

Water Garden Park, LLC

NCHFA Project No. 9110050

**Independent Auditor's Report,
Financial Statements, and
Supplementary Information**

December 31, 2022 and 2021

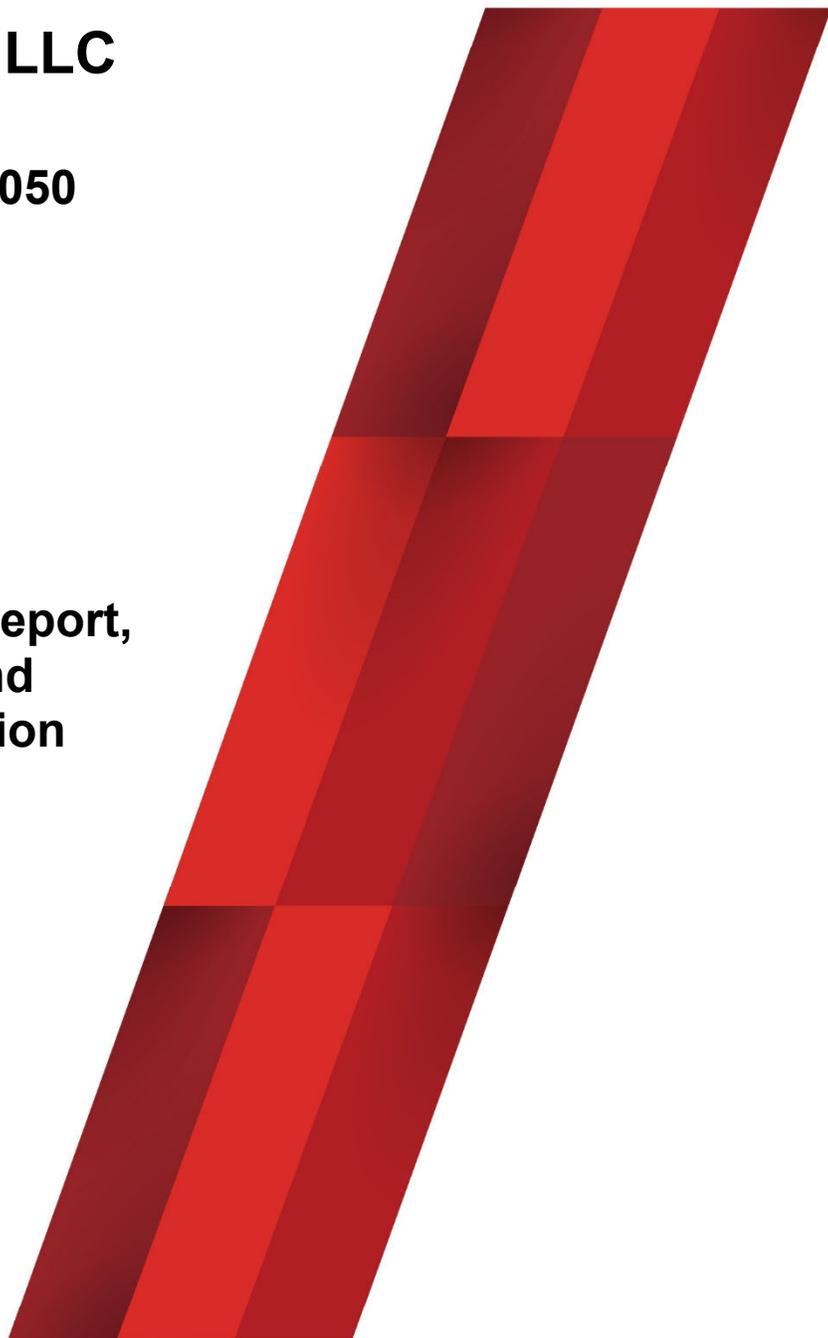


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Independent Auditor's Report

Members
Water Garden Park, LLC
NCHFA Project No. 9110050
Raleigh, NC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Water Garden Park, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Water Garden Park, LLC as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Garden Park, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Water Garden Park, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Water Garden Park, LLC's ability to continue as a going concern for a reasonable period of time.

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

FORVIS

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Income and Expenses are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FORVIS,LLP

High Point, NC
March 1, 2023

Water Garden Park, LLC
NCHFA Project No. 9110050
Balance Sheets
December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash	\$ 247,288	\$ 171,828
Accounts receivable, tenants	(149)	535
Accounts receivable, affiliate	-	44,103
Prepaid expenses	<u>6,472</u>	<u>32,358</u>
Total current assets	<u>253,611</u>	<u>248,824</u>
Restricted deposits and funded reserves:		
Cash, tax and insurance escrow	34,940	9,438
Cash, replacement reserve	166,596	137,320
Cash, operating reserve	243,660	243,162
Cash, tenant security deposits	<u>31,947</u>	<u>27,205</u>
	<u>477,143</u>	<u>417,125</u>
Rental property:		
Land	1,907,051	1,907,051
Land improvements	736,685	736,685
Building	8,889,449	8,882,375
Furnishings and equipment	<u>294,795</u>	<u>294,795</u>
	11,827,980	11,820,906
Accumulated depreciation	<u>(2,610,019)</u>	<u>(2,348,419)</u>
	<u>9,217,961</u>	<u>9,472,487</u>
Other assets:		
Deferred tax credit fees (net of accumulated amortization of \$90,297 in 2022 and \$80,264 in 2021)	60,198	70,231
Utility deposits	<u>100</u>	<u>100</u>
	<u>60,298</u>	<u>70,331</u>
	<u>\$ 10,009,013</u>	<u>\$ 10,208,767</u>

See accompanying notes.

Water Garden Park, LLC
NCHFA Project No. 9110050
Balance Sheets
December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Current maturities of notes payable	\$ 74,289	\$ 75,099
Accrued development fee, current portion	-	39,000
Accounts payable and accrued expenses	12,456	8,201
Accrued interest, notes payable	9,344	10,028
Accounts payable, affiliate	5,078	29,835
	<u>101,167</u>	<u>162,163</u>
Deposits and prepayment liabilities:		
Tenant security deposits	31,947	27,205
Prepaid rent	12,840	5,574
	<u>44,787</u>	<u>32,779</u>
Long-term liabilities:		
Notes payable, net of unamortized debt issuance costs of \$21,615 in 2022 and \$22,645 in 2021, less current maturities	<u>1,431,199</u>	<u>1,504,500</u>
	<u>1,431,199</u>	<u>1,504,500</u>
Members' equity	<u>8,431,860</u>	<u>8,509,325</u>
	<u>\$ 10,009,013</u>	<u>\$ 10,208,767</u>

Water Garden Park, LLC
NCHFA Project No. 9110050
Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Gross tenant rent potential	\$ 600,210	\$ 586,539
Subsidized tenant rent	87,363	80,862
Excess rent	1,830	2,024
Less: Vacancies	(7,058)	(5,599)
Concessions to tenants	(11,604)	(13,421)
Net rent revenue	670,741	650,405
Interest income	1,288	265
Other income	9,876	25,164
Total revenues	681,905	675,834
Operating expenses:		
Administrative	108,195	94,003
Management fees	45,540	43,256
Professional fees	15,832	9,720
Repairs and maintenance	196,109	164,667
Utilities	51,017	43,418
Taxes and insurance	27,584	25,609
Total operating expenses	444,277	380,673
Income from operations	237,628	295,161
Nonoperating expenses:		
Interest expense	31,916	33,489
Depreciation	264,118	263,553
Amortization	10,033	10,033
Loss on disposal of assets	9,026	18,414
Total nonoperating expenses	315,093	325,489
Net loss	\$ (77,465)	\$ (30,328)

See accompanying notes.

Water Garden Park, LLC
NCHFA Project No. 9110050
Statements of Members' Equity
Years Ended December 31, 2022 and 2021

	2022			2021
	Managing Member	Investor Member	Total	
Balance, beginning	\$ 854	\$ 8,508,471	\$ 8,509,325	\$ 8,539,653
Net loss	<u>(8)</u>	<u>(77,457)</u>	<u>(77,465)</u>	<u>(30,328)</u>
Balance, ending	<u>\$ 846</u>	<u>\$ 8,431,014</u>	<u>\$ 8,431,860</u>	<u>\$ 8,509,325</u>

Water Garden Park, LLC
NCHFA Project No. 9110050
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net loss	\$ (77,465)	\$ (30,328)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	264,118	263,553
Amortization of intangible assets	10,033	10,033
Amortization of deferred financing costs	1,030	1,029
Loss on disposal of assets	9,026	18,414
Change in assets and liabilities		
Accounts receivable, tenants	684	(326)
Accounts receivable, affiliate	44,103	(44,103)
Prepaid expenses	25,886	(16,119)
Accounts payable and accrued expenses	4,255	(17,246)
Accrued interest, notes payable	(684)	(681)
Accounts payable, affiliate	(24,757)	-
Tenant security deposits	4,742	3,787
Prepaid rent	7,266	(4,385)
Net cash provided by operating activities	<u>268,237</u>	<u>183,628</u>
Cash flows from investing activities:		
Purchase of fixed assets	<u>(18,619)</u>	<u>(29,458)</u>
Net cash used by investing activities	<u>(18,619)</u>	<u>(29,458)</u>
Cash flows from financing activities:		
Principal payments of notes payable	(75,140)	(75,703)
Payment of deferred development fee	<u>(39,000)</u>	<u>(90,000)</u>
Net cash used by financing activities	<u>(114,140)</u>	<u>(165,703)</u>
Net increase (decrease) in cash and restricted reserves and funded reserves	135,478	(11,533)
Cash and restricted reserves and funded reserves, beginning of year	<u>588,953</u>	<u>600,486</u>
Cash and restricted reserves and funded reserves, end of year	<u>\$ 724,431</u>	<u>\$ 588,953</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 31,571</u>	<u>\$ 33,141</u>
Reconciliation of cash and restricted deposits and funded reserves to the balance sheet:		
Cash	\$ 247,288	\$ 171,828
Restricted deposits and funded reserves	<u>477,143</u>	<u>417,125</u>
	<u>\$ 724,431</u>	<u>\$ 588,953</u>

See accompanying notes.

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

Water Garden Park, LLC (the “Company”) was organized for the purpose of acquiring, owning, developing, financing, constructing, and/or rehabilitating, leasing, managing and operating an 88-unit apartment complex for rental to elderly individuals and families of low income in Raleigh, North Carolina commonly known as “Water Garden Park.” The major activities of the Company are governed by the operating agreement and the loan agreements. The property was placed into service in December of 2013.

In December 2012, the operating agreement was amended to admit the new investor member and to permit the withdrawal of the original investor member, DHIC, Inc. (“DHIC”). As a result, the Company has one managing member - Water Garden Senior Housing, Inc.; and one investor member - Community Equity Fund XVIII Limited Partnership.

The ownership of the Company is as follows:

Water Garden Senior Housing, Inc.	0.01%
Community Equity Fund XVIII Limited Partnership	<u>99.99%</u>
	<u>100.00%</u>

Basis of accounting

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

The following is a summary of significant accounting policies consistently applied in the preparation of these financial statements.

Income taxes

As a limited liability company, the Company’s taxable income or loss is allocated to the members in accordance with the operating agreement and is reflected in their income taxes; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Rental property

Rental property is stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings and improvements	7 to 40 years
Furnishings and equipment	7 years

Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

Cash and cash equivalents

For purposes of the statement of cash flows, the Company considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company's deposited funds are in institutions insured by the Federal Deposit Insurance Corporation and the U.S. Treasury.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of long-lived assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. No impairment losses were recognized during 2022 and 2021.

Accounts receivable and bad debts

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

Other assets

Deferred tax credit fees are being amortized over 15 years, the tax credit compliance period.

Concentrations of credit risk

The Company maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2022 and 2021 amounted to \$0 and \$81, respectively.

Debt issuance costs

Loan costs are being amortized to interest expense over the life of the related loan.

Subsequent events evaluation

The Company evaluated the effect subsequent events would have on the financial statements through March 1, 2023, which is the date the financial statements were available to be issued.

2. Members' Capital Contributions

The managing member is required to make a capital contribution of \$984, all of which has been contributed as of December 31, 2022 and 2021. The investor member is required to make capital contributions of \$9,798,230, net of a credit adjuster of \$44,696, all of which has been contributed as of December 31, 2022 and 2021.

3. Notes Payable

Details of the notes payable at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<p>Note payable to the City of Raleigh (the "City") in the principal sum of \$1,320,000 with interest at 2%. Monthly payments of principal and interest in amounts ranging from \$5,952 to \$196 commenced in September 2014 and continue until January 31, 2044 (maturity date); at which time a balloon payment for the balance of the loan and any accrued interest will be due. The note is secured by a first lien on the property. During 2022, monthly payments amounted to \$5,407 January through July, and \$5,297 for August through December. Accrued interest as of December 31, 2022 and 2021 amounted to \$1,550 and \$1,635 respectively. During the years ended December 31, 2022 and 2021, interest expense amounted to \$19,063 and \$20,037, respectively, and interest paid amounted to \$19,148 and \$20,113 respectively. Deferred financing costs amortized to interest expense amounted to \$1,029 for each of the years ended December 31, 2022 and 2021.</p>	<p>\$ 935,886</p>	<p>\$ 981,073</p>

Water Garden Park, LLC
NCHFA Project No. 9110050
Notes to Financial Statements

	<u>2022</u>	<u>2021</u>
Note payable to the County of Wake, North Carolina, in the amount of \$880,000 with interest accruing at 2%. Interest only payments were paid monthly through June 1, 2014. Annual payments of principal and interest ranging from \$47,619 to \$4,797 are due beginning July 1, 2014 and continue annually until August 1, 2042 (the maturity date), at which time all outstanding principal and accrued interest shall be due and payable. During 2022, an annual payment of \$42,377 was made. The loan is secured by a second lien on the property. Accrued interest as of December 31, 2022 and 2021 amounted to \$7,794 and \$8,393, respectively. During the years ended December 31, 2022 and 2021, interest expense amounted to \$11,824 and \$12,423, respectively, and interest paid amounted to \$12,423 and \$13,028, respectively.	<u>\$ 591,217</u>	<u>\$ 621,171</u>
	1,527,103	1,602,244
Less: unamortized debt issuance costs	<u>(21,615)</u>	<u>(22,645)</u>
	<u>\$ 1,505,488</u>	<u>\$ 1,579,599</u>

Total estimated principal maturities of the notes payable subsequent to December 31, 2022 are as follows:

2023	\$ 74,289
2024	73,249
2025	72,052
2026	70,596
2027	68,906
Thereafter	<u>1,168,011</u>
	<u>\$ 1,527,103</u>

4. Related-Party Transactions

Accounts receivable - affiliate

As of December 31, 2022 and 2021, accounts receivable - affiliate consisted of \$0 and \$44,103, respectively, in receivables or payroll costs paid by the Company on behalf of a nearby community under common ownership.

Accounts payable - affiliate

As of December 31, 2022 and 2021, accounts payable - affiliate consisted of \$5,078 and \$29,835, respectively, in advances from DHIC for development and operational costs.

Development fee

The Company incurred a development fee of \$1,000,000 payable to DHIC for services rendered to the Company for overseeing the construction of the complex. As of December 31, 2022 and 2021, the total fee has been earned, of which \$0 and \$39,000, respectively, remained payable.

Incentive management fee

The Company has entered into an incentive management fee agreement with the managing member for its services in managing the business. This management fee is based on net cash flow payable as defined in Note 7 and is not cumulative. No incentive management fees were incurred for the years ended December 31, 2022 and 2021.

5. Reserves

Replacement reserve

The operating agreement requires the Company to fund a replacement reserve using cash flow from operations, as defined. Reserve additions of \$22,000, increasing at 3% each year, are required to be made annually upon the achievement of 100% qualified occupancy, as defined, prorated in the year occupancy is achieved. This reserve is utilized to fund major repairs, capital expenditures and replacements of capital items in the Project. The managing member shall not utilize the replacement reserve without written consent from the investor member except in an emergency situation. An analysis of the replacement reserve for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 137,320	\$ 138,591
Funding	28,964	28,119
Approved withdrawals	-	(29,458)
Interest earned	<u>312</u>	<u>68</u>
Balance, end of year	<u>\$ 166,596</u>	<u>\$ 137,320</u>

As of December 31, 2022, the reserve is funded in accordance with the operating agreement.

Operating reserve

The operating agreement requires the Company to fund an operating reserve account in an aggregate amount of \$242,382 into a segregated reserve account to fund operating expenses in excess of operating revenues. The managing member shall not utilize the operating reserve without written consent from the investor member. An analysis of the operating reserve for the years ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 243,162	\$ 243,042
Interest earned	<u>498</u>	<u>120</u>
Balance, end of year	<u>\$ 243,660</u>	<u>\$ 243,162</u>

6. Property Management Agreement

In March 2020, the Company entered into a management agreement with Community Management Corporation (“CMC”), an unaffiliated management company, to provide property management services to the Project. The management agent will be compensated a monthly fee of 6.65% of all income collected for the property. Such fee shall be paid on the first of each month. Total management fees during 2022 and 2021 amounted to \$45,540 and \$43,256, respectively of which \$3,893 and \$3,689 respectively, remained payable.

During 2020, CMC applied for and received a loan through the Paycheck Protection Program (“PPP”) as authorized in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The Company reduced payroll and related reimbursements to CMC during the year ended December 31, 2020 in the total amount of \$15,052, which is the portion of the PPP loan proceeds that CMC planned to contribute to the Company in 2021 upon approval of its PPP loan forgiveness application. As of December 31, 2020, the Company recognized a liability of \$15,052 for the unpaid payroll and related costs. On May 18, 2021, CMC received formal forgiveness of its PPP loan and contributed the funds to the Company. Accordingly, income of \$15,052 was recognized by the Company for the year ended December 31, 2021.

7. Company Profits, Losses and Distributions

Net cash flow is to be distributed as follows, as per the operating agreement:

Operating cash flow as of December 31, 2022	\$	116,359
<i>First</i> , to the investor member for any credit deficiency and then to repay any loans made to the investor member to the Company;		-
<i>Second</i> , to replenish with operating reserve account to the required amount;		-
<i>Third</i> , to pay the deferred developer fee;		-
<i>Fourth</i> , to repay the managing member for any development advances, operating deficit loans, and other loans made by the managing member to the Company;		(5,078)
<i>Fifth</i> , to distribute ten percent of the amount remaining after required distributions to the investor member per the operating agreement;		(11,128)
<i>Sixth</i> , to pay the incentive management fee;		(44,000)
		<u>56,153</u>
<i>Thereafter</i> , the balance to the members in accordance with their percentage interests:		
Managing member - 0.01%		(6)
Investor member - 99.99%		<u>(56,147)</u>
	\$	<u><u>-</u></u>

8. Contingencies, Risks and Uncertainties

The Company's sole asset is its 88-unit housing complex located in Raleigh, North Carolina. The Company's operations are concentrated in the affordable housing real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Supplementary Information

Water Garden Park, LLC
NCHFA Project No. 9110050
Schedules of Income and Expenses
December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
Rental income:		
Residential income	<u>\$ 670,741</u>	<u>\$ 650,405</u>
Interest income:		
Interest income	<u>\$ 1,288</u>	<u>\$ 265</u>
Other income:		
Application fees	\$ 660	\$ 540
Laundry and vending	3,131	2,983
Late fees	1,093	580
Damages and cleaning fees	631	799
Other income	<u>4,361</u>	<u>20,262</u>
	<u>\$ 9,876</u>	<u>\$ 25,164</u>
Administrative expenses:		
Administrative payroll	\$ 67,114	\$ 59,770
Health insurance and other benefits	12,055	11,474
Advertising	-	81
Telephone, internet and cable	11,085	9,065
Administrative supplies and expenses	6,968	6,630
Administrative training expenses	696	293
Criminal background, credit check expenses	312	280
Other administrative expense	6,651	3,810
Bank fees	677	227
Bad debt expense	-	138
Resident services	<u>2,637</u>	<u>2,235</u>
	<u>\$ 108,195</u>	<u>\$ 94,003</u>
Property management fees	<u>\$ 45,540</u>	<u>\$ 43,256</u>
Professional fees:		
Auditing and accounting	<u>15,832</u>	<u>9,720</u>
	<u>\$ 15,832</u>	<u>\$ 9,720</u>

Water Garden Park, LLC
NCHFA Project No. 9110050
Schedules of Income and Expenses
December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
Repairs and maintenance:		
Maintenance payroll	\$ 38,266	\$ 12,854
Repairs expense	90,726	95,785
Painting and decorating	12,322	10,594
Elevator maintenance	9,938	4,535
Grounds maintenance	20,653	14,155
Garbage and trash removal	11,618	14,726
Cleaning expense (janitorial)	2,655	3,079
Exterminating	1,506	2,550
Security	8,425	6,389
	<u>\$ 196,109</u>	<u>\$ 164,667</u>
Utilities:		
Electricity	\$ 26,352	\$ 21,997
Water	8,817	7,601
Sewer	15,848	13,820
	<u>\$ 51,017</u>	<u>\$ 43,418</u>
Taxes and insurance:		
Property and liability insurance	\$ 27,351	\$ 24,968
Real estate taxes	233	641
	<u>\$ 27,584</u>	<u>\$ 25,609</u>
Amortization	<u>\$ 10,033</u>	<u>\$ 10,033</u>
Depreciation	<u>\$ 264,118</u>	<u>\$ 263,553</u>
Interest expense - mortgage loans:		
1st mortgage interest - City of Raleigh	\$ 19,063	\$ 20,037
2nd mortgage interest - Wake County	11,824	12,423
Amortization of deferred financing costs	1,029	1,029
	<u>\$ 31,916</u>	<u>\$ 33,489</u>
Loss on disposal of assets	<u>\$ 9,026</u>	<u>\$ 18,414</u>