MacGregor Housing I, LLC

NCHFA Project No. 9000974

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

December 31, 2022 and 2021

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FORVIS

Independent Auditor's Report

Member
MacGregor Housing I, LLC
NCHFA Project No. 9000974
Raleigh, NC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MacGregor Housing I, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MacGregor Housing I, 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 MacGregor Housing I, 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.

Substantial Doubt About MacGregor Housing I, LLC's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that MacGregor Housing I, LLC will continue as a going concern. As discussed in Note 1 to the financial statements, MacGregor Housing I, LLC had a mortgage payable that matured during 2022. As of December 31, 2022, MacGregor Housing I, LLC's funds are insufficient to settle this balance. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding those matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MacGregor Housing I, 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 MacGregor Housing I, 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 MacGregor Housing I, 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
July 12, 2023

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Balance Sheets
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
ASSETS		
Current assets:		
Cash, rental	**$ 118,746**	$ 93,380
Accounts receivable, tenants	**5,033**	3,640
Prepaid expenses	**2,938**	14,688
Total current assets	**126,717**	111,708
Restricted deposits and funded reserves:		
Cash, tenant security deposits	**21,202**	21,420
Cash, tax and insurance escrow	**16,025**	4,446
Cash, operating reserve	**204,323**	203,970
Cash, replacement reserve	**139,764**	112,191
	381,314	342,027
Rental property:		
Buildings	**2,858,259**	2,858,259
Land improvements	**405,505**	405,505
Furnishings and equipment	**138,019**	138,019
	3,401,783	3,401,783
Accumulated depreciation	**(2,029,288)**	(1,951,801)
	1,372,495	1,449,982
Land	**549,363**	549,363
	1,921,858	1,999,345
	$ 2,429,889	$ 2,453,080

See accompanying notes.

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Balance Sheets
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Accounts payable	**$ 9,672**	$ 9,446
Note payable, affiliate	**417,000**	**-**
Current portion of mortgages payable	**1,284,757**	1,677,285
	1,711,429	1,686,731
Deposits and prepayment liabilities:		
Tenant security deposits	**21,202**	21,420
Prepaid rent	**114**	5,855
	21,316	27,275
Long-term liabilities:		
Accrued interest	**-**	75,217
Mortgage payable, affiliate	**48,000**	-
Accrued interest, affiliate	**5,341**	5,101
	53,341	80,318
Members' equity	**643,803**	658,756
	$ 2,429,889	$ 2,453,080

See accompanying notes.

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Statements of Operations
Years Ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Gross rental income	$ 305,940	$ 296,885
Less:		
Vacancies	(5,286)	(3,977)
Concessions	(2,130)	(1,290)
Net rental income	298,524	291,618
Other income:		
Interest income	765	108
Other income	4,868	14,073
Total other income	5,633	14,181
Total income	304,157	305,799
Expenses:		
Administrative	65,741	63,546
Utilities	7,065	7,020
Professional fees	9,706	4,951
Property management	36,902	38,171
Repairs and maintenance	100,933	111,276
Taxes and insurance	12,849	12,342
Total expenses	233,196	237,306
Income from operations	70,961	68,493
Nonoperating expenses:		
Interest expense	8,427	3,684
Company fees	-	30,000
Depreciation	77,487	88,540
Total nonoperating expenses	85,914	122,224
Net loss	$ (14,953)	$ (53,731)

See accompanying notes.

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Statements of Members' Equity
Years Ended December 31, 2022 and 2021

Balance, December 31, 2020	$ 712,487
Net loss	(53,731)
Balance, December 31, 2021	658,756
Net loss	(14,953)
Balance, December 31, 2022	$ 643,803

See accompanying notes.

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net loss	**$ (14,953)**	$ (53,731)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	**77,487**	88,540
Change in assets and liabilities		
(Increase) decrease:		
Accounts receivable, tenants	**(1,393)**	4,702
Prepaid expenses	**11,750**	(6,885)
Increase (decrease):		
Accounts payable	**226**	(6,876)
Accrued interest	**(74,977)**	3,684
Tenant security deposits	**(218)**	453
Prepaid rent	**(5,741)**	5,838
Net cash provided (used) by operating activities	**(7,819)**	35,725
Cash flows from financing activities:		
Loan payoff	**(344,528)**	-
Debt proceeds	**417,000**	-
Net cash provided by operating activities	**72,472**	
Net increase in cash	**64,653**	35,725
Cash, deposits held in trust and restricted deposits and funded reserves, beginning of year	**435,407**	399,682
Cash, deposits held in trust and restricted deposits and funded reserves, end of year	**$ 500,060**	$ 435,407
Reconciliation of cash, deposits held in trust and restricted deposits and funded reserves to the balance sheet:		
Cash - operations	**$ 118,746**	$ 93,380
Restricted deposits and funded reserves	**381,314**	342,027
	$ 500,060	$ 435,407

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

MacGregor Housing Limited Partnership was organized on March 3, 2000 for the purpose of developing, constructing, owning and operating a 48-unit low-income housing complex (the "Project") located in Greenville, North Carolina. Development of the Project commenced in May 2000 and was completed in August 2001.

Effective September 30, 2000, the partnership agreement was amended to admit a new limited partner, Banc of America Housing Fund IIIC Limited Partnership, and to permit the withdrawal of the original limited partner, DHIC, Inc. Effective January 1, 2002, Banc of America Housing Fund IIIC Limited Partnership transferred its limited partner interest to Banc of America Housing Fund IIIH Limited Partnership. Effective October 31, 2016, Banc of America Housing Fund IIIH Limited Partnership transferred its limited partner interest to Community Revitalization and Preservation Corporation ("CRPC"). The general partner, MacGregor Village, Inc., assigned its 0.01% membership interest to CRPC on January 9, 2017. Effective January 9, 2017, the Partnership was converted to a North Carolina limited liability company and the name of the entity was changed to MacGregor Housing I, LLC (the "Company").

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

Earnings of the Company are taxed directly to the partner; 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 by the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 years
Land improvements	20 years
Furnishings and equipment	3 to 10 years

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

Other assets

Tax credit monitoring fees of $18,000 were amortized using the straight-line method over the 15-year monitoring period.

Cash and cash equivalents

For purposes of the statements of cash flows, the Company considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash 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 losses were 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.

Concentrations of credit risk

The Company maintains its cash in financial institutions insured by 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.

Subsequent event evaluation

The Company evaluated the effect subsequent events would have on the financial statements through July 12, 2023, which is the date the financial statements were available to be issued.

Going concern considerations

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Company as a going concern. The Company has mortgages payable that matured during 2022, for which the Company has insufficient funds to settle the debt as of December 31, 2022. This factor raises substantial doubt about the Company's ability to continue as a going concern. As of July 12, 2023 a commitment for extending or refinancing the loans has not been obtained. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

2. Members' Capital Contributions

In accordance with the operating agreement, the sole member of the Company, CRPC, is not required to make any capital contributions.

3. Mortgages Payable

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

	2022	2021
Noninterest-bearing mortgage payable to the North Carolina Housing Finance Agency ("NCHFA"), with no payments until maturity. The loan matured on July 1, 2022; however, DHIC, Inc., parent company of CRPC, is working with the NCHFA on a resyndication of the project, which includes plans for refinancing the existing debt. The NCHFA considers the Company to be in good standing, so long as the Company is maintaining compliance with regulatory agreements, including the expired loan requirements. The note is secured by a first deed of trust on the property.	**$ 1,284,757**	$ 1,284,757
Mortgage payable to the National Institute of Minority Economic Development (the "Institute") with no payments of principal or interest until maturity. Effective May 20, 2020, the loan agreement was modified to increase the interest rate to 2% and extend the maturity date to July 1, 2022. The note is secured by a second deed of trust on the property. Interest expense amounted to $8,187 and $3,444 for the years ended December 31, 2022 and 2021, respectively. At December 31, 2022 and 2021, accrued interest amounted to $0 and $75,217, respectively. The loan was paid in full on June 21, 2022.	**-**	344,528
Mortgage payable to DHIC, Inc. ("DHIC"), an affiliate of the general partner, with interest accruing at 0.5%, with no payments of principal or interest until maturity. Effective July 1, 2022, the loan agreement was modified to extend the maturity date to July 1, 2024. The loan is secured by a third lien on the property. Interest expense amounted to $240 for each of the years ended December 31, 2022 and 2021. At December 31, 2022 and 2021, accrued interest amounted to $5,341 and $5,101, respectively.	**48,000**	48,000
	$ 1,332,757	$ 1,677,285

Total future estimated principal maturities of long-term liabilities subsequent to December 31, 2022 are as follows:

2023	$ 1,284,757
2024	48,000
	$ 1,332,757

4. Related-Party Transactions

Notes payable, affiliate

The Company entered into a demand note with DHIC, Inc., a North Carolina nonprofit corporation ("DHIC"), an affiliate of the member, in the amount of $417,000 on December 31, 2022. The demand note shall be due and payable within 10 days after receipt of written notice from DHIC. The note does not bear interest. As of December 31, 2022, $417,000, remained payable under the note.

Management services fee

Pursuant to a management services agreement dated January 9, 2017, the Company shall pay an annual management services fee to DHIC equal to 100% of net income available for distribution, as determined at the sole discretion of the manager (the sole member of the Company). For the years ended December 31, 2022 and 2021, management services fees of $0 and $30,000, respectively, were paid.

5. Commitments and Contingencies

Operating reserve funding

The loan agreement with NCHFA requires the Company to fund an operating reserve of $200,000 from the permanent loan closing. The Company's requests for withdrawals from the operating reserve account must be approved by the NCHFA if the withdrawals exceed $2,000 in aggregate during any three-month period. Any withdrawals from the operating reserve account up to $200,000 must be replaced, as funds permit, prior to any distributions of cash flow to partners.

An analysis of the operating reserve for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, beginning	**$ 203,970**	$ 203,947
Interest earned, net of fees	**353**	23
Balance, ending	**$ 204,323**	$ 203,970

Replacement reserve funding

The loan agreement with NCHFA requires the Company to fund a replacement reserve from the Project's operations in the amount of $250 per unit per year in the first year, increasing by 4% annually thereafter. The Company's requests for withdrawals from the replacement reserve account will be approved as needed to cover the Project's capital improvement needs throughout the term of the loan. NCHFA must approve any withdrawals from the replacement reserve account exceeding $2,000 in aggregate during any three-month period. An analysis of the reserve for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
Balance, beginning	**$ 112,191**	$ 101,377
Funding	**27,345**	26,293
Interest earned, less fees	**228**	46
Approved withdrawals	**-**	(15,525)
Balance, ending	**$ 139,764**	$ 112,191

At December 31, 2022, the reserve was in compliance with the loan agreement.

Property management agreement

The Company has entered into a management agreement with Community Management Corporation, an unaffiliated management company, to provide property management services to the Project. The management agent will be compensated at the rate of 12.54% of gross collections for the previous month. The term of the agreement is three years from July 26, 2005, and renews for successive terms automatically under certain conditions, as defined. Management fee expense for 2022 and 2021 was $36,902 and $38,171, respectively.

6. Contingencies, Risk and Uncertainties

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

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Rental income:		
Residential income	**$ 298,524**	$ 291,618
Interest income:		
Interest income	**$ 765**	$ 108
Other income:		
Application fees	**$ 1,060**	$ 560
Damages and cleaning fees	**1,722**	1,586
Grant revenue	**-**	10,408
Other income	**2,086**	1,519
	$ 4,868	$ 14,073
Administrative:		
Marketing/leasing	**$ 2,198**	$ 1,296
Office payroll and related expenses	**11,494**	10,262
Office supplies	**5,843**	6,488
Manager salaries	**25,341**	28,016
Telephone	**1,338**	1,268
Payroll taxes	**4,453**	3,000
Employee health insurance	**11,628**	10,345
Miscellaneous	**3,446**	2,871
	$ 65,741	$ 63,546
Utilities:		
Electricity	**$ 7,065**	$ 7,020
Professional fees:		
Auditing	**$ 9,504**	$ 4,790
Bookkeeping	**202**	161
	$ 9,706	$ 4,951

MacGregor Housing I, LLC
NCHFA Project No. 9000974
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021 **(2 pages)**

	2022	2021
Property management:		
Management fees	$ 36,902	$ 38,171
Company fees:		
Management services fees	$ -	$ 30,000
Repairs and maintenance:		
Repairs and maintenance payroll	$ 29,413	$ 30,374
Grounds maintenance	9,404	14,797
Repairs supplies	27,291	24,895
Painting/decorating	13,028	20,706
Janitor and cleaning contract	2,396	2,405
Exterminating	2,366	3,180
Garbage and trash	5,760	5,760
Other repairs and maintenance	11,275	9,159
	$ 100,933	$ 111,276
Taxes and insurance:		
Real estate taxes	$ 331	$ 322
Property insurance	11,375	11,439
Other insurance	1,143	581
	$ 12,849	$ 12,342
Interest expense:		
Interest expense - deferred	$ 8,427	$ 3,684
Depreciation	$ 77,487	$ 88,540