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

**NCHFA PROJECT NO. 9000962**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

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## INDEPENDENT AUDITOR'S REPORT

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

### Opinion

We have audited the accompanying financial statements of Avonlea Housing, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, changes in Member's equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Avonlea Housing, LLC as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Avonlea Housing, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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 Avonlea Housing, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Avonlea Housing, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Avonlea Housing, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### **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 operating 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

March 25, 2022  
Carmel, Indiana

*Dauby O'Connor & Zaleski, LLC*

Dauby O'Connor & Zaleski, LLC  
Certified Public Accountants

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

**BALANCE SHEETS**  
**DECEMBER 31, 2021 AND 2020**

<b>ASSETS</b>		
	<u>2021</u>	<u>2020</u>
<b>Current assets</b>		
Cash and cash equivalents		
Cash - operations	\$ 209,586	\$ 173,355
Security deposits held in trust	27,248	26,079
Escrow deposits	4,002	3,789
Replacement reserve	117,479	125,979
Operating reserve	40,081	40,064
	<u>398,396</u>	<u>369,266</u>
<b>Total cash and cash equivalents</b>	<b>398,396</b>	<b>369,266</b>
Accounts receivable - residents	7,699	10,251
Accounts receivable - operations	1,190	11,683
Prepaid expenses	13,470	7,541
	<u>420,755</u>	<u>398,741</u>
<b>Total current assets</b>	<b>420,755</b>	<b>398,741</b>
<b>Rental property</b>		
Land	493,504	493,504
Buildings and improvements	1,971,561	1,960,539
Furnishings and equipment	13,187	13,187
	<u>2,478,252</u>	<u>2,467,230</u>
Less: accumulated depreciation	(1,477,865)	(1,418,270)
	<u>1,000,387</u>	<u>1,048,960</u>
<b>Total rental property</b>	<b>1,000,387</b>	<b>1,048,960</b>
	<u><u>\$ 1,421,142</u></u>	<u><u>\$ 1,447,701</u></u>

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

**BALANCE SHEETS (CONTINUED)  
DECEMBER 31, 2021 AND 2020**

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

	<u>2021</u>	<u>2020</u>
<b>Current liabilities</b>		
Accounts payable and other accrued expenses	\$ 2,918	\$ 12,917
Accrued management fee payable	2,447	2,386
Prepaid revenue	3,183	53
Accrued interest on mortgage notes payable	3,956	4,028
Accrued property taxes	-	491
Residents' security deposits	27,248	26,079
Mortgages and notes payable, current maturities	18,910	18,017
<b>Total current liabilities</b>	<u><b>58,662</b></u>	<u><b>63,971</b></u>
<b>Long term liabilities</b>		
Notes payable (long term)	100,000	100,000
Mortgage notes payable - first mortgage	647,181	661,834
Other mortgages payable	771,996	776,252
Less: unamortized debt issuance costs	(9,059)	(13,240)
<b>Total long term liabilities</b>	<u><b>1,510,118</b></u>	<u><b>1,524,846</b></u>
<b>Total liabilities</b>	<b>1,568,780</b>	<b>1,588,817</b>
<b>Member's equity (deficit)</b>	<u><b>(147,638)</b></u>	<u><b>(141,116)</b></u>
	<u><u><b>\$ 1,421,142</b></u></u>	<u><u><b>\$ 1,447,701</b></u></u>

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

**STATEMENTS OF OPERATIONS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Rental income</b>		
Gross potential rent	\$ 394,512	\$ 386,592
Less: vacancy loss	(7,789)	(4,993)
<b>Total rental income</b>	<u><b>386,723</b></u>	<u><b>381,599</b></u>
<b>Other income</b>		
Laundry and vending	1,482	960
Tenant charges	3,425	3,692
Interest income	147	147
Other income	4,236	3,421
<b>Total other income</b>	<u><b>9,290</b></u>	<u><b>8,220</b></u>
<b>Total income</b>	<u><b>396,013</b></u>	<u><b>389,819</b></u>
<b>Operating expenses</b>		
Administrative	88,472	74,730
Utilities	11,562	9,449
Operating and maintenance	87,590	100,385
Repairs and replacements	3,186	-
Taxes and insurance	27,474	26,081
<b>Total expenses</b>	<u><b>218,284</b></u>	<u><b>210,645</b></u>
<b>Net operating income</b>	<u><b>177,729</b></u>	<u><b>179,174</b></u>
<b>Other expenses</b>		
PPP grant proceeds	(10,275)	-
Interest expense - mortgage and notes payable	52,056	52,910
Depreciation	65,621	64,259
Loss on disposal of fixed assets	1,849	-
Management services fee	75,000	100,000
<b>Total other (income) and expenses</b>	<u><b>184,251</b></u>	<u><b>217,169</b></u>
<b>Net income (loss)</b>	<u><u><b>\$ (6,522)</b></u></u>	<u><u><b>\$ (37,995)</b></u></u>

**AVONLEA HOUSING, LLC  
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**STATEMENTS OF MEMBER'S EQUITY (DEFICIT)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

<b>Balance, January 1, 2020</b>	<b>\$ (103,121)</b>
Net income (loss)	<u>(37,995)</u>
<b>Balance, December 31, 2020</b>	<b>(141,116)</b>
Net income (loss)	<u>(6,522)</u>
<b>Balance, December 31, 2021</b>	<b><u>\$ (147,638)</u></b>

**AVONLEA HOUSING, LLC**  
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**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Cash flow from operating activities</b>		
Net income (loss)	<u>\$ (6,522)</u>	<u>\$ (37,995)</u>
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	65,621	64,259
Amortization - debt issuance costs	4,181	4,181
Loss on disposal of fixed assets	1,849	-
Changes in:		
Accounts receivable - residents	2,552	(10,251)
Accounts receivable - other	10,493	(2,136)
Prepaid expenses	(5,929)	(1)
Accounts payable and accrued expenses	9	(169)
Accrued liabilities	(10,438)	10,775
Accrued interest payable	(72)	(69)
Tenant security deposits held in trust	1,169	126
Prepaid revenue	3,130	(1,434)
<b>Net cash provided by (used in) operating activities</b>	<u><b>66,043</b></u>	<u><b>27,286</b></u>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	(18,897)	-
<b>Net cash provided by (used in) investing activities</b>	<u><b>(18,897)</b></u>	<u><b>-</b></u>
<b>Cash flow from financing activities</b>		
Principal payments - first mortgage	(13,802)	(12,994)
Principal payments - second mortgage	(4,214)	(4,173)
<b>Net cash provided by (used in) financing activities</b>	<u><b>(18,016)</b></u>	<u><b>(17,167)</b></u>
<b>Net change in cash</b>	<b>29,130</b>	<b>10,119</b>
<b>Cash, beginning</b>	<u><b>369,266</b></u>	<u><b>359,147</b></u>
<b>Cash, ending</b>	<u><u><b>\$ 398,396</b></u></u>	<u><u><b>\$ 369,266</b></u></u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u><u><b>\$ 47,947</b></u></u>	<u><u><b>\$ 48,798</b></u></u>

**AVONLEA HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

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

Avonlea Limited Partnership, (the "Partnership") was formed as a Limited Partnership under the laws of the State of North Carolina on December 20, 1991, for the purpose of constructing, owning and operating a low income rental housing property (the "Property"). The Property consists of 44 multifamily residential rental units located in Raleigh, North Carolina.

The Company has executed a regulatory agreement with Community Investment Corporation of the Carolinas ("CICCAR") which subsequently changed its name to Centrant Community Capital ("Centrant"). The regulatory agreement with Centrant governs the operation of the Property and requires 100% of the Project units to remain affordable to low income persons (defined as persons whose income is 60% or less of area median income).

The Partnership Agreement was amended on December 23, 1992 to admit Enterprise Housing Partners Limited Partnership (EHP) and Enterprise Housing Partners II - 1992, L.P. ("EHP-II-1992") (the "Limited Partners"), and to permit the withdrawal of the original limited partners.

The Partnership Agreement was amended again on January 1, 2009 to admit the Community Revitalization and Preservation Corporation, a North Carolina nonprofit corporation (the "New Limited Partner"), and to permit the withdrawal of the Limited Partners.

Effective February 27, 2009, Avonlea Housing, LLC (the "Company") was formed as a limited liability company pursuant to the North Carolina Limited Liability Company Act and the Partnership transferred all of the assets and liabilities to the Company. The sole-member of the Company is Community Revitalization and Preservation Corporation, (the "Member") a North Carolina nonprofit corporation.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation of the financial statements**

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

**New accounting pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update* (ASU) 2016-02, Leases, which once implemented will result in lessees recognizing most leased assets and corresponding lease liabilities on the Balance Sheets. The standard is effective for year-ends beginning after December 15, 2021 and early adoption is permitted. The lease standard is not expected to 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. At December 31, 2021 and 2020, cash consists of unrestricted checking and savings accounts held at a bank and petty cash.

**AVONLEA HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Resident receivables and bad debt policy**

Resident rent charges for the current month are due on the first of the month. Residents who are evicted or move-out are charged with damages or cleaning fees, if applicable. Resident receivable consists of amounts due for rental income or the charges for damages and cleaning fees. The Company does not accrue interest on the resident receivable balances.

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the years ended December 31, 2021 and 2020. Bad debts expensed for the years ended December 31, 2021 and 2020 totaled \$-0- and \$51, respectively, and is included in Administrative expenses on the Statements of Operations.

**Property and equipment**

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

The Company is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB *Accounting Standards Codification* (ASC) 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Company's financial statements. The standard requires impairment losses to be recorded on long-lived assets when indicators of impairment are present and the undiscounted cash flows estimated to be generated by those assets (excluding interest) are less than the carrying amount of the assets. In such cases, the carrying value of assets to be held and used are adjusted to their estimated fair value and assets held for sale are adjusted to their estimated fair value less selling expenses. No impairment loss was recognized during the years ended December 31, 2021 and 2020.

**Debt issuance costs**

The Company is subject to the provisions of the Interest-Imputation of Interest topic of the FASB ASC 835-30 which requires unamortized debt issuance costs to be presented as a reduction of the outstanding debt and the amortization of the debt issuance costs to be presented as a component of interest expense. Generally accepted accounting principles require that the effective yield method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the financial statements for the years ended December 31, 2021 and 2020.

**AVONLEA HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Rental income**

Rental income is recognized for residential units as they accrue. Advance receipts of rental income will be deferred until earned. All leases between the Company and residents of the Property are operating leases under FASB ASC 840 and are not within the scope of FASB ASU 2014-09.

**Advertising costs**

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

**Property taxes**

The Company has received an exemption from real property taxes.

**Concentration of credit risk**

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

The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies. Such administrative directives, rules and regulations are subject to change by an act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

**Use of estimates**

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

**Fair value**

The Company is subject to the provisions of the Fair Value Measurement topic of the FASB ASC 820-10 which provides guidance for assets and liabilities which are required to be measured at fair value and requires expanded disclosure for fair value measurement. The standard applies whenever other standards require or permit assets or liabilities to be measured at fair value and does not require any new fair value measurements. The Fair Value Measurement did not have a material impact on the Company's financial statements for the years ended December 31, 2021 and 2020.

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

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)**

**Accounting for uncertainty in income taxes**

The Company is treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which it must consider for disclosure. There has been no interest or penalties recognized in the Statements of Operations or Balance Sheets for the years ended December 31, 2021 and 2020. Generally, the federal and state returns are subject to examination for three years after the later of the original or extended due date or the date filed with the applicable tax authority.

**Subsequent events**

Management performed an evaluation of the Company's activity through March 25, 2022, 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-PROFIT, LOSSES, AND DISTRIBUTIONS**

Profits, losses, and distributions are allocated 100% to the Sole Member of the Company.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3-MORTGAGE NOTES PAYABLE**

	<u>2021</u>	<u>2020</u>
<p>On February 27, 2014, the Company entered into a mortgage note in the amount of \$750,000 with Centrant. The loan was sold to Four Oaks Bank, which merged into United Community Bank. The loan is still serviced by Centrant. The loan agreement provides, among other things, for: (a) a maturity date of March 1, 2024; (b) an interest rate of 6.00% per annum; (c) commencing on April 1, 2014, monthly principal and interest payments of \$4,497.00; (d) monthly payments to the tax and insurance escrow; (e) monthly deposits to the reserve for replacements in the amount of \$250 per unit for the first year, increasing by 3% annually each year thereafter. Deposits to the reserve for replacements are suspended when the reserve balance is greater or equal to 30% of the current annual income of the Property; (f) an initial deposit of \$40,000 to the operating reserve; and (g) prepayment penalties equal to 5% of the unpaid principal balance. In connection to the refinance of the mortgage note, the Company has executed a regulatory agreement with Centrant. The note is secured by a first deed of trust on the property and its improvements. During the years ended December 31, 2021 and 2020, interest expense totaled \$40,093 and \$40,905, and interest paid totaled \$40,162 and \$40,970, all respectively. At December 31, 2021 and 2020, accrued interest was \$3,309 and \$3,378, respectively.</p>	\$ 661,834	\$ 675,636

**AVONLEA HOUSING, LLC  
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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3-MORTGAGE NOTES PAYABLE (CONTINUED)**

	<u>2021</u>	<u>2020</u>
<p>The Company entered into a second mortgage in the original amount of \$577,029 with the City of Raleigh. Interest at 8% per annum accrued with no payments due during the construction phase. Principal and accrued interest were to be paid annually after the construction phase and until maturity of November 2013 and extended to March 2014, at an amount not to exceed the lower of the available cash flow, as defined, or current and accrued installments sufficient to amortize the loan over an 18-year term. Available cash flow is defined as gross revenue collections less Property operating expenses, debt service on the first mortgage, operating and reserve for replacements funding, payment of Company fees, and repayment of all Entity advances to the Property. On February 27, 2014, the Company reached an agreement with the City of Raleigh that amended and restated the original promissory note described above. The amended and restated loan agreement provides, among other things, for: (a) a revised total loan amount of \$807,840; (b) a maturity date of February 27, 2024; (c) an interest rate of 1.00% per annum; and (d) commencing on April 1, 2014, monthly principal and interest payments of \$1,000. The loan is secured by a modified second deed of trust on the property and its improvements. During the years ended December 31, 2021 and 2020, interest expense totaled \$7,782 and \$7,824, and interest paid totaled \$7,785 and \$7,828, all respectively. At December 31, 2021 and 2020, accrued interest was \$647 and \$650, respectively.</p>	\$ 776,253	\$ 780,467
<p>On November 27, 2013, DHIC, Inc., an entity related to the Member, executed a promissory note with the Company in the amount of \$100,000 for the purpose of rehabilitating the Property. The note does not bear interest and is payable from available cash flow. All principal shall be payable in one single payment on February 27, 2024. The note is subordinate to all existing and future loan obligations of the Company.</p>	<u>100,000</u>	<u>100,000</u>
	<b>1,538,087</b>	<b>1,556,103</b>
Less: current maturities	<u>( 18,910)</u>	<u>( 18,017)</u>
	<b><u>\$ 1,519,177</u></b>	<b><u>\$ 1,538,086</u></b>

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 3-MORTGAGE NOTES PAYABLE (CONTINUED)**

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

	<u>United Community Bank</u>	<u>City of Raleigh</u>	<u>DHIC</u>	<u>Total</u>
2022	\$ 14,653	\$ 4,257	\$ -	\$ 18,910
2023	15,557	4,300	-	19,857
2024	631,624	767,696	100,000	1,499,320
2025	-	-	-	-
2026	-	-	-	-
Thereafter	-	-	-	-
	<b>661,834</b>	<b>776,256</b>	<b>100,000</b>	<b>1,538,087</b>
Unamortized debt issuance costs	<u>( 9,059)</u>	<u>-</u>	<u>-</u>	<u>( 9,059)</u>
	<b><u>\$ 652,775</u></b>	<b><u>\$ 776,253</u></b>	<b><u>\$ 100,000</u></b>	<b><u>\$ 1,529,028</u></b>

**Debt issuance costs**

Financing costs of \$52,300 are amortized using the straight-line method over the term of the mortgage, which is 10 years. Amortization expense for each of the years ended December 31, 2021 and 2020 totaled \$4,181. At December 31, 2021 and 2020, accumulated amortization was \$43,241 and \$39,060, respectively.

**NOTE 4-RELATED PARTIES**

**Management services fee**

The Company has agreed to pay DHIC, Inc., an affiliate of the Member, a management services fee for certain management and advisory services provided to the Company and its Member. The fee is equal to one hundred percent (100%) of the net income available for distribution, as defined, by the Company at the end of its fiscal year. The management services fee is expensed when paid. During the years ended December 31, 2021 and 2020, management services fees of \$75,000 and \$100,000 were paid, respectively.

**Note payable - related party**

See Note 3.

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

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 5-REQUIRED FUNDED RESERVES**

**Reserve for replacements**

In accordance with provisions of the Centrant Regulatory Agreement, funds in the reserve for replacements may be used as needed to cover the Property's capital improvement needs. The reserve is to be funded in the amount of \$250 per unit per year in the first year, with an annual 3% increase. Withdrawals totaling more than \$2,500 during any twelve-month period shall require prior written consent of Centrant.

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 125,979	\$ 112,797
Monthly deposits	13,529	13,119
Interest income	54	63
Approved withdrawals	<u>( 22,083)</u>	<u>-</u>
Balance, ending	<u><b>\$ 117,479</b></u>	<u><b>\$ 125,979</b></u>

**Operating reserve**

In accordance with provisions of the Centrant Regulatory Agreement, cash is restricted in use for the funding of operating deficits. An initial deposit of \$40,000 was required in connection with the closing of the Centrant mortgage note. Individual withdrawals in excess of \$2,500 and withdrawals totaling more than \$5,000 in any single calendar year shall require the prior written consent of Centrant. The reserve shall continue throughout the term of the Centrant mortgage note.

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 40,064	\$ 40,050
Interest income	<u>17</u>	<u>14</u>
Balance, ending	<u><b>\$ 40,081</b></u>	<u><b>\$ 40,064</b></u>

**NOTE 6-COMMITMENTS AND CONTINGENCIES**

**Land use restriction agreement**

The Company has entered into a land use restriction agreement with the North Carolina Tax Reform Allocation Committee, which restricts the use of the property to low income and very low income families, as defined, for 15 years beginning the first year of the credit period, as defined. The agreement's original term expired in August 2008, at which time it was extended another 15 years until August 2023.

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

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**NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 6-COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Property management fee**

The Company entered into an agreement with Community Management Corporation in connection with the management of the rental operations of the Property. The property management fee is calculated at 7.9% of gross collections, as defined. For the years ended December 31, 2021 and 2020, \$31,718 and \$29,855 was charged to operations, and \$2,447 and \$2,386 remained payable at December 31, 2021 and 2020, all respectively.

Due to economic uncertainty caused by the spread of a novel strain of coronavirus ("COVID-19"), the Agent applied for and received a loan through the Paycheck Protection Program (the "PPP Loan") with the U.S. Small Business Administration ("SBA"), as authorized in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Company reduced payroll and related reimbursements to the Agent in the total amount of \$10,275, which was included in Accounts Payable and Other Accrued Expenses on the Balance Sheets at December 31, 2020. The Agent applied for forgiveness of the PPP Loan, which was granted by the SBA effective May 18, 2021. As the PPP Loan has been forgiven, the Agent considers the payroll costs associated with the PPP Loan satisfied and the corresponding payable recorded by the Company was eliminated and forgiveness revenue was recognized during the year ended December 31, 2021.

**Economic conditions**

In December 2019, COVID-19 surfaced. The spread of COVID-19 around the world throughout 2020 and 2021 caused volatility in U.S. and international economies and markets. There continues to be uncertainty with respect to the breadth and duration of the business disruptions related to COVID-19 and the derivatives of this virus that have appeared. While these events have not yet had a significant impact on the operations or results of its business to date, the Company is unable to determine whether or not the ongoing impacts of the COVID-19 virus will have a material impact on future operations.

**AVONLEA HOUSING, LLC**  
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**ACCOMPANYING INFORMATION - SCHEDULES OF OPERATING EXPENSES**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Administrative</b>		
Conventions and meetings	\$ 324	\$ 302
Management consultants	862	-
Advertising and marketing	-	22
Other renting expenses	160	235
Office salaries	5,581	5,581
Office expenses	9,700	5,914
Management fee	31,718	29,855
Manager salaries	27,293	25,414
Legal expense	-	118
Audit expense	5,145	5,210
Bookkeeping fees/accounting services	148	148
Bad debts	-	51
Miscellaneous administrative expenses	7,541	1,880
	<u><b>\$ 88,472</b></u>	<u><b>\$ 74,730</b></u>
<b>Utilities</b>		
Electricity	\$ 10,170	\$ 7,799
Water	846	854
Sewer	546	796
	<u><b>\$ 11,562</b></u>	<u><b>\$ 9,449</b></u>
<b>Repairs and replacements</b>		
Flooring	\$ 3,186	\$ -
	<u><b>\$ 3,186</b></u>	<u><b>\$ -</b></u>
<b>Operating and maintenance</b>		
Payroll	\$ 25,973	\$ 24,232
Supplies	17,297	12,896
Contracts	22,604	32,691
Garbage and trash removal	5,772	6,005
Security contract	661	635
Heating/cooling repairs and maintenance	9,508	13,253
Miscellaneous operating and maintenance expenses	5,775	10,673
	<u><b>\$ 87,590</b></u>	<u><b>\$ 100,385</b></u>

**AVONLEA HOUSING, LLC  
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**ACCOMPANYING INFORMATION - SCHEDULES OF OPERATING EXPENSES (CONTINUED)  
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>Taxes and insurance</b>		
Personal property taxes	\$ 128	\$ 623
Property and liability insurance	11,125	10,684
Payroll taxes	5,364	3,671
Fidelity bond insurance	99	100
Workers compensation	990	1,358
Health insurance and other employee benefits	9,768	9,645
	<u>\$ 27,474</u>	<u>\$ 26,081</u>