Braebourne Housing, LLC
NCHFA Project No. 9001061

Financial Statements and Supplementary Information

Years Ended December 31, 2021 and 2020

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Independent Auditors' Report

Member
Braebourne Housing, LLC
NCHFA Project No. 9001061
Raleigh, NC

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Braebourne Housing, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, member's deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Braebourne 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 (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Braebourne 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 Braebourne 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.

Auditors' 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 auditors' 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 Braebourne 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 Braebourne 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 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.

Dixon Hughes Goodman LLP

High Point, NC
May 26, 2022

Braebourne Housing, LLC
NCHFA Project No. 9001061
Balance Sheets
December 31, 2021 and 2020

	2021	2020
ASSETS		
Current assets:		
Cash, operating	**$ 188,533**	$ 277,502
Accounts receivable, tenants	**33,354**	18,243
Prepaid expenses	**40,035**	22,490
Total current assets	**261,922**	318,235
Restricted assets and funded reserves:		
Cash, reserve for replacements	**381,207**	328,470
Cash, operating reserve	**256,718**	256,602
Cash, tax and insurance escrow	**10,677**	11,245
Cash, security deposits	**58,085**	50,098
	706,687	646,415
Rental property:		
Land	**1,532,677**	1,532,677
Land improvements	**957,097**	957,097
Buildings	**6,376,033**	6,376,033
Furniture and equipment	**631,881**	631,881
	9,497,688	9,497,688
Accumulated depreciation	**(4,935,867)**	(4,765,247)
	4,561,821	4,732,441
Total assets	**$ 5,530,430**	$ 5,697,091

Braebourne Housing, LLC
NCHFA Project No. 9001061
Balance Sheets
December 31, 2021 and 2020 (2 pages)

	2021	2020
LIABILITIES LESS MEMBER'S DEFICIT		
Current liabilities:		
Current maturities of mortgages payable	**$ 188,319**	$ 176,439
Accounts payable	**7,695**	6,758
Accrued expenses	**10,485**	38,190
Accrued interest - other	**60,279**	60,139
Total current liabilities	**266,778**	281,526
Deposits and prepaid liabilities:		
Tenant security deposits	**58,900**	50,096
Prepaid rent	**18,597**	15,575
	77,497	65,671
Long-term liabilities:		
Mortgages payable, net of unamortized debt issuance cost of $56,873 in 2021 and $62,527 in 2020, net of current maturities	**5,231,778**	5,414,411
Accrued interest, net of current portion	**18,369**	39,005
Accrued interest - DHIC	**19,624**	18,545
	5,269,771	5,471,961
Member's deficit	**(83,616)**	(122,067)
Total liabilities and equity	**$ 5,530,430**	$ 5,697,091

Braebourne Housing, LLC
NCHFA Project No. 9001061
Statements of Operations
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Gross rental income	$ 1,308,222	$ 1,283,071
Less:		
Vacancies	(22,733)	(23,848)
Concessions	(2,811)	(190)
Loss to lease	(20,714)	(29,774)
Net rental income	1,261,964	1,229,259
Other income:		
Interest income	326	1,050
Other	44,587	35,902
Total other income	44,913	36,952
Total income	1,306,877	1,266,211
Expenses:		
Administrative	149,285	201,846
Utilities	91,399	96,587
Professional fees	5,660	6,165
Management fees	57,182	55,706
Repairs and maintenance	342,522	281,976
Taxes and insurance	34,601	31,397
Total expenses	680,649	673,677
Income from operations	626,228	592,534
Nonoperating expenses:		
Interest expense	267,157	276,987
Company fees	150,000	50,000
Loss on disposal of assets	-	9,016
Depreciation	170,620	206,448
Total nonoperating expenses	587,777	542,451
Net income	$ 38,451	$ 50,083

Braebourne Housing, LLC
NCHFA Project No. 9001061
Statements of Member's Deficit
Years Ended December 31, 2021 and 2020

Deficit, December 31, 2019	$	(172,150)
Net income		50,083
Deficit, December 31, 2020		(122,067)
Net income		38,451
Deficit, December 31, 2021	$	(83,616)

See accompanying notes.

Braebourne Housing, LLC
NCHFA Project No. 9001061
Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Net income	$ 38,451	$ 50,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	170,620	206,448
Loss on disposal of assets	-	9,016
Amortization of deferred financing costs	5,654	5,654
Change in assets and liabilities:		
Accounts receivable, tenants	(15,111)	(11,294)
Prepaid expenses	(17,545)	(2,639)
Accounts payable and accrued expenses	(26,768)	21,472
Accrued interest	(19,417)	(18,311)
Tenant security deposits	8,804	10,526
Prepaid rent	3,022	14,135
Net cash provided by operating activities	147,710	285,090
Cash flows from investing activities:		
Purchase of rental property	-	(44,899)
Net cash used by investing activities	-	(44,899)
Cash flows from financing activities:		
Repayment of mortgages payable	(176,407)	(165,172)
Net cash used by financing activities	(176,407)	(165,172)
Net increase (decrease) in cash and restricted deposits and funded reserves	(28,697)	75,019
Cash and restricted deposits and funded reserves, beginning of year	923,917	848,898
Cash and restricted deposits and funded reserves, end of year	$ 895,220	$ 923,917
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 280,920	$ 289,644
Reconciliation of cash and restricted deposits and funded reserves to the balance sheet:		
Cash, operating	$ 188,533	$ 277,502
Restricted deposits and funded reserves	706,687	646,415
	$ 895,220	$ 923,917

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

Braebourne Limited Partnership (the "Partnership") was organized on July 13, 1998 for the purpose of developing, constructing, owning and operating a 120-unit (50 low-income) housing complex (the "Project") located in Raleigh, North Carolina. Development of the Project commenced in 1998 and was completed in October 2000.

Effective December 16, 1999, the partnership agreement was amended to admit a new limited partner, Banc of America Housing Fund II Limited Partnership, and to permit the withdrawal of the original limited partner, DHIC, Inc. Effective December 31, 2016, Banc of America Housing Fund II Limited Partnership transferred its limited partner interest to Community Revitalization and Preservation Corporation ("CRPC"). On January 25, 2017, the Partnership converted to a limited liability company, Braebourne Housing, LLC, (the "Company"), and the former general partner, Capital Ventures Investment Group, Inc., assigned its 0.01% membership interest to CRPC. As a result, effective January 25, 2017, CPRC is the sole member of 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

As a limited liability company, the Company's taxable income or loss is allocated to the member and is reflected in the member's income taxes; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes.

Rental property

Rental property is stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives under the straight-line method. The estimated lives used in determining depreciation are:

Land improvements	20 years
Buildings	40 years
Building equipment - portable	7 years
Furniture and equipment	5 to 7 years

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

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 2021 or 2020.

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.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the years ended December 31, 2021 and 2020 were $179 and $1,721, respectively.

Debt issuance costs

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

Subsequent events evaluation

The Company evaluated the effect subsequent events would have on the financial statements through May 26, 2022, which is the date the financial statements were available to be issued.

2. Member's Capital Contributions

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

3. Mortgages Payable

Details of the mortgages payable at December 31, 2021 and 2020 are as follows:

	2021	2020
Mortgage payable to Community Reinvestment Fund ("CRF") in the principal sum of $4,425,000 with interest at 7.25%. The mortgage is payable in monthly installments of $30,187, including interest, through December 1, 2034 and a final payment of $29,290, including interest, due on January 1, 2035. The loan is secured by a first deed of trust on the property. Accrued interest payable at December 31, 2021 and 2020 amounted $18,460 and $19,278, respectively. Interest expense for the years ended December 31, 2021 and 2020 amounted to $ 226,075 and $235,570, respectively. Deferred financing costs amortized to interest expense amounted to $4,217 for each of the years ended December 31, 2021 and 2020. Interest paid during the years ended December 31, 2021 and 2020 amounted to $226,893 and $236,331, respectively.	**$ 3,055,431**	3,190,782
Note payable to the City of Raleigh (the "City") in the principal sum of $1,000,000 with interest at 6% and annual loan payments based on net cash flow through December 2004, at which time the loan was modified. Effective January 1, 2005, interest shall accrue at 2% with a 20-year term and no longer requires payments from cash flow. The City has the option to re-evaluate the payment schedule after five years. The loan is payable in monthly installments ranging from $303 in 2005 to $3,534 in year 2024 with a final payment of $368,856 due on January 1, 2025. For the years ended December 31, 2021 and 2020, total payments of $39,650 and $38,603 were made, respectively. The note is secured by a second deed of trust on the property, and repayment is guaranteed by DHIC, Inc., an affiliate of the member. Accrued interest payable at December 31, 2021 and 2020 amounted to $59,005 and $78,655, respectively. Interest expense for each of the years ended December 31, 2021 and 2020 amounted to $20,000. Deferred financing costs amortized to interest expense amounted to $500 for each of the years ended December 31, 2021 and 2020. Interest paid during the years ended December 31, 2021 and 2020 amounted to $39,650 and $38,603, respectively.	**1,000,000**	1,000,000

	2021	2020
Mortgage payable to the North Carolina Housing Finance Agency ("NCHFA") in the original principal sum of $800,000, carried a 30-year term and interest rate of 4% until the loan was modified on June 1, 2005. The loan bears interest at 1.5% from June 30, 2005 through and including May 31, 2010 and starting June 1, 2010 through maturity date of January 1, 2025, the interest rate shall be 2%. Monthly installments of principal and interest range from $485 in 2005 to $2,822 in year 2024. For the years ended December 31, 2021 and 2020, total payments were $31,663 and $30,827, respectively. All outstanding principal and accrued interest will be due and payable in full on January 1, 2025. The loan is secured by a third deed of trust on the property. Accrued interest payable at December 31, 2021 and 2020 amounted to $1,183 and $1,211, respectively. Interest expense for the years ended December 31, 2021 and 2020 amounted to $14,349 and $14,684, respectively. Deferred financing costs amortized to interest expense amounted to $482 for each of the years ended December 31, 2021 and 2020. Interest paid during the years ended December 31, 2021 and 2020 amounted to $14,377 and $14,710, respectively.	**$ 709,499**	$ 726,784
Mortgage payable to the County of Wake in an amount not to exceed $600,000 with 0% interest. The loan was modified on June 16, 2005 to amend the due date to January 1, 2025. The loan is payable in monthly installments of principal ranging from $182 in 2005 to $2,119 in year 2024, with a final payment of $205,932 due on January 1, 2025. For the years ended December 31, 2021 and 2020, total payments were $23,771 and $23,143, respectively. The loan is secured by a fourth deed of trust on the property.	**280,632**	304,403
Mortgage payable to DHIC, Inc., an affiliate of the member, with interest at 0.25% and all payments of interest and principal deferred until maturity on December 29, 2025. The loan was modified on December 29, 2004 to increase the principal amount of the loan to $431,408. The loan is secured by a fifth deed of trust on the property. Accrued interest payable at December 31, 2021 and 2020 was $19,624 and $18,545, respectively. Interest expense amounted to $1,079 for each of the years ended December 31, 2021 and 2020. Deferred financing costs amortized to interest expense amounted to $455 for each of the years ended December 31, 2021 and 2020.	**431,408**	431,408
	5,476,970	5,653,377
Less: unamortized debt issuance costs	**(56,873)**	(62,527)
Less: current maturities	**(188,319)**	(176,439)
	$ 5,231,778	$ 5,414,411

Estimated principal maturities of the mortgages payable subsequent to December 31, 2021 are as follows:

2022	$	188,319
2023		200,892
2024		864,982
2025		1,818,069
2026		194,276
Future years		2,210,432
	$	5,476,970

4. Related-Party Transactions

Management services fee

Pursuant to a management services agreement dated February 4, 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, 2021 and 2020, management services fees of $150,000 and $50,000, respectively, were paid.

5. Reserves

Operating reserve funding

The NCHFA loan agreement requires the Company to fund an operating reserve of $210,076 using a combination of capital contributions received from the previous limited partner and cash flow from operations, as defined. Upon receipt of each of the second and third installments of limited partner capital contributions, the Company was required to deposit $105,038 into the operating reserve. The NCHFA must approve any withdrawals from the reserve exceeding $2,000 in aggregate during any three-month period. An analysis of the reserve for the years ended December 31, 2021 and 2020 is as follows:

	2021		**2020**	
Balance, beginning	**$**	**256,602**	$	255,790
Interest earned		**116**		812
Balance, ending	**$**	**256,718**	$	256,602

Replacement reserve funding

The NCHFA loan agreement requires the Company to fund a replacement reserve from the Project’s operations in the amount of $200 per unit per year starting in 2001, increasing by 4% each year thereafter. Scheduled deposits to the replacement reserve are cumulative. Funds in the replacement reserve may be used by the Company to make major repairs; however, NCHFA must approve any withdrawals from the reserve exceeding $2,000 in aggregate during any three-month period.

An analysis of the reserve for the years ended December 31, 2021 and 2020 is as follows:

		2021		2020
Balance, beginning	**$**	**328,470**	$	315,661
Contributions		**52,587**		12,641
Interest		**150**		168
Approved withdrawals		**-**		-
Balance, ending	**$**	**381,207**	$	328,470

As of December 31, 2021 and 2020, the replacement reserve is adequately funded.

6. Commitments and Contingencies

Property management agreement

The Company has entered into a Management Agreement with Drucker and Falk, L.L.C., an unaffiliated management company, to provide property management services to the Project. The management agent will be compensated at the rate of 4.5% of gross collections or $2,500 per month, whichever is greater. The term of the agreement is two years from the date of initial occupancy and renews for successive terms automatically under certain conditions, as defined. The company has terminated its contract with Drucker and Falk, L.L.C. on March 26, 2020. Management fee expense for the year ended December 31, 2020 was $14,026.

The Company has entered into a Management Agreement with Community Management Corporation (CMC) on March 27,2020, an unaffiliated management company, to provide property management services to the Project. The management agent will be compensated at the rate of 4.53% of gross collections received from the preceding month. The term of the agreement is three years from the date of initial occupancy and renews for successive terms automatically under certain conditions, as defined. Management fee expense for the year ended December 31, 2021 and 2020 was $57,182 and $41,680, respectively.

Land use restriction agreement

The Company has entered into a land use restriction agreement with the North Carolina Federal Tax Reform Allocation Committee (NCTRAC) in connection with its allocation of low-income housing tax credits. Under the agreement, the Company has agreed to use 50 of the property's 120 units to rent to tenants whose income is 50% or less of the area median gross income as determined under Section 42 of the Internal Revenue Code. The agreement's original term expired in August 2008, but it has been extended another 15 years until August 2023.

7. Contingencies, Risks and Uncertainties

The Company's sole asset is its 120-unit (50 of which are low-income) housing complex located in Raleigh, 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.

In March 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Project's future operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the project's customers, employees, and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the increase in economic uncertainty.

Supplementary Information

Braebourne Housing, LLC
NCHFA Project No. 9001061
Schedules of Income and Expenses
Years Ended December 31, 2021 and 2020 (2 pages)

	2021	2020
Rental income:		
Residential income	$ 1,261,964	$ 1,229,259
Interest income:		
Interest income	$ 326	$ 1,050
Other income:		
Late fees	$ 5,814	$ 3,081
Damages and cleaning fees	4,705	7,038
Pet fees	2,920	5,126
Washer/dryer rentals	3,919	6,053
Other	2,178	14,604
Grant revenue	25,051	-
	$ 44,587	$ 35,902
Administrative:		
Advertising/marketing	$ 179	$ 1,721
Office payroll and related expenses	57,339	53,790
Manager salaries	53,132	80,743
Office supplies	8,335	11,378
Employee health insurance	13,343	18,857
Bad debt expense	2,849	16,882
Miscellaneous	14,108	18,475
	$ 149,285	$ 201,846
Utilities:		
Electricity	$ 16,459	$ 17,033
Water	37,314	38,198
Sewer	37,626	41,356
	$ 91,399	$ 96,587
Professional fees:		
Legal	$ -	$ 120
Auditing	5,660	6,045
	$ 5,660	$ 6,165

Braebourne Housing, LLC
NCHFA Project No. 9001061
Schedules of Income and Expenses
Years Ended December 31, 2021 and 2020 **(2 pages)**

	2021	2020
Management fees:		
Property management	$ 57,182	$ 55,706
Repairs and maintenance:		
Repairs and maintenance payroll	$ 31,953	$ 48,800
Grounds maintenance	51,232	26,368
Maintenance supplies	75,954	88,534
Garbage and trash	844	1,337
Exterminating services	3,881	5,834
Other contract services	178,658	111,103
	$ 342,522	$ 281,976
Taxes and insurance:		
Real estate taxes	$ 1,134	$ -
Property insurance	33,467	31,397
	$ 34,601	$ 31,397
Interest expense:		
Interest expense - CRF	$ 226,075	$ 235,570
Interest expense - City of Raleigh	20,000	20,000
Interest expense - NCHFA	14,349	14,684
Interest expense - DHIC, Inc.	1,079	1,079
Amortization of debt issuance cost	5,654	5,654
	$ 267,157	$ 276,987
Company fees:		
Management services fee	$ 150,000	$ 50,000
Depreciation expense:		
Depreciation	$ 170,620	$ 206,448
Loss on disposal of assets	$ -	$ 9,016