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**BAY RIVER HOUSING, LLC  
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

**dba BAY RIVER APARTMENTS**

**NCHFA PROJECT NO. 9000973**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2022 AND 2021**

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**BAY RIVER HOUSING, LLC  
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

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## INDEPENDENT AUDITOR'S REPORT

To the Member of  
Bay River Housing, LLC  
(A North Carolina Limited Liability Company)

### Opinion

We have audited the accompanying financial statements of Bay River Housing, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bay River Housing, 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. 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 Bay River Housing, 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.

### Change in Accounting Principle

As discussed in Note 1 to the financial statements, Bay River Housing, LLC adopted the Leases topic of the FASB ASC 842 during the year ended December 31, 2022. Our opinion is not modified with respect to that matter.

### 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 Bay River Housing, 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 generally accepted auditing standards 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 generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bay River Housing, 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 Bay River Housing, 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.

### Supplementary Information

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

March 24, 2023  
Carmel, Indiana

*Dauby O'Connor & Zaleski, LLC*  
Dauby O'Connor & Zaleski, LLC  
Certified Public Accountants

**BAY RIVER HOUSING, LLC  
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

<b>ASSETS</b>		<b>2022</b>	<b>2021</b>
		<u>2022</u>	<u>2021</u>
<b>Current assets</b>			
Cash and cash equivalents			
Cash - operations	\$	2,134	\$ 20,413
Cash - designation		62,405	62,385
Resident security deposits		8,780	8,172
Escrow deposits		5,379	1,621
Reserve for replacements		24,930	21,589
Operating reserve		<u>23,498</u>	<u>23,447</u>
<b>Total cash and cash equivalents</b>		<b>127,126</b>	<b>137,627</b>
Accounts receivable - residents		2,396	1,433
Prepaid expenses		<u>988</u>	<u>4,936</u>
<b>Total current assets</b>		<b>130,510</b>	<b>143,996</b>
<b>Property and equipment</b>			
Land and land improvements		360,570	360,570
Buildings and improvements		1,356,681	1,356,681
Furniture for resident use		<u>23,502</u>	<u>23,502</u>
		<b>1,740,753</b>	<b>1,740,753</b>
Less: Accumulated depreciation		<u>(1,054,871)</u>	<u>(1,020,236)</u>
<b>Total property and equipment</b>		<b>685,882</b>	<b>720,517</b>
<b>Total assets</b>		<b>\$ 816,392</b>	<b>\$ 864,513</b>

See notes to financial statements

**BAY RIVER HOUSING, LLC  
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

**BALANCE SHEETS  
DECEMBER 31, 2022 AND 2021**

**LIABILITIES AND MEMBER'S EQUITY (DEFICIT)**

	<u>2022</u>	<u>2021</u>
<b>Current liabilities</b>		
Accounts payable - operations	\$ 779	\$ 1,433
Accrued wages payable	2,966	2,333
Accrued payroll taxes payable	291	184
Accrued management fee payable	1,261	838
Mortgage payable, current portion	-	6,000
Prepaid revenue	244	495
	<u>5,541</u>	<u>11,283</u>
<b>Total current liabilities</b>		
<b>Deposits liabilities</b>		
Resident security deposits	<u>8,777</u>	<u>8,172</u>
<b>Long term liabilities</b>		
Mortgage payable, net of current portion	474,502	474,502
Note payable	235,909	235,909
Accrued interest on note payable	110,553	105,835
Accrued partnership management fee	81,838	81,838
Advances from affiliate	50,348	50,348
	<u>953,150</u>	<u>948,432</u>
<b>Total long term liabilities</b>		
<b>Total liabilities</b>	<b>967,468</b>	<b>967,887</b>
<b>Member's equity (deficit)</b>	<u><b>(151,076)</b></u>	<u><b>(103,374)</b></u>
<b>Total liabilities and Member's equity (deficit)</b>	<u><b>\$ 816,392</b></u>	<u><b>\$ 864,513</b></u>

**BAY RIVER HOUSING, LLC**  
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**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Revenue</b>		
Rental revenue	\$ 120,640	\$ 117,210
Less: vacancies and concessions	<u>(2,990)</u>	<u>(3,580)</u>
<b>Net rental revenue</b>	<b>117,650</b>	<b>113,630</b>
Interest revenue	68	23
Other revenue	<u>2,869</u>	<u>3,119</u>
<b>Total revenue</b>	<b><u>120,587</u></b>	<b><u>116,772</u></b>
<b>Operating expenses</b>		
Administrative	43,722	44,430
Utilities	4,899	5,441
Operating and maintenance	73,072	39,715
Repairs and replacements	-	20,576
Taxes and insurance	<u>7,293</u>	<u>8,714</u>
<b>Total operating expenses</b>	<b><u>128,986</u></b>	<b><u>118,876</u></b>
<b>Net operating income (loss)</b>	<b><u>(8,399)</u></b>	<b><u>(2,104)</u></b>
<b>Other (income) expense</b>		
Interest expense - mortgage payable	-	143
Interest on note payable	4,718	4,718
Depreciation	34,635	34,634
Entity interest revenue	(50)	-
PPP grant income	<u>-</u>	<u>(5,780)</u>
<b>Total other (income) expense</b>	<b><u>39,303</u></b>	<b><u>33,715</u></b>
<b>Net profit (loss)</b>	<b><u>\$ (47,702)</u></b>	<b><u>\$ (35,819)</u></b>

See notes to financial statements



**BAY RIVER HOUSING, LLC  
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

**STATEMENTS OF CHANGES IN MEMBER'S EQUITY (DEFICIT)  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

<b>Balance, January 1, 2021</b>	<b>\$ (67,555)</b>
Net profit (loss)	<u>(35,819)</u>
<b>Balance, December 31, 2021</b>	<b>(103,374)</b>
Net profit (loss)	<u>(47,702)</u>
<b>Balance, December 31, 2022</b>	<b><u>\$ (151,076)</u></b>

**BAY RIVER HOUSING, LLC**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash flow from operating activities</b>		
Net profit (loss)	<u>\$ (47,702)</u>	<u>\$ (35,819)</u>
Adjustments to reconcile changes in net profit (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	34,635	34,634
Amortization of debt issuance costs	-	143
Changes in:		
Accounts receivable - residents	(963)	(777)
Prepaid expenses	3,948	(2,218)
Accounts payable - operations	(654)	(3,824)
Accrued liabilities	1,163	(5,091)
Accrued interest	4,718	4,718
Resident security deposits	605	583
Prepaid revenue	(251)	481
<b>Total adjustments</b>	<u><b>43,201</b></u>	<u><b>28,649</b></u>
<b>Net cash provided by (used in) operating activities</b>	<u><b>(4,501)</b></u>	<u><b>(7,170)</b></u>
<b>Cash flow from financing activities</b>		
Principal payments - first mortgage	(6,000)	(6,000)
<b>Net cash provided by (used in) financing activities</b>	<u><b>(6,000)</b></u>	<u><b>(6,000)</b></u>
<b>Net change in cash and cash equivalents</b>	<u><b>(10,501)</b></u>	<u><b>(13,170)</b></u>
<b>Cash and cash equivalents at beginning of period</b>	<u><b>137,627</b></u>	<u><b>150,797</b></u>
<b>Cash and cash equivalents at end of period</b>	<u><u><b>\$ 127,126</b></u></u>	<u><u><b>\$ 137,627</b></u></u>
Cash paid for interest	<u><u><b>\$ -</b></u></u>	<u><u><b>\$ -</b></u></u>

See notes to financial statements

**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**ORGANIZATION**

Bay River Housing, LP, (the "Partnership") was formed as a Limited Partnership under the laws of the State of North Carolina on August 14, 1996, for the purpose of constructing, owning and operating a low income rental housing community (the "Property"). The Property consists of 20 multifamily residential rental units located in Bayboro, North Carolina.

On August 30, 1999, the Partnership Agreement was amended to admit Enterprise Housing Partners VII Limited Partnership ("EHP VII" or "Former Limited Partner"), and to permit the withdrawal of the original limited partner, DHIC, Inc. ("DHIC"). On October 11, 2016, the Partnership Agreement was amended again to admit the Community Revitalization and Preservation Corporation, a North Carolina nonprofit corporation ("CRPC"), and to permit the withdrawal of the Former Limited Partner.

Effective December 31, 2016, Bay River Housing, LLC (the "Company") was formed as a limited liability company pursuant to the North Carolina Limited Liability Company Act, and the Partnership transferred all of its assets and liabilities to the Company. The sole member of the Company is CRPC (the "Sole Member").

The term of the Company shall continue in existence in perpetuity until dissolved in accordance with the provisions of the Operating Agreement.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of the financial statements**

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**New accounting pronouncements**

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, Leases, which requires the lessee to recognize leased assets and corresponding lease liabilities on the balance sheets. This standard was effective for the Company on January 1, 2022. The adoption of the lease standard did not have a material impact on the financial statements.

**Cash**

For the Statements of Cash Flows, all unrestricted investments with original maturities of three months or less are cash. As of December 31, 2022 and 2021, cash consists of an unrestricted checking account, savings account, and petty cash.

**Resident receivable and bad debt policy**

Resident rent charges for the current month are due on the first of the month. Residents who are evicted or move-out are charged with damages or cleaning fees, if applicable.

**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Resident receivables consist of amounts due for rental income or the charges for damages and cleaning fees. The Company does not accrue interest on the resident receivable balances.

Resident 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 material to the financial statements for the years ended December 31, 2022 and 2021. Bad debts expensed for the years ended December 31, 2022 and 2021 totaled \$1 and \$158, respectively.

**Property and equipment**

Depreciation of property and equipment, stated at cost, is computed primarily using the straight-line method over the estimated useful lives of the assets ranging from 5 - 40 years. Costs that are deemed to increase the useful life of the property or equipment are capitalized. When assets are sold or otherwise disposed of, the costs and related reserves are removed from the accounts, and any resulting gain or loss is included in operations.

The Company is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB *Accounting Standards Codification* ("ASC") 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Company's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment loss was recognized during the years ended December 31, 2022 and 2021.

**Debt issuance costs**

The Company is subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. Generally accepted accounting principles require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the financial statements for the years ended December 31, 2022 and 2021.

**Rental income**

Rental income is recognized for residential units as they accrue. Advance receipts of rental income will be deferred until earned. All leases between the Company and residents of the Property are operating leases under FASB ASC 842 and are not within the scope of FASB ASU 2014-09.

**Advertising costs**

Advertising costs are expensed as incurred and are included in administrative expenses in the Statements of Operations.

**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Property taxes**

The Company has received an exemption from real property taxes.

**Concentration of credit risk**

The Company deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Company has not experienced any losses in such accounts.

The Company's operations are concentrated in the multifamily 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. Such administrative directives, rules and regulations are subject to change by an act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

**Use of estimates**

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

**Fair value**

The Company is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The Fair Value Measurement did not have a material impact on the Company's financial statements for the years ended December 31, 2022 and 2021.

**Accounting for uncertainty in income taxes**

The Company is treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which it must consider for disclosure. There has been no interest or penalties recognized in the Statements of Operations or Balance Sheets for the years ended December 31, 2022 and 2021. Generally, the federal and state returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authority.

**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Subsequent events**

Management performed an evaluation of the Company's activity through March 24, 2023, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these financial statements were available to be issued.

**NOTE 2-MEMBER CONTRIBUTIONS AND ALLOCATION OF INCOME AND LOSS**

As provided in the Operating Agreement, profits and losses are allocated 100% to the Sole Member.

**NOTE 3-MORTGAGE AND NOTE PAYABLE**

The Company has a mortgage note with the North Carolina Housing Finance Agency ("NCHFA"). The original amount of the loan was \$612,919, with 0% interest (10% interest if in default). The terms of the original loan provided for monthly installments ranging in the amount of \$812 in years 1 and 2 to \$142 in year 16, with no payments in years 17 to 20. Effective July 1, 2004, the Company entered into an agreement to modify the payment terms. The terms of the modified loan provided monthly installments of \$500 for the remaining term of the loan. All outstanding principal, if any, was due in August 2021. Effective May 19, 2021, the Company entered into an additional agreement to modify the payment terms. The terms of the modified loan provide continued monthly installments of \$500, beginning August 1, 2021, and a new maturity date of August 1, 2023. See Note 6. The loan is secured by a deed of trust, which shall be a first priority lien on the Property. During each of the years ended December 31, 2022 and 2021, principal payments of \$6,000 and \$6,000 were made, respectively.

	<u>2022</u>	<u>2021</u>
	\$ 474,502	\$ 480,502

**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
The Company has an outstanding note payable to DHIC, an affiliate of the Sole Member. The original principal amount of the note was \$235,909, which is due on or before January 30, 2031. The interest rate of the note is 2% annually with a default rate of 8%. The note requires the Company to maintain affordable rents as defined in the agreement. During each of the years ended December 31, 2022 and 2021, interest expense was \$4,718 and \$4,718, and at December 31, 2022 and 2021, accrued interest totals \$110,553 and \$105,835, all respectively.	\$ 235,909	\$ 235,909
	<b><u>\$ 710,411</u></b>	<b><u>\$ 716,411</u></b>

Estimated principal payments to be made on the mortgage loan and note payable over the next five years and thereafter are as follows:

	<u>First Mortgage</u>	<u>Note Payable</u>	<u>Total</u>
2023	\$ -	\$ -	\$ -
2024	-	-	-
2025	-	-	-
2026	-	-	-
2027	-	-	-
Thereafter	<u>474,502</u>	<u>235,909</u>	<u>710,411</u>
	<b><u>\$ 474,502</u></b>	<b><u>\$ 235,909</u></b>	<b><u>\$ 710,411</u></b>

**Debt issuance costs**

Financing fees of \$4,300 were incurred in connection with the mortgage payable. These fees were amortized using the straight-line method over the term of the mortgage payable. Amortization expense for the years ended December 31, 2022 and 2021 totaled \$0 and \$143 and is included in mortgage interest on the Statements of Operations, respectively. As of December 31, 2022 and 2021, accumulated amortization was \$4,300 and \$4,300, respectively.

**NOTE 4-RELATED PARTIES**

**Partnership management fee**

In accordance with the Partnership Management Fee Agreement, the Partnership was to pay the Partnership Administrator, allocated 75% to DHIC and 25% to Costal Community Development Corporation ("CCDC"), a cumulative partnership management fee.

**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

The fee was payable in an annual amount of \$5,000 beginning in 2000 and adjusted upward thereafter by 4% per year. Effective for the year ended December 31, 2016, in connection with the formation of the Company, the partnership management fee is no longer to be earned. The outstanding balance remaining due for prior years will be repaid from available cash flow as determined by the Sole Member. At December 31, 2022 and 2021, outstanding partnership management fees totaling \$81,838 and \$81,838 remains payable to DHIC, and \$0 and \$0 remains payable to CCDC, all respectively.

**Advance from affiliate**

The Company has outstanding advances of \$50,348 and \$50,348 as of December 31, 2022 and 2021, which represent development costs paid by DHIC on the Property's behalf. The advance is non-interest bearing and payable from net cash flow as available. During the years ended December 31, 2022 and 2021, no repayments were made by the Property.

**Management services fee**

In accordance with the management services fee agreement and for its services in managing the Company, DHIC, Inc., an affiliate of the Sole Member, shall earn an annual, non-cumulative management services fee equal to 100% of the net income available for distribution by the Company at the end of its fiscal year, as determined by the Sole Member. The Company may make interim disbursements of available cash flow to DHIC, Inc. during any given fiscal year as determined by the Sole Member. During the years ended December 31, 2022 and 2021, no management services fees were earned or paid.

**NOTE 5-REQUIRED FUNDED RESERVES**

**Reserve for replacements**

In accordance with the Operating Agreement, the Company is to establish a reserve for replacements. The reserve is to be funded using cash flows from operations in the amount of \$200 per unit per year in the first year, with an annual 4% increase. The Company's requests for withdrawals from the reserve for replacements account will be approved as needed by NCHFA to cover the Property's capital improvement needs throughout the term of the loan.

The balance in the reserve for replacements is \$24,930 and \$21,589 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 21,589	\$ 46,222
Deposits	9,115	8,765
Interest income	40	12
Approved withdrawals	( 5,814)	( 33,410)
Balance, ending	<u>\$ 24,930</u>	<u>\$ 21,589</u>



**BAY RIVER HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Operating reserve**

In accordance with the Operating Agreement, the Company is to establish an operating reserve of \$22,903, funded from a combination of Former Limited Partner equity contributions and cash flows from operations. The operating reserve was funded in January 2001. The operating reserve may be used only to fund operating deficits at the discretion of the Sole Member. The operating reserve shall be maintained throughout the term of the Company.

At December 31, 2022 and 2021, the balance in the operating reserve account was \$23,498 and \$23,447, respectively.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 23,447	\$ 23,447
Dormancy deposit	1	-
Interest income	<u>50</u>	<u>-</u>
Balance, ending	<u><b>\$ 23,498</b></u>	<u><b>\$ 23,447</b></u>

**NOTE 6-COMMITMENTS AND CONTINGENCIES**

**Land use restriction agreement**

The Company has entered into a Land Use Restriction Agreement with the North Carolina Tax Reform Allocation Committee, which restricts the use of the Property to low income and very low income families, as defined, for 30 years beginning the first year of the credit period, as defined.

**Property management fee**

The Company has entered into an agreement with Community Management Corporation in connection with the management of the rental operations of the Property. The property management fee is calculated at 11.82% of gross collections, as defined. For the years ended December 31, 2022 and 2021, \$14,102 and \$13,745 was charged to operations, and \$1,261 and \$838 remain payable, all respectively.

Due to economic uncertainty caused by the spread of a novel strain of coronavirus ("COVID-19"), the Agent applied for and received a loan through the Paycheck Protection Program (the "PPP Loan") with the U.S. Small Business Administration ("SBA"), as authorized in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Company reduced payroll and related reimbursements to the Agent in the total amount of \$5,780, which was included in accrued wages and payroll taxes payable on the Balance Sheets at December 31, 2020. The Agent applied for forgiveness of the PPP Loan, which was granted by the SBA effective May 18, 2021. As the PPP Loan has been forgiven, the Agent considers the payroll costs associated with the PPP Loan satisfied and the corresponding payable recorded by the Company was eliminated and forgiveness revenue was recognized during the year ended December 31, 2021.

**BAY RIVER HOUSING, LLC  
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2022 AND 2021**

**Debt maturity**

As described in Note 3, the Company's first mortgage payable with NCHFA has a maturity date of August 2023. The Company has begun the process of seeking an additional modification agreement to extend the maturity date loan with NCHFA, however, no extension has been granted as of the report date. While management believes an additional extension of the loan is probable and has classified then NCHFA loan as long-term, if the loan becomes due and the Company is unable to extend the maturity date or refinance the loan, an advance from the Sole Member or affiliates would be required to satisfy the obligation.

**BAY RIVER HOUSING, LLC**  
**(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Administrative</b>		
Conventions and meetings	\$ 323	\$ 201
Advertising and marketing	-	140
Other renting expenses	471	744
Office salaries	2,693	2,537
Office expenses	3,730	5,044
Management fee	14,102	13,745
Manager or superintendent salaries	15,559	15,774
Legal expenses (project)	-	126
Audit expenses	5,360	5,145
Bookkeeping fees/accounting services	84	67
Bad debts	1	158
Miscellaneous administrative expenses	1,399	749
	<u><u>\$ 43,722</u></u>	<u><u>\$ 44,430</u></u>
<b>Utilities</b>		
Electricity	3,934	4,420
Water	435	464
Sewer	530	557
	<u><u>\$ 4,899</u></u>	<u><u>\$ 5,441</u></u>

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**SUPPLEMENTARY INFORMATION**  
**SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Operating and maintenance</b>		
Payroll	\$ 9,107	\$ 19,061
Supplies	10,150	4,269
Contracts	19,964	11,467
Garbage and trash removal	3,429	3,462
Heating/cooling repairs and maintenance	29,789	1,017
Miscellaneous operating and maintenance expenses	633	439
	<u><b>\$ 73,072</b></u>	<u><b>\$ 39,715</b></u>
<b>Repairs and replacements</b>		
Flooring	\$ -	\$ 5,339
HVAC	-	12,157
Appliances	-	3,080
	<u><b>\$ -</b></u>	<u><b>\$ 20,576</b></u>
<b>Taxes and insurance</b>		
Real estate taxes	\$ 88	\$ 75
Payroll taxes (project's share)	2,086	2,844
Property and liability insurance (hazard)	4,142	4,033
Fidelity bond insurance	100	99
Workmen's compensation	278	736
Health insurance and other employee benefits	396	724
Miscellaneous taxes, licenses, permits and insurance	203	203
	<u><b>\$ 7,293</b></u>	<u><b>\$ 8,714</b></u>