Weston Trace Partners, LLC

NCHFA Project No. 9000961

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

December 31, 2022 and 2021

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Independent Auditor's Report

Members
Weston Trace Partners, LLC
Raleigh, NC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Weston Trace Partners, LLC, NCHFA Project No. 9000961, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity (deficit), 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 Weston Trace Partners, 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 Weston Trace Partners, 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 Weston Trace Partners, 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 Weston Trace Partners, 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 Weston Trace Partners, 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.

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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 8, 2023

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Balance Sheets
December 31, 2022 and 2021 **(2 pages)**

	2022	2021
ASSETS		
Current assets:		
Cash, operating	**$ 46,957**	$ 41,930
Accounts receivable, tenants	**5,578**	16,111
Prepaid expenses	**2,937**	14,685
Total current assets	**55,472**	72,726
Restricted deposits and funded reserves:		
Cash, tenant security deposits	**20,235**	18,837
Cash, tax and insurance escrow	**16,064**	4,667
Cash, replacement reserve	**178,203**	158,998
Cash, operating reserve	**167,591**	167,286
	382,093	349,788
Rental property:		
Buildings	**3,972,522**	3,972,522
Land improvements	**296,973**	296,973
Furnishings and equipment	**136,060**	136,060
	4,405,555	4,405,555
Accumulated depreciation	**(560,277)**	(425,829)
	3,845,278	3,979,726
Land	**533,753**	533,753
	4,379,031	4,513,479
Other assets:		
Deferred tax credit fees (net of accumulated amortization of $21,943 in 2022 and $16,457 in 2021)	**60,342**	65,828
Utility deposits	**1,758**	1,758
	62,100	67,586
	$ 4,878,696	$ 5,003,579

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Balance Sheets
December 31, 2022 and 2021 **(2 pages)**

	2022	2021
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ **6,504**	$ 6,515
Notes payable, current portion	**43,453**	41,951
Accrued interest	**5,967**	5,919
Total current liabilities:	**55,924**	54,385
Deposits and prepayment liabilities:		
Prepaid rent	**1,236**	816
Tenant security deposits	**20,235**	18,837
	21,471	19,653
Long-term liabilities:		
Notes payable, net of unamortized debt issuance costs of $17,147 in 2022 and $18,204 in 2021, net of current maturities	**1,619,601**	1,661,016
Notes payable, affiliates	**484,293**	484,293
Development fee payable	**124,022**	124,022
Accrued interest, affiliates	**188,941**	146,552
	2,416,857	2,415,883
Members' equity	**2,384,444**	2,513,658
	$ **4,878,696**	$ 5,003,579

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Gross rental income	$ 400,248	$ 390,978
Less: Vacancies	(9,060)	(978)
Less: Concessions	-	(1,026)
Less: Loss to lease	(6,528)	(11,157)
Net rental income	384,660	377,817
Interest income	648	472
Other income	6,401	18,482
Total income	391,709	396,771
Operating expenses:		
Administrative	109,139	94,904
Utilities	12,455	10,489
Management fees	23,015	22,236
Repairs and maintenance	101,865	120,146
Taxes and insurance	12,661	11,877
Asset management fees	7,000	7,000
Total operating expenses	266,135	266,652
Income from operations	125,574	130,119
Nonoperating expenses:		
Deferred interest	42,389	43,989
Interest expense	72,465	73,627
Depreciation	134,448	134,447
Amortization	5,486	5,485
Total nonoperating expenses, net	254,788	257,548
Net loss	$ (129,214)	$ (127,429)

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Statement of Members' Equity (Deficit)
Years Ended December 31, 2022 and 2021

	Investor Members	Managing Member	Total
Balance (deficit), December 31, 2020	$ 2,852,142	$ (211,055)	$ 2,641,087
Net loss	(127,416)	(13)	(127,429)
Balance (deficit), December 31, 2021	2,724,726	(211,068)	2,513,658
Net loss	(129,201)	(13)	(129,214)
Balance (deficit), December 31, 2022	$ 2,595,525	$ (211,081)	$ 2,384,444

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Statements of Cash Flows
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Cash flows from operating activities:		
Net loss	**$ (129,214)**	$ (127,429)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	**134,448**	134,447
Amortization of tax credit fees	**5,486**	5,485
Amortization, permanent loan costs	**1,057**	1,057
Change in assets and liabilities		
(Increase) decrease:		
Accounts receivable, tenants	**10,533**	(4,707)
Prepaid expenses	**11,748**	(7,175)
Increase (decrease):		
Accounts payable and accrued expenses	**(11)**	(12,926)
Accrued interest	**48**	(121)
Accrued interest, affiliates	**42,389**	43,990
Tenant security deposit liability	**1,398**	2,213
Prepaid rent	**420**	(3,793)
Net cash provided by operating activities	**78,302**	31,041
Cash flows from financing activities:		
Payments of notes payable	**(40,970)**	(39,494)
Net cash used by financing activities	**(40,970)**	(39,494)
Net increase (decrease) in cash, cash equivalents, and restricted cash:	**37,332**	(8,453)
Cash, cash equivalents and restricted cash, beginning of year	**391,718**	400,171
Cash, cash equivalents and restricted cash, end of year	**$ 429,050**	$ 391,718

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Statements of Cash Flows
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 71,360**	$ 72,690
Reconciliation of cash, cash equivalents, restricted deposits and funded reserves to the balance sheet:		
Cash, operations	**$ 46,957**	$ 41,930
Tenant security deposits, held in trust	**20,235**	18,837
Mortgage escrow deposits	**16,064**	4,667
Operating reserve	**167,591**	167,286
Replacement reserve	**178,203**	158,998
	$ 429,050	$ 391,718

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

Weston Trace Partners, LLC (the "Company") was organized in North Carolina on September 8, 2017, for the purpose of developing, rehabilitating, owning, maintaining and operating a 48-unit low-income housing complex (the "Project") located in Garner, North Carolina. The Company purchased the Project from an affiliated entity on May 23, 2018, and completed renovation of the Project in December 2018. The major activities of the Company are governed by the operating agreement and loan agreements.

Effective May 1, 2018, the operating agreement was amended to admit a new investor member and to permit the withdrawal of the original investor member, DHIC, Inc. ("DHIC"). As a result, the Company had one managing member - Weston Trace Affordable Housing, Inc.; one investor member - RBC Tax Credit Equity, LLC; and one special investor member - RBC Tax Credit Manager II, Inc.

The ownership of the Company is as follows:

Weston Trace Affordable Housing, Inc.	0.009%
RBC Tax Credit Manager II, Inc.	0.001%
RBC Tax Credit Equity, LLC	99.990%
	100.000%

The Project received an allocation of low-income housing tax credits from the North Carolina Housing Finance Agency under Section 42 of the Internal Revenue Code of 1986, as amended.

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	15 years
Building	40 years
Furnishings and equipment	5 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.

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 loss was recognized during 2022 or 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 to be amortized using the straight-line method over the 15-year monitoring period.

Debt issuance costs

Loan costs are being amortized to interest expense over the lives of the related loans.

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 were $0 and $147, respectively.

Subsequent events evaluation

The Company evaluated the effect subsequent events would have on the financial statements through March 8, 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 $100. As of December 31, 2022 and 2021, the managing member has contributed $17,933. The special investor member is required to make a capital contribution of $10, all of which remains payable as of December 31, 2022 and 2021. The investor member is required to make capital contributions of $3,135,824, net of downward equity adjusters of $87,165, all of which has been received as of December 31, 2022 and 2021.

3. Notes Payable

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

	2022	**2021**
Note payable to North State Bank in the maximum amount of $4,131,243. Pursuant to the loan agreement the loan has two phases: (1) the construction phase and (2) the permanent phase. During the construction phase, interest only payments shall be due at the Wall Street Journal Prime rate beginning June 23, 2018. During 2020, the loan was converted from the construction to the permanent phase, at which time a payment was made to reduce the outstanding principal balance to the permanent loan amount of $1,065,000. Interest shall accrue at a rate of 5.53% per annum. Principal and interest payments of $6,067 are due monthly beginning June 23, 2020 with any outstanding balance due in full on May 23, 2038. Total interest incurred under the note during the years ended December 31, 2022 and 2021 amounted to $58,092 and $58,747, respectively. Accrued interest at December 31, 2022 and 2021 amounted to $4,888 and $4,796, respectively. Interest paid during 2022 and 2021 amounted to $58,001 and $58,815, respectively. Deferred loan costs amortized to interest expense amounted to $557 for each of the years ended December 31, 2022 and 2021, respectively. The loan is secured by a first lien deed of trust on the property.	**$ 1,026,423**	$ 1,041,226

	2022	2021
Note payable to the North Carolina Housing Finance Agency ("NCHFA") in the maximum amount of $720,000, with interest accruing at 1.25%. During the construction period, no payments of principal and interest are due under the note. On the conversion date, which is the date that final disbursement is made under the note, monthly payments of principal and interest shall begin. The final disbursement occurred on February 29, 2020. All outstanding principal and accrued interest, if any, shall be due and payable on February 1, 2040, which is the date that is 20 years after the conversion date. From January through February 2022, monthly payments of $3,284 were made and from March through December 2022, payments of $3,296 were made. During the years ended December 31, 2022 and 2021, interest expense amounted to $13,316 and $13,823, respectively. Accrued interest as of December 31, 2022 and 2021, amounted to $1,079 and $1,123, respectively. During the years ended December 31, 2022 and 2021, interest paid amounted to $13,361 and $13,876, respectively. Deferred loan costs amortized to interest expense amounted to $500 for each of the years ended December 31, 2022 and 2021, respectively. The note is secured by a second lien deed of trust on the property.	**$ 653,778**	$ 679,945
Note payable to Weston Trace Housing, LLC, an affiliate of the managing member, in the original amount of $175,519, which bears interest at 8% per annum, compounding annually. Beginning upon conversion of the North State Bank loan to the permanent phase, the note shall be repaid from net cash flow, as defined in the operating agreement (see Note 7). As of December 31, 2018, Weston Trace Housing, LLC assigned the note to DHIC, Inc., an affiliate of the managing member. All outstanding principal and accrued interest, unless sooner paid, shall be due and payable in full on May 23, 2038. Accrued interest at December 31, 2022 and 2021 amounted to $65,059 and $51,018, respectively. Interest expense for the years ended December 31, 2022 and 2021 amounted to $14,041 and $13,846, respectively. The loan is secured by a third lien deed of trust on the property.	**175,519**	175,519
Note payable to DHIC, Inc., an affiliate of the managing member, in the amount of $133,774, which bears interest at 8% per annum, compounding annually. Beginning upon conversion of the North State Bank loan to the permanent phase, the note shall be repaid from net cash flow, as defined in the operating agreement (see Note 7). All outstanding principal and accrued interest, unless sooner paid, shall be due and payable in full on May 23, 2038. Accrued interest at December 31, 2022 and 2021 amounted to $49,586 and $38,884, respectively. Interest expense for the years ended December 31, 2022 and 2021 amounted to $10,702 and $10,553, respectively. The loan is secured by a fourth lien deed of trust on the property.	**133,774**	133,774
Note payable to DHIC, Inc., in the amount of $175,000, which bears interest at 8% per annum, compounding annually. Beginning upon conversion of the North State Bank loan to the permanent phase, the note shall be repaid from net cash flow, as defined in the operating agreement (see Note 7). All outstanding principal and accrued interest, unless sooner paid, shall be due and payable in full on May 23, 2038. Accrued interest at December 31, 2022 and 2021 amounted to $64,866 and $50,866, respectively. Interest expense for the years ended December 31, 2022 and 2021 amounted to $14,000 and $13,806, respectively. The loan is secured by a fourth lien deed of trust on the property.	**175,000**	175,000
Less: unamortized debt issuance costs	**(17,147)**	(18,204)
	$ 2,147,347	$ 2,187,260

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

	North State	NCHFA	DHIC	Total
2023	$ 16,542	$ 26,911	$ -	$ 43,453
2024	17,480	27,472	-	44,952
2025	18,471	27,972	-	46,443
2026	19,519	28,407	-	47,926
2027	20,626	28,775	-	49,401
Thereafter	933,785	514,241	-	1,448,026
*	-	-	484,293	484,293
	$ 1,026,423	$ 653,778	$ 484,293	$ 2,164,494

**Future maturities cannot be reasonably determined at December 31, 2022.*

4. Transactions with Affiliates and Related Parties

Development fees

The Company incurred a development fee of $500,689 payable to DHIC for services rendered to the Company for overseeing the construction of the Project. As of December 31, 2022, the total fee has been earned. As of December 31, 2022, and 2021, $124,022 remained payable. The deferred portion of the development fee, as defined in the amended and restated development agreement, shall be repaid out of available net cash flow, as defined in the operating agreement (see Note 7), and shall accrue interest at a rate of 2.94%. Accrued interest amounted to $9,430 and $5,784 at December 31, 2022 and 2021, respectively. Any unpaid development fee and accrued interest shall be due in full upon expiration of the 15-year tax credit compliance period.

Asset management fee

The Company shall pay, as an operational expense of the Company, an annual fee equal to $3,500 to the investor member or its affiliate for an annual review of the operations of the Company and the Project. The asset management fee shall commence upon the first anniversary of Initial Closing, as defined in the amended and restated operating agreement, and shall be quarterly in advance and be cumulative to the extent not paid in full in any quarter. During the years ended December 31, 2022 and 2021, an asset management fee of $3,500, was earned and paid.

Managing member asset management fee

The Company shall pay, as an operational expense of the Company, an annual fee equal to $3,500 to the managing member for an annual review of the operations of the Company and the Project. The managing member asset management fee shall commence upon the first anniversary of Initial Closing, as defined in the amended and restated operating agreement, and shall be paid quarterly in advance, and shall be cumulative and paid from Net Cash Flow (see Note 7) to the extent not paid in full in any quarter. During the years ended December 31, 2022 and 2021, an asset management fee of $3,500 was earned, respectively. As of December 31, 2022 and 2021, no asset management fee 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 Project. The incentive management fee is based on net cash flow, as defined in Note 7, and is not cumulative. No incentive management fee was incurred during the years ended December 31, 2022 and 2021.

5. Commitments and Contingencies

Operating reserve

The operating agreement and the NCHFA loan agreement require the Company to fund an operating reserve account in the amount of $166,542, no later than the making of the third capital contribution of the investor member, or final disbursement under the NCHFA loan, 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 special investor member. Withdrawals also require written consent from the NCHFA if the balance of the operating reserve is below the required minimum balance, as defined in the NCHFA loan agreement, or if the withdrawal would cause the reserve to fall below the required minimum balance. As of December 31, 2022, the investor member has made its third capital contribution and its final disbursement under the NCHFA loan has occurred. An analysis of the reserve for the years ended 2022 and 2021 is as follows:

	2022	**2021**
Balance, beginning	**$ 167,286**	$ 167,046
Interest earned, net	**305**	240
Balance, ending	**$ 167,591**	$ 167,286

Replacement reserve

The operating agreement and the NCHFA loan agreement require the Company to fund a replacement reserve using cash flow from operations, as defined. Reserve additions of $350 per unit per year, increasing at a rate of 4% each year, are required to be made annually commencing upon substantial completion. 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 for any capital expenditure without written consent from the investor member and the NCHFA.

An analysis of the replacement reserve for the years ended 2022 and 2021 is as follows:

	2022	**2021**
Balance, beginning	**$ 158,998**	$ 140,616
Funding	**18,898**	18,171
Interest earned, net	**307**	211
Balance, ending	**$ 178,203**	$ 158,998

As of December 31, 2022, the replacement reserve is adequately funded.

6. Property Management Agreement

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 5.96% of all income collected for the property. Such fee shall be paid on the first of each month. Total management fees incurred during the years ended December 31, 2022 and 2021 amounted to $23,015 and $22,236, respectively, of which $1,887 and $1,698, respectively, remained payable as of December 31, 2022 and 2021.

7. Distributions of Net Cash Flow

Payment of fees and other expenses contingent upon net cash flow shall be made annually in the following order of priority:

1. To the investor member, an amount equal to the investor member's assumed tax liability;
2. To the investor member, an amount equal to any unpaid tax credit shortfall;
3. To the special investor member, any unpaid asset management fees;
4. To the managing member, an amount equal to the managing member's assumed tax liability;
5. To replenish the operating reserve to the required balance of $166,542;
6. To pay the deferred development fee, including accrued interest;
7. To the managing member, any unpaid managing member asset management fees;
8. 100% of remaining cash flow to repay the seller loan until paid in full;
9. 100% of remaining cash flow to repay the DHIC loan until paid in full;
10. Repayment of any outstanding operating deficit loans;
11. To the managing member, 49% of remaining cash flow as payment of the incentive management fee; and,
12. Any remaining cash flow shall constitute net cash flow which is distributable to the members in respect to their ownership percentages: 0.009% to the managing member, 0.001% to the special investor member, and 99.99% to the investor member.

8. Managing Member Guaranty

In accordance with the amended and restated operating agreement, In the event that, at any time during the period commencing on achievement of the stabilization date and ending on the release date, an operating deficit shall exist, the managing member shall provide such funds to the Company as shall be necessary to pay such operating deficit(s); provided, however, that the managing member shall not be obligated to provide such funds to the extent that the provision of such funds, if considered an operating deficit loan as defined, would cause the aggregate unpaid balance of all operating deficit loans to exceed $167,000. Funds provided after the achievement of the stabilization date shall be in the form of a loan to the Company (an "operating deficit loan"). Any operating deficit loan shall be unsecured, and will bear interest at the rate of 8% per annum, repayable solely from net cash flow (see Note 7).

9. Contingencies, Risks and Uncertainties

The Company's sole asset is its 48-unit low-income housing complex located in Garner, 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

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Rental income:		
Residential income	**$ 384,660**	$ 377,817
Interest income:		
Interest income, net of service fees	**$ 648**	$ 472
Other income:		
Application fees	**$ 520**	$ 1,220
Late fees	**3,735**	2,868
Damages	**1,017**	3,582
Grant revenue	**-**	9,187
Other miscellaneous	**1,129**	1,625
	$ 6,401	$ 18,482
Administrative:		
Office payroll and related expenses	**$ 67,870**	$ 69,575
Office expenses	**4,193**	4,403
Advertising	**-**	147
Bad debt expense	**14,723**	3,895
Telephone, internet and cable	**2,407**	3,551
Legal and eviction	**1,081**	-
Accounting	**14,362**	8,370
Miscellaneous administrative	**4,503**	4,963
	$ 109,139	$ 94,904
Utilities:		
Electricity	**$ 11,685**	$ 9,817
Water	**415**	199
Sewer	**355**	473
	$ 12,455	$ 10,489
Management fees:		
Property management fees	**$ 23,015**	$ 22,236

Weston Trace Partners, LLC
NCHFA Project No. 9000961
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Repairs and maintenance:		
Repairs and maintenance payroll	**$ 30,768**	$ 47,628
Security payroll/contract	**1,878**	2,015
Grounds maintenance	**20,569**	19,837
Repairs supplies	**13,317**	12,439
Repairs contract	**15,176**	8,311
Janitor and cleaning	**3,900**	3,407
Exterminating	**2,704**	2,450
Garbage and trash	**7,615**	8,909
Other repairs and maintenance	**5,938**	15,150
	$ 101,865	$ 120,146
Taxes and insurance:		
Personal property taxes	**$ 348**	$ 349
Property insurance	**12,313**	11,528
	$ 12,661	$ 11,877
Asset management fees:		
Asset management fees	**$ 7,000**	$ 7,000
Deferred interest:		
Deferred interest expense - Weston Trace Housing, LLC	**$ 14,041**	$ 13,846
Deferred interest expense - DHIC, Inc.	**24,702**	24,359
Deferred developer fee interest expense - DHIC, Inc.	**3,646**	5,784
	$ 42,389	$ 43,989
Interest expense:		
Amortization of deferred financing costs	**$ 1,057**	$ 1,057
Interest expense	**71,408**	72,570
	$ 72,465	$ 73,627
Depreciation and amortization:		
Depreciation	**$ 134,448**	$ 134,447
Amortization	**5,486**	5,485
	$ 139,934	$ 139,932