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C/o Wisconsin Partnership for Housing Development Inc Program Administrator 121 South Pinckney Street Suite 420 Madison WI 53703 1888.318 4486 (IoII -free) 1,608 258,5560 (direct) 1,608 258,5565 (Fax)

The HOME Consortium
Board of Directors Meeting
Thursday, December 11, 2014
515 W. Moreland Blvd. Rm 355
Waukesha, WI 53188
@ 9:00 A.M.

AGENDA

- 1. Call to Order
- 2. Pledge of Allegiance
- 3. Approval of the Minutes from the November 6, 2014 Board Meeting
- 4. Public/Staff Comment Correspondence
- 5. WI Partnership Fund Balance Report
- 6. Application Lutheran Social Services of Wisconsin and Upper Michigan, Inc
- 7. Application Crown Court Properties, LTD
- 8. Adjournment

All agenda items are potentially actionable

In accordance with the Americans with Disabilities Act, persons requiring any means of handicap accessibility for this meeting must contact Kristin Silva at 896-3370 (FAX 896-8510) at least 48 hours prior to meeting.

Minutes of the HOME Board Meeting November 6, 2014

Members Present:

Christine Howard, Mark Baldwin, Ron Buchanan, Kathleen

Schilling, Glenn Stumpf, Peter Sorce, John Kannard, Dennis Myers, Duane Paulson, Dick Schultz, Jay Schreurs

Staff:

Kristin Silva, Lori Rutzinski, and Christina Brockish, Waukesha County; Debbie Narus, Wisconsin Partnership

for Housing Development

Excused Absence:

Joseph Birbaum, Maria Watts, Russell Kutz, Mark Hoefert

Guests:

Kim Haines, Waukesha County Corporation Counsel; RoxAnne Witte and Genevieve Borich, Jefferson County Economic Development Consortium; Bernie Juno, Hebron House of Hospitality; Carol Biersach, Slinger Housing

Authority

- I. The meeting was called to order by Ron Buchanan, the Board Chair, with a quorum of the Board present at 9:00 a.m.
- II. The Board Chair led the Pledge of Allegiance.
- III. On a motion by Peter Sorce and seconded by Dennis Myers, the minutes from the October 16, 2014 HOME Board meeting were unanimously approved.
- IV. There were no public comments. Staff comments: Kristin Silva said that HUD will not accept submission of the final draft of the Consolidated Plan, the Annual Plan or the Analysis of Impediments document until the Federal budget for FY2015 has been passed. The documents will still be ready to submit by the original November 15, 2014 deadline and will be submitted as soon as HUD allows.

Kristin visited the Family Promise site that was funded with HOME funds, she said it was a very successful project and the units are being rented at full capacity.

V. The Wisconsin Partnership Fund Balance report was reviewed; the remaining balance for the rest of the year is \$74,000 for DPA, \$86,000 for Purchase/Rehab, and \$201,000 for Home Rehab.

Kristin reviewed the program income which has not changed since it is not received every month. Kristin asked the Board if they would like to see the program income worksheet monthly or quarterly, the Board requested to see it quarterly.

VI. Lisa Kratz from Wisconsin Partnership for Housing Development (WPHD) reviewed their estimated budget for 2015.

On a motion by Mark Baldwin and seconded by Duane Paulson, the Board unanimously approved the extension of the WPHD contract through 2015.

VII. Two representatives were present from the homebuyer counseling agencies preferred provider list. There are currently 5 contracted agencies that are paid \$650 per loan closing.

On a motion by Kathleen Schilling and seconded by Peter Sorce, the Board unanimously approved the extension of the Homebuyer Counseling Agency Preferred Provider List through 2015.

VIII. Jim Bouffiou, who is the HOME program inspector from Whiteglove Inspections, contacted Kristin saying he has no changes to his contract.

On a motion by Dennis Myers and seconded by John Kannard, the Board unanimously approved the extension of the HOME Inspection contract through 2015.

- IX. The 2015 Slate of Officers was discussed, a representative from Jefferson County was needed to fill the position of the Treasurer. Ron Buchanan volunteered. The Board unanimously approved the 2015 Slate of Officers.
- X. Bernie Juno from Hebron House of Hospitality answered questions regarding the application requesting additional funding for the 620 Summit project that was previously approved. The extra costs will be incurred due to the construction during the winter months.

On a motion by Dick Schultz and seconded by Christine Howard, the Board unanimously approved the additional \$29,875.

XI. Kristin stated that the public comments were received for the 2015-2019 Consolidated Plan, Analysis of Impediments, and Annual Action Plan; the comments were taken into consideration and addressed in the plans. There was also an executive summary created to address some of the concerns.

On a motion by Mark Baldwin and seconded by Dennis Myers, the 2015-2019 Consolidated Plan was unanimously approved.

On a motion by Dennis Myers and seconded by Peter Sorce, the 2015—2019 Analysis of Impediments was unanimously approved.

On a motion by Kathleen Schilling and seconded by Mark Baldwin, the 2015 Annual Action Plan was unanimously approved.

XII. On a motion by Dennis Myers and seconded by Peter Sorce, the Board approved the meeting adjourned at 9:38 a.m.

Respectfully submitted,

Ron Buchanan Chair, HOME Board

SUMMARY OF FUND BALANCES FOR HOME CONSORTIUM

alia de la companya	TO'	STIMATED TAL FUNDS VAILABLE JRING 2014	November, 2014	2014 Ye	ar t	o Date	,	FUNDS AVAILABLE 11/30/14	Comments	AV	FUNDS AILABLE TO COMMIT
			Reserved	Res	erv	ed			l		
			Number of	Number of			l				
AND THE RESIDENCE OF THE PARTY	ry sta	***************************************	Loans Amount	Loans	Αm	ount	L_,				
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Carryover from 2013:							5-51113-1		The second secon	1	NAME OF STREET
Downpayment Assistance Program 2013	\$	78,305.40	l'	12		78,305,40				1	
Purchase/Rehab Program 2013	s	25,000.00			\$					1	
Rehab Program 2013	s	25,225,95				25,000.00		-			
	*	20,223,33		2	\$	25,225.95	\$	1.34			
Downpayment Assistance Program 2014	s	300,000.00	4 \$ 21,098.20	31	s	219,301,80	s	80,698,20			
Purchase/Rehab Program 2014	\$	175,000.00	1 \$ 9,442.70			98,439.28		76,560,72		1	
Rehab Program 2014	\$	225,000.00	1 \$ 11,475.00			23.812.45			3 loans in process	1	
						20,012.10	-	201,107,33	o loans in process	+-	
County Allocations							l				
Waukesha County	S	102,915.00			S	102,915.00	\$	23+3	\$102,915 remaining to be drawn		
CHDO Operating Funds											
CHDO Reserve Funds Movin' Out (Globe Apts., Watertown)		į									
Family Promise							\$	(*)	\$43,500 remaining to be drawn		
Movin' Out (Waterloo)	œ	100,000.00	i i		_		\$	•			
Hebron House	S	29,875.00	# 20.075.00			100,000.00			\$440,000 remaining to be drawn	1	
2014 CHDO Reserve allocation	5	35,842,75	\$ 29,875.00		\$	29,875,00		0.75	\$162,875 remaining to be drawn	1	
CHDO RESERVE BALANCE		35,042.75					\$	35,842.75			
GIDO ILEGENTE BALGATOL	٥				-		\$			S	35,842.7
Administrative Funds											
Waukesha County Admin 2012	\$	23,706.44			\$	23,706.44	s	390			
Waukesha County Admin 2013	\$	69,890.20			\$	69,890.20			\$33,325 remaining to be drawn		
Waukesha County Admin 2014	\$	71,000.00			\$	71,000.00			\$71,000 remaining to be drawn		
	\$	50,000.00			5	50,000.00			As stone service wild to be diduct	1	
WPHD Admin/Technical Assistance 2014		35,000.00			\$	35,000.00				1	
UNALLOCATED ADMINISTRATIVE	\$	53,305.54			•	1	\$	53,305,54		s	53.305.5
Other Entitlement Projects					-					1	50,000.0
		004 474 65									
2014 Unallocated Entitlement Prior Year UNALLOCATED ENTITLEMENT		231,474.98					S	231,474.98		\$	231,474.9
FINITEGI UNALLUCATED ENTITLEMENT	3	131,762.99					\$	131.762.99		\$	131,762.9
CHI - Rehab funds held by Waukesha Co.	\$	28,581.24					\$	28,581.24			
OTAL AVAILABLE		1,791,885,49					s	839,413.97		s	452,386.2

NOTES

^{1,} Total funds available during 2014, includes funds carried over from prior years, 2014 estimated allocation and program income received during 2014

^{2.} These are amounts of funds reserved during the month. For downpayment, these means that the banks have reserved the funds for particular home buyers. For the rehab program, it means that an application has been approved and reserved for particular home owners.

^{3.} These are amounts of funds reserved since the beginning of the year. For downpayment, these means that the banks have reserved the funds for particular home buyers. For the rehab program, it means that applications have been approved and reserved for particular home owners.

^{4.} These are amounts available after deducting funds reserved during the year.

^{5.} These are amounts available to fund new applications for funding such as CHDO and Development Projects.



647 W. Virginia Street, Suite 200 Milwaukee, Wł 53204 414/281-4400 FAX 414/325-3124 www.lsswis.org

Kristin Silva
Waukesha County Community Development Coordinator

SENT VIA EMAIL

RE: Lutheran Social Services Home Consortium Application- Hickory Flats Apartments

Dear Kristin:

Thank you for your receipt and consideration of the attached Home Consortium Application related to the Hickory Flats community in Waukesha. Hickory Flats is currently under construction at our existing Hickory Hill Campus.

The Hickory Flats development is all new construction, and is permanent housing. The existing community has a total of 20 independent living apartments for persons with developmental disabilities. The Hickory Flats addition will increase the available independent living units to a total of 28 (eight additional units through new construction. In addition the new construction will add much needed community room space and green space to the existing campus.

The processing time from the time the budget and construction estimates were due and the time the closing occurred was significant; 2012 budget submission with a closing of July 31, 2014. This resulted in higher than budgeted construction costs of nearly \$58,000 due to increases in labor and material costs.

Additional issues arose when construction commenced resulting in additional known and anticipated costs in excess of \$93,000 to date. These costs resulted from:

- Unidentified utility lines crossing the proposed driveway requiring change in grading and addition of ADA compliant sidewalks and railings.
- Additional costs for driveway and gutter
- Adding Handicap accessibility to the community room
- Changing to a more energy efficient furnace system
- Additional grading and landscape costs
- Winter conditions

In summary, the project budget no longer aligns with the funding that has been secured to date. I respect that the HOME Consortium may not be able to entirely close the identified gap, and want to express our sincere appreciation for any consideration that this application is provided.

Respectfully,

Dennis Hanson

Executive Director- Housing Services

Motivated by the compassion of Christ, we help people improve the quality of their lives.

HOME CONSORTIUM APPLICATION

APPLICANT

Applicant's Legal Name; Lutheran Social Services of Wisconsin and Upper Michigan, Inc.

Address: 647 W. Virginia St. Suite 200 Milwaukee, WI 53204

Is the organization a CHDO? No, the organization is not a CHDO.

Contact Name: Dennis Hanson

Title: Executive Director- Housing Services

Telephone:

(414) 304-6934

FAX (414) 325-3124

E-Mail: dhanson@lsswis.org

Federal Identification Number: 39-0816846

Date Incorporated: October 2005

PROJECT SCOPE

Project Title: LSS Housing, Waukesha Hickory Flats, Inc. (dba Hickory Flats Apartments)

Project Address: 1219 S. Grandview Blvd. Waukesha, WI 53188

County: Waukesha

Funds Requested: \$ 151,557

Number of HOME units: 4*

Amount of HOME per unit: \$37,889.25

* 100% of the eight units at the development will be affordable to persons with incomes meeting HUD defined and required County Median Income (CMI) as required by the **HUD Project Rental Assistance Contract.**

Project Type: New Construction (Rental)

Population to be served; Special Needs and Family (Head of Household needs to have a qualifying disability).

Describe the general scope of the project:

Lutheran Social Services of Wisconsin and Upper Michigan, Inc. (LSS) received a Capital Advance award in November of 2011 from the U.S. Department of Housing and Urban Development (HUD). The Capital Advance was for the purpose of developing Hickory Flats; a supportive and affordable housing community currently under construction on the existing LSS Hickory Hill Campus located at 1219 S. Grandview Blvd in Waukesha.

At completion Hickory Flats will provide eight (8) additional fully accessible independent living units for persons with physical and/or developmental disabilities.

The vision is that while two separate entitles and corporations exist for legal purposes, the existing Hickory Hill and the new Hickory Flats will combine to form an attractive Campus setting for the residents. The new construction incorporates a Community Room, ample landscaping, and outdoor green gathering space intended to be available to all campus residents; features notably lacking at Hickory Hill today.

How does the project fit into the priorities set forth in the 2010-2014 Consolidated Plan?

The need for low income housing in Waukesha has been well documented. Project support has been received from the Waukesha County Executive, the Waukesha Housing Authority, and the Waukesha Aging and Disability Resource Center. The extensive waiting list at our Hickory Hill location demonstrates the need for low income housing for the targeted populations served by this development. This project will benefit an often overlooked segment of our society, persons with disabilities that are in need of quality affordable housing. The resulting impact on Waukesha and the surrounding area is that qualified individuals, many currently residing in substandard or overly restrictive housing, will be provided the opportunity to benefit from safe, sanitary, and quality housing. When combined with the professional management services provided by LSS we believe the quality of life for the impacted individuals will have a resulting positive domino effect throughout the Waukesha community.

SITING AND DESIGN

Please submit design information with the application, such as a scaled site plan, and building elevation and floor plan drawings to document the design characteristics of the proposed development.

Please see Exhibit 1 for site plan, floor plan, landscape plan and building elevation.

Do you have site control? Yes

Does the project have local zoning approval? Yes

When will the project get underway? The project is currently under construction.

When will It be completed? Project completion is currently anticipated to be March 1, 2015

Describe the site in terms of its accessibility to social, recreational, educational, commercial, health facilities and services, and other municipal facilities and services, or any other advantageous aspects of the site:

The site is located along a significant walking path that is part of the Glacial-Drumlin State Trail and provides pedestrian access to Fox Run Shopping Center, one of the major shopping districts, which includes (but is not limited to) businesses that meet the following needs:

- Clothing (Kohls Department Store)
- Groceries (Sentry Food Store)
- Household Needs (Klinke Cleaners, True Value Hardware)
- Food (Denny's, Cousins Submarine Sandwiches)
- Banking (Chase Bank & ATM)

Describe any adverse conditions this site may face, including any environmental issues, proximity to existing or proposed freeways, flooding issues, or proximity to odors or pollution from industrial issues:

There are no known adverse conditions on the site. Phase one environmental was completed prior to the HUD award of Capital Advance. The site is not in a flood zone, nor is it subject to any known odors or pollution from industrial issues. The site is not in effective proximity to existing freeways or known proposed freeways.

Describe some of the design features of the project:

The design of the proposed project will promote the ability of the residents to live as independently as possible by providing a layout in line with universal design and ADA-standards. Residents of the development will be provided with fully accessible units that will accommodate the special needs of physically disabled persons with regard to accessibility, especially in the bathrooms of each individual unit, which is often the most difficult room to navigate for those with physically disabilities. Each unit is designed with an "open concept" to allow the maximum level of flexibility in the use of space, and to provide the most appropriate level of accessibility possible. This design layout will provide the resident the ability to live in their units for as long as possible.

The project is being built to incorporate the National Association of Home Builders Bronze Level Green Building Standard, and will feature an attractive landscape designed by a licensed landscape architect.

PROJECT TARGETING/ AFFORDABILITY

Please list the pertinent information for each unit type in your project:

Targeting Elderly Supportive Housing Family Proposed HOME	Number of Households (Unils) 8	Income Targeting < 30% of Area Median Income 30-50% of Area Median Income 50-80% of Area Median Income > 80% of Area Median Income	Households		
None of These Total	8	Total	8	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	

^{*}per FY 2014 HUD Income Limits established for Waukesha County, assuming 1 person household at Extremely Low Income status

Describe the affordability period for the proposed affordable units:

This development will remain affordable for a minimum of 40 years, in compliance with the requirements of the HUD Section 811 Capital Advance.

LEVERAGE

The total revised and updated development budget is \$1,416,077 with requested HOME funds of \$151,557; or 10.7% of the total development budget:

How will the requested funds be returned to the HOME Consortium as program income?

- No return of funds*

*The funds requested herein are to fill project budgetary shortfalls. Due to the nature of the project as a HUD Subsidized Section 811 project the entity will not generate funds that could be used to return any allocated funds.

STRENGTH OF APPLICANT

PROJECT BUDGET

Please provide a Capital Budget clearly identifying all sources of funding. You may use the following budget format or supply your own. For rental projects, please provide an operating pro forma.

Status Codes: C= Committed R= Requested (also include the relevant date)

Description Codes:

A. Permanent Financing

B. Conventional Loans

C. Federal Tax Credits

D. State Tax Credits

E. Non-LIHTC Equity

F. Other Subsidies

G. State Housing Loans

H. State and Local Grants

I. Foundation Grant

J. Other Grant

K. Other Loan

L. Preservation Tax Credit R. FHA

M. CDBG

N. McKinney Act

O. FHLB AHP Funds P. Project Based (Sec. 8)

Q. Other HUD

PERMANENT SOURCES:

Source of Funds	An	iount	Desc. Code	Status Code / Date	Rate (%)	Annual Debt Service	Soft Debt? (Y/N)
HUD Capital Advance	\$	1,135,800	Q	С	N/A	N/A	N
CDGB	\$	35,000	Q	c	N/A	N/A	N
Owner Equity	\$	93,720	ĮΕ	C	N/A	N/A	N
			l	1	1-	-	1
	1		l		1-	-	1
					-	-	
HOME Funds	\$	151,557		R			
TOTAL SOURCES	15	1.416.077					

USES:

Uses of Funding	Amount
Land Acquisition Costs	\$ 111,300
Construction / Rehab	1,105,630
Soft Costs (inc. reserves)	185,369
Developer/Consulting Fees	13778
Developer/Consulting Fees	
Soft Costs (Inc. reserves)	
Other	
Total Uses	\$ 1,416,077

INTERIM SOURCES:

☐ Construction Loan

☐ Bridge Loan

Other:

Source	Amount	Rate (%)	. Fee (%)		
	1		I.		

Capital Budget related information- The HUD Capital Advance is in the form of a "grant" and does not need to be repaid. Customary financing costs such as interest rate, debt payment and financing fees therefore do not apply to this project. The Capital Advance serves as both the construction and permanent financing for the development.

Please describe below and provide written documentation of commitments from other funding sources and any other partnerships for this project.

Not applicable

EXPERIENCE / CAPACITY

Please provide your most recent audited financial statements.

Please see Exhibit 2 for the most recent audited financial statement.

Please describe the organization's housing development experience:

Housing and related services are core components of LSS as evidenced by the fact that Housing Services is one of five business units that comprise the LSS Continuum of Care.

The LSS Housing Services Business Unit consists of:

- Ownership and Management of 28 HUD subsidized apartment communities serving older adults and persons with disabilities;
- Ownership and Management of six non-subsidized rental duplexes/townhouses serving persons with disabilities;
- Co-ownership and Management of Eastridge Estates, a 64 unit market rate independent living community with on-site service provision:
- Contract management of, and Case Management services to, Cornerstone Apartmentsa 43 unit apartment community serving chronically homeless individuals in Waukesha;
- Co-ownership and anticipated service provision at three Section 42 Low Income Housing Tax Credit (LIHTC) developments (all three are recent WHEDA awards and are currently under development);
- Provision of site based Service Coordination/Case Management at more than 40 sites throughout Wisconsin and Upper Michigan. These sites include HUD Section 8, Market Rate, and Tax Credit developments.

In addition to the above we are currently in the process of acquiring a scattered site HUD subsidized community in Milwaukee, are currently developing Hickory Flats in Waukesha, and are anticipating submission of three LIHTC applications in the 2015 funding round.

Please list relevant staff experience/qualifications and provide resumes:

Lutheran Social Services of Wisconsin and Upper Michigan, Inc. (LSS) is the largest non-profit human service agency in the Wisconsin and Upper Michigan area. LSS was founded 132 years ago in 1882 as a home for orphaned children and seniors in Central Wisconsin.

Today LSS provides over 260 services to those in need in 196 locations in 115 communities throughout Wisconsin and Upper Michigan, and has earned significant support in the communities in which it has established a presence, including in Waukesha County, where LSS has served for 31 years. Although LSS has grown tremendously over the years, its original goal of improving the quality of the lives of people through a variety of compassionate social services remains the central mission of the organization. LSS is committed to providing services to persons with disabilities, persons experiencing addictions, foster children, persons with behavioral health issues, children, youth, family, and older adults in a caring, dignified and professional manner.

The Executive Director of LSS Housing Services, Dennis Hanson, has been with LSS in excess of 20 years- including the past six years in the Housing business unit. Please see **Exhibit 3** for the resume.

Please describe any partnerships for this project:

Partner agencies/entities associated with this project include:

- U.S. Department of Housing and Urban Development- Capital Advance and Project Rental Assistance Contract.
- LSS Housing, Inc. Hickory Hills apartments is located on the same campus as the subject development.
- Waukesha County ADRC- determines Family Care eligibility for tenants. See Exhibit 4 for support letter.
- Community Care and Care Wisconsin- Managed Care Organizations serving Waukesha
 County. See Exhibit 5 for support letters.
- Waukesha County Housing Action Coalition- referrals from member agencies and support services through member agencies. See Exhibit 6 for member agency support letter.
- Waukesha Rotary- The Waukesha Rotary was a significant contributor to the original Hickory Hill community. No definitive role has been identified as of yet, but we are working with the Rotary to support additional needs of the development such as project furnishings.
- St Luke's Lutheran Church- No definitive role has been identified as of yet, but we are
 working with the congregation to support additional needs of the development such as
 tenant air conditioners.
- Waukesha County Community Development Block Grant- provided pre-development funding that allowed us to be successful in our 811 application.
- Waukesha County Housing Authority- provided project support at the time of the
 application, see Exhibit 7. It is anticipated that the Housing Authority will serve as a
 referral source for the development.
- Waukesha County Executive Dan Vrakas- provided project support at the time of the application, see Exhibit 8. County Executive Vrakas reiterated support through his attendance and comments at the ground breaking ceremony for the project.
- Former US Senator Herb Kohl- provided project support at the time of the application, see Exhibit 9.

Will the project create any challenges for the organization? If so, how will these be overcome?

The main challenge this project has created is the funding gap that resulted from a Capital Advance award amount based on 2010 construction costs and a closing that ultimately occurred in 2014. In addition unanticipated items that surfaced after construction commenced created unbudgeted (and unfunded) costs.

Positive receipt of this application is one avenue we intend to utilize to overcome the identified challenge. In addition we continue to work with partners identified above related to funding for other identified project needs.

RESIDENTIAL RENTAL AND OWNERSHIP PROJECTS

Briefly describe the following:

Activities to bring the project to housing and code standards:

Not applicable- this project is new construction.

improvements (and numbers of units) to make the housing accessible:

Not applicable- this project is new construction.

Ways to assure the long term affordability of the project:

The development was made possible by the award of a HUD Section 811 Capital Advance. In addition the project was awarded a Project Rental Assistance Contract that provides ongoing operational funding support. As a result, qualified residents pay 30% of their adjusted gross income as rent.

RESIDENTIAL RENTAL PROJECTS

Provide the following information about specific units in a RENTAL project:

For rental housing and rental assistance, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the HUD-adjusted median family income for the area. In rental projects with five or more assisted units, at least 20 percent of the units must be occupied by families with incomes that do not exceed 50 percent of the HUD-adjusted median.

Number of Units	Income Category	Monthly Unit Rent	includes Utilities?
8*	Below 30% CMI	Varies**	Yes
	30.1% 50% CMI		
110000000000000000000000000000000000000	50.1% 60% CMI		
	60.1% 80% CMI		

^{*100%} of the 8 project units will be affordable as per HUD guidelines. The number at each income level shown is an estimate. Utilities are included or covered by an offsetting utility allowance.

Describe briefly your tenant selection criteria and process.

The prospective residents of the development will be selected in accordance with HUD Section 811 Supportive Housing for Persons with Disabilities guidelines. The target populations for this development will be adults with a primary diagnosis of either developmental disability or physical disability.

Please see **Exhibit 10** for a representative sample of what the Tenant Selection Plan will look like for the development.

^{**}Individual rent will vary as rent is the equivalent of 30% of the individual's adjusted gross income. The balance of the total rent, aka the "contract rent" is paid via the HUD Project Rental Assistance Contract.

Does the project include plans to provide supportive services to residents or links to appropriate services? If yes, please describe.

Yes. Based on our experience it is anticipated that residents of the development may require either supportive services or assistance in the following areas:

- Life skills training;
- Daily living skills;
- Personal money management;
- · Activities of Daily Living (ADLs);
- Obtaining and maintaining government provided benefits such as Supplemental Security Income (SSI);
- Participation in social and recreational activities;
- Development of interpersonal skills:
- Maintaining or developing relationships with family, friends, and other avenues of informal support within the community;
- · Accessing health care services;
- Symptom-management and skills to more independently manage the effects of a disability;
- Assistance in purchasing clothing and home furnishings;
- Personal advocacy;
- Assistance in obtaining meaningful employment;
- · Assistance in monitoring medication;
- Crisis intervention:
- Assistance in selecting alternative housing if needs change (in addition to assistance in recognizing when a new set of services becomes necessary).

It is anticipated that the majority of the prospective residents of the subject development will have case management services through one of Waukesha County's Family Care agencies; Community Care and Care Wisconsin. Initial determination of eligibility for the Family Care program will be determined by the Waukesha County Aging and Disability Resource Center (ADRC).

The assigned Family Care Case Managers will have the overall responsibility for coordinating the services required for each individual. The site manager for the development will assist in needs identification and communication with the case manager when appropriate. In addition to case management, and in an effort to ensure stability in day-to-day living issues, general assistance and supervision will be provided at the development by LSS site management.

Independent of site management services, LSS offers several additional service programs in Waukesha County. The residents of the development will be made aware of these service options and will be afforded choice in election of services as well as service provider. LSS services anticipated to be of benefit to the residents of the development include:

- Community Individualized Supports- Community Supported Living is a flexible partnership between any person needing support to live in their own home and an entity providing individualized assistance individuals or organizations, paid or unpaid).
- Waukesha Clinic- Outpatient mental health and substance abuse services.
- Spring City Corner Clubhouse- A work-ordered day-time clubhouse environment that
 empowers individuals socially and vocationally disabled by mental illness, to achieve or
 retain the confidence and skills necessary to lead vocationally productive and socially
 satisfying lives.
- Friendships Unlimited- Friendships Unlimited provides adults experiencing mental illness with an opportunity to meet others who can relate on common ground for education, support, growth and socialization.
- Mindworks- A memory enhancing program for people experiencing early memory loss.
 This program offers physical and mental exercise and helps participants develop helpful memory strategies.

ADDITIONAL QUESTIONS FOR ALL PROJECTS

What percent of the housing units in your project are family (not elderly) rental units affordable to families making less than 50% of the area median income?

None of the units are targeted toward families, all units are targeted to individuals with a qualifying disability as defined in the Tenant Selection Plan. Families comprised of a head of household that has a qualifying disability may be eligible.

Are any of the units in your project public housing replacement units through an agreement with the local Housing Authority?

No, none of the units in this project are public housing replacement units through and agreement with the local Housing Authority. However, the Waukesha County Housing Authority has provided support for the project, and is anticipated to generate referrals for the project.

Is your project a mixed use development (example: housing and commercial)?

No, the project is not a mixed use development.

Will your project incorporate the Star Home Program requirements or another documented energy savings program that provides guaranteed EPA Energy Star Certification of the finished housing units?

Yes, the project has committed to achieving, at a minimum, the Bronze level of Green Building Certification through the National Association of Home Builders Green Building Program. The project will feature Energy Star appliances.

What percent of the proposed units are designed to be fully handicap accessible as defined in Federal and State guidelines?

100% of the units are designed to be fully handicap accessible.

Every dollar of HOME funds used must be matched with at least 25 cents from nonfederal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, and other resources. Please describe how your project will meet the minimum 25% federal match requirement:

As Identified in 24 CFR 92.220 the direct cost of supportive services provided to families residing in HOME assisted units during the period of affordability may be included as HOME eligible match.

The identified supportive services include case management, mental health services, substance abuse treatment and counseling, and job training/counseling.

Total HOME requested funds are \$151,779. Total funds x 25% = \$37,945 matching requirement. Over the 40 year life of the project, assuming a minimal 2 hours per week of service provision, the value of match from general agency donations and solicited funding specific to that service provision would exceed \$41,600.

NOTE: The following Is only available to Community Housing Development Organizations (CHDOs)

CHDO OPERATING

LSS is not requesting CHDO operating support in this application for funds.

AUTHORIZATION

On behalf of <u>Lutheran Social Services of Wisconsin and Upper Michigan, Inc.</u> (Applicant), I submit this application for funding to the HOME Consortium. To the best of my knowledge all information contained herein is accurate and complete as stated.

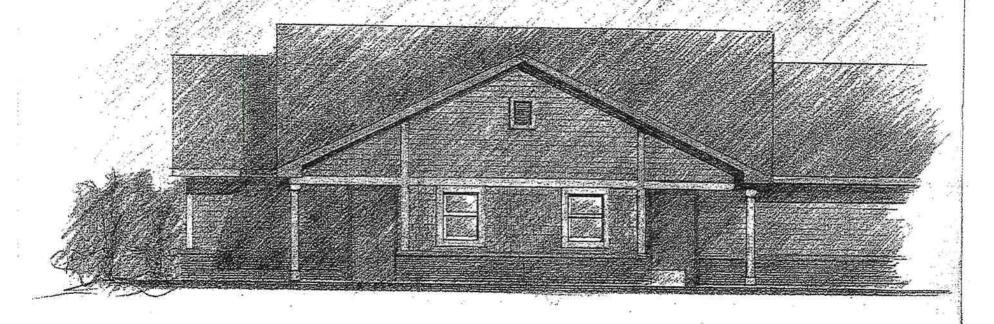
Signature

Chief Program Officer

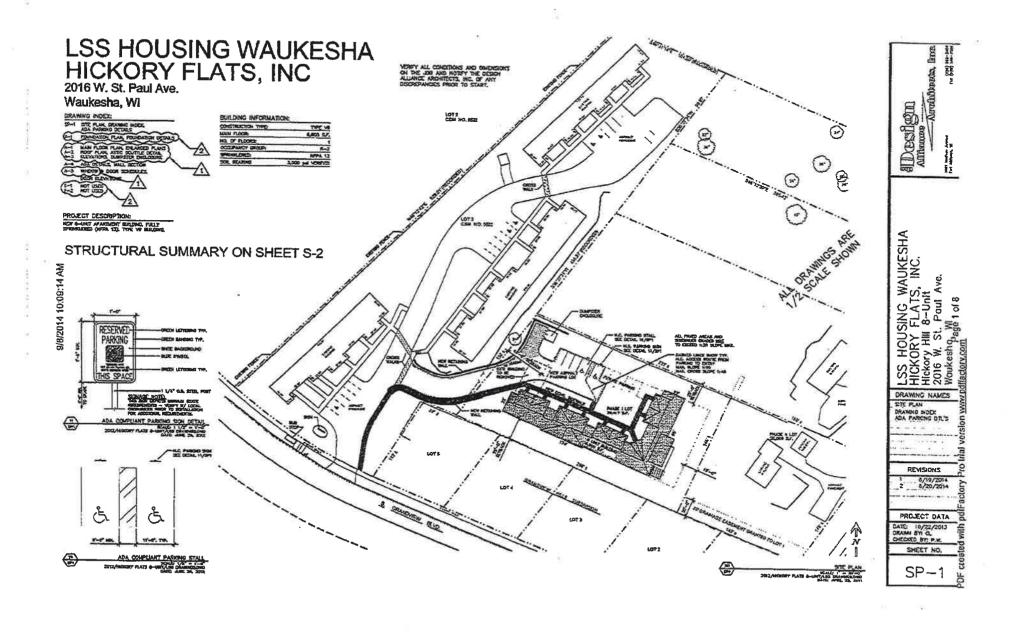
Ronald A. Hauser

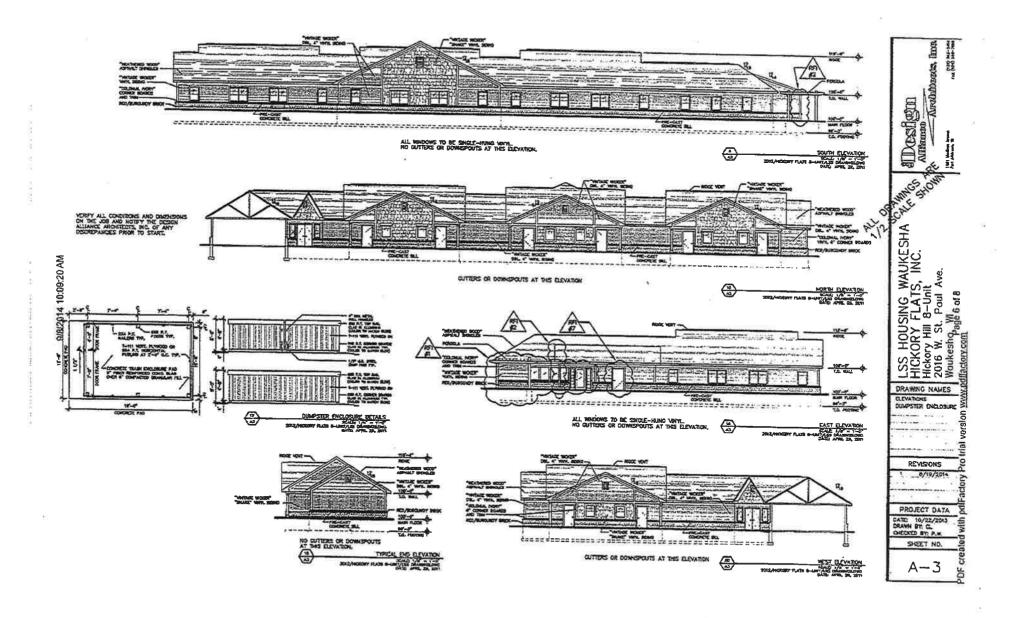
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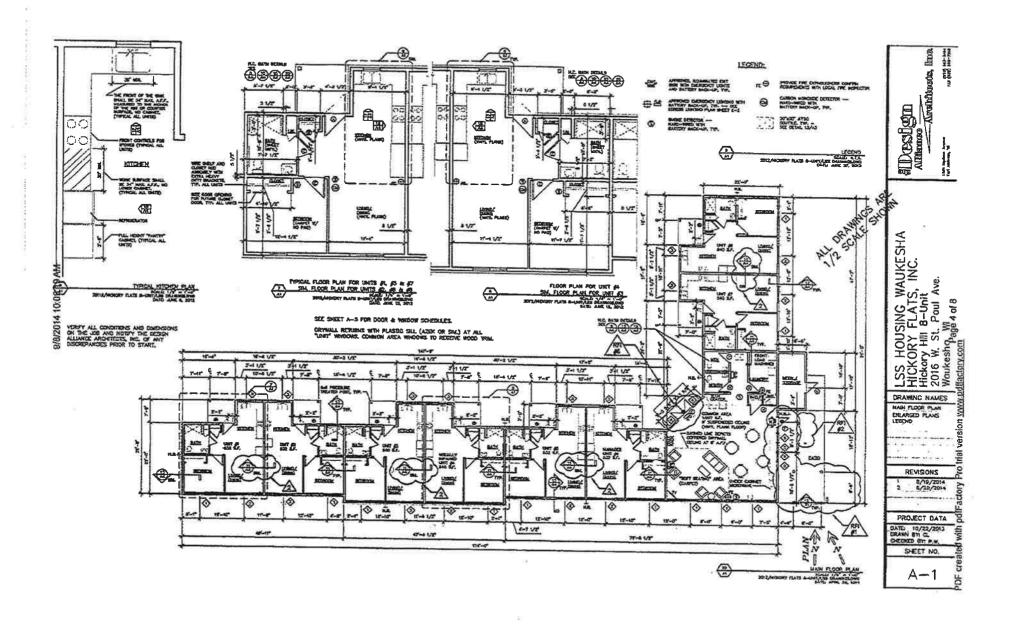
December 4, 2014

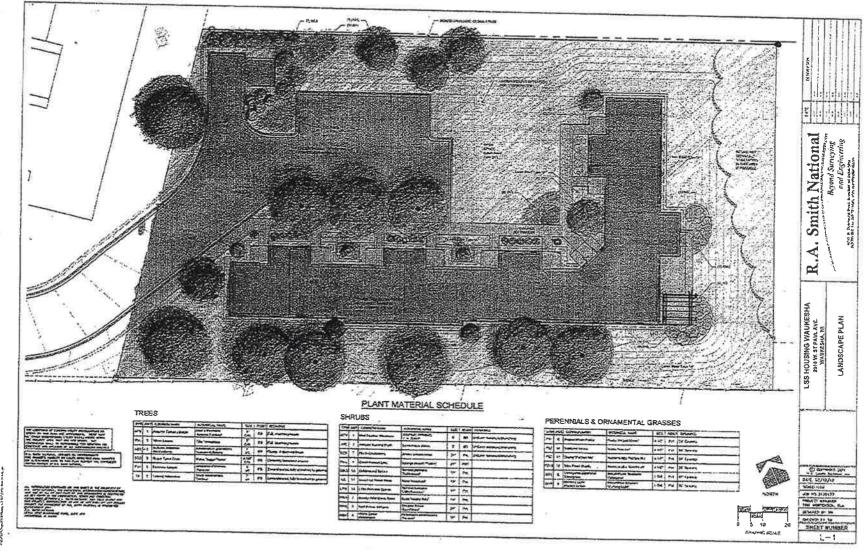


LSS HOUSING WAUKESHA HICKORY FLATS, INC.









Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012
(With Independent Auditors' Report Thereon)

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Baker Tilly Virchow Krause, LLP 777 E Wisconsin Ave, 32nd Floor Milwaukee, WI 53202-5313 rel 414 777 5500 fax 414 777 5555 bakectilly.com

INDEPENDENT AUDITORS' REPORT

Board of Directors Lutheran Social Services of Wisconsin and Upper Michigan, Inc. and Related Corporations Milwaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lutheran Social Services of Wisconsin and Upper Michigan, Inc. and Related Corporations (the "Agency"), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in <u>Government Auditing Standards</u>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Agency as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information as identified in the table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in net assets, and cash flows of the individual organizations, and it is not a required part of the consolidated 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 consolidated financial statements. The consolidated financial statements and certain additional procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

Baker Tilly Victor Krause, LLP

In accordance with <u>Government Auditing Standards</u>, we have also issued our report dated April 15, 2014 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <u>Government Auditing Standards</u> in considering the Agency's internal control over financial reporting and compliance.

Milwaukee, Wisconsin

April 15, 2014

Consolidated Statements of Financial Position As of December 31, 2013 and 2012

Assets	2013	2012	Liabilities and Net Assets	2013	2012
Current Assets:	2		Current Liabilities:		
Cash and Cash Equivalents	\$ 2,928,507	\$ 1,692,257	Current Maturities of Debt	\$ 683,981	\$ 787,089
Investments	311,728	280,858	Accounts Payable	2,203,573	1,749,841
Accounts and Contributions Receivable, Net	7,266,288	7,664,818	Refundable Advances	2,062,441	2,304,900
Prepaid Expenses	1,013,984	1,575,937	Accrued Liabilities	4,372,810	5,936,105
Assets Held for Sale	3,275,319	4,142,100			- 0,000,00
			Total Current Liabilities	9,322,805	10,777,935
Total Current Assets	14,795,826	15,355,970		0,022,000	10,777,000
			Long-Term Debt	17,621,146	19,587,248
Property and Equipment:			Other Liabilities	531,348	536,648
Land	3,926,363	4,079,212			
Buildings	36,145,655	37,598,762	Total Liabilities	27,475,299	30,901,831
Equipment	6,070,929	6,496,355			
Construction in Progress	27,251	: - 0	Net Assets:		
Less- Accumulated Depreciation	(23,985,156)	(23,625,021)	Unrestricted	8,257,221	7,317,981
			Temporarily Restricted	27,755,941	25,175,473
Property and Equipment, Net	22,185,042	24,549,308	Permanently Restricted	3,703,630	3,570,654
Other Assets:			Total Net Assets	39,716,792	36,064,108
Beneficial Interest in LSS Foundation, Inc.	27,730,679	25,174,873			
Other	2,480,544	1,885,788	Total Liabilities and Net Assets	\$ 67,192,091	\$ 66,965,939
Total Assets	\$ 67,192,091	\$ 66,965,939			

Consolidated Statement of Activities For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:				
Government Service	\$ 39,080,634	\$	\$ -	\$39,080,634
Client Fees, Insurance and Contracts	15,103,604		#	15,103,604
United Way	199,385	645,068	*:	844,453
Bequests and Other Gifts	220,626	412,413	π.	633,039
Miscellaneous Revenues	1,627,852		÷	1,627,852
,,,	56,232,101	1,057,481	· · · · · · · · · · · · · · · · · · ·	57,289,582
Net Assets Released from Restrictions	2,854,276	(2,854,276)	- -	<u>:</u>
Total Revenues, Gains and Other Support	59,086,377	(1,796,795)		57,289,582
Expenses:				
Program Services	51,453,354		*	51,453,354
General and Administrative	6,201,977		*	6,201,977
Fundraising	525,377			525,377
Total Expenses	58,180,708		×	58,180,708_
Change in Net Assets Before Investment Income and				
Change in Beneficial Interest in LSS Foundation, Inc.	905,669	(1,796,795)	-	(891,126)
Investment Income, Net	33,571		¥	33,571
Change in Beneficial Interest in LSS Foundation, Inc.		4,377,263	132,976	4,510,239
Change in Net Assets	939,240	2,580,468	132,976	3,652,684
Net Assets, Beginning of Year	7,317,981	25,175,473	3,570,654	36,064,108
Net Assets, End of Year	\$ 8,257,221	\$27,755,941	\$3,703,630	\$39,716,792

Consolidated Statement of Activities For the Year Ended December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support:	1 (0 111)			
Government Service	\$ 39,919,829	\$ =	\$	\$ 39,919,829
Client Fees, Insurance and Contracts	21,419,857			21,419,857
United Way	284,285	656,534	1040	940,819
Bequests and Other Gifts	43,088	155,558	9.●	198,646
Miscellaneous Revenues	1,621,099			1,621,099
	63,288,158	812,092	-	64,100,250
Net Assets Released from Restrictions	2,795,190	(2,795,190)		
Total Revenues, Gains and Other Support	66,083,348	(1,983,098)	<u>.</u>	64,100,250
Expenses:				
Program Services	58,822,681	.5	182	58,822,681
General and Administrative	7,334,203	e e		7,334,203
Fundralsing	783,168			783,168
Total Expenses	66,940,052			66,940,052
Change in Net Assets Before investment income and				
Change in Beneficial Interest In LSS Foundation, Inc.		(1,983,098)	19	(2,839,802)
Investment Income, Net	26,020		360	26,020
Change in Beneficial Interest in LSS Foundation, Inc.	(000 00 ()	4,435,490	50,812	4,486,302
Change in Net Assets	(830,684)	2,452,392	50,812	1,672,520
Net Assets, Beginning of Year	8,148,665	22,723,081	3,519,842	34,391,588
Net Assets, End of Year	\$ 7,317,981	\$ 25,175,473	\$3,570,654	\$ 36,064,108

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2013

	Community and Individualized	Housing	Adoption and Out of	Permanence, Stability	Change and Community	General and		Total
	Support	Services	Home Services	•	Development	Administrative	Fundraising	Expenses
Onto o Francis								
Salary Expense	+ -,,	\$ 1,587,862	\$ 5,002,648	\$ 6,947,260	\$ 4,609,875	\$ 3,230,061	\$ 168,912	\$ 27,189,586
Payroll Tax and Benefits	1,507,551	384,941	1,277,191	1,626,958	1,196,124	547,755	68,304	6,608,824
Professional Fees	249,585	474,649	165,709	59,781	63,833	769,202	162,820	1,945,579
Supplies	134,990	180,757	126,110	217,856	228,019	51,752	354	939,838
Food	286,410	811	187,761	76,246	360,531	1,890	16	913,665
Telephone	80,884	43,791	115,806	127,584	130,406	258,253	3,071	759,795
Postage	7,573	3,368	18,472	10,257	6,558	26,758	9,804	82,790
Occupancy	918,883	953,149	621,781	889,800	953,165	232,214	43,054	4,612,046
Print and Publications	6,981	5,010	4,620	13,120	3,569	41,716	15,317	90,333
Transportation	374,789	50,463	372,769	644,545	292,054	89,621	17,616	1,841,857
Conferences and								
Continuing Education	61,745	48,150	52,336	82,125	42,157	31,728	5,390	323,631
Assistance to Individuals	45,261	2,072	1,581,050	239,503	753,808	5,225		2,626,919
Payments to Providers	4,985	5#3	359,767	5,542,414	387,527	85		6,294,778
Equipment	41,718	25,717	62,438	113,146	62,110	420,240	19,457	744,826
Interest	109,232	464,755	120,613	1,028	78,622	374,053	Œ	1,148,303
Depreciation	246,138	616,418	260,847	4,599	125,726	382,170	<u>=</u>	1,635,898
Bad Debt	78,608	3,030	(2,352)	89,471	3,139	-	-	171,896
Miscellaneous	(62,886)	153,298	155,247	145,720	108,249	(260,746)	11,262	250,144
Total Functional Expenses	\$ 9,735,415	\$ 4,998,241	\$ 10,482,813	\$ 16,831,413	\$ 9,405,472	\$ 6,201,977	\$ 525,377	\$ 58,180,708

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2012

	Community a Individualize Support		Housing Services	a	Adoption and Out of me Services	ermanence, Stability nd Wellness	C	Change and Community Development		ieneral and Iministrative	Fı	undraising	Total Expenses
Salary Expense	\$ 9,780,1	19 \$	1,501,997	\$	5,350,339	\$ 7,075,540	\$	4,466,230	\$	4,213,147	\$	364,014	\$ 32,751,386
Payroll Tax and Benefits	2,943,3	99	380,924		1,515,276	1,737,068		1,214,530		708,357		128,279	8,627,833
Professional Fees	397,0	02	525,859		242,396	111,539		95,390		322,006		85,615	1,779,807
Supplies	132,0	82	151,320		134,862	127,814		191,622		71,481		6,411	815,592
Food	494,6	56	1,060		185,186	65,646		358,292		1,858		2,037	1,108,735
Telephone	133,6	17	66,071		120,097	149,696		124,495		269,384		4,678	868,038
Postage	11,7	77	3,117		27,105	10,823		7,890		49,859		16,820	127,391
Оссиралсу	1,006,6	81	838,895		629,004	922,505		916,241		329,954		48,467	4,691,747
Print and Publications	6,9	48	7,249		9,079	18,372		7,155		28,440		40,178	117,421
Transportation	638,1	17	38,215		434,247	644,630		278,858		198,723		30,602	2,263,392
Conferences and													
Continuing Education	85,0	86	36,372		63,504	38,710		45,224		107,585		13,489	389,970
Assistance to Individuals	67,3	84	2,317		1,421,218	283,281		777,473		266		361	2,552,300
Payments to Providers	8,8	10	8		276,626	5,696,902		559,995				ä	6,542,033
Equipment	68,4	51	21,301		116,211	78,480		60,193		469,245		24,107	837,988
interest	233,9	30	478,008		143,112	863		109,647		337,324			1,302,884
Depreciation	372,7	84	620,116		276,296	4,599		142,772		406,229			1,822,796
Bad Debt	21,9	01	14,354		20,705	28,018		1,321		(*)		-	86,299
Misceilaneous	257,0	27	115,983		124,385	111,308		(192,718)		(179,655)		18,110	254,440
							_		-				
Total Functional Expenses	\$ 16,659,4	71 \$	4,803,158	\$	11,089,648	\$ 17,105,794	\$	9,164,610	\$	7,334,203	<u>\$</u>	783,168	\$ 66,940,052

Consolidated Statements of Cash Flows For the Years Ended December 31, 2013 and 2012

		2013	2012		
Cash Flows from Operating Activities:					
Change in Net Assets	\$	3,652,684	\$	1,672,520	
Adjustments to Reconcile Change in Net Assets to Net Cash Provided					
by Operating Activities-				1 000 700	
Depreciation		1,635,898		1,822,796 108,792	
Amortization Net Realized and Unrealized Investment Gain		69,484 (24,506)		(15,316)	
Change in Beneficial Interest in LSS Foundation, Inc.		(2,555,806)		(2,632,738)	
Bad Debt Expense		171,896		86,299	
Gain on Sales of Property and Equipment		(703,272)		(816,287)	
Impairment Loss on Assets Held for Sale		590 2		431,851	
Change in Assets and Liabilities-					
Accounts and Contributions Receivable, Net		226,634		(257,538)	
Prepald Expenses		561,953		(258,207)	
Other Assets		(8,852)		(259,998) 386,102	
Accounts Payable		453,732		(2,140,087)	
Accrued Liabilities, Refundable Advances and Other Liabilities Net Cash Provided by (used for) Operating Activities	_	(1,811,054)	_		
Net Cash Provided by (used for) Operating Activities		1,668,791		(1,871,811)	
Cash Flows from Investing Activities:					
Purchases of Property and Equipment		(192,270)		(342,745)	
Proceeds from Sales of Property and Equipment		2,490,691		2,284,717	
Purchases of Investments		=		(5,828)	
Proceeds from Sale of Investments		(6,364)			
Net Cash Provided by Investing Activities		2,292,057	_	1,936,144	
Cash Flows from Financing Activities:					
Proceeds from Long-Term Debt		283,339		422,308	
Payments on Long-Term Debt		(3,007,937)		(712,103)	
Payments on Lines of Credit, Net			_	(98,415)	
Net Cash Used for Financing Activities		(2,724,598)	_	(388,210)	
Net Increase in Cash and Cash Equivalents		1,236,250		(323,877)	
Cash and Cash Equivalents, Beginning of Year		1,692,257		2,016,134	
Cash and Cash Equivalents, End of Year	\$	2,928,507	\$	1,692,257	
Supplemental Cash Flow Data:	-	***************************************			
Interest Paid	\$	1,137,396	\$	1,194,092	
Refinanced Debt	\$	6,904,072	\$	12,674,592	
Other Assets Financed by Mortgages Payable	\$	655,388	\$		

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

(1) Purpose and Activities-

(a) Consolidated Entities-

The consolidated financial statements of Lutheran Social Services of Wisconsin and Upper Michigan, Inc. and related corporations (the "Agency") Include the accounts of Lutheran Social Services of Wisconsin and Upper Michigan, Inc. ("LSS") and its related corporations:

LSS Housing, Prairieview, Inc. Abode Corporation (Dissolved in 2012) Appleton TCC, LLC LSS Housing, South Willow, Inc. LSS Housing, 26th Street, Inc. LSS Housing, Waukesha Hickory Flats, Inc. LSS Housing, Willow Wood, Inc. LSS Housing, Center Street, Inc. LSS Housing, Woodside, Inc. LSS Housing, Eau Claire, Inc. LSS Housing, Woodview, Inc. LSS Housing, Germantown, Inc. LSS Housing, Granville, Inc. LSS Manor, Inc. - Calumet LSS Manor, Inc. - Chocolay LSS Housing, Hampton, Inc. LSS Housing, Houghton, Inc. LSS Manor, Inc. - Lake Geneva LSS Manor, Inc. - Marquette LSS Housing, Inc. LSS Manor, Inc. - New Berlin LSS Housing, Mill Road, Inc. LSS Housing, North Willow, Inc.

LSS, a Wisconsin not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, is a multifunctional service agency, organized for the purpose of providing charitable, educational and religious services. LSS provides family and individual counseling services; services to developmentally disabled persons with serious and persistent mental illness and elderly persons; refugee services, foster care, adoption, social improvement and educational services; care and treatment for adolescents in their own homes and communities, care centers and group homes; halfway houses for recovering chemically dependent persons; outpatient programs for the treatment and rehabilitation of chemically dependent individuals and those with psychiatric conditions, triage, case management and claims processing services to behavioral health clients; and arranges for or provides pastoral care services in various public and community institutions and organizations.

Appleton TCC, LLC is a limited liability company formed for the purpose of holding building and land used to provide services to older adults. Abode Corporation was a Wisconsin not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. On November 5, 2012, the assets, liabilities, net assets, obligations and contracts of Abode Corporation were combined with LSS and Abode Corporation was subsequently dissolved. LSS Housing, Waukesha Hickory Flats, Inc. is a Wisconsin non-stock corporation organized in 2012 as a tax exempt entity under Section 501(c)(3) exclusively for providing housing under U.S. Department of Housing and Urban Development ("HUD") Section 811 Supportive Housing for Persons with Disabilities. The other related corporations are either Wisconsin or Michigan not-for-profit corporations, exempt from Federal Income tax under either Section 501(c)(3) or 501(c)(4) of the Internal Revenue Code, and are service corporations organized for the purpose of providing needful individuals with housing facilities and services designed to meet their special needs and to promote their health, security, happiness and usefulness. All net assets remaining upon dissolution of any of these corporations are to be conveyed to an organization created and operated for similar nonprofit purposes or to the respective funding source.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

(b) Non-Consolidated Beneficial Interest-

LSS Foundation, Inc. (the "Foundation") is a Wisconsin not-for-profit corporation exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and operates exclusively to provide financial support for the benefit of the Agency. The articles of incorporation and bylaws of the Foundation provide for a majority of directors of the Foundation to be appointed by the Foundation Board of Directors and a minority of directors to be appointed by LSS. LSS is required to carry its interest in the Foundation's net assets as a beneficial interest on the consolidated statements of financial position. Changes in that beneficial interest are recorded as a change in beneficial interest in the Foundation on the consolidated statements of activities.

(2) Summary of Significant Accounting Policies-

The following is a summary of the significant accounting policies of the Agency:

(a) Basis of Accounting-

The consolidated financial statements have been prepared on the accrual basis of accounting. All significant interagency balances and transactions have been eliminated in consolidation. Certain 2012 amounts have been reclassified in order to be consistent with the 2013 presentation. The reclassifications have no effect on the reported amounts of net assets or change in net assets.

(b) Basis of Presentation-

The Agency's net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Agency and changes therein are classified and reported as follows:

Unrestricted Net_Assets-

Net assets that are not subject to donor-imposed stipulations. Net assets are available for unrestricted use in the operating, investing and financing activities of the Agency. The Agency recognizes as unrestricted revenue all donor-restricted contributions made to the Agency whose restrictions are substantially met in the same year.

Temporarily Restricted Net Assets-

Net assets that are subject to donor-imposed stipulations that will be met by actions of the Agency and/or the passage of time.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

The temporarily restricted net assets consist of the following as of December 31:

	2013	2012
Beneficial Interest in the Foundation	\$ 24,027,049	\$ 21,604,219
Temporarily restricted portion of United Way receivables	645,068	657,976
Charitable remainder annuity trusts		
and other donor restricted glfts	- 610,688	414,750
Property and Equipment	2,473,136	2,498,528
	\$ 27,755,941	\$ 25,175,473

The temporarily restricted net assets are available for the following purposes as of December 31:

	2013	2012
Community and Individualized Support	\$ 2,616,147	\$ 2,484,465
Adoption and Out of Home Services	159,520	170,964
Permanence, Stabilty and Wellness	51,952	8,675
Change and Community Development	27,199	9,719
Other Donor Restricted Purposes	645,068	657,976
General Services:		
Beneficial interest in the Foundation	24,027,049	21,604,219
Property and equipment	229,006	239,455
	\$ 27,755,941	\$ 25,175,473
Property and equipment		239,455 \$ 25,175,473

Contributions of cash or other assets restricted for the purchase of property and equipment are reported as restricted support that increase temporarily restricted net assets and are released from restriction as depreciation expense is incurred.

Permanently Restricted Net Assets-

Net assets subject to donor-imposed stipulations that they be maintained permanently. Permanently restricted net assets consist of the portion of the Agency's beneficial interest in the Foundation that is permanently restricted by donors.

(c) Cash and Cash Equivalents and Investments-

Cash and cash equivalents are defined as securities and other short-term investments with maturities at acquisition of approximately three months or less.

Realized and unrealized gains (losses) are reported as investment income (loss) in the consolidated statements of activities unless the income or loss is restricted by donor or law.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

Investment income, net of investment fees, for the years ended December 31 consists of:

		2012			
Net Realized and Unrealized Gains	\$	24,506 9,065	\$	15,316 10,704	
Interest and Dividends		9,000	-	10,704	
Net Investment Income	\$	33,571	\$	26,020	

(d) Fair Value of Financial Instruments-

The fair value of the Agency's securities and 457 plan assets are based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs.

The fair value of the Agency's interest rate swap, used for purposes other than trading, is the estimated amount that the Agency would receive, or pay, to sell, or transfer to another entity with the same credit standing. The interest rate swap valuation was based on unobservable inputs including expected cash flow, maturity date, notional amount, interest rates, and risks of non-performance through the duration of the agreement. The agreement was terminated during 2013.

The fair value of the Agency's variable rate debt in 2012 was estimated based on current rates for similar variable rate debt with the same remaining maturities. The Agency also considers its creditworthiness in determining the fair value of its variable rate debt. To estimate the fair value of the fixed rate debt, cash flows are evaluated and then discounted using the appropriate market rates for the applicable maturities.

The beneficial interest in the Foundation is measured at fair value on a recurring basis. The fair value of the Agency's beneficial interest is estimated to approximate the fair value of the Foundation's net assets.

The Agency also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. The carrying amounts of assets held for sale are recorded at the lower of net book value or fair value, less costs to sell.

For additional disclosures regarding fair value see Note 7.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

(e) Accounts Receivable-

Accounts receivable are funding source obligations, which generally are receivable within 30 days from the invoice or billing date, and are stated at the invoice amount. The Agency provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Agency's estimate is based on historical collection experience and a review of the current status of trade accounts receivable. When an account is deemed uncollectible, the account is written off against the allowance. It is reasonably possible that the Agency's estimate of the allowance for doubtful accounts will be changed. Contributions made to the Agency are recorded in the year the pledge is made. An allowance for uncollectible contributions receivable is determined based on experience.

(f) Assets Held for Sale-

Assets held for sale represent real estate that management expects to be sold within one year. Assets held for sale are recorded at their historical cost net of accumulated depreciation at the time the asset is classified as held for sale or net realizable value, whichever is lower.

(g) Property and Equipment-

Property and equipment are stated at cost and are depreciated over the estimated useful lives of the assets using the straight-line method. All acquisitions of property and equipment, generally in excess of \$5,000, and all expenditures for repairs, maintenance, improvements and betterments that materially prolong the useful lives of assets are capitalized. The estimated useful lives are as follows:

Buildings and Improvements

20 to 40 years

Equipment

3 to 10 years

Donated property and equipment are recorded as increases in unrestricted net assets at their estimated fair value as of the date received unless restricted by donor.

Leasehold improvements are generally amortized over the shorter of the non-cancelable lease term or the estimated useful life. When properties are retired or sold, the related cost and accumulated depreciation are removed from the accounts, and the gain or loss on disposition is reflected as miscellaneous revenues. Maintenance and repair costs are charged to expense as incurred and improvements are capitalized.

(h) Impairment of Assets-

The Agency reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset.

Due to governmental funding reductions, the Agency decided to close the majority of the Persons with Disabilities ("PWD") residential group home programs during 2013 and 2012. The Agency has begun moving to a new delivery model and provides services to PWD clients within their own homes. In 2013, the Agency sold 16 PWD properties and as of December 31, 2013, 7 PWD properties are held for sale. In 2012, the Agency sold 16 PWD properties and as of December 31, 2012, 11 PWD properties were held for sale. The Agency recognized an impairment loss of

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

approximately \$0 and \$432,000 during the years ended December 31, 2013 and 2012, respectively, related to properties held for sale.

(i) Refundable Advances-

Refundable advances are unexpended governmental monies from current and prior year contracts. These amounts are reported to the respective governmental entities. In certain instances at the direction of funders, advances will be used to offset governmental expenditures in future periods and will be recognized as revenue when earned. When it is probable amounts will not be repaid, they are recognized as government services revenue.

(j) Government Service, Client Fees, Insurance and Contract Revenue-

Government service, client fees, insurance and contract revenues are recognized when earned, which is generally in the period the related expenses are incurred for services performed. Government grant awards are subject to renewal by the grantor agencies on an annual basis.

Governmental advances received in the current year for future year contracts are recorded as accrued expenses. These funds are recognized as revenue in the year the related expenses are incurred for the services performed.

(k) Contributions-

Contributions, including contributions receivable, are recognized in the period received. Conditional promises are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. The contributions are reported as either temporarily or permanently restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. In the absence of donor specification that income and gains on donated funds are restricted, such income and gains are reported as income of unrestricted net assets. United Way contributions are recognized in the period the Agency receives an unconditional written commitment from the United Way. The consolidated financial statements reflect the unpaid portion of the commitment as a temporarily restricted net asset.

(i) Contributed Goods and Services-

Contributed goods are recognized in the period received at the fair value of the goods received. Such goods totaled \$190,415 and \$186,668 for the years ended December 31, 2013 and 2012, respectively and are included in bequests and other gifts in the statements of activities. In addition, volunteers contribute personal time to assist the Agency in performing various services. The fair value of volunteer services is not recorded by the Agency as a contribution and an expense because specialized expertise is not required to perform the volunteer services.

(m) Derivatives-

The Agency had an interest rate swap agreement (the "swap") to manage the interest risk related to a portion of its long-term debt (see Note 6). The swap was designated and qualified as a cash flow hedge which was reported at fair value in the consolidated statements of financial position. Changes in the swap's fair value were reported in interest expense. The Agency documented the hedge effectiveness at the inception of and during the term of each hedge. It is the Agency's

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

policy to execute such contracts with creditworthy counter parties. The Agency's interest rate risk management strategy is to stabilize cash flow requirements by maintaining the swap to convert variable rate debt to a fixed rate. The Agency does not use derivatives for trading or speculative purposes. The swap was terminated during 2013.

(n) Deferred Financing Costs-

Deferred financing costs are amortized over the lives of the related loans, which is the first reset date or the maturity date, whichever is earlier, and are reported as other assets on the consolidated statements of financial position.

(o) Expense Allocation-

The costs of providing the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(p) Distributions

The Agency's regulatory agreements with HUD stipulate, among other things, that the Agency will not make distributions of assets or income to any of its officers or directors.

(q) Use of Estimates-

The preparation of the consolidated financial statements requires management of the Agency to make estimates and assumptions relating to the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the valuation of allowances for receivables, valuation of the Beneficial Interest in the Foundation, carrying value of assets held for sale, refundable advances, assets and obligations related to employee benefits, and the swap. It is reasonably possible that the estimates could change within the next year and could materially affect the amounts reported in the consolidated statements of financial position and statements of activities.

(3) Restricted Cash-

At December 31, 2013 and 2012, the Agency had restricted cash totaling approximately \$1,398,000 and \$1,075,000, respectively, mainly related to replacement reserves, repair reserves, tenant security deposits, and residual receipts required by the U.S. Department of Housing and Urban Development ("HUD"). HUD regulations require these funds be held in segregated accounts. Restricted cash is reported as a component of other assets on the consolidated statements of financial position.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

(4) Accounts and Contributions Receivable-

Accounts and contributions receivable are comprised of the following as of December 31:

	2013	2012
Governmental Services, Clilent Fees, Insurance and		
Contracts	\$ 6,304,605	\$ 6,827,658
United Way	645,068	706,441
Miscellaneous	552,749	422,206
	7,502,422	7,956,305
Less- Allowance for Doubtful Accounts	(236, 134)	(291,487)
Accounts and Contributions Receivable, Net	\$ 7,266,288	\$ 7,664,818

(5) Quality Development Corporation-

The Agency is a non-controlling 50% member of Quality Development Corporation ("QDC"), a non-stock, nonprofit corporation that provides unsubsidized housing to the elderly. There is no investment in QDC recorded in the consolidated financial statements as the Agency has no rights to revenues in excess of expenses or remaining assets upon dissolution. Summarized financial data of QDC as of and for the years ended December 31 is as follows:

	2013	2012
Assets Liabilities	\$ 3,393,396 2,085,345	\$ 3,427,420 2,180,255
Net Assets	\$ 1,308,051	\$ 1,247,165
	2013	2012
Revenue Expenses	\$ 734,918 674,032	\$ 748,826 628,654
Increase in Net Assets	\$ 60,886	\$ 120,172

Notes to Consolidated Financial Statements As of and for the Years Ended December 31, 2013 and 2012

(6) Long-Term Debt and Lines of Credit-

b) Long-Term Debt and Lines of Credit-		
Long-term debt consists of the following as of December 31:	2013	2012
Note payable to the Mission Investment Fund ("MIF"). Fixed rate of 4.625% for five years after which the rate was adjustable. The first recalculation date was June 1, 2017. Principal and interest payments were due monthly through May 2037. In 2013 the note was modified with a fixed rate of 4.0% for five years after which the rate is adjustable. The first recalculation date is June 1, 2018. Principal and interest payments of \$33,957 are due monthly through May 1, 2037. The note is guaranteed by the LSS Foundation. It is collateralized by real estate using a 90% loan-to-value (LTV). Unamortized issuance costs are \$56,491 and \$67,943 as of December 31, 2013 and December 31, 2012, respectively.	\$ 5,063,332	\$ 7,584,708
Note payable to BMO Harrls Bank ("BMO"). 15 year amortization at LIBOR + 3%. Principal and interest was due monthly through September 2015. The note was guaranteed by the Foundation. It was collateralized by real estate using a 75% LTV and included a security interest in all business assets. Unamortized issuance costs were \$115,219 as of December 31, 2012. This note was refinanced and the remaining unamortized issuance costs were expensed during 2013.	~	5,043,331
Note payable to First Business Bank ("FBB"). 5 year amortization at 4.05%. Interest only payments are due through February 2014. Principal and interest monthly payments of \$38,006 begin March 2014 through August 2018. The note is guaranteed by the Foundation up to \$2,355,000. It is collateralized by real estate using a 75% LTV and includes a security interest in all business assets. Unamortized issuance costs as of Decmeber 31, 2013 were \$73,769.	5,100,000	;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;;
Mortgage note payable to Heartland Bank with monthly payments of \$30,080, including interest at 5.65%, due May 2031 and secured by the properties of LSS Housing, Inc. and insured by HUD under Section 223(f) of the National Housing Act. Unamortized loan issuance costs were \$218,003 and \$187,457 at December 31, 2013 and 2012, respectively. This note is in the process of refinancing.	3,995,043	4,126,230

Notes to Consolidated Financial Statements As of and for the Years Ended December 31, 2013 and 2012

	2013	2012
Mortgage notes payable to HUD, 8.375% through 9.25% interest, due from May 2022 through November 2032 and secured by properties of the related housing corporations. These notes were refinanced during 2013.	\$	\$ 2,132,804
Mortgage note payable to Berkadla Commercial Mortgage with monthly payments of \$6,874, including interest at 4.33%, due January 1, 2049, secured by a mortgage on the rental property of LSS Manor, Inc Chocolay and insured by HUD under Section 223(f) of the National Housing Act. Unamortized loan issuance costs were \$111,509 at December 31, 2013.	1,485,400	;(# 2)
Mortgage note payable to Berkadia Commercial Mortgage with monthly payments of \$4,397, including interest at 4.29%, due January 1, 2034, secured by a mortgage on the rental property of LSS Manor, inc Calumet and insured by HUD under Section 223(f) of the National Housing Act. Unamortized loan issuance costs were \$82,600 at December 31, 2013.	707,600	(Q)
Mortgage note payable to Berkadla Commercial Mortgage with monthly payments of \$2,534, including interest at 4.3%, due January 1, 2049, secured by a mortgage on the rental property of LSS Manor, Inc Houghton and insured by HUD under Section 223(f) of the National Housing Act. Unamortized loan issuance costs were \$76,222 at December 31, 2013.	549,800	c e c
Mortgage note payable to HUD, 9.25%, due May 2022 and secured by property of LSS Housing, Germantown, Inc.	99,820	107,322
Mortgage note payable to the Illinois Facilities Fund ("IFF"). Fixed rate of 5.5% for five years after which the rate is adjustable with interest and principal due monthly through July 1, 2025. The first recalculation date is July 1, 2015. The note is secured by real estate. Unamortized loan issuance costs were \$14,615 and	1 405 000	1 003 540
\$15,895 at December 31, 2013 and 2012, respectively.	1,135,292	1,203,542
Other notes payable	168,840	176,400
Less- Current Maturities Long-Term Debt	18,305,127 (683,981) \$ 17,621,146	20,374,337 (787,089) \$ 19,587,248

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

In August 2013, LSS completed a refinancing of the note payable to BMO with a new note payable to FBB. The new note payable is carried under a 5 year amortization at 4.05% interest rate through August 2018. In addition, LSS entered a revolving credit agreement establishing a credit level of \$3.0 million through FBB with a LIBOR + 2.0% to 2.25% interest rate, dependent on the debt service coverage ratio, with an August 2014 maturity date and guaranteed by the Foundation up to \$2.355 million. As of December 2013, the revolving credit had not been accessed by LSS.

Notes payable through FBB contain various financial covenants, including maintenance of financial ratios for minimum tangible net worth, debt to net worth, current ratio and fixed charges ratio. At December 31, 2013 the Agency is in compliance with all covenants.

The Agency requested and received an interest rate reduction on the note payable to MIF in August 2013 through a loan modification arrangement. The new interest rate is 4.0%, a reduction of 0.625%, which may be adjustable after five years. All other terms and conditions remain in effect with interest and principal amounts due monthly through May 2037.

In December 2013, the Agency completed a refinancing of certain mortgage notes payable to HUD, with new mortgage notes payable to Berkadia Commercial Mortgage. The new notes include lower interest rates and extended maturity terms.

LSS was party to the swap whereby LSS paid a fixed interest rate to the counterparty of 3.32% of the notional amount of the swap and received a variable rate from the counterparty based on a muni swap index. The payments due to and from the counterparty were netted and settled on a monthly basis. The swap agreement was terminated August 2013 in conjunction with the refinancing. The fair value of the swap was classified within accrued liabilities at December 31, 2012 on the consolidated statements of financial position. The change in the fair value of the swap was classified as interest expense on the consolidated statements of functional expenses. Payments of approximately \$104,000 and \$160,000 were made under the swap during 2013 and 2012, respectively and are included in interest expense. At December 31, 2012, the notional amount hedged was \$5,043,331, the fair value of the swap outstanding was \$385,555 and the unrealized gain was \$37,543 for year ended December 31, 2012. During the year ended December 31, 2013 the realized gain on the termination of the swap was \$89,950.

The housing corporations have Housing Assistance Payment Contracts or Project Rental Assistance Contracts with HUD. Under the terms of both contracts, the full faith and credit of the United States is pledged to assure the payment of project rental and housing assistance payments to the housing corporations for a period of 5 to 20 years and the housing corporations are required, among other terms, to maintain a reserve for funding extraordinary maintenance and repair and replacement of capital items, and not make any distributions of assets, as defined.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

Following are scheduled principal payments of debt outstanding at December 31, 2013:

Year Ending			
December 31,	Amount		
2014	\$	683,981	
2015		766,943	
2016		802,026	
2017		839,882	
2018	4,	662,706	
Thereafter	10,	549,589	
	\$ 18,	305, 127	

(7) Fair Value of Financial Instruments-

The Agency's investments, assets held for sale, 457 plan assets, beneficial interest in the Foundation, and interest rate swap are measured and reported at their estimated fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Agency uses various valuation methods including the market, income and cost approaches. The assumptions used in the application of these valuation methods are developed from the perspective of market participants pricing the asset or liability. Inputs used in the valuation methods can be either readily observable, market corroborated, or generally unobservable inputs. Whenever possible the Agency attempts to utilize valuation methods that maximize the use of observable inputs and minimize the use of unobservable inputs. The following fair value hierarchy ranks the quality and reliability of the information used to determine fair values based on the observability of the inputs used in the valuation methods. Assets and liabilities measured, reported and/or disclosed at fair value will be classified and disclosed in one of the following three categories:

- Level 1 Quoted market prices in active markets for identical assets or liabilities.
- Level 2 Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3 Unobservable inputs that are not corroborated by market data.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

The table below presents the balances of assets and liabilities measured at fair value on a recurring basis by the level within the hierarchy.

		Level 1		Level 2		Level 3		Total
December 31, 2013:						2 == =		
Investments:	Φ.		٠	0.005	•		æ	0.005
Certificates of Deposit Fixed Income Funds	\$	170 140	\$	3,885	\$		\$	3,885
		173,142		3 = 2		8.50		173,142
Equity Funds	-	134,701 307,843		3,885			—	134,701 311,728
		007,010		0,000				0.11,7.20
457 Plan Assets		*		88,489		(15):		88,489
Beneficial Interest in Foundation					2	7,730,679	2	7,730,679
Total assets	\$	307,843	\$	92,374	\$ 2	7,730,679	\$ 2	8,130,896
December 31, 2012:								
Certificates of Deposit	\$	2	\$	3,834	\$		\$	3,834
Fixed Income Funds		176,968		<u>.</u>				176,968
Equity Funds		100,056		3		•		100,056
	-	277,024		3,834)#X	_	280,858
457 Plan Assets		-		85,014		:•:		85,014
Beneficial Interest in Foundation		-			2	5,174,873	2	5,174,873
Total assets	\$	277,024	\$	88,848	\$ 2	5,174,873	\$ 2	5,540,745
Interest rate swap	\$	-	\$		\$	385,555	\$	385,555
Total liabilities	\$		\$		\$	385,555	\$	385,555
			_		-		D	

Valuation is the responsibility of LSS's management, which reports financial results and valuation changes to the Finance, Investment and Audit Committee on a quarterly basis. The Agency's Beneficial Interest in the Foundation is based on the net assets of the Foundation. The assets of the Foundation consist primarily of investments which are measured and reported at their estimated fair market value. The majority of the investments are reported based upon observable market inputs. The interest rate swap is based upon unobservable inputs that are not corroborated by market data.

The following assumptions were used to estimate the fair value of each class of financial instruments:

Fixed income funds and equity funds are publicly-traded. Certificates of deposit are recorded at historical cost plus accrued interest, which approximates fair value.

457 plan assets are comprised of investments that have observable market based inputs.

The Agency's Beneficial Interest in the Foundation and interest rate swap are based on unobservable inputs that are not corroborated by market data.

Notes to Consolidated Financial Statements As of and for the Years Ended December 31, 2013 and 2012

The estimated carrying and fair values of the Agency's financial instruments are as follows as of December 31, 2013 and 2012:

	20)13	2012		
	CarryIng Value	Estimated Fair Value	Carrying Value	Estimated Fair Value	
Financial assets:					
Investments	\$ 311,728	\$ 311,728	\$ 280,858	\$ 280,858	
457 Plan assets	\$ 88,489	\$ 88,489	\$ 85,014	\$ 85,014	
Beneficial interest in Foundation	\$ 27,730,679	\$ 27,730,679	\$ 25,174,873	\$ 25,174,873	
Assets Held for Sale	\$ 3,275,319	\$ 3,275,319	\$ 4,142,100	\$ 4,142,100	
Financial liabilities					
Interest rate swap	\$ -	\$ -	\$ 385,555	\$ 385,555	
Fixed rate long-term debt	\$ 18,305,127	\$ 20,077,599	\$ 15,331,006	\$ 16,710,174	
Variable rate long-term debt	\$ -	\$ -	\$ 5,043,331	\$ 5,043,331	

Changes in the Level 3 assets and liabilities measured at fair value on a recurring basis are summarized as follows:

Summanzou de Tonowe.	Beneficial Interest in Foundation	Interest ate Swap
Balances, January 1, 2013	\$ 25,174,873	\$ (385,555)
Amount included on the consolidated statement of activitie	s 4,510,239	89,950
Payment to BMO to terminate the interest rate swap	90	295,605
Distributions to LSS from the Foundation	(1,954,433)	
Balances, December 31, 2013	\$ 27,730,679	\$

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

	Beneficial Interest in Foundation	R	Interest ate Swap	
Balances, January 1, 2012	\$ 22,542,135	\$	(423,098)	
Amount included on the consolidated statement of activitie	s 4,486,302		37,543	
Distributions to LSS from the Foundation	(1,853,564)		-	
Balances, December 31, 2012	\$ 25,174,873	_	(\$385,555)	
Net unrealized gains (losses) included in changes in net assets from assets or				
liabilities still held at December 31, 2012	\$ -	\$	37,543	

The unrealized change in value of the Agency's Beneficial Interest in the Foundation is recorded on the consolidated statements of activities as change in Beneficial Interest in the Foundation. Net realized and unrealized gains or losses on interest rate swap are recorded as Interest expense on the consolidated statements of functional expenses.

The Agency also has assets that under certain conditions are subject to measurement at fair value on a non-recurring basis. These include assets that are measured at the lower of carrying value or market, less costs to sell, and had a fair value below carrying value at December 31, 2012. At December 31, 2013, assets held for sale had no impairment.

December 31, 2012:	Leve	11	,,,,,,,,	Level 2	Lev	vel 3	 Total
Assets Held for Sale	\$	-	\$	2,451,092	\$	-	\$ 2,451,092

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

(8) Beneficial Interest in Foundation

The Agency has an economic interest in the net assets of the Foundation without having control over the operations of the Foundation. Accordingly, the Agency has recorded a Beneficial Interest in the Foundation on the consolidated statements of financial position as of December 31, 2013 and 2012. The change in the value of Agency's beneficial interest in the Foundation for the years ended December 31, 2013 and 2012 is reflected on the consolidated statements of activities. Summarized financial data of the Foundation as of and for the years ended December 31, 2013 and 2012 are as follows:

Assets Liabilities	2013 \$ 30,289,152 458,473	2012 \$ 27,619,832 344,959
Net Assets	\$ 29,830,679	\$ 27,274,873
Revenue Expenses	\$ 5,574,045 3,018,239	\$ 5,588,758 2,956,020
Change in net assets of the Foundation	\$ 2,555,806	\$ 2,632,738

The Agency entered into a promissory note with the Foundation in November 2011 for \$2,100,000 with 2,00% interest. Under the agreement, the Agency makes monthly interest only payments through October 2016 to the Foundation. The agreement terminates in November 2016 with a final payment including the outstanding principal and unpaid interest. The promissory note is subordinated to FBB. The Beneficial Interest in the Foundation within the Agency's consolidated financial statements is reflected net of the promissory note.

(9) Retirement Plans-

The Agency has a defined contribution retirement plan which allows employee and employer contributions. Each Agency employee is eligible to make elective contributions to the plan. The Agency makes discretionary matching contributions to the plan based on the elective contribution made by employees up to 2% of employee total compensation and also makes a discretionary contribution to the plan on behalf of eligible employees, as defined in the plan agreement. All contributions to the plan are 100% vested and nonforfeitable. Matching contributions are funded on a biweekly basis and discretionary contributions on an annual basis. Expense under this plan was approximately \$322,000 and \$625,000 for the years ended December 31, 2013 and 2012, respectively.

The Agency has a deferred compensation plan that meets the requirements for an eligible deferred compensation plan under section 457 of the Internal Revenue Code. The Agency makes contributions to the plan of up to 3% of eligible employees' compensation. Expense under this plan was \$0 for the years ended December 31, 2013 and 2012.

The Agency also participates in a defined contribution retirement plan for eligible clergy employees. This plan is administered by the Board of Pensions of the Evangelical Lutheran Church in America.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

Expense under this plan was approximately \$29,000 and \$57,000 for the years ended December 31, 2013 and 2012, respectively.

10) HUD Capital Advances-

The Agency participates in the HUD capital advance program for affordable housing facilities. HUD advances to the Agency are subject to notes which bear no interest and require no repayment of principal provided that applicable conditions are met, and the housing to which it relates remains available for low-income elderly or disabled persons in accordance with appropriate regulations. The Agency has determined all conditions of the HUD capital advances have been met through December 31, 2013. The Agency expects all conditions to be met in the foreseeable future. The following are HUD capital advances outstanding as of December 31, 2013:

Housing Corporation	Year Substantially Completed	Amount	Year in Which Conditions Will Be Met
LSS Housing, North Willow, Inc.	1992	\$ 870,000	2032
LSS Housing, South Willow, Inc.	1992	509,200	2033
LSS Manor, Inc New Berlin	1996	2,534,800	2034
LSS Housing, Mill Road, Inc.	1995	515,000	2035
LSS Housing, Woodside, Inc.	1995	746,000	2035
LSS Housing, Woodview, Inc.	1995	761,200	2035
LSS Housing, Prairieview, Inc.	1997	878,200	2037
LSS Housing, Hampton, Inc.	1998	564,600	2038
LSS Housing, Willow Wood, Inc.	1998	558,200	2038
LSS Manor, Inc Marquette	1998	1,507,500	2038
LSS Manor, Inc. – Lake Geneva	1999	2,125,000	2039
LSS Housing, Granville, Inc.	2000	557,300	2040
LSS Housing, 26th Street, Inc.	2001	602,400	2041
LSS Housing, Center Street, Inc.	2001	491,100	2041
LSS Housing, Eau Claire, Inc.	2006	624,500	2047
		\$13,845,000	•

HUD capital advances are recorded as unrestricted net assets. The net book value of properties financed by HUD capital advances was \$8,895,000 and \$9,253,000 at December 31, 2013 and 2012, respectively.

(11) Self-insurance-

The Agency has a self-insurance program for health coverage of employees. The Agency self-insures benefits under its health plan up to a stop loss of \$100,000 per individual, and up to a maximum liability in the aggregate that fluctuates based on the number of participants. Benefit claims are accrued as incurred. The Agency has recorded a liability for unpaid claims of approximately \$671,000 and \$631,000 as of December 31, 2013 and 2012, respectively.

In 2012 the Agency retained exposure under a retrospective rating plan on its previous workers compensation insurance coverage. Each year the Agency either paid additional premium or received a rebate of premium paid based on prior claims experience, up to a predetermined limit. In 2013 the

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

Agency entered into a guaranteed cost contract in which LSS no longer has exposure to a premium adjustment reserve. Under this plan, the Agency no longer has a liability at December 31, 2013. At December 31, 2012, the Agency had a liability of \$250,000 associated with the old plan.

In connection with State of Wisconsin unemployment insurance surety guidelines, the Agency held an insurance policy to meet the State of Wisconsin's unemployment surety guidelines at December 31, 2013 and 2012.

(12) Commitments and Contingencies-

Governmental contracts are subject to audit and adjustment by funding agencies. If governmental revenues are received for expenditures which are subsequently disallowed, the Agency may be required to repay the revenues to the funding agency. At December 31, 2013, there are no such disallowed expenditures that Agency management believes would materially affect its consolidated financial statements.

The Agency is subject to various legal actions in the normal course of business. Although litigation is subject to many uncertainties and the ultimate exposure cannot be ascertained, management does not believe the final outcome of these actions will have a material adverse effect on the consolidated financial position or results of operations of the Agency.

The Agency owns 29 HUD-subsidized rental properties for low-income elderly and disabled tenants. Rental income from tenants of these properties for the years ended December 31, 2013 and 2012 was approximately \$1,118,000 and \$1,075,000, respectively. Rental agreements do not extend beyond one year.

The Agency occupies certain residential and office facilities and has equipment under non-cancelable leases which expire at various dates through 2020. The rental expense for all leases was approximately \$1,888,000 and \$2,014,000 for the years ended December 31, 2013 and 2012, respectively. Future minimum operating lease commitments outstanding under non-cancelable leases as of December 31, 2013 are as follows:

Year	Amount	
2014	1,186,358	
2015	1,036,001	
2016	822,503	
2017	572,484	
2018	375,877	
Thereafter	603,621	

The Agency maintains cash balances in two institutions which exceed the federally insured limit of \$250,000. The Agency has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Notes to Consolidated Financial Statements
As of and for the Years Ended December 31, 2013 and 2012

(13) Subsequent Events

In 2013, the Agency formed a new entity, LSS Pebble Ridge, LLC for the purpose of investing in a project to construct and operate a 50 unit low income housing facility in Antigo, Wisconsin. The Agency is the sole member of this entity. In March 2014, LSS Pebble Ridge, LLC entered a limited partnership agreement with a developer and an investor to execute the project. LSS has the first right of refusal for service provision in six units within the facility. LSS Pebble Ridge, LLC's partnership interest is less than 1% with a total investment of \$100. LSS Pebble Ridge, LLC does not have management control over the partnership. It is management's opinion that LSS Pebble Ridge, LLC and LSS have limited financial exposure on this project based on the limited commitments made to the partnership. LSS will account for this investment on the cost method.

The Agency has evaluated subsequent events through April 15, 2014, which is the date that the financial statements were approved and available to be issued.

Supplementary Consolidating Information

Consolidating Statement of Financial Position As of December 31, 2013

	Servic	theran Social ses of Wisconsin Upper Michigan, Inc.	Appleton TCC, LLC	Housing Corporations	Eliminations	Consolidated
Assets:			*	: ************************************		
Current Assets-						
Cash and Cash Equivalents	\$	2,829,138	\$ =	\$ 99,369	\$ =	\$ 2,928,507
Investments		369,422	3	3,488	(61,182)	311,728
Accounts and Contributions Receivable, Net		8,090,350	•	191,876	(1,015,938)	7,266,288
Interagency Receivable (Payable)		(520,163)	520,163	8 .		()
Prepaid Expenses		1,013,984			, <u>-</u>	1,013,984
Assets Held For Sale	MEGO.	3,275,319				3,275,319
Total Current Assets		15,058,050	520,163	294,733	(1,077,120)	14,795,826
Property and Equipment, Net		7,991,796	1,480,287	12,712,959	200	22,185,042
Beneficial Interest in LSS Foundation, Inc.		27,730,679	2	100		27,730,679
Other		571,354		1,909,190		2,480,544
Total Assets	\$	51,351,879	\$2,000,450	\$ 14,916,882	\$ (1,077,120)	\$ 67,192,091

Consolidating Statement of Financial Position As of December 31, 2013

Lutheran Social Services of Wisconsin and Upper Michigan. Appleton Housing Inc. TCC, LLC Corporations Eliminations Consolidated Liabilities and Net Assets: Current Liabilities-Current Maturities of Debt \$ 497.829 186,152 683,981 Accounts Payable 2,201,808 573,185 (571,420)2,203,573 Refundable Advances 2,062,441 2.062.441 Accrued Liabilities 4,211,506 222,486 (61,182)4,372,810 Total Current Liabilities 8.973.584 981,823 (632,602)9.322.805 Long-Term Debt 10,969,636 6,651,510 17,621,146 Other Liabilities 414,536 561,330 (444,518)531,348 **Total Liabilities** 20,357,756 8,194,663 (1,077,120)27,475,299 Net Assets: Unrestricted 1,535,002 6,722,219 8,257,221 Temporarily Restricted 2,000,450 25,755,491 27,755,941 Permanently Restricted 3,703,630 3,703,630 Total Net Assets 30,994,123 2,000,450 6,722,219 39,716,792 Total Liabilities and Net Assets \$ 51,351,879 \$2,000,450 \$ 14,916,882 \$ (1,077,120) \$ 67,192,091

Consolidating Statement of Activities For the Year Ended December 31, 2013

	Servic	otheran Social ces of Wisconsin Upper Michigan, Inc.	Appleton TCC, LLC		Housing Corporations	Eliminations	Consolidated
Revenues, Gains and Other Support:							
Government Service	\$	37,040,160	\$ -		\$ 2,040,474	s -	\$ 39,080,634
Client Fees, Insurance and Contracts		14,018,713	81,124		1,062,248	(58,481)	15,103,604
United Way		844,453			1,002,240	(50,40.)	844,453
Bequests and Other Gifts		633,039		95	-	_	633,039
Miscellaneous Revenues		2,007,292	-		97,904	(477,344)	1,627,852
Total Revenues, Gains and Other Support	_	54,543,657	81,124		3,200,626	(535,825)	57,289,582
Expenses:							
Program Services		48,362,047	81,124		3,546,008	(535,825)	51,453,354
General and Administrative		6,201,977	-			=	6,201,977
Fundraising		525,377				=	525,377
Total Expenses		55,089,401	81,124		3,546,008	(535,825)	58,180,708
Change in Net Assets Before Investment Income							
and Change in Beneficial Interest in LSS Foundation, Inc.		(545,744)	2		(345,382)	_	(891,126)
Investment income, Net		31,565	-		2,006	-	33,571
Change in Beneficial Interest in LSS Foundation, Inc.		4,510,239	-				4,510,239
Change in Net Assets		3,996,060			(343,376)		3,652,684
Net Assets, Beginning of Year		26,998,063	2,000,450		7.065,595	2	36,064,108
Net Assets, End of Year	\$	30,994,123	\$ 2,000,450	-	\$ 6,722,219	\$ -	\$ 39,716,792

Dennis J. Hanson

djhanson68@yahoo.com 440 S. Woodland Dr. Whitewater, WI 53190 262-745-1000

Education

Upper Iowa University 2009- Bachelor of Science in Health Services Administration Graduated Cum Laude

University of Wisconsin Whitewater 1987-1992 Emphasis on Psychology and Criminal Justice

Experience

Lutheran Social Services of Wisconsin and Upper Michigan, Inc. 647. W. Virginia St. Milwaukee, WI 53204

Executive Director- Housing Services/Facility & Asset Management
Responsible for the oversight and overall operations of the LSS Housing Services
Business Unit, Agency Wide Facilities Management, and Properties Held for Sale.
Responsible for a total budget of approximately \$10,000,000.

Lutheran Social Services of Wisconsin and Upper Michigan, Inc. 647. W. Virginia St. Milwaukee, WI 53204

Director- Housing Services 2008-2013

Responsible for the oversight and overall operations of 28 HUD subsidized housing communities for elderly and disabled, one marked rate community for seniors, one section 8 subsidized townhouse, and three market rate duplexes for persons with disabilities.

Lutheran Social Services of Wisconsin and Upper Michigan, Inc.

N3155 Hwy H Lake Geneva, WI 53147

Community Services Supervisor 1993 - 2008

Responsibilities included oversight and operations for a Home Health and In Home Care agency in Walworth County, as well as management of a 16 bed Community Based Residential Facility.

Brotoloc Health Care Systems 209 Taft St Whitewater, WI 53190

Dennis J Hanson

. . .

Program Manager 1991-1993

Responsibilities included oversight of an eight bed Community Based Residential Facility

Community Activities

Housing Development Partners- A non-profit dedicated to serving low and moderate income households through development of affordable housing.

Secretary/Director 2013-present

Quality Development Corporation- A non-profit committed to provision of quality affordable housing and services for older adults.

Board of Directors- Secretary

2010-present

First English Lutheran Church

401 W Main St. Whitewater, WI 53180

Executive Committee Member, Church Council Secretary 2007-2013

Walworth Lakeland Elks Lodge

627 S. 2nd St. Delavan, WI 53115 Past President, current member 1995-present

Wisconsin Elks Association

Publicity Committee Chairman 2002

References

James Tarantino, Owner, Tarantino and Company/Capri Communities 20711 Watertown Road #A Waukesha, WI 53186 262-798-1224

Ted Hakala, Retired Vice President- Lutheran Social Services hakala.ted@gmail.com 714-353-2733

Margie Kidder, Executive Director, St. Clare Management 1545 S. Layton #524 Milwaukee, WI 53215 414-385-5330 Daniel P. Vrakas County Executive

Waukesha COUNTY

AGING AND DISABILITY RESOURCE CENTER
OF WAUKESHA COUNTY
A Division of Health and Human Services

June 14, 2011

Dennis Hanson Lutheran Social Services 647 W. Virginia St., Suite 200 Milwaukee, WI 53204

Dear Dennis,

We are pleased to send you a letter of support for your proposed 8-unit apartment building adjacent to Hickory Hills, Waukesha. This site would serve people with developmental and/or physical disabilities. The proposed one story accessible buildings with community space will be very appropriate for the site and the people you expect to serve. Additional low-income quality units for people with disabilities have been and continue to be important for Waukesha County.

The Aging and Disability Resource Center has a long well established relationship with LSS. We have always worked together to provide supportive services for people with disabilities. This will be even more critical once Family Care will be capped July 1. We will continue to work with LSS and other community resources to assure needs are met.

We wish you success as the process moves forward. It is hoped you will be granted permission to construct these apartments. We thank you for all your agency does for people with disabilities and their families.

Sincerely,

Cathy Bellovary.

Manager, ADRC of Waukesha County

Enclosure



June 19, 2011

Lutheran Social Services Housing Services ATTN: Dennis Hanson 2000 W. Bluemound Rd. Waukesha, WI 53186

Dear Dennis:

I am writing in support of your proposal to build an apartment complex for persons with developmental and physical disabilities. It is our mission to promote independence for individuals with disabilities and there is a lack of accessible low income housing in the Waukesha area that our members can access. Due to the lack of available housing many of our members live in group homes or adult family homes because they are unable to afford an apartment on their own. Lutheran Social Service's concept allows individuals to have their own accessible apartment and maintain their independence. Hickory Hill is one of our few resources in Waukesha and currently has a waiting list. Another option would be beneficial to the community.

Lutheran Social Services is a wonderful organization and we value our relationship with them. I am confident if given the opportunity they would provide another valuable resource for persons with disabilities in Waukesha.

Sincerely;

Ann Lamberg

Family Care Administrator

Care Wisconsin First, Inc.

Family Care in Waukesha County



June 17, 2011

Mr. Dennis Hanson Lutheran Social Services 647 W. Virginia Street Suite 200 Milwaukee, WI 53204

Dear Mr. Hanson:

Community Care is a Managed Care Organization that provides Family Care, Partnership and PACE to members residing in Waukesha County. These programs use Medicaid and/or Medicare funds to provide support for members who are frail elders or adults with physical and/or developmental disabilities. Because we have members who need affordable housing, we support your efforts to secure funding from the Department of Housing and Urban Development to expand Hickory Hill Apartments.

Sincerely,

Edward T. Kohl

SISTIPLE

Family Care Program Officer



Responding to Community Needs Through Volunteerism

June 14, 2011

Lutheran Social Services ATTN: Dennis Hanson 647 W. Virginia St, Suite 200 Milwaukee, WI 53204

Dear Mr. Hanson:

This letter is written in support of the Prospective Development of the Hickory Hill Campus in Waukesha, Wisconsin. Our agency supports the need to address additional housing for supportive services for persons with developmental disabilities, and enthusiastically endorses the work of Lutheran Social Services of Wisconsin and Upper Michigan in this area.

Interfaith Senior Programs, Inc. provides services to Waukesha County seniors and adults with disabilities. We see the unfortunate reality of persons with developmental disabilities lacking adequate affordable housing and community support systems either living in shelters, or unable to find any housing. Our goal is to assist individuals with basic services such as transportation to healthcare appointments and food pantries, and connect them with available community resources to remain independent and avoid homelessness or premature institutionalization. As a member of the Waukesha County Housing Action Coalition, we're pleased to see Lutheran Social Services expand Hickory Hill to provide additional housing and support.

Our agency looks forward to continuing to work with Lutheran Social Services to support our community's population of individuals in need.

Sincerely,

Kathleen S. Gale

Kathleen S. Gale Executive Director





Attachment #1 Development Overview

The Developer is proposing to acquire and renovate the Watertown Square Apartments, an existing family (40 units) and Waterloo Green (24 units), an existing family development comprised of 64 total units located at 1500 Lakeside Terrace in Watertown and 620 W. Knowlton St in Waterloo, Wisconsin.

The Project was originally constructed in 1983 and is currently financed through a WHEDA loan accompanied by Rural Development Rental Assistance (RA)_for 40 (27 at Watertown and 13 at Waterloo) units, whereby the tenants pay 30 percent of their adjusted gross income (AGI) as rent. The Developer plans to finance the redevelopment with assistance from the Section 42 Low-Income Housing Tax Credit (LIHTC) program as well as continuing operation under the existing RA contract. The property's existing RA contract covers 40 units. The Developer proposes to set aside All units at 60 percent of the prevailing Jefferson County Area Median Income (AMI) with the 8 HOME units set aside at 50% AMI or below.

The Developer intends to substantially renovate the subject property with improvements totaling approximately \$2,250,000 in costs or approximately \$35,000 per unit. Renovation is projected to commence in fall of 2015 with a twelve (12) month renovation time period.

The development will consist of the moderate rehabilitation of the twelve (12) buildings using the Section 42 LIHTC program. The existing development consists of 64 units located in Watertown and Waterloo, Wisconsin.

HOME CONSORTIUM APPLICATION

APPLICANT

Applicant's Legal Name: Crown Court Properties, Ltd.
Address: 2233 W. Mequon Road, Mequon WI 53092
Is the organization a CHDO? □ Yes ☒ No
Contact Name: Menachem Rapoport Title: Vice President
Telephone: (262) <u>242-7705</u> FAX (262) <u>242-7711</u>
E-Mail: mmrapoport@aol.com
Federal Identification Number: 31-1663821 Date Incorporated 6 / 8 / 1999
PROJECT SCOPE
Project Title: Watertown Square - Waterloo Green
Project Address: 1500 Lakeside Terrace, Watertown WI 53094 / 620 Knowlton St, Waterloo WI 53594
County: _Jefferson
Funds Requested: \$ _350,000
Number of HOME units: 8 Amount of HOME per unit: \$ 43,750
Project Type (Check One): ☐ Home Buyer Assistance ☐ New Construction (For Sale)
□ New Construction (Rental) □Acquisition/Rehabilitation (For Sale)
☑Acquisition/Rehabilitation (Rental) □Rental Rehabilitation □Refinance
□ Other (describe)
Population to be served (Check all applicable): ⊠Family □Elderly □Special Needs
Describe the general scope of the project: See attachment #1 - Development Overview

How does the project fit into the priorities set forth in the 2010-2014 Consolidated Plan?

- 1. A priority of the Plan is to promote development and rehabilitation of affordable rental housing
- 2. Funds from this request will be used to help acquire and rehabilitate existing affordable subsidized rental housing stock in Watertown and Waterloo, both in Jefferson County.
- 3. Forty of the sixty-four units currently provide housing to households with incomes less than 50% AMI. The balance of the units will provide housing to households with incomes 60% AMI or less.

SITING AND DESIGN

Please submit design information with the application, such as a scaled site plan, and building elevation and floor plan drawings to document the design characteristics of the proposed development. See allachment #2.
Do you have site control? ☑ Yes □ No
□ Option □ Accepted Offer □ Fee Simple ☑ Other: Contract to purchase partnership interests
Does the project have local zoning approval? ☑ Yes ☐ No
When will the project get underway?// When will it be completed?/_/ Fall 2015
Describe the site in terms of its accessibility to social, recreational, educational,
commercial, health facilities and services, and other municipal facilities and services, or
any other advantageous aspects of the site:
Watertown Square: This existing development is located in an established residential area in the southeast side of Watertown. Most amenities such as parks, schools and stores are located within one mile. Nearby parks include Clay Park, Washington Park and Memorial Park. Nearby schools include Trinity-St Lukes Lutheran Middle School, Schurz Etementary School and Webster Etementary School. Nearby grocery stores include Aldi, Pick 'n Save and Luna's Market LLC. Nearby coffee shops include Berres Brothers Coffee Roasters Inc., Sonder Martini House & Coffee Bar and Latte Donatte. Nearby restaurants include Biggs Bar & Grill, Pizza Hut and Sake House.
Waterloo Green: This existing development is located in an established residential area in the southwest side of Waterloo. Most amenities such as parks, schools and stores are located within one mile. The closest park is Firemen Park. The site is located a short walk from Trek Bicycle Corporation. Nearby schools include St Joseph School, St John's Lutheran School and St John Evangelical Lutheran School. Nearby stores are BP, Amoco Oil Products Jobber and Ayalas Market. Nearby restaurants include Subway, Waterloo Diner and Stumble Inn.
Describe any adverse conditions this site may face, including any environmental issues,
proximity to existing or proposed freeways, flooding issues, or proximity to odors or
pollution from industrial issues:
None known.

Describe some of the design features of the project:

Waterloo Green: Improvements consist of one 16-unit and one 8-unit one-story buildings with no elevators built in 1983. Windows are original aluminum sliding; exterior is partial masonry and T-111 siding in average

condition. Roofing is original asphalt shingles on a shed structure. The buildings are not sprinklered. There is also an accessory building that houses tools and lawn care equipment. Parking lots are in need of repairs and resurfacing.

Watertown Square: Improvements consist of ten 4-unit one-story buildings with no elevators built in 1988. Windows are original aluminum sliding; exterior is partial masonry and T-111 slding in below average condition.

Roofing is original asphalt shingles on a gabled structure. The buildings are not sprinklered. Parking lots are in need of repairs and resurfacing.

Note: The estimated scope of rehab work intended to be completed is: new roofs and soffil/fascia repair, exterior siding, exterior doors, parking lot reconstruction and resurfacing, windows, common area painting and flooring, mechanical system repair or replacement, unit painting, unit flooring, kitchen and bath cabinetry and fixtures and countertops, appliances, interior doors

PROJECT TARGETING/ AFFORDABILITY

Please list the pertinent information for each unit type in your project: See attachment #3.

Targeting Elderly Supportive Housing Family Proposed HOME None of These	Number of Households (Units)	Income Targeting < 30% of Area Median Income 30-50% of Area Median Income 50-80% of Area Median Income > 80% of Area Median Income		Members in	Maximum Household Income
Total	0	Total	0		

Describe the affordability period for the proposed affordable units:

Subject to award of LIHTC, affordability will extend for 30 years for all units.

LEVERAGE

Describe the percentage of requested HOME Consortium funds to the project's total

funding: 5.9% - HOME Requested = \$350,000 Total Development Cost = \$5.9 million

How	will the requested funds be returned to the HOME Consortium as program income?
	More than 50% returned within 5 years of award
	More than 50% returned within 15 years of award
X	Less than 100% returned within 15 years of award
	Balloon payment at or after 15 years of award
	Residual receipts after expenses
	No return of funds
	Other, please describe:

Applicant requests a 30 year term, 2.0% loan, payable from available cash flow

STRENGTH OF APPLICANT

PROJECT BUDGET

See attachment #4 Sources & Uses

Please provide a Capital Budget clearly identifying all sources of funding. You may use the following budget format or supply your own. For rental projects, please provide an operating pro forma.

Status Codes: C= Committed R= Requested (also include the relevant date)

_		
Desc	ription	Codes:

A. Permar	ent F	inancing
-----------	-------	----------

B. Conventional Loans

C. Federal Tax Credits

D. State Tax Credits

E. Non-LIHTC Equity

F. Other Subsidies

G. State Housing Loans

H. State and Local Grants

I. Foundation Grant

J. Other Grant K. Other Loan

L. Preservation Tax Credit R. FHA

M. CDBG

N. McKinney Act

O. FHLB AHP Funds

P. Project Based (Sec. 8)

Q. Other HUD

PERMANENT SOURCES:

Source of Funds	Amount	Desc.	Status Code /	Pate (%)	Annual Debt	Soft Debt?
Source of Funds	Amount	Code	Date	Rate (%)	Service	(Y/N)
				i i		
	1					
	1					
	1					
	i i	10				1
HOME Funds						
TOTAL SOURCES	\$ -					

USES:

Uses of Funding	Amount
Acquisition Costs	
Construction / Rehab	
Contingency	
Financing Costs	
Developer/Consulting Fees	
Soft Costs (inc. reserves)	
Other	
Total Uses	\$:::22

INTERIM SOURCES:

- □ Construction Loan
- □ Bridge Loan

□ Other: _

Source	Amount	Rate (%)	Fee (%)
		1	
	1		1

Please describe below and provide written documentation of commitments from other funding sources and any other partnerships for this project.

The project will be applying for an allocation of LIHTC from the WI Housing and Economic Development Authority in late January 2015.

Attached is a conditional commitment for loan funds from Lancaster Pollard (Attachment #5).

EXPERIENCE / CAPACITY

Please provide your most recent audited financial statements. See attachme	ent #6.
--	---------

Please describe the organization's housing development experience:

See developer overview - attachment #7.

Please list relevant staff experience/qualifications and provide resumes:

See attached developer overview (attachment #7) and board members description (attachment #8).

Please describe any partnerships for this project:

A Wisconsin Limited Partnership will be formed with Crown Court Properties as the sole member of the General Partner entity and a tax credit investor as the Limited Partner.

Historically, Crown Court Properties tax credit developments include a number of development team participants, including Baker Tilly of Madison, Wt as accountants and consultants, Stier Construction of Waukesha, Wi as general contractor, ACC Management of Oshkosh, Wi as our property management company, and Benz Architecture of Verona, Wi as our project architect. Recently we have also begun to partner with Lutheran Social Services of Wisconsin and Upper Michigan to provide linkages to supportive services for residents.

Will the project create any challenges for the organization? If so, how will these be overcome?

Crown Court Properties has executed similar acquisition rehab projects for tow-income housing in the past. Currently we have ten in Wisconsin and one in Illinois, so we are very familiar with the process and do not anticipate any unusual challenges.

RESIDENTIAL RENTAL AND OWNERSHIP PROJECTS

Briefly describe the following:

Activities to bring the project to housing and code standards:

Watertown - with the presence of gas fired equipment, install required CO detectors. Accessibility codes discussed below.

Waterloo - revise the laundry areas to meet code. When the paving is sealed, restripe according to code and install appropriate handicap code signage. Although they are currently compliant, the patio and deck reilings are in poor condition and should be repaired to current code standards. Installation of required CO detectors is required, as with Watertown.

Improvements (and numbers of units) to make the housing accessible:

Watertown and Waterloo - For code compliance wilh accessibility codes, two units at each site must be completely renovated to be in 100% compliance. Common area and site would require minor adjustments, ramps and a limited number of curb cuts. When the parking lot is reconstructed, appropriate painting of lines and signage should be installed per code.

Ways to assure the long term affordability of the project:

The successful recapitalization of the properties using Rural Development financing, tax credit equity and HOME Funding to acquire and substantially rehabilitate the project addressing all long-term capital needs to keep these projects in the Rural Development affordable program will assure that the current tenants and community will continue to have this valuable housing resource available to them for the long term.

RESIDENTIAL RENTAL PROJECTS

Provide the following information about specific units in a RENTAL project:

For rental housing and rental assistance, at least 90 percent of benefiting families must have incomes that are no more than 60 percent of the HUD-adjusted median family income for the area. In rental projects with five or more assisted units, at least 20 percent of the units must be occupied by families with incomes that do not exceed 50 percent of the HUD-adjusted median.

Rental Project						
Number of Units	Income Category	Monthly Unit Rent	Includes Utilities?	Amount of HOME Per Unit		
	Below 30% CMI					
8*	30.1% 50% CMI	\$550 1BR / \$620 2BI	No No	\$43,750		
	50.1% 60% CMI					
	60.1% 80% CMI					

^{*} Four 1BR Units in Waterloo Green and Four 2BR units in Waterlown Square. Note: all 8 units receive a rent subsidy from Rural Development.

Describe briefly your tenant selection criteria and process.

See Atlachment #9 - Tenent Selection Criteria from ACC Management, in accordance with Rural Development requirements.

Does the project include plans to provide supportive services to residents or links to appropriate services? If yes, please describe.

We intend to communicate with local supportive service agencies and continue to be in contact with LSS, an experienced service provider to assist with linking residents to services. Please see the attached letter of support from Lutheran Social Services. (Attachment #10)

ADDITIONAL QUESTIONS FOR ALL PROJECTS

What percent of the housing units in your project are family (not elderly) rental units affordable to families making less than 50% of the area median income?

All of the units in the project are family units. 62.5% or 40 units of the 64 units are affordable to families making less than 50% AMI. White they are not restricted as such, due to the RA on these units, they are affordable to families in this income bracket. 8 of these units will be designated as HOME units and targeted to 50% AMI or less.

Are any of the units in your project public housing replacement units through an agreement with the local Housing Authority?

No

Is your project a mixed use development (example: housing and commercial)?

No

Will your project incorporate the Star Home Program requirements or another documented energy savings program that provides guaranteed EPA Energy Star Certification of the finished housing units?

This project will achieve the highest scoring energy standard in WHEDA's LIHTC scoring criteria by committing to over 150 points under the Wisconsin Green Built Homes Program. All appliances and systems must meet EPA Energy Star ratings. (www.greenbuilthome.org/greenbuilthome)

What percent of the proposed units are designed to be fully handicap accessible as defined in Federal and State guidelines?

At both sites, after construction there will be 5% of the units as fully handicap accessible.

Every dollar of HOME funds used must be matched with at least 25 cents from nonfederal sources, which may include donated materials or labor, the value of donated property, proceeds from bond financing, and other resources. Please describe how your project will meet the minimum 25% federal match requirement:

Per HOME Fund guidelines, the matching funds requirement can be met by a discounted sale price of the property. 25% of \$350,000 is \$87,500. The match will be achieved with a differential between the anticipated sale price of \$1,139,708 (assumed Rural Development permanent debt) and a conservative appraised value in excess of \$1.3 million.

NOTE: The following is only available to Community Housing Development Organizations (CHDOs)

CHDO OPERATING

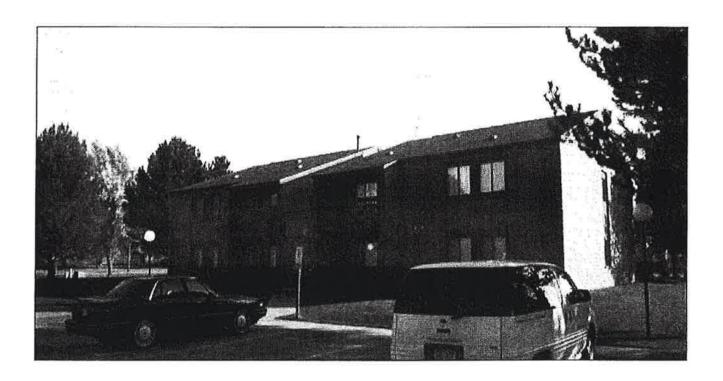
On the table below, break down the administrative/operational expenses you will incur in the course of initiating, operating, managing and monitoring proposed activities. For each item marked with an asterisk provide more detail on additional pages.

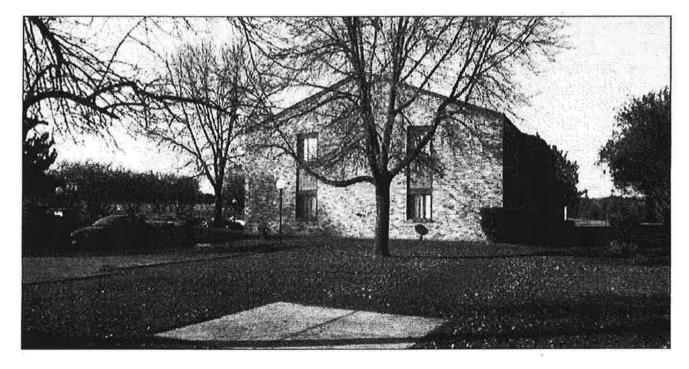
CATEGORY	HOME	OTHER SOURCES	TOTAL					
Personnel								
Travel								
Equipment*								
Office Rent								
Utilities								
Supplies								
Training								
Audit (required)								
Contractual*								
Other*								
TOTALS								
AUTHORIZATION								
On behalf of Crown Court Properties		(Ar	pplicant), I submit					
this application for funding to the HOME Consortium. To the best of my knowledge all information contained herein is accurate and complete as stated.								
Mils PSC		Vice Preside	n1					
Signature		Title						
Menachem Rapoport		12/3/14						
Print Name		Date	1.					

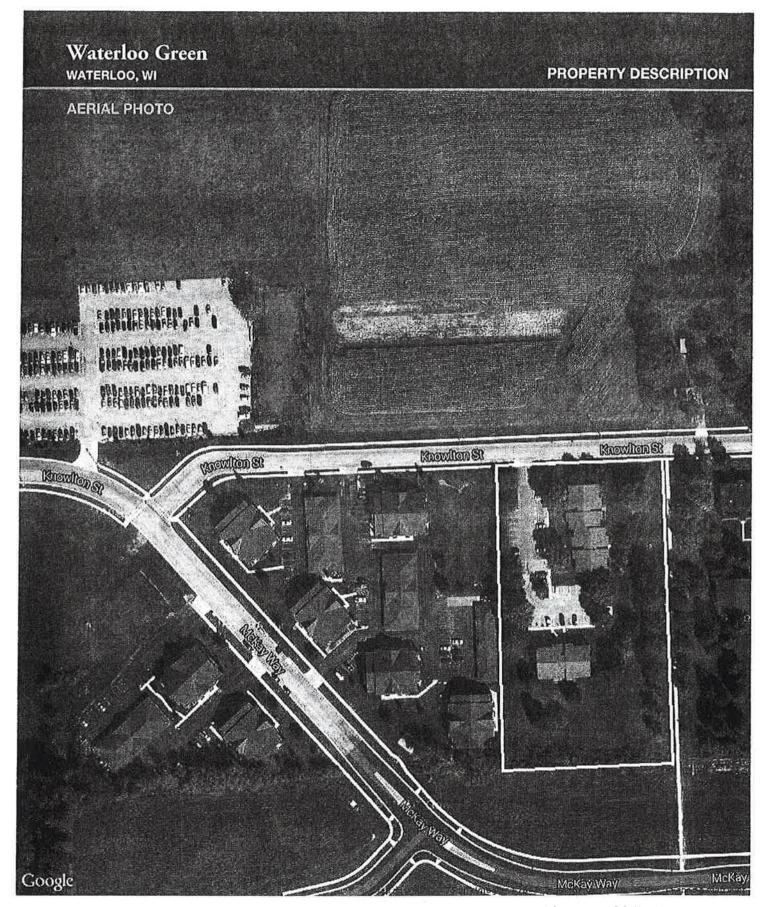
Waterloo Green WATERLOO, WI

PROPERTY DESCRIPTION

PROPERTY PHOTOS



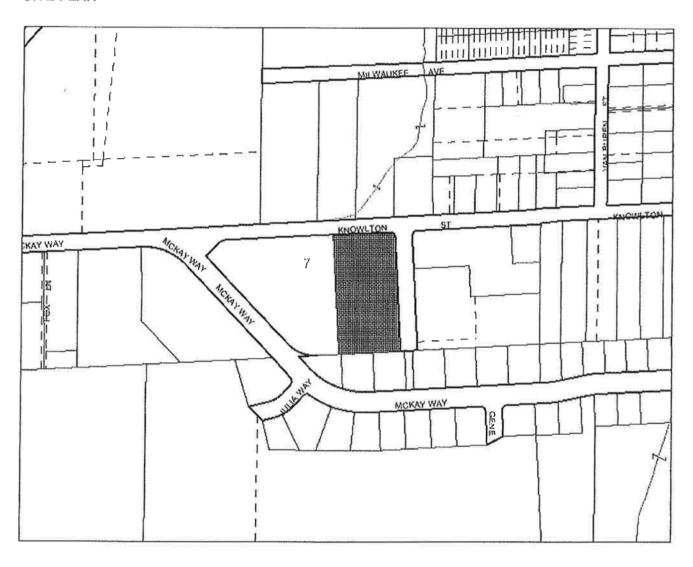




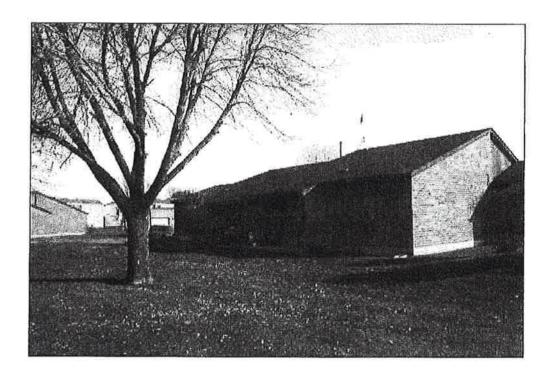
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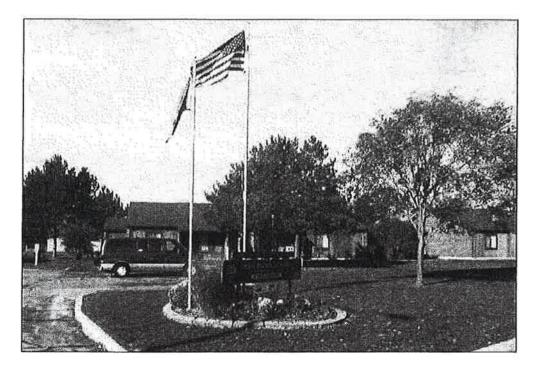
Marcus & Millichap
Real Estate Investment Services

SITE PLAN



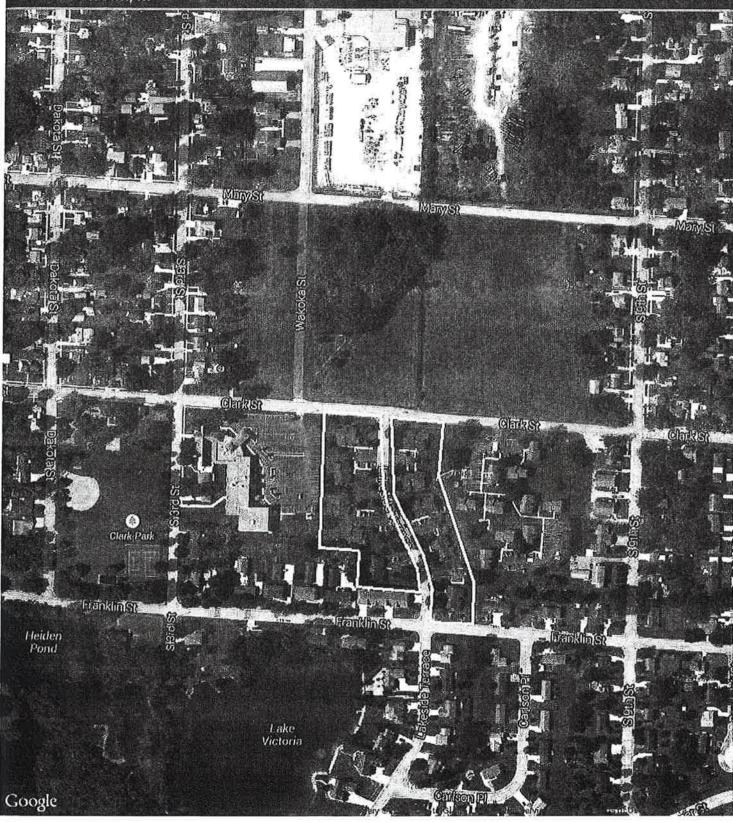
PROPERTY PHOTOS







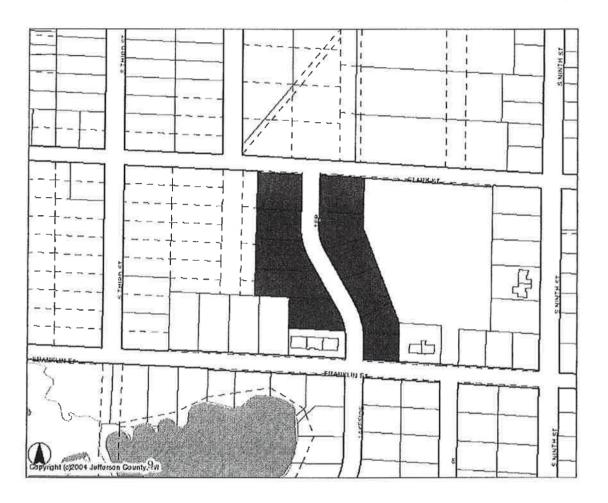
PROPERTY DESCRIPTION



This information has been secured from sources we believe to be reliable, but we make no representations or warranties, expressed or implied, as to the accuracy of the information. References to square footage or age are approximate. Buyer must verify the information and bears all risk for any inaccuracies. Marcus & Millichap Real Estate Investment Services is a service mark of Marcus & Millichap Real Estate Investment Services of Chicago, Inc. © 2014 Marcus & Millichap

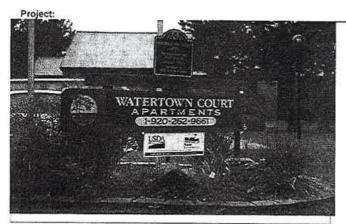
Marcus Millichap
Real Estate Investment Services

SITE PLAN

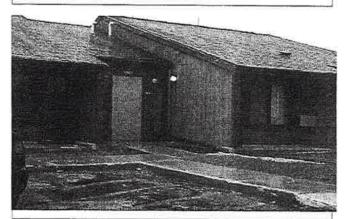


Capital Needs Assessment Photos

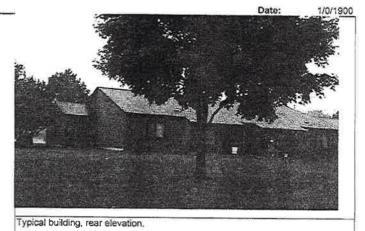


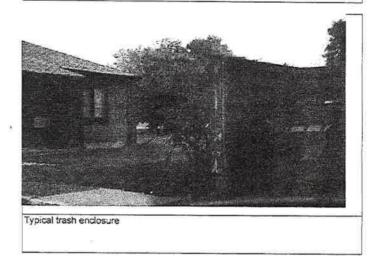


Outdate sign, replace



Typical Entry, not front entrance door, trim and wood siding, as well as the roof that needs replicement.





Attachment #3 - Targeting

Watertown Sq & Waterloo Green HOME

Project Targeting and Affordability

Targeting	Number of Units
Elderly	
Supportive	
Family	56
Proposed HOME	8
Total	64

Income Targeting	Number of Units	Household members	Maximum Household Income
< 30% CMI			
30-50 % CMI	8		
50-80% CMI	56		
> 80% CMI			
Total	64	777.	+ -

Note:

- -40 of the 64 total units receive rental assistance from Rural Development. These households are typically 50% AMI or under.
 -8 units which will be designated HOPME units will be limited to 50% AMI or under
 -All other units will reflect 60% AMI under LHTC affordability

Watertown Sq & Waterloo Green STATEMENT OF FORECASTED SOURCES AND USES

SOURCES OF FUNDS	_ c	onstruction	Post Construction	Permane
First Mortgage- New 538	\$		\$ 980,000	\$ 980,00
Construction Period Cash Flow		69,918		69,91
Assumed RD Mortgages		1,139,708		1,139,70
GP Equity		100	2.0	10
LIHTC Equity		647,971	2,591,885	3,239,85
Deferred Dev Fee		-	101,045	101,04
Construction Loan - Lender TBD		3,236,864	(3,236,854)	
HOME Loan, Cashilow		350,000	*	350,00
Existing Reserves				57.78
Total Sources Of Funds	\$	5,444,561	\$ 436,066	
MATERIAL STREET			Post	Tot
USES OF FUNDS Acquisition & Site Costs		onstruction	Construction	Permane
Land Costs		113,971	790	113,97
Building Acquisition		1,025,737		1,025,73
Acquisition fee/Brokerage		56,985	3	56,96
Escrow/Reserves		30,803		20,90
Special Assessments		(2)	- 5	
Acquisition: legal expense				•
Acquisition: Title/Closing			· ·	*
Property taxes			•	
				53
Operating Loss On-Site Improvements			-	-
		0.5		
Off-Site Improvements				
Landscaping			•	
Asphali paving Abatement		(2)		•
		2.0	-57	-
Construction Costs Residential Construction				
		2,309,120		2,309,1
Personal property		65,296		65,21
General Requirements		138,547		138,54
Contractor Overhead Contractor Profit		46,182		46,18
Construction Contingency		138,547 269,769		138,54 269,78
		200,100	-	200,11
Engineering, Architectural & RE Att	tomey	hr		
Architect & Engineer		75,000		75,00
Real estate attorney		60,000		BD,00
Survey		10,000	· ·	10,00
Construction Interest & Fees				
Insurance: Buliders Risk		7.5		
Insurance: Owner's Liability		9.50		
Interest during construction		40,000	13,000	53,00
RE Tax During Constr			5 4	
Title and recording Construction Loan Fees		20,000	- 57	20,00
		(•)		
Permanent Financing HUD Fees				
Perm Lender Fee		15,000	8	15,00
Soft Costs				.=,04
Property Appraisal		10,000	34	10,00
Market sludy		B,000	-	8,00
Environmental		6,000	<u> </u>	6,00
Tax Credit Fees		38,820	-	38,82
Relocation		224,000		224,00
Rent - Up Expense		15,000		15,00
Capital Needs Assessment		10,000	្ន	10,00
Cost Certification & Accounting		11,000		11,00
Syndication Costs				
Organization (partnership)		15,000		45.00
Syndication Expense		10,000	3	15,00 10,00
Developer Fees / Reserves		.,		,
Developer Fees / Reserves Developer fee and overhead		214 000	PA4 A4-	
		214,800	501,200	715,00
Other: Consultants Replacement Reserve-Existing		60,000 57,785	9	60,00
Operating & Debt Reserve		51,185		57,78
- promote in South Fred to		9.00		254,65
Rent Reserve for Existing Tenants			75.000	75.00

Watertown Sq & Waterloo Green

		0	-	2	3	4	5	\$	7	8	9	10	11	12	13	14	15	PAGE ₽
		2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2025	2029	2030	TOTAL
эсолю													2020	2021	2020	2467	2000	TOTAL
Rental Income	\$	- 5	445,092 \$	463,333 \$	472,600 \$	482,052 \$	491,693 \$	501,526 \$	511,557 \$	521,788 \$	532,224 \$	542,868 \$	553.726 S	584,800 \$	576,098 S	587,518 S	599,371 \$	7,846,344
Other Income		300	2,628	2,581	2,735	2,789	2,845	2,902	2,960	3,019	3,980	3,141	3,204	3,268	3,333	3,400	3,468	45,455
Vacancy	-7%		(31,340)	(32.521)	(33,273)	(33,939)	(34,518)	(35,310)	(36,016)	(36,737)	(37,471)	(38,221)	(38,985)	(39,765)	(40,550)	(41,371)	(42,199)	(552,426)
ffective Gross Income			415,380	433,393	442,061	450,902	459,920	469,119	478,501	488,070	497,833	507,789	517,945	528,303	538,870	549,647	560,640	7,339,373
xpenses																		
Operating Expenses		-	248,636	256,096	263,778	271,691	279,842	288,238	296,885	305,791	314,965	324,414	334,148	344,170	354,496	365,131	376,085	4,624,384
Management Fee		-	31,095	32,386	33,013	33,573	34,347	35,034	35,734	38,449	37,178	37,922	38,680	39,454	40.243	41,D48	41.868	548,103
Reserve for Replacement	0%		19,200	19.200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19,200	19.200	19,200	19,200	288,000
otal Operating Expenses			298,932	307,661	315,991	324,584	333,389	342,472	351,820	361,440	371,343	381,535	392,025	402,524	413,938	425,378	437,153	5,460,467
let Operating Income		-	117,449	125,731	126,070	126,338	128,531	126,847	126,681	126,630	126,489	126,253	125,919	125,480	124,931	124,269	123,487	1,878,905
ource for Construction	90%	12/	20	920	- 8	3	•			¥	42.0		51	*	5.5	0 . €2	•	94
Developer Reserve	-	(20)	- 3														21	
Cash Flow		3	117,449	125,731	126,970	126,338	126,531	126,647	128,581	126,630	128,489	126,253	125,919	125,480	124,931	124,269	123,487	1,878,905
lebt Service																		
Debt Service - 1st mortgage		-	447	60,655	60,855	60,655	60,855	60,655	60,855	60,655	60,655	60,855	60.655	60,655	50.055	40.455		
Debt Service - RD Assumed Mongages-2r	nd		44,531	44,531	44,531	44,531	44,531	44.531	44,531	44,531	44,531	44,531	44,531	44,531	60,655 44,531	60,855 44,531	80,655	649,164
Construction Loan Interest			6.0						-11,50.	,55	,,,,,	44,551	44,001	44,551			44,531	667,965
otal Debt Service			44,531	105,186	105,188	105,188	105,186	105,186	105,186	105,186	105,185	105,188	105,186	105,188	105,188	105,185	105,186	1,517,129
OSCR- 1st		9€ 0	(4)	1.20	1,20	1,20	1,20	1.20	1.20	1.20	1,20	1.20	1.20	1.19	1.19	1,18	1.17	
ash Flow Used for Construction		3#00	69,918				8400	(r .)	2	*	14V	022	2	÷.				69,918
P Asset Management Fee	3%		3.000	3,090	3,183	3,278		100 2000	1222	0-2427	1270001	Part Descri						
•			3,000				3.377	3,478	3,582	3,590	3,800	3,914	4,032	4,153	4.277	4,405	4.538	55,797
ash Flow		(4)		17,456	17,702	17,874	17,969	17,983	17,914	17,755	17,503	17,153	18,702	15,141	15,468	14,678	13,763	236,062
eferred Developer Fee Payment	101,045		0.00	17,456	17,702	17,874	17,969	17,983	12,062									
P -RD Limited Dividend	101,012			•	11,102	17,024	17,500	17,903		•		:=:	•	-	£.	•	*	101,045
			##.8	7.	**	3	•	•	5,852	7,304	7,304	7,304	7,304	7,304	7,304	7,304	7,304	64,284
ash Flow		3.5	31	300	80	*		(·	-	10,451	10,199	9,849	9,398	6,837	8,164	7,374	6,459	70,733
OME Loan, Cashflow																		
Payment, Lid to Cashillow Eurrent Balance	1.0	7-2					520	3,€3	25	10,451	10,199	9,849	9,398	8,837	8,164	7,374	6.459	70,733
terest Payments walved first 5 years		(#).	350,000	350,000	350,000	350,000	350,000	357,000	364,140	360,972	357,992	355,302	353,010	351 233	350,094	349,721	350,256	. 0,100
ash Flow After HOME Loan																		



December 2, 2014

Watertown and Waterloo WI Redevelopment Project c/o Menachem Rapoport Vice President Crown Court Properties, Ltd. 2233 W. Mequon Road Mequon WI 53092

Re:

USDA RD Guaranteed Financing Jefferson County, Wisconsin

Dear Mr. Rapoport:

It is our pleasure, on behalf of Lancaster Pollard Mortgage Company ("LPMC"), to provide this outline of the financing arrangement we are proposing for Watertown Square and Waterloo Green Apartments, two existing apartments projects consisting of 64 units ("Development") located in Jefferson, Wisconsin.

Lancaster Pollard Mortgage Company has conducted preliminary "due diligence" on the proposed project, including mortgage sizing analysis using USDA loan underwriting criteria. LPMC will issue a USDA RD 538 Guaranteed fixed rate loan to the belowreferenced Borrower as permanent financing for the Property.

The following terms outline LPMC's Conditional Commitment to the Borrower and does not represent a commitment to lend.

BORROWER:

Watertown and Waterloo WI Redevelopment Project, LP (to be

formed "Borrower")

GENERAL

PARTNER:

Watertown and Waterloo WI Redevelopment Project, LLC (to be

formed)

LOAN AMOUNT:

Up to \$1,110,000.00

TERM:

Up to forty years or 480 month Permanent Period

AMORTIZATION:

Interest and Principal for forty years or 480 months

RATE:

A fixed interest rate currently estimated at 5.50%, including

Guarantee Fee, locked at construction close.

LENDER:

LPMC

65 East State St. 16th Floor • Columbus, OH 43215 • Phone (614) 224-8800 • Fax (614) 224-8805

PURPOSE:

The loan funds will be used as a permanent take out to assist in the acquisition and rehabilitation of the Development on the Property.

SECURITY:

1st and best lien position on the Development and Property.

PREREQUISITES FOR LOAN:

LPMC shall require the following prior to issuing a firm commitment to provide funding:

- A Firm Commitment for mortgage insurance by the U.S.
 Department of Agriculture, Rural Development pursuant to
 Section 538 of the National Housing Act in an amount not less than the Loan;
- Market interest rates at the time of loan pricing;
- A Firm Commitment from Equity Provider(s);
- A Firm Commitment from HOME in and amount not less than \$350,000.00;
- Draft of Limited Partnership Agreement; and
- Any additional information required by LPMC.

FEES:

Estimated of all fees for securing the loan with RD 538 Guarantee is the greater of: two hundred (200) basis points of the Loan Amount, or thirty five thousand dollars (\$35,000) paid at the closing of the loan. A guarantee fee of nine tenths percent (0.90%) of the loan amount will be due at closing. Additionally, Borrower will pay Lender's Legal Costs, estimated at twenty thousand dollars (\$20,000).

OTHER GENERAL CONDITIONS:

Borrower shall pay all costs and expenses in connection with the making of this loan, including, but not limited to, surveys, title insurance, recording and filings fees, environmental fees, legal fees, and appraisal fees.

Thank you for this opportunity to present this proposal. I look forward to working with you on this project. If you have any questions, please feel free to call me at (614) 224-8800.

Best regards,

Brian W. Coate Vice President

Lancaster Pollard Mortgage Company

Sun Want



CROWN COURT PROPERTIES, LTD.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

December 31, 2013 and 2012

CONTENTS

Independent Auditor's Report	1
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7
Schedules of Financial Position—Parent Only	15
Schedules of Activities—Parent Only	16



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors Crown Court Properties, Ltd. Mequon, Wisconsin

We have audited the accompanying consolidated financial statements of Crown Court Properties, Ltd., which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As more fully described in Note 14 to the consolidated financial statements, the Organization reports investments in certain limited partnerships that the Organization has determined are variable interest entities and in which the Organization holds a variable interest and is the primary beneficiary at cost. In our opinion, the Organization's consolidated financial statements should include the accounts of these limited partnerships to conform with accounting principles generally accepted in the United States of America. If the Organization's consolidated financial statements included the accounts of these limited partnerships, total assets and total liabilities would be increased by \$33,777,077 and \$13,337,059, respectively, as of December 31, 2013, and revenues and expenses would be increased by \$3,722,247 and \$4,664,898, respectively, for the year then ended.

Qualified Opinion

In our opinion, except for the effects on the 2013 consolidated financial statements of the matter described in the Basis for Qualified Opinion paragraph, the 2013 consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Crown Court Properties, Ltd. as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The consolidated financial statements of Crown Court Properties, Ltd. as of December 31, 2012, were audited by other auditors whose opinion dated May 15, 2013, on those statements was qualified because of the departure from generally accepted accounting principles described in the Basis for Qualified Opinion paragraph.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 2013 parent only schedules of financial position and activities are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, except for the effects on the parent only schedules of financial position and activities of the qualified opinion on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The 2012 parent only schedules of financial position and activities were subjected to the auditing procedures applied in the 2012 audit of the consolidated financial statements by other auditors, whose report on such information stated that, except for the effects on the parent only schedules of financial position and activities of the qualified opinion on the consolidated financial statements described in the Basis for Qualified Opinion paragraph, it was fairly stated in all material respects in relation to the 2012 consolidated financial statements as a whole.

Wegner CPAs, LLP Wegner CPAs, LLP Pewaukee, Wisconsin June 27, 2014

CROWN COURT PROPERTIES, LTD. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION December 31, 2013 and 2012

3	2013	2012
ASSETS	2013	2012
CURRENT ASSETS		
Cash	\$ 843,615	\$ 658,987
Accounts receivable	143,275	2,834
Prepaid expenses	S#0	8,419
Current portion of notes receivable	113,872	364,425
Current portion of development fee receivable, related party	262,188	498,314
Other current assets		434
Total current assets	1,362,950	1,533,413
RESTRICTED FUNDS AND DEPOSITS HELD IN TRUST		1.62
Tenant security deposits	36,355	36,705
Replacement reserve	685,441	610,476
Real estate tax escrow	36,558	36,542
Operating deficit reserve	309,294	306,261
Development cost escrow	126,859	125,621
Earnest money	60,000	50,000
Total restricted funds and deposits held in trust	1,254,507	1,165,605
PROPERTY AND EQUIPMENT	No.	
Land	289,694	289,694
Land improvements	297,091	297,091
Buildings and improvements	7,844,567	7,844,567
Furniture and equipment	703,180	692,490
Property and equipment	9,134,532	9,123,842
Less accumulated depreciation	1,396,044	994,581
Property and equipment - net	7,738,488	6,129,261
OTHER ASSETS		
Development fee receivable, related party less current portion	388,711	987,883
Due from related parties	494,579	536,575
Investments in limited partnerships	195,991	195,991
Loan costs - net	11,897	14,438
Predevelopment costs	65,737	6,990
Notes receivable less current portion	23,600	3,700
Total other assets	1,180,515	1,745,577
Total assets	\$ 11,536,460	\$ 12,573,856

			0	
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES		04.000		00.474
Accounts payable	\$	21,200	\$	28,174
Accrued expenses		9,983		33,885
Accrued payroli		4,204		3,437
Accrued interest		6,655		6,863
Prepaid tenant rent		2,960		1,780
Deferred revenue		14,418		7,168
Current portion of deferred exchange grant revenue		265,474		265,474
Current portion of notes payable		39,431		37,681
Accrued management fees		4,232		4,372
Tenant security deposits		36,287		36,655
Total current liabilities		404,844		425,489
LONG-TERM LIABILITIES				
Notes payable less current portion		3,224,052	3	3,262,527
Deferred exchange grant revenue, less current portion		6,184,309		,449,783
Total long-term liabilities		9,408,361	8	,712,310
Total liabilities		9,813,205	10	,137,799
NET ASSETS			9.5	30
Unrestricted	4	1,723,255	2	,436,057
Total liabilities and net assets	\$ 1	1,536,460	\$ 12	,573,856
		1500 0000		

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CROWN COURT PROPERTIES, LTD. CONSOLIDATED STATEMENTS OF ACTIVITIES Years ended December 31, 2013 and 2012

	· · · · · · · · · · · · · · · · · · ·	
8	2013	2012
UNRESTRICTED NET ASSETS	4	
REVENUE		
Net rental revenue	\$ 566,745	\$ 580,730
Development fees	2 77	774,938
Installment sale income	(42)	296,455
Administrative fees	164,701	159,031
Exchange grant revenue	265,474	265,474
Interest expense subsidy	165,403	164,750
Relocation revenue	951	275,584
Interest income	25,764	31,018
Other income	20,344	11,460
Total revenue	1,209,382	2,559,440
EXPENSES		
Personnel	141,775	105,232
Utilities	76,670	76,511
Operating and maintenance	120,651	128,389
Taxes and insurance	37,219	74,980
Office expenses	226,261	255,767
Donations	617,104	757,448
Interest expense	246,936	248,798
Professional fees	17,479	15,475
Service fees	4,500	17,453
Relocation expenses	512	237,964
Depreciation	402,938	400,914
Amortization	2,541	2,541
Abandoned project costs	27,598	27,500
Cost of sales	+:	296,455
Loss on disposal of property	<u> </u>	6,649
Total expenses	1,922,184	2,652,076
Change in net assets	(712,802)	(92,636)
Net assets - beginning of year	2,436,057	2,528,693
Net assets - end of year	\$ 1,723,255	\$ 2,436,057

CROWN COURT PROPERTIES, LTD. CONSOLIDATED STATEMENTS OF CASH FLOWS Years ended December 31, 2013 and 2012

* *		2
	2013	2012
CASH FLOWS FROM OPERATING ACTVITIES		
Change in net assets	\$ (712,802)	(92,636)
Adjustments to reconcile change in net assets to net cash		
flows from operating activities		
Depreciation	402,938	400,914
Amortization of loan costs	2,541	2,541
Exchange grant revenue recognized	(265,474)	(265,474)
Bad debt expense	: - ₩	8,000
Loss on disposal of property	(** .)	6,649
(Increase) decrease in assets	4	
Accounts receivable	(140,441)	46
Prepaid expenses	8,419	9,091
Development fee receivable, related party	835,298	69,431
Other current assets	434	(434)
Tenant security deposits	350	(131)
Due from related parties	41,996	224,377
Increase (decrease) in liabilities	(2.27.1)	*****
Accounts payable	(6,974)	11,747
Accrued expenses	(23,902)	19,181
Accrued payroll	767	(000)
Accrued interest	(208)	(208)
Prepaid tenant rent	1,180	(1,291)
Deferred revenue	7,250	7,168
Accrued management fees	(140)	(278)
Tenant security deposits	(368)	113
Net cash flows from operating activities	150,864	398,806
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of equipment	(12,165)	(51,573)
Deposits to and interest retained in replacement reserve	(78,835)	(77,018)
Withdrawals from replacement reserve	3,870	27
Deposits to and interest retained in operating deficit reserve	(3,033)	(2,693)
Deposits to and interest retained in real estate tax escrow	(16)	(4,693)
Withdrawals from real estate tax escrow	C#.	4,678
Deposits to and interest retained in development cost escrow	(1,238)	(780)
Deposits of earnest money	(10,000)	(50,000)
Payments for predevelopment costs	(58,747)	,
Collections on notes receivable	230,653	103,930
Issuance of and interest earned on notes receivable	-	(296,455)
Net cash flows from investing activities	70,489	(374,577)
CASH FLOWS FROM FINANCING ACTIVITIES	¥1	
Principal payments on notes payable	(36,725)	(34,210)
,		
Change in cash	184,628	(9,981)
Cash - beginning of year	658,987	668,968
Cash - end of year	\$ 843,615	\$ 658,987

NOTE 1—NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Crown Court Properties, Ltd. acquires, develops, maintains, preserves, owns and operates low income housing properties. In November 2009, the organization purchased two housing projects. Fairview Crossing, located in Kiel, Wisconsin and Plymouth, Wisconsin, consists of 64 units of low-income housing. Bayview Terrace, located in Sturgeon Bay, Wisconsin, consists of 36 units of low-income housing. Crown Court Properties, Ltd. acts as a developer of affordable housing properties, primarily focusing on acquisition and rehabilitation projects.

Fairview Crossing and Bayview Terrace (the Partnerships) receive long-term financing provided under Section 515 of the Housing Act of 1949. The Partnerships have entered into rental assistance agreements with the Rural Housing Service (RHS), a service of the United States Department of Agriculture Rural Development (RD), whereby rentals and operating methods are prescribed.

Fairview Crossing and Bayview Terrace have received exchange grants from the Wisconsin Housing and Economic Development Authority in accordance with Section 1602 of the American Recovery and Reinvestment Act of 2009. The grants are in lieu of federal low-income housing tax credits under Section 42 of the Internal Revenue Code of 1986 (the Code), as amended. This code section places various restrictions upon the rental of the housing units, including the gross income of the occupants and the monthly rental rate of each unit. It is the intention of the organization to lease all housing units in accordance with Section 42 of the Code.

Principles of Consolidation

The consolidated financial statements include the accounts of Crown Court Properties, Ltd. and its wholly-owned subsidiaries: Crown Court Terrace Heights, LLC; Crown Court Bay Hill, LLC; Crown Court Northwoods, LLC; Crown Court Camilla, LLC; Bayview Terrace Apartment Associates Limited Partnership; Crown Court Flagship, LLC; Crown Court Jefferson, LLC; Fairview Crossing Apartment Associates Limited Partnership; and Crown Court Ranch Road, LLC. The consolidated financial statements also include the accounts of Willow Heights GP, NFP (of which the Organization is a 51% member) and Crown Court Wilkinson Manor, LLC (of which the Organization is a 90% member). These entities are the managing members or sole members of entities that operate rental properties. All material intra-entity transactions have been eliminated.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Accounts Receivable

The Organization considers all accounts receivable to be fully collectible and, accordingly, no allowance for doubtful accounts has been established. If amounts become uncollectible, they will be charged to operations when that determination is made.

NOTE 1-NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the following estimated useful lives:

	Years
Land improvements	15
Buildings and improvements	15 - 40
Furniture and equipment	3 - 10

Investments

The Organization has ownership interests in various limited partnerships which are reported using the cost method of accounting. Under the cost method, the investments are recorded at the price paid. Any distributions received from the investments are recorded as income in the consolidated statements of activities.

Loan Costs

Loan costs consist of financing costs of \$21,080 which have been capitalized and amortized over the related debt term using the straight-line method. Accumulated amortization of these costs is \$9,183 and \$6,642 at December 31, 2013 and 2012.

Predevelopment Costs

Predevelopment costs are application, consulting, legal, architectural and engineering fees incurred by the Organization in the predevelopment and due diligence stages of the acquisition of a property. The Organization capitalizes these costs if it is probable that the property will be acquired. If it is unlikely that the property will be acquired, the Organization expenses the costs in the period that this is determined. At the time of the acquisition of the property, the new company reimburses the Organization for these predevelopment costs.

Rental Revenue

Rental revenue is reported in the statements of activities net of rental concessions.

Income Tax Status

Crown Court Properties, Ltd. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Partnerships are treated as disregarded entities for federal tax purposes and information pertaining to their finances and operations is reported on Crown Court Properties, Ltd's federal exempt organization return. The Organization's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, the Organization is no longer subject to such examinations for tax years before 2010.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of consolidated financial statements 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through June 27, 2014, the date which the consolidated financial statements were available to be issued.

Reclassifications

Certain accounts in the prior year consolidated financial statements have been reclassified for comparative purposes to conform to the presentation in the current year consolidated financial statements.

NOTE 2—RESTRICTED FUNDS AND DEPOSITS HELD IN TRUST

Tenant Security Deposits

Tenant security deposits are maintained in interest bearing savings accounts separate from the operating accounts of the Organization. Withdrawals are restricted to reimbursements of tenant security deposits and assessments for damages.

Replacement Reserve

RD requires the Partnerships to make annual deposits totaling \$54,369 into a replacement reserve account. The required annual deposit amount for Fairview Crossing (\$37,869) increases by 2.6% each year. Funds are required to be held and administered by RD and all withdrawals require the authorization of RD. Use of the funds is restricted to major repair, capital expenditures and replacement of capital items in the project.

Real Estate Escrow

RD requires the Partnerships to make monthly escrow payments to accumulate reserves for real estate taxes and insurance. Fairview Crossing is exempt from real estate taxes and therefore no deposits were made into its reserve account during 2013.

Operating Deficit Reserve

Pursuant to the WHEDA Tax Credit Exchange Program Subaward Agreement, an operating deficit reserve in the amount of \$109,000 was required to be funded by each Partnership. Withdrawals from the operating deficit reserve require approval and authorization from WHEDA.

NOTE 2—RESTRICTED FUNDS AND DEPOSITS HELD IN TRUST (continued)

Development Cost Reserve

Pursuant to the WHEDA Tax Credit Exchange Program Subaward Agreement, 10% of Bayview Terrace's development fee was deposited by WHEDA into a third-party account, the development cost reserve, and will be release in November 2019.

Earnest Money

At times the Organization is required to fund earnest money held with a trust company for new developments in the preliminary stages.

NOTE 3—INVESTMENTS IN LIMITED PARTNERSHIPS

Investments in limited partnerships consist of the following at December 31:

	 2013	3700	2012
Bay Hill Apartment Associates, LP Park Hill Apartment Associates, LP Terrace Heights Apartment Associates, LP Wilkinson Manor Apartment Associates, LP	\$ 195,184 100 607 100	\$	195,184 100 607 100
Investments in limited partnerships	\$ 195,991	\$	195,991
NOTE 4NOTES RECEIVABLE			
Notes receivable at December 31 consisted of the following:	79		
41	 2013		2012
Unsecured note receivable in the amount of \$100,000, and bearing interest at 3%. Unpaid interest is compounded and added to the outstanding balance.	\$ 100,272	\$	100,272
Two non-interest bearing notes receivable totaling \$70,000 and secured by mortgages on the related properties. Due on demand.	33,500		33,500
Land contract in the amount of \$300,000, bearing interest at 5% and secured by a mortgage on the related properties. Repaid in April 2013.	Ν ζ		230,653

NOTE 4—NOTES RECEIVABLE (continued)

Notes receivable, less current portion	\$	23,600	\$	3,700
Notes receivable Less current portion of notes receivable		137,472 113,872		368,125 364,425
Unsecured non-interest bearing note receivable in the amount of \$3,700. Due on demand.	_	3,700	-	3,700

NOTE 5-DUE FROM RELATED PARTIES

The Organization has amounts due from limited partnerships in which it has ownership of \$448,120 and \$494,335 as of December 31, 2013 and 2012. The outstanding amounts accrue interest at the prime rate plus 2% (effective rate of 5.25% at December 31, 2013 and 2012), which is determined at the end of the preceding calendar month. Accrued interest was \$1,114 and \$1,191 as of December 31, 2013 and 2012 and is included in due from related parties on the consolidated statements of financial position.

The Organization has additional amounts due from limited partnerships in which it has partial ownership of \$46,459 and \$42,240 as of December 31, 2013 and 2012. These amounts due do not accrue interest and are due on demand. The receivables will be received by the Organization in accordance with the terms specified in the respective partnership agreements, which are subject to cash flow availability and other specified events. Accordingly, the related party receivable is classified as a non-current asset of the Organization.

NOTE 6—DEVELOPMENT FEES

The Organization, through interests in related limited partnerships, has earned development fees from its participation in the rehabilitation of various low-income housing units. There were no development fees earned in 2013. Development fees earned were \$774,938 for 2012. At December 31, 2013 and 2012, \$650,899 and \$1,486,197 of the earned development fees were unpaid.

The Organization expects to collect \$262,188 through equity and debt draws in 2014, and has therefore classified this portion as a current asset. The remaining fees will be paid to the Organization in accordance with the terms specified in the respective partnership agreements, which are subject to cash flow availability and other specified events. Accordingly, this portion of the development fee receivable is classified as a non-current asset.

NOTE 7-ADMINISTRATIVE FEES

The Organization earned partnership administrative fees, partnership management fees, acquisition fees, and insurance administrative fees from related parties. Payment of certain fees is subject to the cash flow restrictions defined in the partnership agreements of the related parties. Unpaid related party fees earned accrue into subsequent years. Related party fees earned for 2013 and 2012 were \$164,701 and \$159,031. These fees are included in administrative fees on the consolidated statements of activities.

NOTE 8-DEFERRED EXCHANGE GRANT REVENUE

Bayview Terrace was awarded and received \$2,836,711 of tax credit exchange grant proceeds in connection with the rehabilitation of the project. Bayview Terrace recognized \$103,153 of revenue from the exchange grant each year for 2013 and 2012.

Fairview Crossing was awarded and received \$4,463,831 of tax credit exchange grant proceeds in connection with the rehabilitation of the project. Fairview Crossing recognized \$162,321 of revenue from the exchange grant each year for 2013 and 2012.

NOTE 9—MANAGEMENT FEES

The Organization is under contract to pay a management fee based on RD's approved per unit per month fee for the Partnerships. Management fees incurred under these agreements were \$52,266 and \$52,871 for 2013 and 2012.

NOTE 10—OPERATING LEASES

During 2012, the Organization leased office space on a month to month basis. The lease was terminated on July 28, 2012. Rent paid for the 2012 was \$12,694.

The Organization leases two vehicles under operating lease agreements. The lease terms are 36 and 60 months ending in October and November 2015. The leases require combined monthly payments of \$1,028. Lease expense for 2013 and 2012 was \$8,250 and \$10,988. Future minimum lease payments required are \$12,336 and \$11,007 for 2014 and 2015.

NOTE 11—CONCENTRATIONS

Operations

The Organization's operations are concentrated in the multifamily real estate market. In addition, the Partnerships operate in a heavily regulated environment. The operations of the Partnerships 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 any of these authorities with little notice.

Credit Risk

The Organization maintains cash balances at several financial institutions located in Wisconsin. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2013, the Organization's uninsured cash balances total approximately \$324,000.

NOTE 12-CONSOLIDATED STATEMENTS OF CASH FLOWS

Supplemental disclosures to the consolidated statements of cash flows are as follows:

Cash payments for interest

\$ 247,144 \$ 249,006

NOTE 13—FUNCTIONAL EXPENSES

Expenses by function for the year ended December 31, 2013 were as follows:

	2013 2012	_
Program services Management and general	\$ 1,648,695 \$ 2,355,78 273,489 296,29	
Total expenses	\$ 1,922,184 \$ 2,652,07	6

NOTE 14—COMMITMENTS AND CONTINGENCIES

Guarantees

At December 31, 2013, the Organization had a guaranty on a mortgage note for an independent third party totaling \$243,000. The guarantee was secured by a mortgage on the real property. On May 29, 2014, the loan was paid in full and the continuing guaranty was cancelled.

As part of the exchange grant awarded to Bayview Terrace, WHEDA required the organization to enter into a guaranty agreement to cover all operating deficits and debt service payments. The guaranty expires on November 19, 2019.

Land Use Restriction

The Organization has signed land use restriction agreements with WHEDA as a condition to receiving an allocation of low-income housing tax credits and exchange funds from WHEDA. Under these agreements, the partnership must continuously comply with Section 42 and other applicable sections of the Internal Revenue Code (IRC). The agreements place occupancy restrictions on rents and the minimum percent of units which shall be occupied by individuals or families whose income meets the requirements set under IRC Section 42. If the organization fails to comply with these agreements or with the IRC, it may be ineligible for low-income housing tax credits and the partners may be required to recapture a portion of the tax credits previously claimed on their income tax returns. If the Organization fails to comply with the terms of its subaward agreements, it may be obligated to repay proceeds received from the tax credit exchange program subaward.

Variable Interest Entities (VIE)

Generally accepted accounting principles require the consolidation of certain "variable interest entities." The standard requires both qualitative and quantitative analysis to determine the primary beneficiary of a VIE, requires continuous assessments of whether an enterprise is the primary beneficiary of a VIE, enhances disclosures about an enterprise's involvement with a VIE, and amends certain criteria for determining whether an entity is a VIE. Under generally accepted accounting principles, a VIE must be consolidated if the enterprise has both (a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE.

NOTE 14— COMMITMENTS AND CONTINGENCIES (continued)

The Organization is the sole member of the general partner of several limited liability companies where the Organization was determined to be the primary beneficiary. These limited liability companies were identified as variable interest entities that are required to be consolidated with the Organization under these rules. However, these financial statements do not consolidate these variable interest entities as required by generally accepted accounting principles.

During 2013 and 2012, there were no changes in the Organization's primary beneficiary determinations related to the real estate entities. The Organization has accounted for the VIEs using the cost method of accounting. The Organization has excluded the activities of the following VIEs from its consolidated financial statements:

- Bay Hill Apartments Associates, LP
- Flagship Apartment Associates, LP
- Northwoods Crown Court Apartment Associates, LP
- Park Hill Apartment Associates, LP
- Jefferson Apartment Associates, LP
- Willow Heights Apartment Associates, LP
- Wilkinson Manor Apartment Associates, LP
- Terrace Heights Apartments Associates, LP

Effect on the Consolidated Statements of Financial Position

Consolidating the VIEs at December 31, 2013 and 2012 would have increased assets by \$33,777,077 and \$45,511,885 for total assets of \$46,366,261 and \$58,085,741, increased liabilities by \$13,337,059 and \$24,807,123 for total liabilities of \$23,273,685 and \$34,944,922, and increased unrestricted net assets by \$20,440,018 and \$20,704,762 for total unrestricted net assets of \$23,092,576 and \$23,140,819.

Effect on the Consolidated Statements of Activities

Consolidating the VIEs for the years ended December 31, 2013 and 2012 would have increased revenues by \$3,722,247 and \$4,278,030 for total revenues of \$4,946,729 and \$6,844,762, increased expenses by \$4,664,898 and \$5,287,763 for total expenses of \$6,638,862 and \$7,947,131, and decreased change in unrestricted net assets by (\$942,651) and (\$1,009,733) for total change in unrestricted net assets of (\$1,692,133) and (\$1,102,369).

CROWN COURT PROPERTIES, LTD. SCHEDULES OF FINANCIAL POSITION—PARENT ONLY December 31, 2013 and 2012

	2013	2012
ASSETS	17 	
CURRENT ASSETS	A 750 444	A 570.070
Cash	\$ 753,411	\$ 572,379
Accounts receivable Prepaid expenses	143,125	1,134 8,419
Current portion of notes receivable	113,872	364,425
Current portion of development fee receivable, related party	262,188	498,314
Other current assets	1.00	434
Total current assets	1,272,596	1,445,105
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Earnest money	60,000	50,000
21	248,950	254,798
Property and equipment - net	240,800	204,790
OTHER ASSETS		
Development fee receivable, related party less current portion	510,148	1,109,320
Due from related parties	494,579	536,575
Investments in limited partnerships	206,991 65,737	206,991 6,990
Predevelopment costs Notes receivable less current portion	23,600	3,700
reces receivable less current portion	20,000	0,700
Total other assets	1,301,055	1,863,576
Total assets	\$ 2,882,601	\$ 3,613,479
LIABILITIES AND NET ASSETS	STREET, SALES	
CURRENT LIABILITIES		85
Accounts payable	\$ 12,637	\$ 16,263
Accrued expenses	3,935	27,837
Accrued payroll	4,204	3,437
Deferred revenue	16,402	8,420
Total liabilities	37,178	55,957
NET ASSETS		
Unrestricted	2,845,423	3,557,522
Total liabilities and net assets	\$ 2,882,601	\$ 3,613,479

CROWN COURT PROPERTIES, LTD. SCHEDULES OF ACTIVITIES—PARENT ONLY Years ended December 31, 2013 and 2012

	2013	2012
UNRESTRICTED NET ASSETS		
REVENUE Net rental revenue	\$ -	\$ 9.880
Development fees	⊅	\$ 9,880 774,938
Installment sale income	0.2	296,455
Administrative fees	182,157	179,410
Relocation revenue	951	275,584
Interest income	18,990	25,878
Other income	. 9,157	909
		(
Total revenue	211,255	1,563,054
EXPENSES		
Personnel	141,775	105,232
Utilities	4,562	3,849
Operating and maintenance	4,988	21,948
Taxes and insurance	5,327	50,127
Office expenses	98,161	112,114
Donations	617,104	757,448
Professional fees	17,479	15,475
Relocation expenses	512	237,964
Depreciation	5,848	6,022
Abandoned project costs	27,598	27,500
Cost of sales	7 .	296,455
Loss on disposal of property		6,649
Total expenses	923,354	1,640,783
Change in net assets	(712,099)	(77,729)
Net assets - beginning of year	3,557,522	3,635,251
Net assets - end of year	\$ 2,845,423	\$ 3,557,522



Crown Court Properties, Ltd. is a 501(c)(3) not-for-profit organization

CROWN COURT PROPERTIES DEVELOPMENT EXPERIENCE

Organization

Crown Court Properties Ltd. ("CCP") is a 501(c) 3 organization established in 2000 with a charitable purpose of preserving affordable housing that is at risk of being eliminated from the national affordable housing inventory either through conversion to market rate or by physical deterioration.

Mission Statement

To acquire, rehabilitate and properly maintain affordable housing for low to moderate- income households.

History and Experience

Crown Court Properties to date has received 10 LIHTC allocations for a total of 646 units. CCP currently has developed and is General Partner or Owner of a total of 626 units. A smaller 20 unit 2008 award for a new construction project was returned due to challenges in the equity markets at that time. Our history and current experience in affordable housing currently includes the following specific activities:

- 1. Acquired in 2001 Willow Heights Apartments, which is a 64 Unit Elderly Apartment Building, located in Decatur, Illinois, with Tax Exempt Bonds, and a Section 8 contract, currently the development is operating ahead of budget and has achieved REAC scores in excess of 95 during CCP's ownership. CCP acts as the General Partner in this development through a separate LLC formed to own the development. Recently, we successfully secured financing for rehab through the Illinois Housing Development Authority ERP program (see below).
- 2. Acquired in 2003 and rehabbed Bay Hill Apartments, which is a 68 Unit Town House Complex, located in Sturgeon Bay, Wisconsin; financed under Rural Development and US Bank loans and a Section 8 contract, valued at \$5,900,000. CCP received and sold Tax Credits to the Enterprise Social Investment Foundation in the amount of \$2,525,000. Extensive rehab was performed at Bay Hill; during this rehab CCP participated in all scheduled draw meetings and advised on tenant file compliance as well as the complete tenant relocation process, which was performed on a rolling basis so as not to displace any tenants or schoolchildren. Particular program difficulties were encountered in the overlapping and conflicting Rural Development and Tax Credit regulations with respect to



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household incomes and compliance. CCP was able in conjunction with management, to satisfy both the State Housing Finance Agency responsible for the monitoring of the credits as well as Rural Development who is responsible for compliance with specific Rural Development income and compliance regulations.

- 3. Acquired in 2003 and rehabbed Terrace Heights Apartments, which is a 50 Unit Town House Complex, located in Wausau, Wisconsin with a Section 8 contract, valued at \$4,725,000; financed with a US Bank loan and a Section 8 contract. CCP received and sold Tax Credits to the Enterprise Social Investment Foundation in the amount of \$2,100,000; extensive rehab was performed at Terrace Heights. Particular program difficulties were encountered in tax credit syndication and valuation of market rents vs. the Section 8 rents, which were 200% of FMR. This necessitated an operating reserve be established to fund the rent differential in the event the section 8 contract would not be renewed. CCP assisted in this valuation process along with management and its project auditors Virchow Krause.
- 4. Acquired in 2005 and rehabbed, Northwoods Apartments, which is a 72 Unit Apartment Complex, located in a qualified census tract in Milwaukee, Wisconsin, with a Section 8 contract. This development is valued at \$6,000,000 and has received a reservation from WHEDA for the allocation of tax credits. Extensive rehab began in March of 2005. A new building was constructed which included a management office, laundry facility and computer-learning center. There were extensive landscape improvements, including complete replacement of all asphalt parking. One building had the entire 3-story front entryway stairwell removed and reconfigured in order to make that entrance fully handicapped-accessible. During the rehab CCP participated in all scheduled draw meetings and advised on file compliance as well as the tenant relocation during the renovation. The work was performed on a rolling basis in order to avoid permanent displacement of any tenants and to minimize disruption to resident's daily lives, e.g. schoolchildren.
- 5. Acquired through HUD foreclosure auction in 2005, Camilla Court Apartments, a 62 unit Section 8 elderly property in Milwaukee, Wisconsin. Camilla Court was a troubled property with numerous physical challenges, the result of a series of missteps by previous ownership and management, which had left the property with serious fiscal issues and occupancy problems.

In February of 2006 an application for 9% credits was submitted under the preservation category and CCP was awarded the credits. Receipt of this allocation allowed for Camilla Court's complete renovation. CCP has brought sustainability to the project which impacts the



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neighborhood, by securing \$350,000 in grants from the Federal Home Loan Bank of Chicago and the Helen Bader Foundation and most importantly, \$5,347,000 in tax-credit equity.

6. In fall of 2007 CCP acquired and commenced rehab on Flagship Apartments, consisting of 70 units of scattered site apartments, located in Kewaskum and Green Lake, Wisconsin, with a project based Section 8 contract and with WHEDA's allocation of tax credits. Extensive rehab began in November of 2007.

Financing included construction and permanent loans from US Bank and \$3,818,027 in tax-credit equity.

- 7. In April of 2008 CCP received 2 additional 9% tax credit allocations for the Fairview Crossings Project located in Kiel and Plymouth, Wisconsin and for the Bayview Terrace Project located in Sturgeon Bay, Wisconsin. These projects combined total 100 units of acquisition rehab and an annual LIHTC reservation of \$550,000 being added to the CCP portfolio. CCP has returned the LIHTC and received funding through the 1602 credit exchange program. These 2 projects were closed in November of 2009 using the Credit Exchange Program. These were the first projects in the State of Wisconsin to close with WHEDA under this new program.
- 8. In September of 2008 CCP received a 9% LIHTC allocation for Park Hill Townhomes, a new construction of 20 townhome and duplex units adjacent to Park Hill Senior Apartments. The new units were intended serve families with 3 bedrooms 1.5 baths, each unit with its own private garage and entrance. This allocation was returned to the Authority due to the drastic changes in the equity and real estate markets at the end of 2008.
- 9. In June of 2009 CCP received a 9% tax credit allocation for the Jefferson Apartments project located in Jefferson, Wisconsin. This project combines two RD properties for a total of 64 units of acquisition rehab and an annual LIHTC reservation of \$607,000 being added to the CCP portfolio. CCP successfully closed this project with an investor and WHEDA's TCAP gap funding program dollars.
- 10. In February of 2010 CCP restructured the Willow Heights project in Decatur, IL. This transaction utilized multiple layers of financing, including; \$2,560,000 of tax exempt bond financing, placed with US Bank, \$1,400,000 of TCAP loan funds, \$2,213,000 of 1602 grant funds, \$413,250 of IL State Donation tax credit equity from US Bank and private investor equity. CCP worked diligently with all levels of IHDA staff to successfully conclude this complex transaction.



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11. In April of 2011 CCP received a 9% tax credit allocation for the Wilkinson Manor Project located in Oconomowoc, Wisconsin. This project combines 76 units of acquisition rehab and an annual LIHTC reservation of \$573,582 being added to the CCP portfolio. 20 new garages will be added to the development at the senior site. CCP has brought sustainability to the project which impacts the neighborhood, by securing \$350,000 in Home funds through Waukesha County and most importantly, \$5,333,779 in tax-credit equity.

12. In April 2014 CCP received a 9% tax credit allocation for the purchase and rehabilitation of Whitewater Woods, a 60-unit family apartment complex. This project closed on October 31, 2014, partnering with WHEDA and USDA Rural Development. The planned rehab will begin in January 2015.

Principals and Partnerships

I. Principals

Crown Court Properties operation is led by Rabbi Motty Spalter and Menachem Rapoport. Motty and Menachem handle the daily responsibilities of managing the organization, and over the last thirteen years, have achieved a tremendous amount in the affordable housing industry. They are personally involved in prospecting for project development, new project feasibility, purchase price assessment, tax credit application process, negotiations with potential syndicates, mortgage applications, rehab planning, construction details, site visits, management issues, rent up, monthly audit review, and tenant relations.

II. Partnerships

1. Property Managers

CCP generally contracts with ACC Management Group which has a depth of experience in the marketplace as well as a stellar reputation earned by their in depth knowledge of affordable housing management practices and compliance policies.

CCP has successfully accomplished the acquisition, rehabilitation, and management of its affordable housing portfolio working primarily with ACC Management Group and Stier Construction Inc. These entities combined have extensive experience in the development, construction, rehabilitation, management and compliance of all programmatic types of affordable housing including Section 8, Rural Development and the Section 42 tax credit program.



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2. Lenders and Investors

Crown Court Properties has developed many solid business relationships over the last six years with the following companies: Our primary loan provider US Bank, pre-development lenders; LISC and FCI, Equity investors; ESIC, Paramount, Great Lakes Capital Fund and Boston Capital. Letter of credit providers; Associated Bank, US Bank N.A. and US Bank CDC. We have also received loans/grant funding from the Federal Home Loan Bank of Chicago via their AHP program and HOME funds.

3. Directors and Advisory Board

Additionally CCP has on its Board several directors with extensive business acumen and/or programmatic knowledge of the RD, Section 8 and Section 42 tax credit programs. Furthermore and equally important is the CCP Housing Advisory Board, comprised of individuals knowledgeable and well known in the affordable housing field. With the oversight of its Board of Directors and advice from the Housing Advisory Board, CCP is well equipped to tackle the challenges of preserving affordable housing through its hands on commitment and its demonstrated ability to acquire, develop, rehab and manage affordable housing.