
**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

dba CHADWICK APARTMENTS

HUD PROJECT NO. 053-EE006

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

YEARS ENDED JUNE 30, 2023 AND 2022

The following draft has been provided to management to assist in its review and is intended to be used for discussion purposes only. Please contact your Dauby O'Connor & Zaleski, LLC representative to discuss any questions or comments on this draft. Upon receipt of the final report, please destroy all copies of this draft.

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(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****TABLE OF CONTENTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chadwick Apartments, Inc.
(A North Carolina Not-For-Profit Corporation)

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Chadwick Apartments, Inc., which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of profit and (loss) - changes in net assets, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Chadwick Apartments, Inc. as of June 30, 2023 and 2022, and the changes in its net assets 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Chadwick Apartments, Inc. 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, Chadwick Apartments, Inc. adopted the Leases topic of the FASB ASC 842 during the year ended June 30, 2023. 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.

Chadwick Apartments, Inc.
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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 Chadwick Apartments, Inc.'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 and *Government 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 and *Government 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 Chadwick Apartments, Inc.'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 Chadwick Apartments, Inc.'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.

Chadwick Apartments, Inc.
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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 the purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2023, on our consideration of Chadwick Apartments, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chadwick Apartments, Inc.'s internal control over financial reporting and compliance.

August 4, 2023
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

	ASSETS	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents		
Cash - operations	\$ 5,361	\$ 16,508
Resident security deposits	16,975	16,056
Escrow deposits	4,551	9,295
Reserve for replacements	396,284	367,323
Residual receipts	10,505	10,262
	<hr/>	<hr/>
Total cash and cash equivalents	433,676	419,444
Accounts receivable - residents	273	-
Accounts receivable - HUD	52	-
Accounts receivable - other	2,033	666
Prepaid expenses	11,435	8,023
	<hr/>	<hr/>
Total current assets	447,469	428,133
Property and equipment		
Land and land improvements	104,032	104,032
Buildings and improvements	2,159,133	2,159,133
Furniture for community/resident use	36,110	36,110
Office furniture and equipment	10,758	10,758
	<hr/>	<hr/>
	2,310,033	2,310,033
Less: Accumulated depreciation	(1,556,422)	(1,495,936)
	<hr/>	<hr/>
Total property and equipment	753,611	814,097
	<hr/>	<hr/>
Total assets	\$ 1,201,080	\$ 1,242,230
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**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022**

LIABILITIES AND NET ASSETS

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable - operations	\$ 9,025	\$ 4,842
Accrued incentive performance fee	-	5,924
Accounts payable - HUD	-	66
Accrued wages payable	982	2,010
Accrued payroll taxes payable	79	152
Accrued management fee payable	2,621	2,636
Prepaid revenue	-	1,216
	<u>12,707</u>	<u>16,846</u>
Deposits liabilities		
Resident security deposits	<u>16,210</u>	<u>15,718</u>
Long term liabilities		
HUD Capital Advance Note	<u>2,148,300</u>	<u>2,148,300</u>
	<u>2,148,300</u>	<u>2,148,300</u>
Total liabilities	2,177,217	2,180,864
Net assets without donor restrictions	<u>(976,137)</u>	<u>(938,634)</u>
Total liabilities and net assets	<u><u>\$ 1,201,080</u></u>	<u><u>\$ 1,242,230</u></u>

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF PROFIT AND (LOSS) - CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

		2023	2022
Rental revenue	Rent revenue - gross potential	\$ 158,017	\$ 138,105
	Tenant assistance payments	115,383	129,610
	Rent revenue - stores and commercial		
	Garage and parking spaces		
	Flexible subsidy revenue		
	Miscellaneous rent revenue		
	Excess rent		
	Rent revenue/insurance		
	Special claims revenue	686	521
	Retained excess income		
	Lease revenue (nursing home or section 232-B&C or AL)		
	Total rent revenue potential at 100% occupancy	\$ 274,086	\$ 268,236
Vacancies	Apartments	(3,084)	(2,710)
	Stores and commercial	()	()
	Rental concessions	()	()
	Garage and parking spaces	()	()
	Miscellaneous	()	()
	Total vacancies	(3,084)	(2,710)
	Net rental revenue rent revenue less vacancies	\$ 271,002	\$ 265,526
	Nursing homes and other elderly care revenues	\$ -	\$ -
Financial revenue	Financial revenue - project operations	\$ 222	\$ 2
	Revenue from investments - residual receipts	243	3
	Revenue from investments - reserve for replacements	9,233	214
	Revenue from investments - miscellaneous		
	Total financial revenue	\$ 9,698	\$ 219
Other revenue	Laundry and vending revenue	\$ 5,238	\$ 4,656
	Tenant charges	639	76
	Interest reduction payments revenue		
	Expiration of gift donor restrictions		
	Gifts		
	Miscellaneous revenue	3	2
	Total other revenue	\$ 5,880	\$ 4,734
	Total revenue	\$ 286,580	\$ 270,479
Admin. expenses	Conventions and meetings	\$ 922	\$ 1,094
	Management consultants	1,625	
	Advertising and marketing	99	412
	Other renting expenses	337	240
	Office salaries	5,386	5,230
	Office expenses	14,603	10,956
	Office or model apartment rent		
	Management fee	31,029	30,587
	Manager or superintendent salaries	26,646	26,693
	Administrative rent free unit		
	Legal expenses (project)		
	Audit expenses	5,750	5,260
	Bookkeeping fees/accounting services	168	151
	Bad debts	135	125
	Miscellaneous administrative expenses	1,065	912
	Total administrative expenses	\$ 87,765	\$ 81,660
Utilities expenses	Fuel oil/coal	\$	\$
	Electricity	13,607	13,723
	Water	5,151	5,090
	Gas		
	Sewer	8,744	8,452
	Total utilities expense	\$ 27,502	\$ 27,265

See notes to financial statements

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF PROFIT AND (LOSS) - CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022

		2023	2022
Operating and maint. expenses	Payroll	\$ 10,062	\$ 16,874
	Supplies	7,255	9,220
	Contracts	71,884	42,537
	Operating and maintenance rent free unit		
	Garbage and trash removal	3,048	3,454
	Security payroll/contract	329	284
	Security rent free unit		
	Heating/cooling repairs and maintenance	4,190	7,569
	Snow removal		
	Vehicle and maint. equipment operation and repairs		
	Lease expense		
	Miscellaneous operating and maintenance expenses	10,139	14,306
	Total operating and maintenance expenses	\$ 106,907	\$ 94,244
Taxes and insurance	Real estate taxes	\$	\$
	Payroll taxes (project's share)	2,881	3,307
	Property and liability insurance (hazard)	11,833	10,483
	Fidelity bond insurance	209	99
	Workmen's compensation	599	780
	Health insurance and other employee benefits	2,891	3,568
	Miscellaneous taxes, licenses, permits and insurance		
Total taxes and insurance	\$ 18,413	\$ 18,237	
Financial expenses	Interest on first mortgage (or bonds) payable	\$	\$
	Interest on other mortgages		
	Interest on notes payable (long-term)		
	Interest on notes payable (short-term)		
	Interest on capital recovery payment (M2M)		
	Mortgage insurance premium/service charge		
	Miscellaneous financial expenses		
Total financial expenses	\$ -	\$ -	
	Nursing homes and other elderly care expenses	\$ 23,010	\$ 21,205
	Total cost of operations before depreciation	\$ 263,597	\$ 242,611
	Profit (loss) before depreciation	\$ 22,983	\$ 27,868
	Depreciation	\$ 60,486	\$ 60,444
	Amortization	\$	\$
	Operating profit or (loss)	\$ (37,503)	\$ (32,576)
Entity income and expenses	Entity revenue	\$	\$
	Officer's salaries		
	Incentive performance fee (M2M)		
	Legal expenses		
	Federal, state, and other income taxes		
	Interest on notes payable		
	Interest on mortgage payable		
	Other expenses		5,924
Total net entity (income) expense	\$ -	\$ 5,924	
Change in net assets from operations	Total change in net assets from operations	\$ (37,503)	\$ (38,500)
	Change in net assets without donor restrictions	\$ (37,503)	\$ (38,500)
	Change in net assets with donor restrictions	\$ -	\$ -
	Change in total net assets from operations	\$ (37,503)	\$ (38,500)

See notes to financial statements

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2023 AND 2022**

Balance, July 1, 2021	\$ (900,134)
Change in net assets - without donor restrictions	<u>(38,500)</u>
Balance, June 30, 2022	(938,634)
Change in net assets - without donor restrictions	<u>(37,503)</u>
Balance, June 30, 2023	<u>\$ (976,137)</u>

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flow from operating activities		
Revenue:		
Rental income	\$ 269,260	\$ 266,264
Financial	9,698	219
Other income	5,880	4,734
	<u>284,838</u>	<u>271,217</u>
Total revenue	284,838	271,217
Expenditures:		
Administrative	(45,056)	(41,696)
Management fee	(31,044)	(30,542)
Utilities	(27,502)	(27,265)
Salaries and wages	(43,122)	(48,579)
Operating and maintenance	(96,552)	(75,044)
Property insurance	(15,245)	(16,937)
Miscellaneous taxes and insurance	(6,653)	(7,736)
Resident security deposits	492	754
Incentive performance fee	(5,924)	(3,657)
	<u>(270,606)</u>	<u>(250,702)</u>
Total expenditures	(270,606)	(250,702)
Net cash provided by (used in) operating activities	14,232	20,515
Cash flow from investing activities		
Purchase of property and equipment	-	(6,086)
	<u>-</u>	<u>(6,086)</u>
Net cash provided by (used in) investing activities	-	(6,086)
Net change in cash and cash equivalents	14,232	14,429
Cash and cash equivalents at beginning of period	419,444	405,015
	<u>419,444</u>	<u>405,015</u>
Cash and cash equivalents at end of period	\$ 433,676	\$ 419,444
	<u>\$ 433,676</u>	<u>\$ 419,444</u>

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****ORGANIZATION**

Chadwick Apartments, Inc. (a North Carolina Not-For-Profit Corporation) (the "Corporation") was organized to develop, own and operate a 41-unit apartment community in Garner, North Carolina, known as Chadwick Apartments (the "Community"), pursuant to Section 202 of the Housing Act of 1959, as amended. The Corporation has entered into the standard Federal Housing Administration ("FHA") regulatory agreement (the "Regulatory Agreements") governing the operation of the Community with the FHA section of the Department of Housing and Urban Development ("HUD"). The Corporation leases apartment units to low income families (or persons) in the normal course of business. The terms of the leases are generally one year.

In addition, the Corporation has entered into a Project Rental Assistance Contract ("PRAC") Agreement. The PRAC is a rent assistance program for low-income families (or persons). Eligible low-income residents pay 30% of their income as rent, while HUD pays the difference between this rental amount and "contract rent" (as defined). The Corporation can request from HUD an amount equal to 50% of contract rent during periods that the unit is vacant if certain conditions are met, but not to exceed 60 days ("Special Claim"). If a unit continues to be vacant after the 60-day period, the Corporation may submit a claim and receive additional housing assistance payments on a semiannual basis, if certain conditions are met, as outlined in the PRAC. The PRAC is for 40 units, which does not include a non-revenue producing unit, and expires January 31, 2024.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of preparation of the financial statements**

The primary intent of the financial statements is for the U.S. Office of Management and Budget. The financial statements will also be used by HUD; therefore, the presentation and account descriptions have been established to conform to their reporting guidelines. In addition, the financial statements are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 958-205. This statement established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic of the FASB ASC primarily affects the display of the financial statements and requires that the amounts for each of two classes of net assets - with or without donor restrictions be displayed in an aggregate statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of changes in net assets. All assets held by the Corporation at June 30, 2023 and 2022 are classified as without donor restrictions.

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Corporation. All revenue and expenses relates to the operating costs of the multi-family Property except for Administrative Expenses in the Statement of Profit and (Loss) - Changes in Net Assets are deemed program expenses. All administrative expenses represent supporting services.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

The accompanying 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 FASB issued Accounting Standards Update (ASU) 2016-02, Leases, which requires the lessee to recognize assets and corresponding lease liabilities on the Statements of Financial Position. The standard was effective for year-ends beginning for the Corporation on July 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 equivalents. As of June 30, 2023 and 2022, cash consists of an unrestricted checking and petty cash account.

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. Resident receivables consist of amounts due for rental income or the charges for damages and cleaning fees. The Corporation 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 June 30, 2023 and 2022. Bad debts expensed for the years ended June 30, 2023 and 2022 totaled \$135 and \$125, 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 Corporation is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB ASC 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Corporation'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 June 30, 2023 and 2022.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022****Rental income**

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the residents of the Community are operating leases under FASB ASC 842 and are not within the scope of FASB ASU 2014-09.

Grant income

Proceeds from the Green Retrofit Program for Multifamily Housing Grant have been received in full, and income was recognized during the year ended June 30, 2011.

Advertising costs

Advertising costs are expensed as incurred and are included in advertising and marketing in the Statements of Profit and (Loss) - Changes in Net Assets.

Property taxes

The Corporation has received an exemption from real and personal property taxes.

Concentration of credit risk

The Corporation deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Corporation continuously monitors the financial strength of each institution, and has not experienced any losses in such accounts.

The rental income from the PRAC Contract totaled \$116,069 and \$130,131 or 43% and 49% of the net rental revenue for the years ended June 30, 2023 and 2022, respectively. The PRAC Contract is subject to annual appropriations to HUD from Congress.

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay the related cost, including the additional administrative burden, if any, to comply with a change.

Use of estimates in the preparation of financial statements

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 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.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022****Fair value**

The Corporation 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 Corporation's financial statements for the years ended June 30, 2023 and 2022.

Accounting for uncertainty in income taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax and has been classified as an other than private foundation. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements. Generally, the Federal and State tax returns were subject to examinations from the three years after the later of the original or extended due date or the date filed with the applicable tax authority.

Subsequent events

Management performed an evaluation of the Corporation's activity through August 4, 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-HUD CAPITAL ADVANCE NOTE

The Corporation has entered into a Capital Advance Program Mortgage Note (the "Note") for a capital advance in the amount of \$2,148,300; all the funds were drawn during construction and remain outstanding. The Note bears no interest and repayment is not required as long as the housing project remains available for very low-income elderly and handicapped individuals in accordance with Section 202 of the Housing Act of 1959, as amended, and the PRAC and is operated in accordance with the Regulatory Agreement and HUD Regulations. The Note is secured by the mortgage upon the land, building and equipment and other amounts held by the Corporation.

The debt evidenced by this Note may not be prepaid prior to the maturity date of March 1, 2034, without the prior written approval of HUD. Provided (1) the housing project has remained available for occupancy by eligible families for no less than 40 years; and (2) the Note has not otherwise become due and payable by reason of defaults under the Note, mortgage or Regulatory Agreement through that date, the Note shall be deemed to be paid and discharged. If a default occurs under the terms of this Note, mortgage, the Regulatory Agreement or the regulations, at the option of the holder of this Note, the entire principal and interest at 7.75% should at once become due and payable without notice.

The liability of the Corporation under the mortgage loan is limited to the underlying value of the property and equipment collateral in addition to other amounts on deposit.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022****NOTE 3-CASH DISTRIBUTIONS, RESIDUAL RECEIPTS, RESERVE FOR REPLACEMENTS FUND
AND LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

Pursuant to the terms of the Regulatory Agreement, no cash distributions in excess of the annual incentive performance fee may be made to nonprofit owners, nor can they incur obligations on behalf of the community, to themselves or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or any of their nominees without prior written approval of HUD. Residual receipts in excess of the annual incentive performance fee ("Surplus Cash") as defined by HUD, existing at the end of the fiscal year must be deposited in an interest bearing residual receipts fund in the name of the Corporation. The residual receipts fund is an asset of the Corporation held under HUD control. Withdrawals from the residual receipts fund may only be made with the approval of HUD for property purposes, including reduction of housing assistance payments. In accordance with the PRAC, if HUD determines at any time that community funds are more than the amount needed for community operations, reserve requirements and permitted distributions, HUD may require excess to be placed in an account to be used to reduce PRAC payments or for other community purposes. Upon termination of the PRAC, any excess funds must be remitted to HUD.

During the years ended June 30, 2023 and 2022, there were no required deposits, no expenditures and no amounts were remitted back to HUD from the residual receipts fund. At June 30, 2023 and 2022, the balance in the residual receipts fund is \$10,505 and \$10,262, respectively.

Pursuant to the terms of the Regulatory Agreement, the Corporation is required to make monthly deposits to the reserve for replacements fund. This fund is under the control of HUD. Disbursements from such fund may only be made for the purpose of effecting replacement of structural elements and mechanical equipment of the Community and after receiving the written consent of the Secretary of HUD. As of June 30, 2023 and 2022, the balance in the reserve for replacements account is \$396,284 and \$367,323, respectively.

Liquidity and availability of financial assets

The Corporation's liquidity and availability of cash flow is limited to surplus cash as defined by HUD. The Corporation manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains a reserve for replacements and residual receipts that may be drawn upon as needed during the year to manage cash flow and make necessary repairs to the Community with approval from HUD. The Corporation's cash and cash equivalents is available within one year of the statement of financial position date to meet cash needs for general expenditures.

NOTE 4-MANAGEMENT AGREEMENT

The Community is managed by Community Management Corporation (the "Agent"). In accordance with the management agreement, the Corporation pays an annual management fee of 11.31% of residential and miscellaneous income collected. During the years ended June 30, 2023 and 2022, the Agent earned management fees of \$31,029 and \$30,587, respectively. At June 30, 2023 and 2022, \$2,621 and \$2,636 remains payable, respectively.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)****NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

In accordance with HUD regulations, the Agent is also entitled to be reimbursed for the actual costs incurred for front-line management activities performed at the central office (as these activities are defined by HUD).

NOTE 5-GREEN RETROFIT GRANT

In September 2010, the Corporation entered into a Green Retrofit Commitment Plan and Retrofit Funding Agreement ("Retrofit Agreement") with HUD under the Green Retrofit Program for Multifamily Housing ("GRP"). The GRP is authorized by the American Recovery and Reinvestment Act of 2009. Under the Retrofit Agreement, the Corporation was awarded \$190,110 in GRP funds to cause certain retrofits, repairs and/or improvements to be made to the Community. Management completed the retrofits, repairs and/or improvements during the year ended June 30, 2011. The term of the Retrofit Agreement shall run from the closing date of September 2010 through February 2049. The Retrofit Agreement and related documents require the Corporation to operate the Community in accordance with the stated use requirements throughout the term. Noncompliance of the stated use requirements could subject the Corporation to liquidated damages or other remedies to the benefit of the GRP, or be considered an event of default under the Regulatory Agreement or PRAC. The Corporation received total grant proceeds of \$190,110, which were used to fund capital additions.

Incentive performance fee

During the use restriction period expiring in February 2049, the owner is entitled to receive a non-cumulative annual incentive performance fee in the amount of 3% of the property's annual effective gross income as defined in the Retrofit Agreement. The incentive performance fee is paid solely from available surplus cash as long as the Community is in compliance with all terms and conditions outlined in the Retrofit Agreement. If there is insufficient surplus cash to pay the fee, it shall not accrue. During the years ended June 30, 2023 and 2022, incentive performance fees of \$0 and \$5,924 were earned, respectively. At June 30, 2023 and 2022, \$0 and \$5,924 remains payable, respectively.

NOTE 6-COMMITMENTS AND CONTINGENCIES**Residual receipts fund**

In accordance with the PRAC, if HUD determines at any time that residual receipt funds are more than the amount needed for Community purposes, HUD may require any excess to be remitted to HUD upon notice.

In accordance with HUD Memorandum issued June 19, 2015, upon termination of the PRAC residual receipt funds in excess of \$250 per unit must be remitted to HUD on an annual basis. Approved service coordinator costs are eligible to be withdrawn from residual receipts funds, upon HUD approval, not to exceed \$15 per unit per month. At the end of the Regulatory Agreement any funds remaining in the residual receipt fund must be remitted to HUD.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2023 AND 2022**

Although the Corporation has adopted the policy to reflect a recapture liability equal to the excess of \$250 per unit, HUD has the right upon notice to request the entire residual receipt balance to be remitted to HUD; however, the Corporation does not believe this is likely. Any funds remaining in the residual receipts fund will be approved by HUD to be utilized for Community purposes.

As of June 30, 2023 and 2022, there was no excess of \$250 per unit. During the years ended June 30, 2023 and 2022, the loss due to recapture of residual receipts was \$0 and \$0, respectively. At June 30, 2023 and 2022, \$0 and \$0 remains payable, respectively.

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

SUPPLEMENTARY INFORMATION
ACCOMPANYING INFORMATION REQUIRED BY HUD
YEAR ENDED JUNE 30, 2023

Reserve for replacements

In accordance with provisions of the Regulatory Agreement, cash is held to be used for replacing assets with the approval of HUD.

Balance, July 1, 2022	\$	367,323
Monthly deposits		19,728
PRAC shortfall reimbursement		9,077
Interest		9,233
Approved withdrawals		(9,077)
		<hr/>
Balance, June 30, 2023	\$	<u><u>396,284</u></u>

Residual receipts

In accordance with provisions of the Regulatory Agreement, cash and investments are held to be used as allowed by HUD.

Balance, July 1, 2022	\$	10,262
Required deposit		-
Interest		243
Approved withdrawals		-
		<hr/>
Balance, June 30, 2023	\$	<u><u>10,505</u></u>

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

SUPPLEMENTARY INFORMATION
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS
JUNE 30, 2023

Part A - Compute Surplus Cash		
1. Cash	\$ 22,336	
2. Accounts Receivable - HUD	\$ 52	
3. Other	\$	
(a) Total Cash (Add Lines 1, 2, and 3)		\$ 22,388
Current Obligations		
4. Accrued Mortgage (or Bond) Interest Payable	\$	
5. Delinquent Mortgage (or Bond) Principal Payments	\$	
6. Delinquent Deposits to Reserve for Replacements	\$	
7. Accounts Payable (due Within 30 days)	\$ 9,025	
8. Loans and Notes Payable (due Within 30 days)	\$	
9. Deficient Tax Insurance or MIP Escrow Deposits	\$	
10. Accrued Expenses (not Escrowed)	\$ 3,682	
11. Prepaid Revenue	\$	
12. Resident/Patient Deposits Held in Trust	\$ 16,210	
13. Other Current Obligations	\$	
(b) Less Total Current Obligations (Add Lines 4 Through 13)		\$ 28,917
(c) Surplus Cash (Deficiency) (Line (a) Minus Line (b))		\$ (6,529)
PART B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
1. Surplus Cash		\$ -
Limited Dividend Projects		
2a. Annual Distribution Earned During Fiscal Period Covered by the Statement	\$	
2b. Distributions Accrued and Unpaid as of the End of the Prior Fiscal Period	\$	
2c. Distributions and Entity Expenses Paid During Fiscal Period Covered	\$	
3. Distribution Earned but Unpaid (Line 2a plus 2b minus 2c)	\$ -	
4. Amount Available for Distribution During Next Fiscal Period		\$ -
Mark to Market Projects		
5. Incentive Performance Fee Payable	\$	
6. Percentage Surplus Cash Split		
7. Surplus Cash Available for Second Mortgage Payments	\$	
8. Surplus Cash Available for Distribution		\$ -
9. Deposit Due Residual Receipts		\$ -

BALANCE SHEET DATA SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022 Reporting to: June 30, 2023			
ASSETS			
Acct No.	Description of Account		
1120	Cash - Operations		5,361
1121	Construction Cash Account		-
1125	Cash - Entity		-
1130	Tenant/Member Accounts Receivable (Coops)	273	
1131	Allowance for Doubtful Accounts	-	
1130N	Net Tenant Accounts Receivable		273
1135	Accounts Receivable - HUD		52
1137	Medicare/Medicaid/Other Insurance Receivable	-	
1138	Allowance for Doubtful Accounts (Medicare/Medicaid/Other Insurance Receivable)	-	
1137N	Net Medicare/Medicaid/Other Insurance Receivable		-
1140	Accounts and Notes Receivable - Operations		2,033
1145	Accounts and Notes Receivable - Entity		-
1160	Accounts Receivable - Interest		-
1165	Interest Reduction Payment Receivable		-
1170	Short Term Investments - Operations		-
1175	Short Term Investments - Entity		-
1180	Inventory		-
1190	Miscellaneous Current Assets		-
1200	Prepaid Expenses		11,435
1100T	Total Current Assets		19,154
1191	Tenant/Patient Deposits Held in Trust		16,975
1310	Escrow Deposits		4,551
1320	Replacement Reserve		396,284
1330	Other Reserves		-
1340	Residual Receipts Reserve		10,505
1355	Bond Reserves		-
1367	Sinking Fund		-
1381	Management Improvement and Operating Plan		-
1300T	Total Deposits		411,340
1410	Land		104,032
1420	Buildings		2,159,133
1440	Building Equipment (Portable)		-
1450	Furniture for Project/Tenant Use		36,110
1460	Furnishings		-
1465	Office Furniture and Equipment		10,758
1470	Maintenance Equipment		-
1480	Motor Vehicles		-
1490	Miscellaneous Fixed Assets		-
1400T	Total Fixed Assets		2,310,033
1495	Accumulated Depreciation		1,556,422
1400N	Net Fixed Assets		753,611
1510	Investments - Operations		-
1515	Investments - Entity		-
1525	Cash Restricted for Long-term Investment		-
1590	Miscellaneous Other Assets		-
1500T	Total Other Assets		-
1000T	Total Assets		\$ 1,201,080

LIABILITIES			
2105	Bank Overdraft - Operations		-
2110	Accounts Payable - Operations		9,025
2111	Accounts Payable - Construction/Development		-
2112	Accounts Payable - Project Improvement Items		-
2113	Accounts Payable - Entity		-
2114	Incentive Performance Fee Payable		-
2115	Accounts Payable - 236 Excess Income due HUD		-
2116	Accounts Payable - Section 8 & Other		-
2120	Accrued Wages Payable		982
2121	Accrued Payroll Taxes Payable		79
2123	Accrued Management Fee Payable		2,621
2125	Accrued Lease Payments Payable		-
2130	Accrued Interest Payable - Section 236		-
2131	Accrued Interest Payable - First Mortgage (or Bonds)		-
2132	Accrued Interest Payable - Other Mortgages		-
2133	Accrued Interest Payable - Other Loans and Notes (Surplus Cash)		-
2134	Accrued Interest Payable - Other Loans and Notes		-
2135	Accrued Interest Payable - Flexible Subsidy Loan		-
2136	Accrued Interest Payable - Capital Improvements Loan		-
2137	Accrued Interest Payable - Operating Loss Loan		-
2139	Accrued Interest Payable - Capital Recovery Payment (M2M)		-
2150	Accrued Property Taxes		-
2160	Notes Payable (Short-term)		-
2170	Mortgage(or Bonds) Payable - First Mortgage(Bonds) (Short Term)		-
2172	Other Mortgages Payable (Short Term)		-
2173	Other Loans and Notes Payable - Surplus Cash (Short Term)		-
2174	Other Loans and Notes (Short Term)		-
2175	Flexible Subsidy Loan Payable (Short Term)		-
2176	Capital Improvement Loan Payable (Short Term)		-
2177	Operating Loss Loan Payable (Short Term)		-
2179	Capital Recovery Payment Payable (Short Term - M2M)		-
2180	Utility Allowances		-
2190	Miscellaneous Current Liabilities		-
2210	Prepaid Revenue		-
2122T	Total Current Liabilities		12,707
2191	Tenant/Patient Deposits Held In Trust (Contra)		16,210
2305	Accounts Payable - Entity (Long Term)		-
2306	Accrued Lease Payments Payable - Long Term		-
2310	Notes Payable (Long-Term)		-
2311	Notes Payable - Surplus Cash		-
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)		2,148,300
2322	Other Mortgages Payable (Long Term)		-
2323	Other Loans and Notes Payable - Surplus Cash		-
2324	Other Loans and Notes Payable		-
2325	Flexible Subsidy Loan Payable		-
2326	Capital Improvement Loan Payable		-
2327	Operating Loss Loan Payable		-
2329	Capital Recovery Payment (M2M)		-
2330	Interest on Loans or Notes Payable (Long Term)		-
2331	Accrued Interest Other Mortgages Payable (Long Term)		-
2332	Accrued Interest Notes Payable (Surplus Cash) (Long Term)		-
2340	Debt Issuance Costs		-
2390	Miscellaneous Long Term Liabilities		-
2300T	Total Long Term Liabilities		2,148,300
2000T	Total Liabilities		\$ 2,177,217
NET ASSETS			
3131	Net Assets Without Donor Restrictions		(976,137)
3133	Net Assets With Donor Restrictions		-
3130	Total Net Assets		(976,137)
2033T	Total Liabilities and Equity/Net Assets		\$ 1,201,080

PROFIT AND LOSS DATA			
SUPPLEMENTARY INFORMATION			
Organization Name		FHA/Contract Number	
Chadwick Apartments, Inc.		See cover page	
Reporting from: July 1, 2022			
Reporting to: June 30, 2023			
Acct No.	Description of Account		
Rent Revenue			
5120	Rent Revenue - Gross Potential	158,017	
5121	Tenant Assistance Payments	115,383	
5140	Rent Revenue - Stores and Commercial	-	
5170	Garage and Parking Spaces	-	
5180	Flexible Subsidy Revenue	-	
5190	Miscellaneous Rent Revenue	-	
5191	Excess Rent	-	
5192	Rent Revenue/Insurance	-	
5193	Special Claims Revenue	686	
5194	Retained Excess Income	-	
5195	Lease Revenue (Nursing Home or Section 232 - B&C or AL)	-	
5100T	Total Rent Revenue		274,086
Vacancies			
5220	Apartments	3,084	
5240	Stores and Commercial	-	
5250	Rental Concessions	-	
5270	Garage and Parking Space	-	
5290	Miscellaneous	-	
5200T	Total Vacancies		3,084
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)		271,002
5300 Revenue			
5300	Nursing Homes/ Assisted Living/Board & Care/Other Elderly Care/Coop/ and Other Revenues		-
Financial Revenue			
5410	Financial Revenue - Project Operation	222	
5430	Revenue from Investments - Residual Receipts	243	
5440	Revenue from Investments - Replacement Reserve	9,233	
5490	Revenue from Investments - Miscellaneous	-	
5400T	Total Financial Revenue		9,698
Other Revenue			
5910	Laundry and Vending Revenue	5,238	
5920	Tenant Charges	639	
5945	Interest Reduction Payments Revenue	-	
5560	Expiration of Gift Donor Restrictions	-	
5970	Gifts	-	
5990	Miscellaneous Revenue	3	
5900T	Total Other Revenue		5,880
5000T	Total Revenue		286,580
Administrative Expenses			
6203	Conventions and Meetings	922	
6204	Management Consultants	1,625	
6210	Advertising and Marketing	99	
6250	Other Renting Expenses	337	
6310	Office Salaries	5,386	
6311	Office Expenses	14,603	
6312	Office or Model Apartment Rent	-	
6320	Management Fee	31,029	
6330	Manager or Superintendent Salaries	26,646	
6331	Administrative Rent Free Unit	-	
6340	Legal Expense - Project	-	
6350	Audit Expense	5,750	
6351	Bookkeeping Fees/Accounting Services	168	
6370	Bad Debts	135	
6390	Miscellaneous Administrative Expenses	1,065	
6263T	Total Administrative Expenses		87,765
Utilities Expenses			
6420	Fuel Oil/Coal	-	
6450	Electricity	13,607	
6451	Water	5,151	
6452	Gas	-	
6453	Sewer	8,744	
6400T	Total Utilities Expense		27,502

Operating & Maintenance Expenses		
6510	Payroll	10,062
6515	Supplies	7,255
6520	Contracts	71,884
6521	Operating and Maintenance Rent Free Unit	-
6525	Garbage and Trash Removal	3,048
6530	Security Payroll/Contract	329
6531	Security Rent Free Unit	-
6546	Heating/Cooling Repairs and Maintenance	4,190
6548	Snow Removal	-
6570	Vehicle and Maintenance Equipment Operation and Repairs	-
6580	Lease Expense	-
6590	Miscellaneous Operating and Maintenance Expenses	10,139
6500T	Total Operating and Maintenance Expense	106,907
Taxes & Insurance		
6710	Real Estate Taxes	-
6711	Payroll Taxes (Project's Share)	2,881
6720	Property & Liability Insurance (Hazard)	11,833
6721	Fidelity Bond Insurance	209
6722	Workmen's Compensation	599
6723	Health Insurance and Other Employee Benefits	2,891
6790	Miscellaneous Taxes, Licenses, Permits and Insurance	-
6700T	Total Taxes and Insurance	18,413
Financial Expenses		
6820	Interest on First Mortgage (or Bonds) Payable	-
6825	Interest on Other Mortgages	-
6830	Interest on Notes Payable (Long Term)	-
6840	Interest on Notes Payable (Short Term)	-
6845	Interest on Capital Recovery Payment (M2M)	-
6850	Mortgage Insurance Premium/ Service Charge	-
6890	Miscellaneous Financial Expenses	-
6800T	Total Financial Expenses	-
6900 Expenses		
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses	23,010
Operating Results		
6000T	Total Cost of Operations before Depreciation	263,597
5060T	Profit (Loss) before Depreciation	22,983
6600	Depreciation Expenses	60,486
6610	Amortization Expense	-
5060N	Operating Profit or (Loss)	(37,503)
Corporate or Mortgagor Revenue/Expenses		
7105	Entity Revenue	-
7110	Officer's Salaries	-
7115	Incentive Performance Fee	-
7120	Legal Expenses	-
7130	Federal, State, and Other Income Taxes	-
7141	Interest on Notes Payable	-
7142	Interest on Mortgage Payable	-
7190	Other Expenses	-
7100T	Net Entity Expenses	-
Change in Net Assets from Operations		
3247	Change in Net Assets Without Donor Restrictions	(37,503)
3249	Change in Net Assets With Donor Restrictions	-
3250	Change in Total Net Assets from Operations	(37,503)
Part II		
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.	\$ -
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.	\$ 19,728
S1000-030	Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement.	\$ -
S1000-040	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss statement.	\$ -

EQUITY DATA SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022 Reporting to: June 30, 2023			
Acct No.	Description of Account		
S1100-060	Previous Year Net Assets Without Donor Restrictions	(938,634)	
3247	Change in Net Assets Without Donor Restrictions	(37,503)	
S1100-065	Other Changes in Net Assets Without Donor Restrictions	-	
3131	Net Assets Without Donor Restrictions		(976,137)
S1100-080	Previous Year Net Assets With Donor Restrictions	-	
3249	Change in Net Assets With Donor Restrictions	-	
S1100-085	Other Changes in Net Assets With Donor Restrictions	-	
3133	Net Assets With Donor Restrictions		-
S1100-050	Previous Year Total Net Assets	(938,634)	
3250	Change in Total Net Assets from Operations	(37,503)	
S1100-055	Other Changes in Total Net Assets	-	
3130	Total Net Assets		(976,137)

CASH FLOW DATA			
SUPPLEMENTARY INFORMATION			
Organization Name		FHA/Contract Number	
Chadwick Apartments, Inc.		See cover page	
Reporting from: July 1, 2022			
Reporting to: June 30, 2023			
Acct No.	Description of Account		
Cash Flow from Operating Activities			
S1200-010	Rental Receipts	269,260	
S1200-020	Interest Receipts	9,698	
S1200-025	Gifts	-	
S1200-030	Other Operating Receipts	5,880	
S1200-035	Entity/Construction Receipts	-	
S1200-040	Total Receipts		284,838
S1200-050	Administrative	(45,056)	
S1200-070	Management Fee	(31,044)	
S1200-090	Utilities	(27,502)	
S1200-100	Salaries and Wages	(43,122)	
S1200-110	Operating and Maintenance	(96,552)	
S1200-115	Lease Payments	-	
S1200-120	Real Estate Taxes	-	
S1200-140	Property Insurance	(15,245)	
S1200-150	Miscellaneous Taxes and Insurance	(6,653)	
S1200-160	Tenant Security Deposits	(427)	
S1200-170	Other Operating Expenses	-	
S1200-180	Interest on Mortgages	-	
S1200-181	Interest Payments - Second Mortgage	-	
S1200-182	Interest Payments - Third Mortgage	-	
S1200-190	Interest on Notes Payable	-	
S1200-200	Interest on Capital Recovery Payment	-	
S1200-210	Mortgage Insurance Premium (MIP)	-	
S1200-220	Miscellaneous Financial	-	
S1200-223	Entity - Incentive Performance Fee	-	
S1200-225	Entity/Construction Disbursements	(5,924)	
S1200-230	Total Disbursements		(271,525)
S1200-240	Net Cash provided by (used in) Operating Activities		13,313
Cash Flow from Investing Activities			
S1200-245	Net Deposits to the Mortgage Escrow account	4,744	
S1200-250	Net Deposits to the Reserve for Replacement account	(28,961)	
S1200-255	Net Deposits to Other Reserves	-	
S1200-260	Net Deposits to the Residual Receipts account	(243)	
S1200-300	Net Deposits to the Management Improvement and Operating Plan	-	
S1200-310	Net Deposits to the Long Term Investment account	-	
S1200-330	Net Purchase of Fixed Assets	-	
S1200-340	Other Investing Activities	-	
S1200-345	Entity/Construction Investing Activities	-	
S1200-350	Net Cash provided by (used in) Investing Activities		(24,460)

Cash Flow from Financing Activities		
S1200-360	Principal Payments - First Mortgage (or Bonds)	-
S1200-361	Principal Payments - Second Mortgage	-
S1200-362	Principal Payments - Third Mortgage	-
S1200-365	Proceeds from Mortgages, Loans or Notes Payable	-
S1200-370	Principal Payments on Loans or Notes Payable	-
S1200-385	Proceeds from Flexible Subsidy Loans	-
S1200-390	Flexible Subsidy Loan principal payments	-
S1200-395	Proceeds from Capital Improvement Loans	-
S1200-400	Principal payments on Capital Improvement Loan Payable	-
S1200-405	Proceeds from Operating Loss Loans	-
S1200-410	Principal payments on Operating Loss Loan Payable	-
S1200-413	Proceeds from Capital Recovery Payment	-
S1200-417	Principal Payments on Capital Recovery Payment	-
S1200-420	Distributions	-
S1200-430	Contributions	-
S1200-450	Other Financing Activities	-
S1200-455	Entity/Construction Financing Activities	-
S1200-460	Net Cash provided by (used in) Financing Activities	-
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	(11,147)
Cash and Cash Equivalents		
S1200-480	Beginning of Period Cash	16,508
S1200T	End of Period Cash	\$ 5,361
S1200-620	Comments	
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DETAIL OF ACCOUNTS SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022 Reporting to: June 30, 2023			
Acct No.	Detail Description		
Balance Sheet Data			
1140	Accounts and Notes Receivable - Operations		
	Sales tax refund	2,033	
		-	
		-	
		-	
		-	
		-	
1140	Total Accounts and Notes Receivable - Operations		2,033
1145	Accounts and Notes Receivable - Entity		
		-	
		-	
		-	
		-	
		-	
		-	
1145	Total Accounts and Notes Receivable - Entity		-
1190	Miscellaneous Current Assets		
		-	
		-	
		-	
		-	
		-	
		-	
1190	Total Miscellaneous Current Assets		-
1330	Other Reserves		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
1330	Total Other Reserves		-
1590	Miscellaneous Other Assets		
		-	
		-	
		-	
		-	
		-	
		-	
1590	Total Miscellaneous Other Assets		-

2132	Accrued Interest Payable - Other Mortgages		
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2132	Total Accrued Interest Payable - Other Mortgages		-
2172	Other Mortgages Payable (Short Term)		
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2172	Total Other Mortgages Payable (Short Term)		-
2190	Miscellaneous Current Liabilities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
2190	Total Miscellaneous Current Liabilities		-
2322	Other Mortgages Payable (Long Term)		
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2322	Total Other Mortgages Payable (Long Term)		-
2331	Accrued interest Other Mortgages Payable (Long Term)		
	First Mortgage	-	
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2331	Total Accrued interest Other Mortgages Payable (Long Term)		-
2390	Miscellaneous Long-term Liabilities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
2390	Total Miscellaneous Long-term Liabilities		-
Profit and Loss Data			
5190	Miscellaneous Rent Revenue		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
5190	Total Miscellaneous Rent Revenue		-

5290	Miscellaneous		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
5290	Total Miscellaneous		-
5490	Revenue from Investments - Miscellaneous		
		-	
		-	
		-	
		-	
		-	
		-	
5490	Total Revenue from Investments - Miscellaneous		-
5990	Miscellaneous Revenue		
	Vendor refunds	3	
		-	
		-	
		-	
		-	
		-	
		-	
5990	Total Miscellaneous Revenue		3
6390	Miscellaneous Administrative Expenses		
	Key attendant	480	
	Bank fees	440	
	Employee mileage reimbursement	145	
		-	
		-	
		-	
		-	
		-	
6390	Total Miscellaneous Administrative Expenses		1,065
6590	Miscellaneous Operating and Maintenance Expenses		
	Fire protection	10,139	
		-	
		-	
		-	
		-	
		-	
		-	
6590	Total Miscellaneous Operating and Maintenance Expenses		10,139
6790	Miscellaneous Taxes, Licenses, Permits and Insurance		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
6790	Total Miscellaneous Taxes, Licenses, Permits and Insurance		-

6890	Miscellaneous Financial Expenses		
		-	
		-	
		-	
		-	
		-	
6890	Total Miscellaneous Financial Expenses		-
7190	Other Expenses		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
7190	Total Other Expenses		-
Equity Data			
S1100-055	Other Changes in Total Net Assets		
		-	
		-	
		-	
		-	
S1100-055	Total Other Changes in Total Net Assets		-
Cash Flow Data			
S1200-035	Entity/Construction Receipts		
		-	
		-	
		-	
		-	
		-	
S1200-035	Total Entity/Construction Receipts		-
S1200-225	Entity/Construction Disbursements		
	Incentive performance fee	(5,924)	
		-	
		-	
		-	
		-	
		-	
S1200-225	Total Entity/Construction Disbursements		(5,924)
S1200-255	Net Deposits to Other Reserves		
		-	
		-	
		-	
		-	
S1200-255	Total Net Deposits to Other Reserves		-
S1200-340	Other Investing Activities		
		-	
		-	
		-	
		-	
S1200-340	Total Other Investing Activities		-

S1200-345	Entity/Construction Investing Activities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
S1200-345	Total Entity/Construction Investing Activities		-
S1200-450	Other Financing Activities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
S1200-450	Total Other Financing Activities		-
S1200-455	Entity/Construction Financing Activities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
S1200-455	Total Entity/Construction Financing Activities		-

SCHEDULE OF REQUIRED RESERVES SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022 Reporting to: June 30, 2023			
SCHEDULE OF RESERVE FOR REPLACEMENT			
Acct No.	Description of Account		
1320P	Balance at Beginning of Year		367,323
1320DT	Total Monthly Deposits	19,728	
1320ODT	Other Deposits	9,077	
1320INT	Interest on Replacement Reserve Accounts	9,233	
1320RGL	Realized Gain or (Loss)	-	
1320UGL	Unrealized Gain or (Loss)	-	
1320WT	Approved Withdrawals	9,077	
1320OWT	Other Withdrawals	-	
1320	Balance at End of Year		396,284
1320R	Deposits suspended or waived indicator		No
Reserve for Replacements Details			
1320ODT	Other Deposits		
	PRAC shortfall reimbursement	9,077	
		-	
		-	
		-	
1320ODT	Total Other Deposits		9,077
1320OWT	Other Withdrawals		
		-	
		-	
		-	
1320OWT	Total Other Withdrawals		-
SCHEDULE OF RESIDUAL RECEIPTS			
1340P	Balance at Beginning of Year		10,262
1340DT	Total Deposits	-	
1340ODT	Other Deposits	-	
1340INT	Interest on Residual Receipts Accounts	243	
1340RGL	Realized Gain or (Loss)	-	
1340UGL	Unrealized Gain or (Loss)	-	
1340WT	Approved Withdrawals	-	
1340OWT	Other Withdrawals	-	
1340	Balance at End of Year		10,505
Residual Receipts Details			
1340ODT	Other Deposits		
		-	
		-	
		-	
		-	
1340ODT	Total Other Deposits		-
1340OWT	Other Withdrawals		
		-	
		-	
		-	
1340OWT	Total Other Withdrawals		-

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022			
Reporting to: June 30, 2023			
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS			
Acct No.	Description of Account		
S1300-010	Cash	22,336	
1135	Tenant subsidy due for period covered by financial statement	52	
S1300-030	Other	-	
S1300-040	Total Cash		22,388
S1300-050	Accrued Mortgage Interest Payable	-	
S1300-060	Delinquent Mortgage Principal Payments	-	
S1300-070	Delinquent Deposits to Reserve for Replacements	-	
S1300-075	Accounts Payable (due within 30 days)	9,025	
S1300-080	Loans and Notes Payable (due within 30 days)	-	
S1300-090	Deficient Tax Insurance or MIP Escrow Deposits	-	
S1300-100	Accrued Expenses [not escrowed]	3,682	
2210	Prepaid Revenue	-	
2191	Tenant Security Deposits Liability	16,210	
S1300-110	Other Current Obligations	-	
S1300-140	Total Current Obligations		28,917
S1300-150	Surplus Cash (Deficiency)		(6,529)
S1300-160	Annual Distribution earned during fiscal period covered by the statement	-	
S1300-170	Distribution Accrued and Unpaid as of the end of the prior fiscal period	-	
S1300-180	Distributions and Entity Expenses paid during fiscal period covered by statement	-	
S1300-190	Distribution Earned but Unpaid	-	
S1300-200	Amount Available for Distribution During Next Fiscal Period		-
S1300-203	Incentive Performance Fee Payable (M2M)	-	
S1300-204	Percentage Surplus Cash Split (M2M)	0%	
S1300-205	Surplus Cash Available for Second Mortgage Payments (M2M)	-	
S1300-206	Surplus Cash Available for Distribution (M2M)		-
S1300-210	Deposit Due Residual Receipts		-
Surplus Cash Details (Annual)			
S1300-030	Other Cash		
		-	
		-	
		-	
		-	
		-	
S1300-030	Total Other Cash		-
S1300-110	Other Current Obligations		
		-	
		-	
		-	
		-	
		-	
S1300-110	Total Other Current Obligations		-

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022 Reporting to: June 30, 2023			
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS			
Acct No.	Description of Account		
1410P	Beginning Balance for 1410		104,032
1410AT	Additions for 1410	-	
1410DT	Deductions for 1410	-	
1410	Land		104,032
1420P	Beginning Balance for 1420		2,159,133
1420AT	Additions for 1420	-	
1420DT	Deductions for 1420	-	
1420	Buildings		2,159,133
1440P	Beginning Balance for 1440		-
1440AT	Additions for 1440	-	
1440DT	Deductions for 1440	-	
1440	Building Equipment (Portable)		-
1450P	Beginning Balance for 1450		36,110
1450AT	Additions for 1450	-	
1450DT	Deductions for 1450	-	
1450	Furniture for Project/Tenant Use		36,110
1460P	Beginning Balance for 1460		-
1460AT	Additions for 1460	-	
1460DT	Deductions for 1460	-	
1460	Furnishings		-
1465P	Beginning Balance for 1465		10,758
1465AT	Additions for 1465	-	
1465DT	Deductions for 1465	-	
1465	Office Furniture and Equipment		10,758
1470P	Beginning Balance for 1470		-
1470AT	Additions for 1470	-	
1470DT	Deductions for 1470	-	
1470	Maintenance Equipment		-
1480P	Beginning Balance for 1480		-
1480AT	Additions for 1480	-	
1480DT	Deductions for 1480	-	
1480	Motor Vehicles		-
1490P	Beginning Balance for 1490		-
1490AT	Additions for 1490	-	
1490DT	Deductions for 1490	-	
1490	Miscellaneous Fixed Assets		-
1400PT	Total Beginning Balance for Fixed Assets		2,310,033
1400AT	Total Asset Additions	-	
1400DT	Total Asset Deductions	-	
1400T	Total Fixed Assets		2,310,033
1495P	Beginning Balance for Accumulated Depreciation		1,495,936
6600	Total Provisions	60,486	
1400ADT	Total Accumulated Depreciation from Disposed Assets	-	
1495	Ending Balance for Accumulated Depreciation		1,556,422
1400N	Total Net Book Value		753,611

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS SUPPLEMENTARY INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
Reporting from: July 1, 2022 Reporting to: June 30, 2023			
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS			
Acct No.	Description of Account		
Fixed Asset Details			
1410AT		-	
1410DT		-	
1420AT		-	
1420DT		-	
1440AT		-	
1440DT		-	
1450AT		-	
1450DT		-	
1460AT		-	
1460DT		-	
1465AT		-	
1465DT		-	
1470AT		-	
1470DT		-	
1480AT		-	
1480DT		-	
1490AT		-	
1490DT		-	

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2023

	ASSETS			Balance 6/30/2023
	Balance 7/1/2022	Additions	Deletions	
Land and land improvements	\$ 104,032	\$ -	\$ -	\$ 104,032
Buildings and improvements	2,159,133	-	-	2,159,133
Furniture for community/ resident use	36,110	-	-	36,110
Office furniture and equipment	10,758	-	-	10,758
	\$ 2,310,033	\$ -	\$ -	\$ 2,310,033
Accumulated depreciation	\$ 1,495,936	\$ 60,486	\$ -	\$ 1,556,422
Net book value				\$ 753,611

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

U.S. Department of Housing and Urban Development

Supportive Housing for the Elderly (Assistance Listing No. 14.157)

- Balance of capital advance as of July 1, 2022, under Section 202 of the National Housing Act	\$ 2,148,300
- Project Rental Assistance Contract	<u>116,069</u>
	<u>\$ 2,264,369</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note 2: The Corporation has elected to not use the 10% de minimis cost rate.

Note 3: The balance of the HUD Section 202 capital advance at June 30, 2023 is \$2,148,300.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Chadwick Apartments, Inc.
(A North Carolina Not-For-Profit Corporation)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chadwick Apartments, Inc., which comprise the statement of financial position as of June 30, 2023, and the related statements of profit and (loss) - changes in net assets, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chadwick Apartments, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Chadwick Apartments, Inc.
Page 2

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chadwick Apartments, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 4, 2023
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Chadwick Apartments, Inc.
(A North Carolina Not-For-Profit Corporation)

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chadwick Apartments, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chadwick Apartments, Inc.'s major federal programs for the year ended June 30, 2023. Chadwick Apartments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Chadwick Apartments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chadwick Apartments, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Chadwick Apartments, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Chadwick Apartments, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chadwick Apartments, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chadwick Apartments, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Chadwick Apartments, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chadwick Apartments, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

August 4, 2023
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualifies as a low-risk auditee? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) yes no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
14.157	Supportive Housing for the Elderly

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section II-Financial Statement Findings

Our audit disclosed no findings or questioned costs that are required to be reported.

Section III-Federal Award Findings and Questioned Costs

Our audit disclosed no findings or questioned costs that are required to be reported.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2023**

Name of auditee: Chadwick Apartments, Inc.

HUD auditee identification number: 053-EE006

Name of audit firm: Dauby O'Connor & Zaleski, LLC

Period covered by the audit: Year ended June 30, 2023

CAP prepared by

Name: Laura Grimes

Position: Accounting Manager

Telephone number: 336-231-8134

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations

No corrective action plan is required to be reported.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2023**

There were no open findings or questioned costs from the prior audit report.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**MANAGEMENT AGENT CERTIFICATION
YEAR ENDED JUNE 30, 2023**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Chadwick Apartments, Inc., and to the best of our knowledge and belief, the same are complete and accurate.

(Signature of Management Agent's Representative)

David C. Eagan, President
(Title)

Community Management Corporation
(Management Agent's Name)

August 4, 2023
Date

56-1010128
Managing Agent I.D. Number

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**CERTIFICATION OF OFFICERS
YEAR ENDED JUNE 30, 2023**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Chadwick Apartments, Inc., and to the best of our knowledge and belief, the same are complete and accurate.

Officers:

(Signature of Officer)

(Print Name of Officer)

President
(Title of Certifying Official)

August 4, 2023
Date

(Signature of Officer)

(Print Name of Officer)

(Title of Certifying Official)

August 4, 2023
Date