$ 30,516
Asset Management Fee Payable	-	2,814
Current Maturities of Long-Term Mortgage Payable	12,488	11,049
Accrued Expenses	7,370	10,491
Total Current Liabilities	190,706	54,870
<b>DEPOSITS AND PREPAID LIABILITY</b>		
Tenant Security Deposits	17,909	16,909
Prepaid Rent	12,670	8,721
Total Deposits and Prepaid Liability	30,579	25,630
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable, Net of Deferred Financing Fees	1,654,921	1,661,255
Capital Lease Payable	1,300,000	1,300,000
Deferred Interest Payable	552,344	478,000
Deferred Developer Fee Payable	127,598	127,598
Total Long-Term Liabilities	3,634,863	3,566,853
<b>MEMBERS' EQUITY</b>		
Total Liabilities and Members' Equity	\$ 7,283,601	\$ 7,681,332

See accompanying Notes to Financial Statements.

**RANKIN PLACE TERRACE, LLC**  
**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>REVENUE</b>		
Rental Income	\$ 838,552	\$ 871,526
Vacancies	(71,239)	(13,742)
Other Operating Income	4,617	13,230
Total Revenue	771,930	871,014
<b>OPERATING EXPENSES</b>		
Salaries and Employee Benefits	194,867	155,260
Repairs and Maintenance	285,472	201,622
Utilities	276,662	240,344
Property and Other Insurance	87,379	78,062
Miscellaneous Operating Expenses	194,308	162,793
Total Operating Expenses	1,038,688	838,081
<b>OTHER INCOME (EXPENSE)</b>		
Interest Income	150	141
Interest Expense	(123,244)	(127,620)
Depreciation	(208,713)	(203,584)
Amortization	(7,961)	(7,961)
Total Other Expense	(339,768)	(339,024)
<b>NET LOSS</b>	<b>\$ (606,526)</b>	<b>\$ (306,091)</b>

See accompanying Notes to Financial Statements.

**RANKIN PLACE TERRACE, 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>	\$ (123)	\$ (13)	\$ 4,340,206	\$ 4,340,070
Net Loss	(28)	(3)	(306,060)	(306,091)
<b>BALANCE - DECEMBER 31, 2020</b>	<u>(151)</u>	<u>(16)</u>	<u>4,034,146</u>	<u>4,033,979</u>
Net Loss	<u>(55)</u>	<u>(6)</u>	<u>(606,465)</u>	<u>(606,526)</u>
<b>BALANCE - DECEMBER 31, 2021</b>	<u><u>\$ (206)</u></u>	<u><u>\$ (22)</u></u>	<u><u>\$ 3,427,681</u></u>	<u><u>\$ 3,427,453</u></u>
Members' Percentage of Company Losses	<u><u>0.009%</u></u>	<u><u>0.001%</u></u>	<u><u>99.990%</u></u>	<u><u>100.000%</u></u>

See accompanying Notes to Financial Statements.



**RANKIN PLACE TERRACE, LLC**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Loss	\$ (606,526)	\$ (306,091)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:		
Depreciation	208,713	203,584
Amortization	14,118	14,119
Effects of Changes in Operating Assets and Liabilities:		
Tenant Accounts Receivable	99,168	(107,882)
Accounts Receivable - Other	(6,255)	-
Other Assets	3,979	(3,323)
Accounts Payable	140,332	14,016
Accrued Expenses	(3,121)	3,033
Operating Subsidy Payable	-	(496,177)
Asset Management Fee Accrual	(2,814)	1,448
Accrued Interest Payable	74,344	77,947
Tenant Security Deposit Liability	1,000	(1,000)
Prepaid Rent	3,949	6,023
Net Cash Used by Operating Activities	(73,113)	(594,303)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Rental Property	-	(51,890)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Developer Fee Payable	-	(71,778)
Proceeds from Long Term Debt	-	657,943
Principle Payments on Long Term Mortgage	(11,052)	(10,281)
Net Cash Provided (Used) by Financing Activities	(11,052)	575,884
<b>NET DECREASE IN CASH AND RESTRICTED CASH</b>	(84,165)	(70,309)
Cash and Restricted Cash - Beginning of Year	599,890	670,199
<b>CASH AND RESTRICTED CASH - END OF YEAR</b>	\$ 515,725	\$ 599,890
<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	\$ 32,880	\$ 111,635
Tenant Security Deposits	18,159	16,909
Replacement Reserve	139,311	146,069
Operating Deficit Reserve	325,375	325,277
Cash and Restricted Cash per Cash Flow Statement	\$ 515,725	\$ 599,890
	-	-

See accompanying Notes to Financial Statements.

**RANKIN PLACE TERRACE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Rankin Place Terrace, LLC (the Company) was formed on September 24, 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 Rankin Place Terrace (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 77 units located in Wilmington, North Carolina.

During 2014, the Operating Agreement was amended to allow the admittance of RBC Tax Credit Equity, LLC, an Illinois limited liability company, as an investor member (Investor Member) and RBC Tax Credit Manager II, Inc., a Delaware corporation, as a special investor member (Special Investor Member). HEO Partners IV, LLC remained as the Managing Member.

The Company has been awarded an 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 been 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 fifteen consecutive years in order to remain qualified to receive the credits. The credit allocation will be allowed annually in the amount of \$656,635 for ten years if the Project remains in compliance.

On December 12, 2014, the Company acquired assets comprising the rental property of the project in a transaction with a related party for \$1,300,000. 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 \$1,300,000.

**Basis of Presentation**

The financial statements of the Company include only those assets, liabilities, and results of operations which relate to the business of the Company, and are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**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.

**RANKIN PLACE TERRACE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**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.

**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 for the years ended December 31, 2021 and 2020.

**Debt Issuance Costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgages and notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

**Deferred Tax Credit Monitoring Fees**

Tax credit monitoring fees are amortized on the straight-line method over the fifteen-year compliance period.

Amortization for both the years ended December 31, 2021 and 2020 was \$7,961. Accumulated amortization at December 31, 2021 and 2020 was \$47,908 and \$39,947, respectively.

**RANKIN PLACE TERRACE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

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

**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. While no income tax returns are currently being examined by the IRS, tax years since 2014 remain open.

**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.

**Subsequent Events**

In preparing these financial statements, the Company has considered events and transactions that have occurred through October 17, 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. Upon substantial completion, as defined, the Company is required to make annual deposits of \$26,950, 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 Fourth Capital Contribution, as defined, in the initial amount of \$275,856. The reserve shall be held in order to meet operating expenses and debt service of the Company.

**RANKIN PLACE TERRACE, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

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

**Operating Reserve (Continued)**

The activity for the year ended December 31, 2021 is as follows:

	Replacement Reserve	Operating Reserve	Total
Balance, December 31, 2020	\$ 146,069	\$ 325,277	\$ 471,346
Deposits	32,789	-	32,789
Withdrawals	(39,590)	-	-
Interest Earned	43	98	141
Balance, December 31, 2021	<u>\$ 139,311</u>	<u>\$ 325,375</u>	<u>\$ 464,686</u>

**NOTE 4 RELATED PARTY TRANSACTIONS**

**Development Fee**

The Company has entered into a development agreement with Housing and Economic Opportunities, Inc., an affiliate of the Managing Member. The agreement provides for development fees and overhead in the amount of \$630,033, 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. As of December 31, 2021, the full amount has been earned and capitalized into the building. As of December 31, 2021 and 2020, \$127,598 remained payable.

**Asset Management Fee**

The Company is required to pay the Investor Member a cumulative annual Asset Management Fee in the amount of \$5,000, increasing 3% per annum, and beginning upon final certificate of occupancy of the Project. During the years ended December 31, 2021 and 2020, \$5,797 and \$5,628, respectively, has been earned, of which \$- and \$2,814 are payable at December 31, 2021 and 2020, respectively.

**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 6% of effective gross income of the Project. For both the years ended December 31, 2021 and 2020, \$46,248 has been charged to operations.

**Managing Member Loan**

See Note 5 for detail on this loan.

**RANKIN PLACE TERRACE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 5 NOTE PAYABLES**

**First Mortgage**

The Company has executed a mortgage note dated December 12, 2014 with First Citizens Bank & Trust Company (FCB), in an amount of \$5,768,000. The terms of the loan provided for monthly payments of interest only at a rate equal to the one-month LIBOR base rate plus 2.45%. On December 12, 2016, the loan converted to permanent financing in the amount of \$750,000 bearing interest at 5.97% and requires monthly payments of principal and interest of \$4,483 until final maturity of December 12, 2032. The loan was evidenced by a note and is collateralized by a deed of trust on the rental property. For the years ended December 31, 2021 and 2020, interest incurred and charged to operations was \$39,087 and \$43,462, respectively. As of December 31, 2021 and 2020, no accrued interest was outstanding. The outstanding principal balance as of December 31, 2021 and 2020 was \$700,208 and \$711,260, respectively.

Estimated aggregate annual maturities of the mortgage payable for the next five years are as follows:

<u>Year Ending December 31.</u>	<u>Amount</u>
2022	\$ 12,488
2023	13,254
2024	14,068
2025	14,931
2025	15,847
Thereafter	629,620
Total	<u>700,208</u>
Less: Current Maturities	(12,488)
Less: Unamortized Debt Issuance Cost	(86,098)
Net Long-Term Mortgage Payable	<u><u>\$ 601,622</u></u>

Deferred loan costs of \$128,515 are amortized over the life of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize loan costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense during both 2021 and 2020 was \$6,157. Accumulated amortization as of December 31, 2021 and 2020 was \$42,417 and \$36,260, respectively.

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

The Company has a STC Loan with the North Carolina Housing Finance Agency in an amount of \$395,356. The loan is noninterest bearing and no payment of principal will be due before maturity. The maturity date of the loan is expected to be March 1, 2046. The outstanding principal balance at both December 31, 2021 and 2020 was \$395,356.

**RANKIN PLACE TERRACE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 5 NOTE PAYABLES (CONTINUED)**

**Managing Member Loan**

On December 23, 2020, the Company entered into a loan with HEO Partners IV, LLC, a managing member of the company. The loan is noninterest bearing and payments are due at the end of the term, December 31, 2054 or earlier if cash flow becomes available according to the order described in Note 11. The outstanding principal balance at December 31, 2021 was \$657,943.

**NOTE 6 CAPITAL LEASE**

On December 12, 2014, the Company entered into a ground lease agreement with WHA. The principal term of the lease commenced on December 12, 2014 and expires December 31, 2113. The agreement requires an initial one-time payment of \$1,300,000 as a leasehold acquisition fee. The payment was evidenced by a seller note with WHA in the amount of \$1,300,000 which bears interest at 6% and requires no payment until maturity on December 31, 2054. The lease term is 99 years unless earlier terminated under the provisions defined in the ground lease agreement. Upon expiration of the lease, the lessee has a bargain purchase option of \$100 and, therefore, the lease is classified as a long-term capital lease. As of December 31, 2021 and 2020, the remaining balance was \$1,300,000. Interest expense relating to the lease for the years ended December 31, 2021 and 2020 was \$78,000, and as of December 31, 2021 and 2020, \$552,344 and \$478,000, respectively, of accrued interest remains payable. Depreciation expense relating to the lease for both the years ended December 31, 2021 and 2020 was \$34,864.

**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.

**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 \$5,777,807. As of December 31, 2021 and 2020, the Investor Member has made contributions totaling \$5,696,354.

**RANKIN PLACE TERRACE, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021 AND 2020**

**NOTE 9 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, 58 of the units at the Project are to be operating as Public Housing Units and subject to all regulations therein and 19 will be assisted with project-based vouchers. HUD payments for the years ended December 31, 2021 and 2020 were \$552,473 and \$635,431, respectively.

**NOTE 10 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 Operating Reserves;
- (vi) until all amounts due under the Developer Agreement have been paid in the full, to the payments of such amounts;
- (vii) to the payment of any outstanding Operating Deficit Loans and MM Loans, based on the respective outstanding balances of each;
- (viii) 50% of remaining net cash flow to the payment of accrued interest and principal on the lease acquisition loan;
- (ix) 90% of the remaining net cash flow to the payment of the incentive management fee;
- (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, \$374,971 has been distributed to pay amounts due under the Developer Fee Agreement.



**RANKIN PLACE TERRACE, LLC  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020**

**NOTE 11 COMMITMENTS AND CONTINGENCIES**

**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 \$310,000. 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**

**RANKIN PLACE TERRACE, LLC**  
**SCHEDULES OF CERTAIN INCOME AND EXPENSES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Rental Income:		
Rent Revenue - Gross Potential	\$ 286,079	\$ 236,095
Operating Subsidy	552,473	635,431
Total Rental Income	\$ 838,552	\$ 871,526
Vacancies and Concessions:		
Apartment Vacancies	\$ 71,239	\$ 13,742
Other Operating Income:		
Tenant Charges	\$ 4,325	\$ 2,842
Miscellaneous Other Income	292	10,388
Total Other Operating Income	\$ 4,617	\$ 13,230
Salaries and Employee Benefits:		
Salaries - Administrative	\$ 51,515	\$ 62,701
Salaries - Maintenance	100,347	51,499
Health Insurance and Other Benefits	41,094	39,201
Workers' Compensation Insurance	1,911	1,859
Total Salaries and Employee Benefits	\$ 194,867	\$ 155,260
Repairs and Maintenance:		
Exterminating	\$ 6,800	\$ 6,344
Grounds	13,928	17,118
Other Maintenance	39,826	34,689
HVAC Expense	14,775	43,306
Repairs and Maintenance - Contracts	97,206	100,165
Relocation Expense	112,937	-
Total Repairs and Maintenance	\$ 285,472	\$ 201,622
Utilities:		
Electricity	\$ 163,398	\$ 148,566
Water	47,532	39,521
Sewer	54,321	44,073
Stormwater	11,411	8,184
Total Utilities	\$ 276,662	\$ 240,344

**RANKIN PLACE TERRACE, LLC**  
**SCHEDULES OF CERTAIN INCOME AND EXPENSES (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
Miscellaneous Operating Expenses:		
Office Supplies and Expense	\$ 1,874	\$ 926
Training and Travel	92	1,486
Telephone and Answering Service	10,274	11,869
Computer Supplies and Expense	5,843	1,605
Bad Debt Expense	58,088	24,920
Miscellaneous Administrative	25,047	18,663
Advertising and Newspaper	-	252
Legal	2,461	4,962
Audit	13,695	12,763
Property Management Fee	46,248	53,607
Outside Management Fees	8,970	13,526
Asset Management Fees	5,797	5,628
Security Services/Contract	15,919	12,586
Total Miscellaneous Operating Expenses	\$ 194,308	\$ 162,793
Interest Expense:		
Interest Expense - Mortgage Loan	\$ 45,244	\$ 49,620
Interest Expense - Capital Lease Obligation	78,000	78,000
Total Interest Expense	\$ 123,244	\$ 127,620



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