

May 1 2024

Manor Housing Public Facility Corporation
105 E. Eggleston St.
Manor, TX 78653

This letter is to confirm our understanding of the terms and objectives of our engagement and the nature and limitations of the services we will provide.

Preparation of the Financial Statements

You have requested that we prepare the quarterly financial statements of Manor Housing Public Facility Corporation (Manor PFC), which include vurrent and future special purpose entities whose sole member will be Manor PFC (collectively "the Corporation") In furtherance of Manor PFC housing projects. The Corporation's quarterly financial statements will comprise the statement of net position as of each quarter-end from January 1, 2024, through December 31, 2024, and the related statement of revenues, expenses and change in net position for each quarter then ended. These financial statements will not include a statement of cash flows and related notes to the financial statements as required by accounting principles generally accepted in the United States of America. We are pleased to confirm our acceptance and our understanding of this engagement to prepare the financial statements of the Corporation by means of this letter. The services address in this engagement letter does not include annual tax or compilation engagements. Additional services may be requested in writing by the Manor PFC including but not limited to new LLCs, etc. and additional fees will apply as agreed upon by both parties.

Our Responsibilities

The objective of our engagement is to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) based on information provided by you. We will conduct our engagement in accordance with Statements on Standards for Accounting and Review Services (SSARSs) promulgated by the Accounting and Review Services Committee of the AICPA and comply with the AICPA's Code of Professional Conduct, including the ethical principles of integrity, objectivity, professional competence, and due care.

We are not required to, and will not, verify the accuracy or completeness of the information you will provide to us for the engagement or otherwise gather evidence for the purpose of expressing an opinion or a conclusion. Accordingly, we will not express an opinion or a conclusion nor provide any assurance on the financial statements.

Our engagement cannot be relied upon to identify or disclose any financial statement misstatements, including those caused by fraud or error, or to identify or disclose any wrongdoing within the Corporation or noncompliance with laws and regulations.

Management Responsibilities

The engagement to be performed is conducted on the basis that you acknowledge and understand that our role is to prepare financial statements in accordance with GAAP. You have the following overall responsibilities that are fundamental to our undertaking the engagement in accordance with SSARs:

- a. The selection of GAAP as the financial reporting framework to be applied in the preparation of the financial statements.
- b. The design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- c. The prevention and detection of fraud.
- d. To ensure that the Corporation complies with the laws and regulations applicable to its activities.
- e. The accuracy and completeness of the records, documents, explanations, and other information, including significant judgments, you provide to us for the engagement.
- f. To provide us with:
 - i. Access to all information of which you are aware is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - ii. Additional information that we may request from you for the purpose of the preparation of the financial statements, and
 - iii. Unrestricted access to persons within the Corporation of whom we determine it necessary to make inquiries.

The financial statements will not be accompanied by a report. However, you agree that the financial statements will clearly indicate that no assurance is provided on them.

Bookkeeping and Other Accounting Services

We will provide the various accounting and consulting services as specified in Exhibit A accompanying this letter.

We will not perform management functions or make management decisions for you. However, we may provide advice, research materials, and recommendations to assist you in performing your functions and making decisions. You must agree to perform the following functions in connection with our bookkeeping and other services engagements:

- Make all management decisions and perform all management functions;
- Assign a competent individual to oversee the services;
- Evaluate the adequacy of the services performed;
- Evaluate and accept responsibility for the results of the services performed; and
- Establish and maintain internal controls, including monitoring ongoing activities.

Other Relevant Information

Shannon Andre', CPA is the engagement shareholder and is responsible for supervising the engagement and signing the report or authorizing another individual to sign it.

Should you require financial statements for third-party use, we would be pleased to discuss with you the requested level of service. Such engagement would be considered separate and not deemed to be part of the services described in this engagement letter.

Our fee estimate is based on the number of hours (including travel time) required by the level of the staff assigned to complete the engagement plus actual out-of-pocket expenditures. Our billing rate is subject to annual increase for at least cost of living increment. Our current hourly rate is as follows:

<u>Staff Level</u>	<u>Hour Rate</u>
Engagement Shareholder	\$340
Tax Principal	\$230
Accounting Manager	\$175
Associate	\$125
Para-professional	\$95 - 100

The fee estimates as outlined on the accompanying Exhibit A are based on our experience in working with clients similar to the Corporation and are assuming that (1) we will have anticipated cooperation from the Corporation's personnel by providing us information in a timely manner, and (2) the business activities are minimal in the Manor PFC's normal operations.

We will bill once a month and all invoices are payable when presented.

In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and will not be resumed until your account is paid in full. A finance charge of 1% per month, which is an annual rate of 12%, will be added to all invoices that remain unpaid for more than 60 days. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination. The suspension or termination of our work may result in adverse consequences to you including your failure to meet deadlines imposed by governments, lenders, or other third parties. You agree that we will not be responsible for your failure to meet such deadlines, or for penalties or interest that may be assessed against you resulting from such failure.

You agree to release, indemnify, defend, and hold us harmless from any liability or costs, including attorney's fees, resulting from management's knowing misrepresentations to us.

We look forward to a continued relationship with your organization, and we are available to discuss the contents of this letter or other professional services you may desire.

We appreciate the opportunity to be of service to you and believe that this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If the foregoing terms are in accordance with your understanding, please sign the copy of this letter in the space provided and return it to us.

Respectfully,

Brown, Graham & Company, P.C.

Austin, Texas

RESPONSE:

This letter correctly sets forth our understanding.

Acknowledged and agreed by: Manor Housing Public Facility Corporation

Signature: _____

Print Name: _____

Title: _____

Date: _____

EXHIBIT A

ACCOUNTING AND CONSULTING SERVICES OUTLINE AND ESTIMATED FEES

- I. **One-time upfront services (this one-time upfront fee can be built in and to be paid from the closing of the new deals in the future):**
 - a. **Accounting and consulting services attributable to the project/partnership (Estimated cost \$1,500- \$3,500 depending on size and complexity of deal and agreements):**
 - i. Read the Limited Partnership Agreement, Ground Lease Agreement and its related MOU, Development and Co-Development Agreements, Consulting Agreement, Master Contract and Sub-contractor Agreement, Partnership Management Fee Agreement and Incentive Management Fee Agreement and other significant agreements that HFC is involved through its wholly owned LLCs;
 - ii. Reconcile initial loan & equity closing statement as compared to the above agreements;
 - iii. Summarize all significant related party transactions between the PFC (or through its LLCs) and the partnership, and
 - iv. Meeting with the Board to go over component unit evaluation, ground lease evaluation and related party transaction summary between the PFC and the limited partnership.
 - b. **Accounting and consulting services attributable to any new LLCs that are created for a new project (Estimated cost for all tasks below is to be \$2,000):**
 - i. Read all organizational documents for the LLCs;
 - ii. Create an organizational chart to track all the LLCs in relation with the PFC and the partnership;
 - iii. Initial set up of accounting files and records for the LLCs in QuickBooks;
 - iv. Write up accounting considerations of the blended/discretely presented component unit (all LLCs in relationship to the PFC, and the partnership in relationship to GP LLC);
 - v. Write up accounting consideration of the ground lease (operating lease vs. capital lease);
 - vi. Reconciled significant transactions per the land purchase closing statement or per the initial loan & equity closing statement to all agreements and recorded them in QuickBooks accordingly, and
- II. **Recurring services:**
 - a. **Annual ongoing services (charged on our currently hourly rate):**
 - i. Assist the GP LLC to review the audit draft report and draft tax return of any formed partnership(s) prior to the President of the GP LLC signing the management representation letter for the audit and signing the tax return.

- b. Monthly recurring accounting, consulting services and quarterly financial statements preparation services for the PFC (Estimated monthly cost \$650 with increases of \$250 - \$450 for each additional project/partnership):**
- i. Monthly accounts receivable function to prepare invoices for various fees when they become due as well as recording cash receipts and tracking the payment status accordingly;
 - ii. Monthly accounts payable function to enter the vendor bills into QuickBooks and process payments accordingly upon the authorization and approval by Manor PFC's personnel for payment processing;
 - iii. Preparation and maintenance of monthly reconciliation schedules;
 - iv. Reconciliation of amount recorded in the trial balance to the supporting schedules;
 - v. Periodic adjustments, among others, as wells as certain other services;
 - vi. Preparation of quarterly combined financial statements (without statement of cash flow and notes to the financial statements) including a supplemental schedule of a combining financial statements (with individual columns for each entity), and
 - vii. Monitor the various fees due to LLCs.
- III. Other accounting functions as requested (charged on our currently hourly rate):**
- i. Monthly tele-conference with the Board of Directors (or provision of written presentation for the Board's review) to discuss monthly financial statements;
 - ii. Prepare cash flow analysis due to the PFC and its wholly owned LLCs for the next five years per the above agreements;
 - iii. assistance to interact and provide the information to the external auditor
 1. Provide and update the reconciliation schedules to suit the needs of the external auditor;
 2. Prepare annual financial statements to include statement of cash flows, and
 3. Prepare notes related to the PFC, the LLCs and the partnership to be included in ACFR.
 - iv. Preparation of annual budget, and
 - v. Any other services that are not included as part of the monthly or annual recurring services.
- IV. Tax services:**
- i. One-time service - Entity Election and 168(h) election for the GP LLC (***Estimated cost - \$450 for the GP LLC***);
 - ii. One-time services – Set up Texas Franchise account with the Texas Comptroller's Office for the LLCs, if needed (***Estimated cost - \$350 for each LLC formed during fiscal year 2024***);
 - iii. Annual service – Preparation of federal return for each GP LLC (***Estimated cost - \$650***);
 - iv. Annual services – Preparation of Texas franchise return filings for all LLCs (***Estimated cost - \$400 for each LLC***).