

SWIFT LANE LIMITED DIVIDEND HOUSING ASSOCIATION LIMITED PARTNERSHIP

FINANCIAL STATEMENTS  
(WITH SUPPLEMENTAL INFORMATION)  
AND INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2024 AND 2023



Swift Lane Limited Dividend Housing Association Limited Partnership

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## INDEPENDENT AUDITOR'S REPORT

To the Partners

Swift Lane Limited Dividend Housing Association Limited Partnership

### Opinion

We have audited the accompanying financial statements of Swift Lane Limited Dividend Housing Association Limited Partnership (a Michigan limited partnership), which comprise the balance sheets as of December 31, 2024 and 2023, and the related statements of operations, partners' equity (deficit) 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 Swift Lane Limited Dividend Housing Association Limited Partnership, as of December 31, 2024 and 2023, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Swift Lane Limited Dividend Housing Association Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 the 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 Swift Lane Limited Dividend Housing Association Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## **Auditor's 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 auditor's 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement due to fraud is higher than for one resulting from an error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, 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 generally accepted 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 Swift Lane Limited Dividend Housing Association Limited Partnership'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 Swift Lane Limited Dividend Housing Association Limited Partnership'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.

## Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information on pages 21 and 22 is presented for 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. That 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.

*Tidwell Group, LLC*

Atlanta, Georgia  
February 27, 2025

Swift Lane Limited Dividend Housing Association Limited Partnership

BALANCE SHEETS

December 31, 2024 and 2023

	<u>ASSETS</u>	
	<u>2024</u>	<u>2023</u>
CURRENT ASSETS		
Cash	\$ 164,813	\$ 174,113
Tenant accounts receivable	18,688	21,379
Accounts receivable - subsidy	310	-
Prepaid expenses	480	960
Due from affiliate	1,472	966
	<u>185,763</u>	<u>197,418</u>
Total current assets	<u>185,763</u>	<u>197,418</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Tenant security deposits	33,900	29,900
Replacement reserve	120,026	96,180
Insurance escrow	67,405	49,385
Operating deficit reserve	330,889	327,022
Social services reserve	164,985	179,985
	<u>717,205</u>	<u>682,472</u>
Total restricted deposits and funded reserves	<u>717,205</u>	<u>682,472</u>
RENTAL PROPERTY		
Building and improvements	15,120,208	15,120,208
Land improvements	2,430,949	2,430,949
Furniture and equipment	624,025	624,025
	<u>18,175,182</u>	<u>18,175,182</u>
Accumulated depreciation	(2,713,890)	(2,049,017)
	<u>15,461,292</u>	<u>16,126,165</u>
Total rental property	<u>15,461,292</u>	<u>16,126,165</u>
OTHER ASSETS		
Tax credit fees, net	72,209	78,824
	<u>72,209</u>	<u>78,824</u>
Total other assets	<u>72,209</u>	<u>78,824</u>
Total assets	<u>\$ 16,436,469</u>	<u>\$ 17,084,879</u>

(continued)

Swift Lane Limited Dividend Housing Association Limited Partnership

BALANCE SHEETS - CONTINUED

December 31, 2024 and 2023

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

	<u>2024</u>	<u>2023</u>
CURRENT LIABILITIES		
Accounts payable	\$ 67,167	\$ 84,230
Accrued reporting fee	7,879	7,649
Accrued expenses	13,301	22,015
Property management fee payable	5,257	4,935
Accrued interest payable - first mortgage	12,477	12,607
Accrued interest payable - other mortgages	178,942	141,442
Current maturities of long-term debt - first mortgage	<u>27,885</u>	<u>26,278</u>
Total current liabilities	<u>312,908</u>	<u>299,156</u>
DEPOSITS AND PREPAID LIABILITY		
Tenant security deposits	33,213	29,900
Prepaid rent	<u>2,676</u>	<u>1,852</u>
Total deposits and prepaid liability	<u>35,889</u>	<u>31,752</u>
LONG-TERM LIABILITIES		
Mortgages payable - first mortgage, net	2,361,546	2,378,344
Mortgages payable - other mortgages	<u>2,542,497</u>	<u>2,542,497</u>
Total long-term liabilities	<u>4,904,043</u>	<u>4,920,841</u>
Total liabilities	<u>5,252,840</u>	<u>5,251,749</u>
Partners' equity (deficit)	<u>11,183,629</u>	<u>11,833,130</u>
Total liabilities and partners' equity (deficit)	<u><u>\$ 16,436,469</u></u>	<u><u>\$ 17,084,879</u></u>

See notes to financial statements.

Swift Lane Limited Dividend Housing Association Limited Partnership

STATEMENTS OF OPERATIONS

Years ended December 31, 2024 and 2023

	2024	2023
Revenue		
Rental income	\$ 964,284	\$ 913,549
Vacancies and concessions	(10,934)	(325)
Other operating income	27,274	17,420
Total revenue	980,624	930,644
Operating expenses		
Salaries and employee benefits	235,180	219,084
Repairs and maintenance	233,018	242,628
Utilities	122,141	129,775
Property management fee	59,022	56,088
Property insurance	48,269	44,895
Miscellaneous operating expenses	63,682	52,796
Total operating expenses	761,312	745,266
Net operating income	219,312	185,378
Other income (expense)		
Interest income	9,586	7,905
Interest expense - first mortgage	(161,532)	(163,054)
Interest expense - other loans	(37,500)	(37,500)
Annual fee to affiliate of limited partner	(7,879)	(7,649)
Depreciation	(664,873)	(664,873)
Amortization	(6,615)	(6,615)
Total other income (expense)	(868,813)	(871,786)
Net loss	\$ (649,501)	\$ (686,408)

See notes to financial statements.



Swift Lane Limited Dividend Housing Association Limited Partnership

STATEMENTS OF PARTNERS' EQUITY (DEFICIT)

Years ended December 31, 2024 and 2023

	<u>Swift Lane GP, LLC</u>	<u>First Sterling Investor 195 LLC</u>	<u>Sterling Corporate Services LLC</u>	<u>Total Partners' Equity (Deficit)</u>
Balance, January 1, 2023	\$ (93)	\$ 12,519,723	\$ (92)	\$ 12,519,538
Net loss	<u>(68)</u>	<u>(686,271)</u>	<u>(69)</u>	<u>(686,408)</u>
Balance, December 31, 2023	(161)	11,833,452	(161)	11,833,130
Net loss	<u>(65)</u>	<u>(649,371)</u>	<u>(65)</u>	<u>(649,501)</u>
Balance, December 31, 2024	<u>\$ (226)</u>	<u>\$ 11,184,081</u>	<u>\$ (226)</u>	<u>\$ 11,183,629</u>
Partners' percentage of partnership income (losses)	<u>0.01%</u>	<u>99.98%</u>	<u>0.01%</u>	<u>100.00%</u>

See notes to financial statements.

Swift Lane Limited Dividend Housing Association Limited Partnership

STATEMENTS OF CASH FLOWS

Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Net loss	\$ (649,501)	\$ (686,408)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	664,873	664,873
Amortization	6,615	6,615
Amortization of debt issuance costs included in interest expense	11,088	11,088
Changes in:		
Tenant accounts receivable	2,691	(3,479)
Accounts receivable - subsidy	(310)	1,099
Prepaid expenses	480	(490)
Due from affiliate	(506)	2,727
Accounts payable	(17,063)	24,434
Accrued expenses	(8,714)	(3,800)
Property management fee payable	322	554
Accrued interest payable - first mortgage	(130)	(123)
Accrued interest payable - other mortgages	37,500	37,500
Tenant security deposits	3,313	1,200
Prepaid rent	824	(8,425)
Accrued reporting fee	230	223
Net cash provided by operating activities	<u>51,712</u>	<u>47,588</u>
Cash flows from financing activities		
Payments on first mortgage payable	<u>(26,279)</u>	<u>(24,764)</u>
Net cash used in financing activities	<u>(26,279)</u>	<u>(24,764)</u>
Net increase in cash and restricted cash	25,433	22,824
Cash and restricted cash, beginning	<u>856,585</u>	<u>833,761</u>
Cash and restricted cash, ending	<u><u>\$ 882,018</u></u>	<u><u>\$ 856,585</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	<u><u>\$ 150,574</u></u>	<u><u>\$ 152,089</u></u>

See notes to financial statements.

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS

December 31, 2024 and 2023

NOTE 1 - ORGANIZATION AND NATURE OF OPERATIONS

Swift Lane Limited Dividend Housing Association Limited Partnership (the Partnership) was organized as a limited partnership on September 14, 2015, which certificate was amended effective March 23, 2016, under the laws of the State of Michigan for the purpose of developing, constructing, and operating a 64-unit residential apartment development consisting of 5 buildings on two separate sites, located in Ann Arbor, Michigan known as Swift Lane Apartments (the Project). 44 of the units of the Project have Section 8 Project Based Vouchers through the U.S. Department of Housing and Urban Development (HUD) Rental Assistance Demonstration Program (RAD). The remaining units have Project Based Vouchers through the Ann Arbor Housing Commission, an affiliate of the General Partner, so that 100% of the units of the Project have rental subsidies for a period of no less than 15 years. The Partnership commenced principal operations upon completion of construction in December 2020.

Swift Lane GP, LLC is the General Partner of the Partnership. The original partnership agreement of the Partnership dated September 15, 2015 was amended on February 25, 2019 (date of investor entry) to permit the entry of First Sterling 195 LLC (Investor Limited Partner) and Sterling Corporate Services LLC (Special Limited Partner) and to permit the withdrawal of Ann Arbor Housing Commission (Withdrawing Partner). Profits and losses and low-income housing tax credits will generally be allocated 99.98% to the Investor Limited Partner, 0.01% to the General Partner and 0.01% to the Special Limited Partner. The cumulative capital contributions of the partners to the Partnership as of December 31, 2024 and 2023 are as follows:

	2024	2023
General Partner	\$ -	\$ -
Investor Limited Partner	13,442,948	13,442,948
Special Limited Partner	-	-
	<u>\$ 13,442,948</u>	<u>\$ 13,442,948</u>

The Partnership has received an allocation of federal low-income housing tax credits from the State of Michigan totaling \$1,487,000 annually, for ten years. To qualify for the tax credits, the Partnership must meet certain requirements, including attaining a qualified eligible basis sufficient to support the allocation.

The major activities of the Partnership are governed by the amended and restated partnership agreement and Internal Revenue Code Section 42 (Section 42). Each unit in the Project has qualified for and been allocated low-income housing tax credits pursuant to Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. Each unit in the Project must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the credits.

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Partnership prepares its financial statements on the accrual basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP).

Cash and Restricted Cash

Cash and restricted cash as of December 31, 2024 and 2023 consisted of the following:

	2024	2023
Cash	\$ 164,813	\$ 174,113
Restricted deposits and funded reserves	717,205	682,472
Total cash and restricted cash shown on the statement of cash flows	<u>\$ 882,018</u>	<u>\$ 856,585</u>

Tenant Receivables

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Rental Property

Rental property is recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations over their estimated service lives using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Estimated service lives are as follows:

Building and improvements	20 - 40 years
Land improvements	15 years
Furniture, fixtures and equipment	5 years

Upon disposal of depreciable property, the appropriate accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the accompanying statements of operations.

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

Impairment of Long-lived Assets

The Partnership 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 losses have been recognized during the years ended December 31, 2024 and 2023.

Debt Issuance Costs

In accordance with GAAP, debt issuance costs are to be presented as an offset of the related debt instruments within the liabilities section of the accompanying balance sheets. GAAP requires that the effective interest method be used to amortize debt issuance 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 interest method. Debt issuance costs are being amortized using the straight-line method over the term of the mortgage and amortization of debt issuance costs is included in interest expense on the accompanying statements of operations.

The Partnership has incurred and paid debt issuance costs of \$166,322 that are associated with the permanent loan. Amortization expense for the years ended December 31, 2024 and 2023 was \$11,088 and \$11,088, respectively. Estimated annual amortization expense for each of the next five years is expected to be \$11,088 each year.

Tax Credit Fees

Tax credit fees of \$99,220 were capitalized and are being amortized using the straight-line method over the mandatory fifteen-year compliance period. Amortization expense for the years ended December 31, 2024 and 2023 was \$6,615 and \$6,615, respectively. Accumulated amortization was \$27,011 and \$20,396 as of December 31, 2024 and 2023, respectively. Estimated annual amortization expense for each of the next five years is expected to be \$6,615 each year.

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Partnership and the tenants of the property are operating leases and the terms are typically one year or less.

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

Ground Lease

The Partnership accounts for its ground lease with Ann Arbor Housing Commission (the Lessor) as an operating lease. The ground lease commenced on February 25, 2019 and will expire on December 31, 2118. The Partnership pays the Lessor annual base rent, as defined, of \$1 (see Note 8).

Advertising Costs

The Partnership's policy is to expense advertising costs when incurred.

Income Taxes

The Partnership 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 owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a limited partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure. Generally, income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2021 remain open.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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.

NOTE 3 - RESTRICTED DEPOSITS AND FUNDED RESERVES

Tenants' Security Deposits

The Partnership has established and is required to maintain a separate cash account for tenants' security deposits equal to or greater than the security deposit liability. As of December 31, 2024 and 2023, the balance of the tenants' security deposits cash account was \$33,900 and \$29,900, respectively.

Operating Reserves

Pursuant to the amended and restated partnership agreement, the Partnership is required to fund and maintain operating reserves in the initial aggregate amount of \$323,000, to be funded from the third

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

installment of capital contributions from the Investor Limited Partner. All withdrawals from the operating reserves must be approved in advance by an affiliate of the Investor Limited Partner. As of December 31, 2024 and 2023, the balance of the operating reserve was \$330,889 and \$327,022, respectively.

Replacement Reserve

Pursuant to the amended and restated partnership agreement, beginning the first month after completion of construction, as defined, the Partnership will be required to fund a capital replacement reserve equal to the greater of \$300 per residential rental unit per year or such amount as required under the mortgage loan documents, which monthly contributions shall increase by three percent annually. Withdrawals from the reserve shall be used to fund capital repairs and improvements and must be approved in advance by an affiliate of the Investor Limited Partner. As of December 31, 2024 and 2023, the balance of the replacement reserve was \$120,026 and \$96,180, respectively.

Insurance Escrows

Upon closing of the permanent loan (see Note 4), the Partnership is required to make monthly escrow deposits for insurance. The liability of the Partnership under the mortgage note is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender. As of December 31, 2024 and 2023, the balance of the insurance escrows was \$67,405 and \$49,385, respectively.

Social Services Reserve

Upon closing of the permanent loan (see Note 4), the Partnership is required to establish and maintain a social services reserve account in the initial amount of \$274,000. The Ann Arbor Housing Commission may withdraw funds from the reserve in accordance with the budget, as defined. Any amount remaining in the reserve at the end of the compliance period shall be distributed to the Ann Arbor Housing Commission. As of December 31, 2024 and 2023, the balance of the social services reserve was \$164,985 and \$179,985, respectively.

NOTE 4 - MORTGAGE NOTES PAYABLE

Cinnaire Mortgage Loan

On June 10, 2021, the Partnership obtained permanent financing from Cinnaire Investment Corporation in the amount of \$2,600,000. The mortgage bears interest at 5.95 percent per annum and matures June 10, 2036. As of December 31, 2024 and 2023, the outstanding principal balance was \$2,389,431 and \$2,404,622 respectively, which includes unamortized debt issuance costs of \$126,867 and \$137,955, respectively. For the years ended December 31, 2024 and 2023, interest expense incurred was \$161,532 and \$163,054, respectively, which includes amortization of debt issuance costs of \$11,088 and \$11,088, respectively. As of December 31, 2024 and 2023, accrued interest amounted to \$12,477 and \$12,607, respectively.

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

Ann Arbor Housing Commission Subordinate Mortgage Loan

On February 25, 2019, the Partnership entered into a leasehold mortgage and promissory note with the Ann Arbor Housing Commission in the original amount of \$1,792,497. As of December 31, 2024 and 2023, \$1,792,497 and \$1,792,497, respectively, has been drawn on the mortgage loan. The mortgage loan is secured by a second mortgage lien and security interest in the Project. The mortgage loan does not bear interest and matures on February 25, 2049. No payments are required under the mortgage loan until maturity, at which time all outstanding amounts are due. As of December 31, 2024 and 2023, the outstanding balance of the mortgage loan was \$1,792,497 and \$1,792,497, respectively, and is included in mortgages payable - other mortgages on the accompanying balance sheets.

Sponsor Mortgage Loan

On February 25, 2019, the Partnership entered into a mortgage and promissory note with the Ann Arbor Housing Commission in the amount of \$750,000. The funds are being provided to Ann Arbor Housing Commission by Chase Bank USA, National Association through the Federal Home Loan Bank Affordable Housing Program. As of December 31, 2024 and 2023, \$750,000 and \$750,000, respectively, had been drawn on the sponsor mortgage loan. The sponsor mortgage loan is secured by a third mortgage lien and security interest in the Project. The loan bears interest at a fixed rate of 5.00 percent per annum and matures February 25, 2037. As of December 31, 2024 and 2023, the outstanding principal balance was \$750,000 and \$750,000, respectively, and is included in mortgages payable - other mortgages on the accompanying balance sheets. For the years ended December 31, 2024 and 2023, interest expense incurred was \$37,500 and \$37,500, respectively. As of December 31, 2024 and 2023, accrued interest was \$178,942 and \$141,442, respectively.

The aggregate maturities of the mortgages payable for the five years following December 31, 2024 and thereafter is as follows:

	Cinnaire Investment Corporation	Ann Arbor Housing Commission	Federal Home Loan Bank	Total
2025	\$ 27,885	\$ -	\$ -	\$ 27,885
2026	29,591	-	-	29,591
2027	31,400	-	-	31,400
2028	33,320	-	-	33,320
2029	35,358	-	-	35,358
Thereafter	2,358,744	1,792,497	750,000	4,901,241
Total	2,516,298	1,792,497	750,000	5,058,795
Less unamortized debt issuance costs	(126,867)	-	-	(126,867)
	2,389,431	1,792,497	750,000	4,931,928
Less current maturities				(27,885)
Net long-term portion				<u>\$ 4,904,043</u>



NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

NOTE 5 - RELATED PARTY TRANSACTIONS

Developer Fee

The Partnership entered into a development agreement with Norstar Development USA, L.P., an affiliate of the General Partner, and Ann Arbor Housing Development Corporation, an affiliate of the General Partner (collectively, the Developers). The agreement provides for developer fees and overhead in the amount of approximately \$1,500,000 or such amount as may be permitted by the State Housing Finance Agency, for services in connection with the development of the Project and the supervision of construction. The developer fee is earned by the Developer as certain milestones are achieved as defined in the development agreement. The developer fee is to be paid from capital contributions from the Investor Limited Partner pursuant to the amended and restated partnership agreement, with any unpaid portion remaining deferred and payable from available cash flow, as defined, but in no event later than the thirteenth anniversary of construction completion, as defined. Any unpaid portion deferred does not bear interest. As of December 31, 2024 and 2023, the full developer fee of \$1,500,000 has been earned and paid.

Reporting Fee

Pursuant to the amended and restated partnership agreement, the Partnership shall pay an affiliate of the Investor Limited Partner a fee commencing in the year the first building in the Project is placed in service for services in connection with the Partnership's accounting matters and reporting. The fee is cumulative and is to be paid from net cash flow as defined in the amended and restated partnership agreement. The fee amounts to \$7,000 and increases by 3.00 percent annually. For the years ended December 31, 2024 and 2023, reporting fees of \$7,879 and \$7,649, respectively, were incurred. As of December 31, 2024 and 2023, reporting fees of \$7,879 and \$7,649, respectively, remained payable.

Incentive Management Fee

Pursuant to the amended and restated partnership agreement and incentive management agreement, the General Partner is to receive an incentive management fee in consideration for its services in performing additional management and other management oversight services for the Partnership. The incentive management fee, which is not cumulative, is equal to 90.00 percent of the available cash of the Partnership remaining after payment of other fees and distributions as required by the amended and restated partnership agreement, but in no event more than 8.00 percent of effective gross income, as defined in the amended and restated partnership agreement. For the years ended December 31, 2024 and 2023, no incentive management fees were incurred or paid.

Management Fees

Ann Arbor Housing Commission, an affiliate of the Partnership and General Partner, will be the initial managing agent of the Project. In its role as managing agent, Ann Arbor Housing Commission will receive annual property management fees equal to 6.00 percent of gross rents collected, as defined. For the years ended December 31, 2024 and 2023, property management fees of \$59,022

Swift Lane Limited Dividend Housing Association Limited Partnership

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

and \$56,088, respectively, were incurred. As of December 31, 2024 and 2023, management fees of \$5,257 and \$4,935, respectively, remained payable and reimbursable payroll costs of \$13,301 and \$22,015, respectively, which are included in accrued expenses on the accompanying balance sheets, remained payable to Ann Arbor Housing Commission.

Due from Affiliate

As of December 31, 2024 and 2023, the Project was owed \$1,472 and \$966, respectively, from Ann Arbor Housing Commission for vacancy payments under its RAD conversion commitment. Amounts owed do not bear interest and are due on demand.

Operating Deficit Loan

Pursuant to the amended and restated partnership agreement, the General Partner will be required to contribute funds to the Partnership as an operating deficit loan for any operating deficits that exist in the maximum amount of \$325,000. There were no operating deficits funding outstanding as of December 31, 2024 and 2023.

NOTE 6 - DISTRIBUTIONS

Net cash flow is defined in the amended and restated partnership agreement as available cash of the Partnership, after payments of operating expenses, debt service and satisfaction of reserve funding requirements.

Net cash flow is payable annually as follows:

- 1) First, beginning in the year the Project is placed in service, to the payment of the Reporting Fee;
- 2) Second, to any unpaid Reporting Fee for a prior year;
- 3) Third, to the payment of any unpaid or accrued TCRA and any Tax Credit Recapture Amount;
- 4) Fourth, to the payment to the Investor Limited Partner, of any amounts due and owing including, without limitation, guaranty payment and/or indemnity payments which the Investor Limited Partner is entitled to receive pursuant to the amended and restated partnership agreement, the Guaranty or the Development Agreement;
- 5) Fifth, to the payment of any Limited Partner Advances;
- 6) Sixth, to deposit to the Operating Reserve Accounts the amount needed to restore the Operating Reserve Amount;

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

- 7) Seventh, to the payment of any Deferred Development Fee, including, without limitation, any amounts evidenced by a Deferred Development Fee Note and all accrued but unpaid interest thereon;
- 8) Eight, the remaining available cash: (1) ninety percent (90%) shall be applied as follows: (a) first, to the payment of any Development Deficit Loans and Operating Deficit Loans, and (b) second, to the payment of the Incentive Management Fee and, to the extent the incentive management fee is less than 90% of remaining available cash, 90% of the remaining available cash to the General Partner as a priority distribution and (2) ten percent (10%) shall be distributed as follows: (a) 0.01 percent to the General Partner; (b) 99.98 percent to the Investor Limited Partner; and (c) 0.01% to the Special Limited Partner.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Low-income Housing Tax Credits

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

Property Use Restrictions

Pursuant to the loan agreements and the underlying restrictive covenants, the Partnership, among other things, is required to rent its units to qualifying tenants who meet certain low-income requirements throughout the terms of the agreements, as defined.

NOTE 8 - GROUND LEASE

The Partnership accounts for its ground lease with Ann Arbor Housing Commission (the Lessor) as an operating lease. The ground lease commenced on February 25, 2019 and will expire on December 31, 2118. The Partnership pays the Lessor annual base rent, as defined, of \$1.

NOTE 9 - CONCENTRATION OF CREDIT RISK AND MARKET RISK

The Partnership maintains its cash, restricted deposits, and reserves with financial institutions. The bank balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each bank. At times, these balances may exceed the federal insurance limits; however, the Partnership 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 bank balances at December 31, 2024 and 2023. As of December 31, 2024 and 2023, the cash balances of the Partnership exceeded the FDIC insured limit by \$201,561 and \$215,008, respectively.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2024 and 2023

The Partnership's sole asset is a 64-unit apartment project. The Partnership's operations are concentrated in the multifamily real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Project are subject to the administrative directives, rules and regulations of Federal, State, and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by Federal, State, and local regulatory agencies. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional burden, to comply with a change.

NOTE 10 - SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of Swift Lane Limited Dividend Housing Association Limited Partnership through February 27, 2025 (the date the financial statements were available to be issued) and concluded that no subsequent event has occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

## SUPPLEMENTAL INFORMATION

Swift Lane Limited Dividend Housing Association Limited Partnership

SCHEDULES OF CERTAIN REVENUE AND EXPENSES

Years ended December 31, 2024 and 2023

	2024	2023
Rental income		
Rent revenue - gross potential	\$ 227,347	\$ 222,782
Tenant assistance payments	736,937	690,767
Total rental income	<u>\$ 964,284</u>	<u>\$ 913,549</u>
Vacancies and concessions		
Apartments vacancies	\$ 10,834	\$ -
Rental concessions	100	325
Total vacancies and concessions	<u>\$ 10,934</u>	<u>\$ 325</u>
Other operating income		
Tenant charges	\$ 1,070	\$ 3,229
Damages income	21,944	10,051
Late fees	4,260	4,140
Total other operating income	<u>\$ 27,274</u>	<u>\$ 17,420</u>
Salaries and employee benefits		
Salaries - administrative	\$ 147,324	\$ 138,640
Salaries - maintenance	87,856	80,444
Total salaries and employee benefits	<u>\$ 235,180</u>	<u>\$ 219,084</u>
Repairs and maintenance		
Exterminating	\$ 12,321	\$ 10,950
Grounds	14,320	13,520
Fire protection	21,850	14,065
Supplies	17,010	21,837
Repairs and maintenance - other than contracts	21,162	16,533
Repairs and maintenance - contracts	143,375	162,178
Miscellaneous maintenance expenses	2,980	3,545
Total repairs and maintenance	<u>\$ 233,018</u>	<u>\$ 242,628</u>
Utilities		
Electricity	\$ 65,673	\$ 70,146
Water	40,064	37,673
Trash removal	35	-
Gas	16,369	21,956
Total utilities	<u>\$ 122,141</u>	<u>\$ 129,775</u>

(continued)

Swift Lane Limited Dividend Housing Association Limited Partnership

SCHEDULES OF CERTAIN REVENUE AND EXPENSES - CONTINUED

Years ended December 31, 2024 and 2023

	2024	2023
Miscellaneous operating expenses		
Training and travel	\$ 1,408	\$ 1,394
Computer supplies and expense	1,438	1,914
Bad debt expense	6,506	3,747
Other rent expense	16,494	15,026
Miscellaneous administrative	12,349	13,766
Legal	8,173	2,785
Audit	11,000	10,200
Other professional fees	6,250	3,900
Other taxes, licenses and insurance	64	64
	<u>63,682</u>	<u>52,796</u>
Total miscellaneous operating expenses	<u>\$ 63,682</u>	<u>\$ 52,796</u>
Interest expense - other loans		
Interest expense - FHLB loan	<u>\$ 37,500</u>	<u>\$ 37,500</u>
	<u>37,500</u>	<u>37,500</u>
Total interest expense - other loans	<u>\$ 37,500</u>	<u>\$ 37,500</u>

See independent auditor's report.