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

NCHFA PROJECT NO. 9000973

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

YEARS ENDED DECEMBER 31, 2021 AND 2020

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

TABLE OF CONTENTS

	Page
Independent auditor's report	1-3
Financial statements	
Balance sheets	4-5
Statements of operations	6
Statements of Member's equity (deficit)	7
Statements of cash flows	8
Notes to financial statements	9-16
Accompanying information	
Schedules of operating expenses	17-18



INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Bay River 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 Bay River 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 Bay River 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 Bay River 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 Bay River 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 Bay River 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.

February 21, 2022
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

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

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

ASSETS		
	<u>2021</u>	<u>2020</u>
Current assets		
Cash and cash equivalents		
Cash - operations	\$ 20,413	\$ 9,163
Cash - designation	62,385	62,378
Residents' security deposits held in trust	8,172	7,822
Tax and insurance escrow	1,621	1,765
Reserve for replacements	21,589	46,222
Operating reserve	23,447	23,447
	<u>137,627</u>	<u>150,797</u>
Total cash and cash equivalents	137,627	150,797
Accounts receivable - residents	1,433	656
Prepaid expenses	4,936	2,718
	<u>143,996</u>	<u>154,171</u>
Total current assets	143,996	154,171
Property and equipment		
Land	48,674	48,674
Land improvements	311,896	311,896
Buildings and improvements	1,356,681	1,356,681
Furnishings and equipment	23,502	23,502
	<u>1,740,753</u>	<u>1,740,753</u>
Less: accumulated depreciation	(1,020,236)	(985,602)
	<u>720,517</u>	<u>755,151</u>
Total property and equipment	720,517	755,151
	<u><u>\$ 864,513</u></u>	<u><u>\$ 909,322</u></u>

**BAY RIVER 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>
Current liabilities		
Accounts payable and other accrued expenses	\$ 3,950	\$ 12,561
Accrued management fee payable	838	1,142
Mortgage note payable, current maturities	6,000	6,000
Residents' security deposits	8,172	7,589
Prepaid revenue	495	14
	<u>19,455</u>	<u>27,306</u>
Long term liabilities		
Advances from affiliate	50,348	50,348
Accrued partnership management fee - DHIC	81,838	81,838
Note payable - affiliate	235,909	235,909
Accrued interest - note payable - affiliate	105,835	101,117
Mortgage note payable, net of current maturities	474,502	480,502
Less: unamortized debt issuance costs	-	(143)
	<u>948,432</u>	<u>949,571</u>
Total long term liabilities	<u>948,432</u>	<u>949,571</u>
Total liabilities	967,887	976,877
Member's equity (deficit)	<u>(103,374)</u>	<u>(67,555)</u>
	<u>\$ 864,513</u>	<u>\$ 909,322</u>

BAY RIVER HOUSING, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Rental income		
Gross potential rent	\$ 117,210	\$ 115,007
Less: vacancy loss and concessions	(3,580)	(4,588)
Total rental income	<u>113,630</u>	<u>110,419</u>
Other income		
Interest income	23	84
Resident charges	3,110	3,243
Other income	9	17
Total other income	<u>3,142</u>	<u>3,344</u>
Total income	<u>116,772</u>	<u>113,763</u>
Operating expenses		
Administrative	44,430	42,906
Utilities	5,441	5,414
Operating and maintenance	39,715	51,778
Repairs and replacements	20,576	8,051
Taxes and insurance	8,714	8,204
Total expenses	<u>118,876</u>	<u>116,353</u>
Net operating income (loss)	<u>(2,104)</u>	<u>(2,590)</u>
Other (income) and expenses		
Entity interest income	-	(15)
PPP grant proceeds	(5,780)	-
Interest expense - note payable affiliate	4,718	4,718
Mortgage interest	143	215
Loss on disposal of fixed assets	-	3,345
Depreciation	34,634	34,610
Total other (income) and expenses	<u>33,715</u>	<u>42,873</u>
Net income (loss)	<u>\$ (35,819)</u>	<u>\$ (45,463)</u>

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

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

Balance, January 1, 2020	\$ (22,092)
Net income (loss)	<u>(45,463)</u>
Balance, December 31, 2020	(67,555)
Net income (loss)	<u>(35,819)</u>
Balance, December 31, 2021	<u><u>\$ (103,374)</u></u>

BAY RIVER HOUSING, LLC
(A NORTH CAROLINA LIMITED LIABILITY COMPANY)

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flow from operating activities		
Net income (loss)	\$ (35,819)	\$ (45,463)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	34,634	34,610
Amortization - debt issuance costs	143	215
Loss on disposal of fixed assets	-	3,345
Changes in:		
Accounts receivable - residents	(777)	702
Prepaid expenses	(2,218)	(2)
Accounts payable and other accrued expenses	(8,915)	10,340
Accrued interest - notes payable - affiliate	4,718	4,718
Residents' security deposits - liability	583	(819)
Prepaid revenue	481	(108)
Net cash provided by (used in) operating activities	<u>(7,170)</u>	<u>7,538</u>
Cash flow from investing activities		
Purchase of property and equipment	-	(12,836)
Net cash provided by (used in) investing activities	<u>-</u>	<u>(12,836)</u>
Cash flow from financing activities		
Principal payments - mortgage note payable	(6,000)	(6,000)
Net cash provided by (used in) financing activities	<u>(6,000)</u>	<u>(6,000)</u>
Net change in cash	(13,170)	(11,298)
Cash and cash equivalents, beginning of year	<u>150,797</u>	<u>162,095</u>
Cash and cash equivalents, end of year	<u>\$ 137,627</u>	<u>\$ 150,797</u>
Cash paid during the year for interest	<u>\$ -</u>	<u>\$ -</u>

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

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

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Bay River Housing, LP, (the "Partnership") was formed as a Limited Partnership under the laws of the State of North Carolina on August 14, 1996, for the purpose of constructing, owning and operating a low income rental housing community (the "Property"). The Property consists of 20 multifamily residential rental units located in Bayboro, North Carolina.

On August 30, 1999, the Partnership Agreement was amended to admit Enterprise Housing Partners VII Limited Partnership ("EHP VII" or "Former Limited Partner"), and to permit the withdrawal of the original limited partner, DHIC, Inc. ("DHIC"). On October 11, 2016, the Partnership Agreement was amended again to admit the Community Revitalization and Preservation Corporation, a North Carolina nonprofit corporation ("CRPC"), and to permit the withdrawal of the Former Limited Partner.

Effective December 31, 2016, Bay River 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 its assets and liabilities to the Company. The sole member of the Company is CRPC (the "Sole Member").

The term of the Company shall continue in existence in perpetuity until dissolved in accordance with the provisions of the Operating Agreement.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

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

New accounting pronouncements

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases, which 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. As of December 31, 2021 and 2020, cash consists of an unrestricted checking account, savings account, and petty cash.

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 Company does not accrue interest on the resident receivable balances.

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

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

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

Resident receivable and bad debt policy (continued)

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 \$158 and \$1,595, respectively, which are 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.

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.

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

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

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

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

Fair value

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

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.

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

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

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

Subsequent events

Management performed an evaluation of the Company's activity through February 21, 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-MEMBER CONTRIBUTIONS AND ALLOCATION OF INCOME AND LOSS

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

NOTE 3-MORTGAGE AND NOTE PAYABLE

	<u>2021</u>	<u>2020</u>
The Company has a mortgage note with the North Carolina Housing Finance Agency ("NCHFA"). The original amount of the loan was \$612,919, with 0% interest (10% interest if in default). The terms of the original loan provided for monthly installments ranging in the amount of \$812 in years 1 and 2 to \$142 in year 16, with no payments in years 17 to 20. Effective July 1, 2004, the Company entered into an agreement to modify the payment terms. The terms of the modified loan provided monthly installments of \$500 for the remaining term of the loan. All outstanding principal, if any, was due in August 2021. Effective May 19, 2021, the Company entered into an additional agreement to modify the payment terms. The terms of the modified loan provide continued monthly installments of \$500, beginning August 1, 2021, and a new maturity date of August 1, 2023. The loan is secured by a deed of trust, which shall be a first priority lien on the Property. During each of the years ended December 31, 2021 and 2020, principal payments of \$6,000 were made.	<u>\$ 480,502</u>	<u>\$ 486,502</u>

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

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

NOTE 3-MORTGAGE AND NOTE PAYABLE (CONTINUED)

	2021	2020
<p>The Company has an outstanding note payable- affiliate to DHIC. The original principal amount of the note was \$235,909, due on or before January 30, 2031. The interest rate of the note is 2% annually with a default rate of 8%. The note requires the Company to maintain affordable rents as defined in the agreement. During each of the years ended December 31, 2021 and 2020, interest expense was \$4,718, interest paid was \$-0-, and principal payments of \$-0- were made, all respectively. At December 31, 2021 and 2020, accrued interest totals \$105,835 and \$101,117, respectively.</p>	\$ 235,909	\$ 235,909

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

	NCHFA	DHIC	Total
2022	\$ 6,000	\$ -	\$ 6,000
2023	474,502	-	474,502
2024	-	-	-
2025	-	-	-
2026	-	-	-
Thereafter	-	235,909	235,909
	\$ 480,502	\$ 235,909	\$ 716,411

Debt issuance costs

Financing fees of \$4,300 were incurred in connection with the mortgage payable. These fees are being amortized using the straight-line method over the term of the mortgage payable. Amortization expense for the years ended December 31, 2021 and 2020 totaled \$143 and \$215 and is included in mortgage interest on the Statements of Operations, respectively. As of December 31, 2021 and 2020, accumulated amortization was \$4,300 and \$4,157, respectively.

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

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

NOTE 4-RELATED PARTIES

Partnership management fee

In accordance with the Partnership Management Fee Agreement, the Partnership was to pay the Partnership Administrator, allocated 75% to DHIC and 25% to Costal Community Development Corporation ("CCDC"), a cumulative partnership management fee. The fee was payable in an annual amount of \$5,000 beginning in 2000 and adjusted upward thereafter by 4% per year. Effective for the year ended December 31, 2016, in connection with the formation of the Company, the partnership management fee is no longer to be earned. The outstanding balance remaining due for prior years will be repaid from available cash flow as determined by the Sole Member. At December 31, 2021 and 2020, outstanding partnership management fees totaling \$81,838 remains payable to DHIC, and \$-0- remain payable to CCDC.

Advance from affiliate

The Company has outstanding advances of \$50,348 as of December 31, 2021 and 2020, which represent development costs paid by DHIC on the Property's behalf. The advance is non-interest bearing and payable from net cash flow as available. During the years ended December 31, 2021 and 2020, no repayments were made by the Property.

Management services fee

In accordance with the management services fee agreement and for its services in managing the Company, DHIC, Inc., an affiliate of the Sole Member, shall earn an annual, non-cumulative management services fee equal to 100% of the net income available for distribution by the Company at the end of its fiscal year, as determined by the Sole Member. The Company may make interim disbursements of available cash flow to DHIC, Inc. during any given fiscal year as determined by the Sole Member. During the years ended December 31, 2021 and 2020, no management services fees were earned and paid.

NOTE 5-REQUIRED FUNDED RESERVES

Reserve for replacements

In accordance with the Operating Agreement, the Company is to establish a reserve for replacements. The reserve is to be funded using cash flows from operations in the amount of \$200 per unit per year in the first year, with an annual 4% increase. The Company's requests for withdrawals from the reserve for replacements account will be approved as needed by NCHFA to cover the Property's capital improvement needs throughout the term of the loan. The balance in the reserve for replacements is \$21,589 and \$46,222 at December 31, 2021 and 2020, respectively.

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 46,222	\$ 37,769
Deposits	8,765	8,428
Interest income	12	25
Approved withdrawals	(33,410)	-
Balance, ending	<u>\$ 21,589</u>	<u>\$ 46,222</u>

**BAY RIVER 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 (CONTINUED)

Operating reserve

In accordance with the Operating Agreement, the Company is to establish an operating reserve of \$22,903, funded from a combination of Former Limited Partner equity contributions and cash flows from operations. The operating reserve was funded in January 2001. The operating reserve may be used only to fund operating deficits at the discretion of the Sole Member. The operating reserve shall be maintained throughout the term of the Company. At December 31, 2021 and 2020, the balance in the operating reserve account was \$23,447.

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 23,447	\$ 23,432
Interest income	<u>-</u>	<u>15</u>
Balance, ending	<u>\$ 23,447</u>	<u>\$ 23,447</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 30 years beginning the first year of the credit period, as defined.

Property management fee

The Company has entered into an agreement with Community Management Corporation in connection with the management of the rental operations of the Property. The property management fee is calculated at 11.82% of gross collections, as defined. For the years ended December 31, 2021 and 2020, \$13,745 and \$13,302 was charged to operations, and \$838 and \$1,142 remain payable, all respectively.

Due to economic uncertainty caused by the spread of a novel strain of coronavirus ("COVID-19"), the Agent applied for and received a loan through the Paycheck Protection Program (the "PPP Loan") with the U.S. Small Business Administration ("SBA"), as authorized in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Company reduced payroll and related reimbursements to the Agent in the total amount of \$5,780, 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.

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

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

NOTE 6-COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

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

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

	<u>2021</u>	<u>2020</u>
Administrative		
Conventions and meetings	\$ 201	\$ 100
Advertising and marketing	140	136
Other renting expenses	744	458
Office salaries	2,537	2,537
Office expenses	5,044	3,866
Management fee	13,745	13,302
Manager salaries	15,774	14,265
Legal expense	126	187
Audit expense	5,145	5,210
Bookkeeping fees/accounting services	67	67
Bad debt	158	1,595
Other administrative expenses	749	1,183
	<u><u>\$ 44,430</u></u>	<u><u>\$ 42,906</u></u>
Utilities		
Electricity	\$ 4,420	\$ 4,533
Water	464	449
Sewer	557	432
	<u><u>\$ 5,441</u></u>	<u><u>\$ 5,414</u></u>
Operating and maintenance		
Payroll	\$ 19,061	\$ 19,550
Supplies	4,269	12,406
Contracts	11,467	4,237
Garbage and trash removal	3,462	3,452
Heating/cooling repairs and maintenance	1,017	8,491
Miscellaneous operating and maintenance expenses	439	3,642
	<u><u>\$ 39,715</u></u>	<u><u>\$ 51,778</u></u>
Repairs and replacements		
Flooring	\$ 5,339	\$ 6,482
HVAC	12,157	-
Appliances	3,080	-
Fire protection	-	1,569
	<u><u>\$ 20,576</u></u>	<u><u>\$ 8,051</u></u>

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

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

	<u>2021</u>	<u>2020</u>
Taxes and insurance		
Personal property taxes	\$ 75	\$ 60
Property and liability insurance	4,033	4,074
Payroll taxes	2,844	2,670
Health insurance and other employee benefits	724	130
Workers' compensation	736	968
Other taxes, licenses, and permits	99	100
Other insurance	203	202
	<u>\$ 8,714</u>	<u>\$ 8,204</u>