
**LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

dba LENNOX CHASE APARTMENTS

NCHFA PROJECT NO. 9001002

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

YEARS ENDED DECEMBER 31, 2022 AND 2021

**LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

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INDEPENDENT AUDITOR'S REPORT

To the Member of
Lennox Chase Development, LLC
(A North Carolina Limited Liability Company)

Opinion

We have audited the accompanying financial statements of Lennox Chase Development, 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 Lennox Chase Development, 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 Lennox Chase Development, 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, Lennox Chase Development, 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 Lennox Chase Development, 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 Lennox Chase Development, 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 Lennox Chase Development, 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

LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)

BALANCE SHEETS
DECEMBER 31, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents		
Cash - operations	\$ 24,576	\$ 50,823
Resident security deposits	15,143	14,592
Escrow deposits	9,765	2,685
Reserve for replacements	90,119	105,588
Operating reserve	113,030	173,467
Special services reserve	35,037	39,599
	<u>287,670</u>	<u>386,754</u>
Total cash and cash equivalents	287,670	386,754
Accounts receivable - residents	1,850	1,867
Accounts receivable - operations	6,272	14,866
Prepaid expenses	1,770	8,850
	<u>297,562</u>	<u>412,337</u>
Total current assets	297,562	412,337
Property and equipment		
Land and land improvements	654,889	654,889
Buildings and improvements	2,027,606	1,997,712
Building equipment	5,750	-
Furniture for resident use	108,843	116,872
Office furniture and equipment	25,844	16,777
	<u>2,822,932</u>	<u>2,786,250</u>
Less: Accumulated depreciation	(1,153,394)	(1,114,079)
	<u>1,669,538</u>	<u>1,672,171</u>
Total property and equipment	1,669,538	1,672,171
Total assets	\$ 1,967,100	\$ 2,084,508

See notes to financial statements

**LENNOX CHASE DEVELOPMENT, 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>
Current liabilities		
Accounts payable - operations	\$ 2,637	\$ 1,968
Advance from affiliate	12,799	-
Accrued wages payable	1,596	1,802
Accrued payroll taxes payable	874	127
Accrued management fee payable	1,194	1,391
Accrued interest payable - second mortgage	221,217	209,574
Accrued interest payable - third mortgage	18,878	17,911
Accrued interest payable - fourth mortgage	311,452	295,402
Mortgage payable, current portion	598,167	-
Second mortgage, current portion	582,148	-
Third mortgage, current portion	-	96,747
Prepaid revenue	1,103	3,756
	<u>1,752,065</u>	<u>628,678</u>
Total current liabilities		
Deposits liabilities		
Resident security deposits	<u>15,143</u>	<u>14,568</u>
Long term liabilities		
Mortgage payable, net of current portion	-	598,167
Second mortgage, net of current portion	-	582,148
Third mortgage, net of current portion	96,747	-
Fourth mortgage, net of current portion	321,000	321,000
	<u>417,747</u>	<u>1,501,315</u>
Total long term liabilities		
Total liabilities	2,184,955	2,144,561
Member's equity (deficit)	<u>(217,855)</u>	<u>(60,053)</u>
Total liabilities and Member's equity (deficit)	<u>\$ 1,967,100</u>	<u>\$ 2,084,508</u>

LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Rental revenue	\$ 202,010	\$ 200,718
Less: vacancies and concessions	(3,916)	(2,603)
Net rental revenue	198,094	198,115
Interest revenue	225	63
Other revenue	9,138	8,714
Total revenue	207,457	206,892
Operating expenses		
Administrative	66,645	59,261
Utilities	37,005	35,188
Operating and maintenance	89,877	58,717
Repairs and replacements	38,711	12,749
Taxes and insurance	19,159	15,406
Total operating expenses	251,397	181,321
Net operating income (loss)	(43,940)	25,571
Other (income) expenses		
Interest on other mortgages	28,660	28,660
Depreciation	66,420	57,169
Entity interest revenue	(284)	(93)
PPP grant income	-	(8,271)
Gain on involuntary conversion of fixed assets	-	(1,083)
Loss on disposal of fixed assets	19,066	2,104
Total other (income) expenses	113,862	78,486
Net profit (loss)	\$ (157,802)	\$ (52,915)

See notes to financial statements

**LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

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

Balance, January 1, 2021	\$ (7,138)
Net profit (loss)	<u>(52,915)</u>
Balance, December 31, 2021	(60,053)
Net profit (loss)	<u>(157,802)</u>
Balance, December 31, 2022	<u>\$ (217,855)</u>

LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities		
Net profit (loss)	<u>\$ (157,802)</u>	<u>\$ (52,915)</u>
Adjustments to reconcile changes in net profit (loss) to net cash provided by (used in) operating activities:		
Depreciation expense	66,420	57,169
Loss on disposal of fixed assets	19,066	2,104
Gain on involuntary conversion of fixed assets	-	(1,083)
Changes in:		
Accounts receivable - residents	17	(1,149)
Accounts receivable - other	6,633	(9,145)
Prepaid expenses	7,080	(4,100)
Accounts payable - operations	669	(659)
Accrued liabilities	344	(8,821)
Accrued interest	28,660	28,660
Resident security deposits	575	(341)
Prepaid revenue	(2,653)	2,991
Total adjustments	<u>126,811</u>	<u>65,626</u>
Net cash provided by (used in) operating activities	<u>(30,991)</u>	<u>12,711</u>
Cash flow from investing activities		
Purchase of property and equipment	(70,054)	(14,462)
Insurance proceeds received	1,961	-
Net cash provided by (used in) investing activities	<u>(68,093)</u>	<u>(14,462)</u>
Net change in cash and cash equivalents	<u>(99,084)</u>	<u>(1,751)</u>
Cash and cash equivalents at beginning of period	<u>386,754</u>	<u>388,505</u>
Cash and cash equivalents at end of period	<u><u>\$ 287,670</u></u>	<u><u>\$ 386,754</u></u>
Supplemental information		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Cash flow from investing activities related to the purchase of property and equipment for the year ended December 31, 2022 excludes \$12,799, which is included in advance from affiliate at December 31, 2022.

**LENNOX CHASE DEVELOPMENT, 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

Lennox Chase Development, LLC (the "Company") was formed as a Limited Liability Company under the laws of the State of North Carolina on March 27, 2001, for the purpose of constructing, owning and operating a low income rental housing property (the "Property"). The term of the Company shall extend in perpetuity unless sooner terminated as provided in the Operating Agreement. The Property consists of 37 multifamily residential rental units located in Raleigh, North Carolina.

On March 28, 2003, the Operating Agreement was amended to permit the withdrawal of the original limited partner, DHIC, Inc. ("DHIC") and admit a new investor member, Banc of America Housing Fund III - H Limited Membership. The resulting ownership of the Company was as follows:

Lennox Chase, Inc. ("Former Managing Member")	.01%
Community Management Corporation ("Former Special Member")	.01%
Banc of America Housing Fund III - H, L.P. ("Former Investor Member")	<u>99.98%</u>
	<u>100.00%</u>

Effective July 10, 2018, the Former Investor Member and Former Special Member assigned 100% of its respective interests in the Company to Community Revitalization and Preservation Corporation ("CRPC"), a North Carolina nonprofit corporation. Effective July 13, 2018, the Former Managing Member donated 100% of its interest in the Company to CRPC. Pursuant to the Second Amended and Restated Operating Agreement dated July 12, 2018, the Sole Member of the Company is CRPC.

The term of the Company shall continue in existence until the Company is dissolved as provided in 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 purposes of the Statements of Cash Flows, the Company considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash. As of December 31, 2022 and 2021, cash consists of an unrestricted checking account and petty cash.

**LENNOX CHASE DEVELOPMENT, LLC
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

Resident receivables 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. Resident receivable consists 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 \$566 and \$8, 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 losses were recognized during 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.

Property taxes

The Company has received an exemption from substantially all real property taxes.

**LENNOX CHASE DEVELOPMENT, LLC
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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 or an administrative change. 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.

**LENNOX CHASE DEVELOPMENT, 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.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on the reported net income (loss) of the Company.

NOTE 2-PARTNER CONTRIBUTIONS AND ALLOCATION OF INCOME, LOSS, CREDITS AND CASH FLOWS

Effective July 10, 2018, the Former Special Member and Former Investor Member assigned 100% of its respective interests in the Company to the Sole Member. Effective July 13, 2018, the Former Managing Member donated 100% of its interest in the Company to the Sole Member.

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

NOTE 3-MORTGAGES AND NOTES PAYABLE

On December 9, 2003, the Company entered into a mortgage note in the amount of \$600,000 with interest at 0% payable to the City of Raleigh with annual payments of 100% of the cash flow of the Company for the preceding year, provided that the annual payments to the City shall not exceed the following maximum amounts: \$13,000 for years 1 through 7; \$12,000 for years 8 through 16; \$11,000 for years 17 and 18; \$10,000 for year 19; and \$9,000 for year 20.

If the cash flow is \$0 or negative for any calendar year (or for the initial partial calendar year), then for such year (or partial calendar year), no annual payment shall be due. There was cash flow of \$0 at December 31, 2022 and 2021. The loan is secured by a first lien on the Property and has a maturity date of December 8, 2023. See Note 6.

	<u>2022</u>	<u>2021</u>
	\$ 598,167	\$ 598,167

**LENNOX CHASE DEVELOPMENT, LLC
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<p>The Company has a mortgage note payable to Wake County, the original principal amount of the note is \$582,148 with interest at 2% except that disbursements prior to December 31, 2003 do not accrue interest. All payments of principal and interest are deferred during the permanent phase and shall be paid on January 1, 2023. During the year ended December 31, 2022, the loan was extended to December 8, 2023. See Note 6. The loan is secured by a second lien on the Property. During the years ended December 31, 2022 and 2021, interest expense was \$11,643 and \$11,643, and at December 31, 2022 and 2021, accrued interest totaled \$221,217 and \$209,574, all respectively.</p>	\$ 582,148	\$ 582,148
<p>The Company has an outstanding mortgage note payable to DHIC, Inc. ("DHIC"), an affiliate of the Sole Member, with interest at 1% through December 19, 2022, at which time all unpaid interest and principal are due. During the year ended December 31, 2022, the loan was extended to December 31, 2026. The loan is secured by a third lien on the Property. During the years ended December 31, 2022 and 2021, interest expense was \$967 and \$967, and at December 31, 2022 and 2021, accrued interest totaled \$18,878 and \$17,911, all respectively.</p>	96,747	96,747
<p>The Company has an outstanding mortgage note payable to DHIC, an affiliate of the Sole Member, with interest at 5% through November 1, 2023, at which time all unpaid interest and principal are due. During the year ended December 31, 2022, the loan was extended to December 31, 2026.</p>		
<p>The loan is secured by a fourth lien on the Property. During the years ended December 31, 2022 and 2021, interest expense was \$16,050 and \$16,050, and at December 31, 2022 and 2021, accrued interest totaled \$311,452 and \$295,402, all respectively.</p>	<u>321,000</u>	<u>321,000</u>
	<u>\$ 1,598,062</u>	<u>\$ 1,598,062</u>

**LENNOX CHASE DEVELOPMENT, LLC
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

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

	<u>First Mortgage</u>	<u>Second Mortgage</u>	<u>Third Mortgage</u>	<u>Fourth Mortgage</u>	<u>Total</u>
2023	\$ 598,167	\$ 582,148	\$ -	\$ -	\$ 1,180,315
2024	-	-	-	-	-
2025	-	-	-	-	-
2026	-	-	96,747	321,000	417,747
2027	-	-	-	-	-
Thereafter	-	-	-	-	-
	<u>\$ 598,167</u>	<u>\$ 582,148</u>	<u>\$ 96,747</u>	<u>\$ 321,000</u>	<u>\$ 1,598,062</u>

NOTE 4-RELATED PARTIES

Management services fee

Effective August 1, 2018, 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.

Advance from affiliate

During the year ended December 31, 2022, property improvements of \$12,799 were made by DHIC, Inc. on the Property's behalf. The advance is non-interest bearing and payable from net cash flow as available. During the year ended December 31, 2022 no repayments were made by the Property. At December 31, 2022 and 2021, advances repayable to DHIC, Inc. totaled \$12,799 and \$0, respectively.

NOTE 5-REQUIRED FUNDED RESERVES

Reserve for replacements

In accordance with the Operating Agreement, the Company is required to establish a reserve for replacements. The reserve is to be funded using cash flows from operations in the amount of \$250 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 to cover the Property's capital improvement needs throughout the term of the loan.

**LENNOX CHASE DEVELOPMENT, LLC
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**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021**

The balance in the reserve for replacements was \$90,119 and \$105,588 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 105,588	\$ 120,930
Deposits	18,627	18,936
Approved withdrawals	(34,272)	(34,334)
Interest income	176	56
Balance, ending	<u>\$ 90,119</u>	<u>\$ 105,588</u>

Operating reserve

The operating agreement requires the Company to fund an operating reserve in the amount of \$263,696 either from the proceeds of the second mortgage or in part from the third installment of the Former Investor Member's capital contribution.

The balance in the operating reserve was \$113,030 and \$173,467 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 173,467	\$ 173,392
Approved withdrawals	(60,658)	-
Interest income	221	75
Balance, ending	<u>\$ 113,030</u>	<u>\$ 173,467</u>

Special services reserve

A special services reserve was established to cover extra operating costs involved with serving individuals with profiles and needs that are different from the typical affordable housing resident.

The balance in the social services reserve was \$35,037 and \$39,599 at December 31, 2022 and 2021, respectively.

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 39,599	\$ 39,581
Approved withdrawals	(4,625)	-
Interest income	63	18
Balance, ending	<u>\$ 35,037</u>	<u>\$ 39,599</u>

**LENNOX CHASE DEVELOPMENT, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)**

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

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 ("CMC" or the "Agent"), in connection with the management of the rental operations of the Property. The property management fee is calculated at 7.76% of gross collections, as defined. For the years ended December 31, 2022 and 2021, \$15,330 and \$15,704 was charged to operations, and at December 31, 2022 and 2021, \$1,194 and \$1,391 remained 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 \$8,271, 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.

Debt maturity

As described in Note 3, the Company's first and second mortgages have maturity dates of November or December of 2023. The Company has begun the process of evaluating a refinance and rehabilitation of the Property. If this option is not feasible, the Company plans to seek extensions on the loans. While management believes an extension or refinance of the loans is probable, if the loans become due and the Company is unable to extend the maturity date or refinance the loans, an advance from the Sole Member would be required to satisfy the obligations.

**LENNOX CHASE DEVELOPMENT, 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>
Administrative		
Conventions and meetings	\$ 927	\$ 194
Advertising and marketing	-	447
Other renting expenses	60	80
Office salaries	4,982	4,693
Office expenses	10,816	9,972
Management fee	15,330	15,704
Manager or superintendent salaries	23,399	21,000
Legal expenses (project)	378	-
Audit expenses	5,360	5,145
Bookkeeping fees/accounting services	155	124
Bad debts	566	8
Miscellaneous administrative expenses	4,672	1,894
	<u><u>\$ 66,645</u></u>	<u><u>\$ 59,261</u></u>
Utilities		
Electricity	25,889	26,229
Water	4,556	3,307
Sewer	6,560	5,652
	<u><u>\$ 37,005</u></u>	<u><u>\$ 35,188</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>
Operating and maintenance		
Payroll	\$ 21,377	\$ 16,792
Supplies	23,512	13,643
Contracts	29,907	23,424
Garbage and trash removal	5,959	3,887
Security payroll/contract	1,653	-
Heating/cooling repairs and maintenance	2,301	473
Miscellaneous operating and maintenance expenses	5,168	498
	<u>\$ 89,877</u>	<u>\$ 58,717</u>
Repairs and replacements		
Fire and smoke alarms	\$ -	\$ 5,954
HVAC units	-	6,795
PTAC units	1,802	-
Hot water heaters	1,280	-
Flooring	2,456	-
Light fixtures	10,733	-
Painting	22,440	-
	<u>\$ 38,711</u>	<u>\$ 12,749</u>
Taxes and insurance		
Real estate taxes	\$ 156	\$ 853
Payroll taxes (project's share)	3,856	2,823
Property and liability insurance (hazard)	7,654	7,111
Fidelity bond insurance	100	99
Workmen's compensation	530	778
Health insurance and other employee benefits	6,660	2,954
Miscellaneous taxes, licenses, permits and insurance	203	788
	<u>\$ 19,159</u>	<u>\$ 15,406</u>