

**UNITED DEVELOPMENT FUNDING INCOME FUND V**

**CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2022  
with Report of Independent Auditors**

# **UNITED DEVELOPMENT FUNDING INCOME FUND V**

## **CONSOLIDATED FINANCIAL STATEMENTS**

**For the Year Ended December 31, 2022**

### **Table of Contents**

|   |   |
|---|---|
| Report of Independent Auditors.....                             | 1 |
| Consolidated Financial Statements:                              |   |
| Consolidated Balance Sheet .....                                | 3 |
| Consolidated Statement of Operations .....                      | 4 |
| Consolidated Statement of Changes in Shareholders' Equity ..... | 5 |
| Consolidated Statement of Cash Flows .....                      | 6 |
| Notes to Consolidated Financial Statements.....                 | 7 |



## REPORT OF INDEPENDENT AUDITORS

To the Board of Trustees and Shareholders  
of United Development Funding Income Fund V

### **Opinion**

We have audited the accompanying consolidated financial statements of United Development Funding Income Fund V (the “Trust”), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of operations, changes in shareholders’ equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Trust as of December 31, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Trust, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust’s ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

### **Auditor’s Responsibility for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*Badwell Vasek Wells DeSimone LLP*

Dallas, Texas  
August 1, 2023

**UNITED DEVELOPMENT FUNDING INCOME FUND V**

**CONSOLIDATED BALANCE SHEET**

**December 31, 2022**

**Assets**

|                             |               |
|-----------------------------|---------------|
| Cash and cash equivalents   | \$ 3,097,852  |
| Accrued interest receivable | 257,695       |
| Note receivable, net        | 8,834,487     |
| Other assets, net           | <u>34,054</u> |

Total assets \$ 12,224,088

**Liabilities and Shareholders' Equity**

|  |                |
|--|----------------|
| Accounts payable and accrued liabilities | \$ 248,398     |
| Accrued liabilities - related parties    | <u>471,145</u> |
| Total liabilities                        | <u>719,543</u> |

Commitments and contingencies

Shareholders' equity:

|  |                     |
|--|---------------------|
| Shares of beneficial interest; \$0.01 par value; 400,000,000 shares authorized;<br>2,951,526 shares issued and outstanding | 29,515              |
| Additional paid-in capital   | 52,015,035          |
| Accumulated deficit  | <u>(40,540,005)</u> |
| Total shareholders' equity   | <u>11,504,545</u>   |

Total liabilities and shareholders' equity \$ 12,224,088

See accompanying notes to consolidated financial statements.

**UNITED DEVELOPMENT FUNDING INCOME FUND V**

**CONSOLIDATED STATEMENT OF OPERATIONS**

**December 31, 2022**

**Interest income:**

|                       |                  |
|-----------------------|------------------|
| Loan interest income  | \$ 1,146,246     |
| Other interest income | 15,032           |
| Total interest income | <u>1,161,278</u> |

|  |                |
|--|----------------|
| Provision for loan losses                      | 226,525        |
| Provision for other losses                     | 146,578        |
| Net interest income after provision for losses | <u>788,175</u> |

**Expenses:**

|  |                  |
|--|------------------|
| Advisory fee - related party                 | 320,360          |
| General and administrative                   | 703,087          |
| General and administrative - related parties | 22,614           |
| Total expenses                               | <u>1,046,061</u> |

|          |                            |
|----------|----------------------------|
| Net loss | <u><u>\$ (257,886)</u></u> |
|----------|----------------------------|

See accompanying notes to consolidated financial statements.

**UNITED DEVELOPMENT FUNDING INCOME FUND V**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**Year Ended December 31, 2022**

|                              | <b>Shares of<br/>Beneficial Interest</b> |                  | <b>Additional<br/>Paid-in<br/>Capital</b> | <b>Accumulated<br/>Deficit</b> | <b>Total</b>         |
|------------------------------|--|------------------|---|--------------------------------|----------------------|
|                              | <b>Shares</b>                            | <b>Amount</b>    |   |                                |                      |
| Balance at December 31, 2021 | 2,951,526                                | \$ 29,515        | \$ 52,015,035                             | \$ (26,952,729)                | \$ 25,091,821        |
| Distributions                | -  | -                | -   | (13,329,390)                   | (13,329,390)         |
| Net loss                     | -  | -                | -   | (257,886)                      | (257,886)            |
| Balance at December 31, 2022 | <u>2,951,526</u>                         | <u>\$ 29,515</u> | <u>\$ 52,015,035</u>                      | <u>\$ (40,540,005)</u>         | <u>\$ 11,504,545</u> |

See accompanying notes to consolidated financial statements.

**UNITED DEVELOPMENT FUNDING INCOME FUND V**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**Year Ended December 31, 2022**

**Operating Activities**

|   |                  |
|---|------------------|
| Net loss  | \$ (257,886)     |
| Adjustments to reconcile net loss to net cash provided by operating activities: |                  |
| Provision for loan losses   | 226,525          |
| Provision for other losses  | 146,578          |
| Changes in assets and liabilities:  |                  |
| Accrued interest receivable   | (257,694)        |
| Other assets  | 3,245,327        |
| Accounts payable and accrued liabilities  | (34,100)         |
| Accrued liabilities - related party   | 342,872          |
| Net cash provided by operating activities                                       | <u>3,411,622</u> |

**Investing Activities**

|   |                  |
|---|------------------|
| Investments in notes receivable           | (552,304)        |
| Principal receipts from notes receivable  | 5,483,855        |
| Net cash provided by investing activities | <u>4,931,551</u> |

**Financing Activities**

|                                       |                     |
|---------------------------------------|---------------------|
| Distributions                         | (13,329,390)        |
| Net cash used in financing activities | <u>(13,329,390)</u> |

|  |                     |
|--|---------------------|
| Net change in cash and cash equivalents        | (4,986,217)         |
| Cash and cash equivalents at beginning of year | <u>8,084,069</u>    |
| Cash and cash equivalents at end of year       | <u>\$ 3,097,852</u> |

See accompanying notes to consolidated financial statements.



**UNITED DEVELOPMENT FUNDING INCOME FUND V**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2022**

**A. Nature of Business**

United Development Funding Income Fund V (which may be referred to as the “Trust,” “we,” “our,” or “UDF V”) was organized on October 1, 2013 (“Inception”) as a Maryland real estate investment trust. The trust has three subsidiaries, which are wholly owned.

The Trust began its principal operations during the year ended December 31, 2014. The Trust has no employees. The Trust’s offices are located in Irving, Texas.

The Trust’s capital raise ended in 2016 with approximately \$51.1 million raised, net of offering costs. UDF V primarily originated secured loans for the acquisition and/or development of parcels of real property as single-family residential lots. The Trust is not currently originating any new loans and is positioned to wind down while continuing to return capital to its investors.

UDFH General Services, L.P. (“UDFH GS” or the “Advisor”), a Delaware limited partnership, is the Trust’s advisor and responsible for coordinating the management of the Trust’s day-to-day operations and for identifying and making investments on the Trust’s behalf, subject to the supervision of the Trust’s board of trustees. The Trust’s Advisor has engaged its affiliate, UDFH Land Development, L.P. (“UDFH LD”), to provide asset management services including oversight of the investment activities of the Trust and providing the Trust’s board of trustees recommendations regarding the Trust’s investments and finance transactions, management, policies and guidelines, and review of investment transaction structures and terms, underwriting, collateral, performance and risk management, at both the entity and asset levels.

**B. Summary of Significant Accounting Policies**

A summary of our significant accounting policies consistently applied in the preparation of the accompanying consolidated financial statements follows:

**Basis of Presentation**

These consolidated audited financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Trust and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates and assumptions.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Cash and Cash Equivalents**

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. At December 31, 2022, there were no such amounts included in cash and cash equivalents.

##### **Note Receivable**

Notes receivable are recorded at the lower of cost or net realizable value. As of December 31, 2022, the Trust has one loan remaining in our portfolio that is secured by a pledge of equity interests in an entity that owns real property. Through this pledge, UDF V has the right to receive net proceeds from lot sales and Public Improvement District reimbursements. As of December 31, 2022, the loan has a remaining term of 7 months and bears interest at a rate of 13% per annum. The note may be extended past its current maturity date if approved by the board of trustees.

##### **Other Assets**

Other assets are recorded at the lower of cost or net realizable value.

##### **Allowance for Loan Losses**

The allowance for loan losses is our estimate of incurred losses related to our note receivable. We periodically perform a detailed review to determine if impairment has occurred and to assess the adequacy of the allowance for loan losses. Our review consists of evaluating economic conditions, the estimated value of the underlying collateral, the guarantor, when applicable, adverse situations that may affect the borrower's ability to pay or the value of the collateral, and other relevant factors. This review is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

We evaluate our note receivable quarterly or as circumstances or events arise that warrant more frequent review. In conjunction with this evaluation, we apply the guidance in FASB ASC 310-10-35, *Receivables – Overall – Subsequent Measurement* (“ASC 310-10-35”) in determining whether it is probable that we will be unable to collect all of the contractual principal and interest payments as scheduled in our loan agreements (i.e., whether the loan is impaired). In reviewing our loan, we considered cash flow estimates from the pledge of equity for future lot sales and reimbursements, as well as prior performance and current market conditions.

We charge additions to the allowance for loan losses to current period earnings through a provision for loan losses. Amounts determined to be uncollectible are charged directly against, or “charged off,” and decrease the allowance for loan losses, while cash amounts recovered on previously charged off accounts are recognized in current period earnings.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Interest Income Recognition**

Interest income on notes receivable is recognized over the life of the note agreement and recorded on an accrual basis. A loan is placed on non-accrual status and income recognition is suspended at the date at which, in the opinion of management, a full recovery of income and principal becomes more likely than not, but is no longer probable, based upon our review of economic conditions, the estimated value of the underlying collateral, the guarantor, when applicable, adverse situations that may affect the borrower's ability to pay or the value of the collateral and other relevant factors. Income recognition is resumed when the loan becomes contractually current and performance is demonstrated to be resumed. Any payments received on loans classified as non-accrual status are typically applied first to outstanding loan amounts and then to the recovery of lost interest.

##### **Legal Fees and Other Costs Directly Related to Contingent Liabilities**

The Trust has elected to not include estimated legal fees and other directly related costs as part of its loss contingency accrual in its evaluation of contingent liabilities.

##### **Advisor Fees**

Pursuant to an agreement between the Trust and its Advisor (the "Advisory Agreement"), the Trust is required to pay a monthly advisory fee equal to one-twelfth of 1.5% of the average invested assets on the last day of the immediately preceding month, as defined in the Advisory Agreement (the "Advisory Fee"). The Advisor, in its sole discretion, may waive, reduce or defer all or any portion of the Advisory Fees to which it would otherwise be entitled. The expense associated with the Advisory Fee is included in advisory fees – related party expense on the consolidated statement of operations. The agreement also provides for additional fees that were not incurred by the Trust in the year ended December 31, 2022, and are not expected to be incurred in the future, such as debt financing fees, subordinated incentive fee, securitized loan pool placement fees, disposition fees and subordinated incentive listing fee.

In addition, the Advisor entered into an agreement with UDFH LD, its asset manager in which UDF V shall pay UDFH LD directly a loan servicing fee ("Loan Servicing Fees") in an amount equal to 0.25% of the aggregate outstanding loan balances, which shall be payable monthly.

##### **Income Taxes**

We made an election under Section 856(c) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), to be taxed as a real estate investment trust ("REIT"), beginning with the taxable year ended December 31, 2015. As a REIT, we generally are not subject to federal income tax on income that we distribute to our shareholders. If we later fail to qualify as a REIT in any taxable year, we will be subject to federal income tax on our taxable income at regular corporate rates and may not be permitted to qualify for treatment as a REIT for federal income tax purposes for four years following the year in which our qualification is denied unless we are entitled to relief under certain statutory provisions. Such an event could materially and adversely affect our net income. However, we intend to continue to operate so as to remain qualified as a REIT for federal income tax purposes.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **B. Summary of Significant Accounting Policies – continued**

##### **Income Taxes – continued**

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 740, *Income Taxes*, prescribes a comprehensive model for the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. In accordance with FASB ASC 740, we must determine whether it is more likely than not that a tax position will be sustained upon examination based on the technical merits of the position. We believe we have no such uncertain positions.

We file income tax returns in the United States federal jurisdiction. At December 31, 2022, tax returns related to fiscal years ended December 31, 2019 and after remain open to possible examination by the tax authorities. To our knowledge, no tax returns are currently under examination by any tax authorities. We did not incur any penalties or interest during the year ended December 31, 2022.

##### **Impact of Recently Issued Accounting Standards**

ASU 2016-13 “*Financial Instruments – Credit Losses (Topic 326)*” (“ASU 2016-13”) requires an entity to utilize a new impairment model known as the current expected credit loss (“CECL”) model to estimate its lifetime “expected credit loss” and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. ASU 2016-13 requires new disclosures for financial assets measured at amortized cost, loans and available-for-sale debt securities. ASU 2016-13 also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments). Entities will apply the standard’s provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. ASU 2016-13 will be effective for us on January 1, 2023. We are evaluating the impact adoption of ASU 2016-13 will have on our consolidated financial statements and disclosures.

##### **Fair Value of Financial Instruments**

In accordance with the reporting requirements of FASB ASC 825-10, *Financial Instruments-Fair Value*, we calculate the fair value of our assets and liabilities which qualify as financial instruments under this statement and include this additional information in the notes to the financial statements when the fair value is different than the carrying value of those financial instruments. The estimated fair value of accrued interest receivable, accounts payable, accrued liabilities and accrued liabilities – related parties approximate the carrying amounts due to the relatively short maturity of these instruments. The estimated fair value of notes receivable approximates the carrying amount since they bear interest at the market rate.

#### **C. Loans and Allowance for Loan Losses**

As of December 31, 2022, our loan portfolio consisted of one outstanding land development loan which is recorded at the lower of cost or estimated net realizable value and is scheduled to mature on July 31, 2023. As of December 31, 2022, the outstanding balance of this loan was \$8,834,487, net of the general reserve of \$226,525.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

#### C. Loans and Allowance for Loan Losses – continued

The Trust does not currently have any impaired loans, and we did not recognize any interest income associated with impaired loans during 2022.

As part of the ongoing monitoring of the credit quality of the loan portfolio, we periodically, no less than quarterly, perform a detailed review of our portfolio of mortgage notes and other loans. The following is a general description of the credit levels used:

Level 1 – Full collectability of loans in this category is considered probable.

Level 2 – Full collectability of loans in this category is deemed more likely than not, but not probable, based upon our review of economic conditions, the estimated value of the underlying collateral, the guarantor, adverse situations that may affect the borrower’s ability to pay or the value of the collateral and other relevant factors. Interest income is suspended on Level 2 loans.

Level 3 – For loans in this category, it is probable that we will be unable to collect all amounts due. Interest income is suspended on Level 3 loans.

As of December 31, 2022, our outstanding loan was classified as Level 1. Although our outstanding loan is classified as level 1 and full collectability is considered probable, we did assess a general reserve of \$226,525 during the year ended December 31, 2022 equal to 2.5% of the outstanding loan balance.

Analysis of the allowance for loan losses is included in the following table for the year indicated:

|                                   | <b>For the Year Ended<br/>December 31, 2022</b> |                |
|-----------------------------------|---|----------------|
| <b>Allowance for loan losses:</b> |   |                |
| Balance at beginning of year      | \$  | 2,119,328      |
| Provision charged to earnings     |   | 226,525        |
| Loan losses:                      |   |                |
| Charge-offs                       |   | (2,119,328)    |
| Recoveries                        |   | -              |
| Balance at end of year            | \$  | <u>226,525</u> |

In accordance with ASC 470, the restructuring of a loan is considered a “troubled debt restructuring” if both (i) the borrower is experiencing financial difficulties and (ii) the creditor has granted a concession. Concessions may include interest rate reductions or below market interest rates, principal forgiveness, restructuring amortization schedules and other actions intended to minimize potential losses. During the year ended December 31, 2022, we had no loan modifications that are classified as troubled debt restructurings.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### D. Other Assets

The Trust is entitled to receive Municipal Utility District (“MUD”) reimbursements through its equity investment in a project located in the Houston area. These reimbursements are to be paid to the Trust as the MUD sells municipal bonds based upon tax collections from completed homes within the boundaries of the MUD. As of December 31, 2022, there was approximately \$10 million available for reimbursement, but not enough tax revenue available to support future bond sales. The MUD is in the process of completing an audit of all remaining eligible costs for reimbursement. No assurance can be provided that additional bond sales will occur or that the underlying value of completed homes will support the amount of reimbursement due to the Trust; therefore, the receivable related to these reimbursements is fully reserved at December 31, 2022.

#### E. Shareholders’ Equity

As the Trust winds down, capital is being returned to shareholders. We must distribute to our shareholders at least 90% of our taxable income each year in order to meet the requirements for being treated as a REIT under the Internal Revenue Code. In accordance with this requirement, we pay distributions on a quarterly basis to our shareholders. Our distribution rate is determined quarterly by our board of trustees and is dependent on a number of factors, including funds available for payment of distributions, our financial condition, loan funding commitments and annual distribution requirements needed to maintain our status as a REIT under the Internal Revenue Code. In addition to these distributions, in an effort to ensure we distribute at least 90% of our taxable income, our board of trustees may periodically authorize additional, special distributions. All distributions are currently paid in cash.

During the year ended December 31, 2022, our board of trustees authorized the following distributions:

|    | <u>Rate (1)</u> | <u>Pay Date (2)</u> |
|----|-----------------|---------------------|
| \$ | 1.4674          | March 31, 2022      |
| \$ | 0.9317          | June 30, 2022       |
| \$ | 1.0164          | September 30, 2022  |
| \$ | 1.1011          | December 31, 2022   |

(1) Represents the distribution rate per common share of beneficial interest on the record date.

(2) Represents the date the distribution was paid in cash.

See Note J – Subsequent Events for further discussion of distributions declared in 2023.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **F. Commitments and Contingencies**

##### *Loan Commitments*

As of December 31, 2022 there was approximately \$0.5 million of commitments to be funded under the terms of mortgage notes receivable. Substantially all advances pursuant to our loan commitments are subject to our prior approval, which may be given or denied in our sole discretion.

##### *Litigation*

In the ordinary course of business, the Trust may become subject to litigation or claims.

In March 2020, Megatel Homes, LLC, and two of its affiliates (collectively, “Megatel”) filed a federal lawsuit (the “Megatel Action”) against the principal of one of the Trust’s current borrowers (“UDF V Borrower Principal”), UDF V and several UDF V affiliated entities (collectively, the “UDF Entities”), as well as a former executive of UDF V and present and former executives of UDF V’s Advisor (such present and former executives, the “UDF Principals”). The sole cause of action pleaded against UDF Entities and the UDF Principals is RICO conspiracy under 18 U.S.C. § 1962(d) regarding eleven real estate development projects, including some that serve as collateral for UDF Entities’ loans. The UDF Entities and the UDF Principals deny all claims and contentions alleged by Megatel and intend to vigorously defend themselves against these allegations.

#### **G. Economic Dependency**

The Trust has engaged the Advisor and its affiliates to provide certain services that are essential to the Trust, including asset management, asset acquisition and disposition and other administrative services. As a result of these relationships, the Trust is dependent upon the Advisor and its affiliates. In the event that these entities are unable to provide the Trust with the respective services, the Trust would be required to find alternative providers of these services.

#### **H. Related Party Transactions**

##### *Advisory Fees*

We incur monthly Advisory Fees payable to our Advisor (as discussed in Note B above). Approximately \$320,000 is included in Advisory Fee – related party expense for the year ended December 31, 2022, in connection with these Advisory Fees. We did not make any payments to our Advisor for Advisory Fees during the year ended December 31, 2022. As of December 31, 2022, approximately \$438,000 is included in accrued liabilities – related parties associated with Advisory Fees payable to our Advisor.

##### *Loan Servicing Fees*

We incur monthly Loan Servicing Fees payable to UDFH LD (as discussed in Note B above). Approximately \$23,000 is included in general and administrative – related party expense for the year ended December 31, 2022 in connection with Loan Servicing Fees. We did not make any payments to our asset manager for Loan Servicing Fees during the year ended December 31, 2022. As of December 31, 2022, approximately \$33,000 is included in accrued liabilities – related parties associated with Loan servicing Fees payable to our asset manager.

## UNITED DEVELOPMENT FUNDING INCOME FUND V

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

#### **I. Concentration of Credit Risk**

Financial instruments that potentially expose us to concentrations of credit risk are primarily cash and cash equivalents, accrued interest receivable and notes receivable.

We maintain deposits in financial institutions that may at times exceed amounts covered by insurance provided by the United States Federal Deposit Insurance Corporation (“FDIC”). We have not experienced any losses related to amounts in excess of FDIC limits.

We have one loan to one borrower that makes up 100% of the loan portfolio at December 31, 2022. The bankruptcy, insolvency or other inability of this borrower to pay interest or repay principal on its loan would have adverse consequences on our income and reduce the amount of funds available for distribution to investors.

#### **J. Subsequent Events**

In preparing the consolidated financial statements, we have evaluated all subsequent events and transactions for potential recognition or disclosure through August 1, 2023, the date the consolidated financial statements were available for issuance.

On March 1 and June 6, 2023, our board of trustees authorized quarterly cash distributions of \$0.0847 per share for the first and second quarters of 2023 payable on March 31 and June 30, 2023, respectively, to shareholders of record at the close of business on March 24 and June 23, 2023, respectively.

The last remaining loan in our portfolio matured on July 31, 2023. We are in the process of extending the loan to June 30, 2025.