



**Willow Creek Seniors, LLC  
NCHFA Project No. 9151902**



**Financial Statements and  
Supplementary Information**

**Years Ended December 31, 2021 and 2020**



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## Independent Auditors' Report

Members  
Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Raleigh, NC

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Willow Creek Seniors, LLC, which comprise the balance sheets as of December 31, 2021 and 2020, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Willow Creek Seniors, 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 Willow Creek Seniors, 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 Willow Creek Seniors, 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 Willow Creek Seniors, 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 Willow Creek Seniors, 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  
March 21, 2022

Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Balance Sheets  
December 31, 2021 and 2020

(2 pages)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Current assets:		
Cash, operating	\$ 122,818	\$ 32,093
Accounts receivable, tenants	1,138	1,862
Prepaid expenses	<u>21,111</u>	<u>12,849</u>
Total current assets	<u>145,067</u>	<u>46,804</u>
Restricted deposits and funded reserves:		
Cash, tax and insurance escrow	9,215	84,479
Cash, tenant security deposits	36,928	35,760
Cash, operating reserve	173,327	172,944
Cash, replacement reserve	<u>88,083</u>	<u>71,930</u>
	<u>307,553</u>	<u>365,113</u>
Rental property:		
Land	1,098,208	1,098,208
Building	5,480,694	5,480,694
Land improvements	518,108	518,108
Furniture and fixtures	<u>157,888</u>	<u>157,888</u>
	<u>7,254,898</u>	<u>7,254,898</u>
Less accumulated depreciation	<u>(1,117,003)</u>	<u>(937,800)</u>
	<u>6,137,895</u>	<u>6,317,098</u>
Other assets:		
Deferred tax credit fees (net of accumulated amortization of \$36,580 in 2021 and \$30,727 in 2020)	<u>51,212</u>	<u>57,065</u>
Total assets	<u>\$ 6,641,727</u>	<u>\$ 6,786,080</u>

Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Balance Sheets  
December 31, 2021 and 2020

(2 pages)

	<u>2021</u>	<u>2020</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current liabilities:		
Current maturities of notes payable	\$ 33,017	\$ 32,221
Accounts payable, trade	5,565	13,202
Development fee payable	-	10,000
Accrued interest	<u>9,049</u>	<u>9,135</u>
Total current liabilities	<u>47,631</u>	<u>64,558</u>
Deposits and prepayment liabilities:		
Tenant security deposits	36,235	35,070
Prepaid rent	<u>56</u>	<u>511</u>
	<u>36,291</u>	<u>35,581</u>
Long-term liabilities:		
Accrued interest, notes payable	968	23,817
Notes payable, net of unamortized debt issuance costs of \$47,278 in 2021 and \$51,046 in 2020, less current maturities	<u>3,318,261</u>	<u>3,350,879</u>
	<u>3,319,229</u>	<u>3,374,696</u>
Members' equity	<u>3,238,576</u>	<u>3,311,245</u>
Total liabilities and equity	<u>\$ 6,641,727</u>	<u>\$ 6,786,080</u>

Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Statements of Operations  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue:		
Gross tenant rent potential	\$ 342,211	\$ 338,137
Subsidy rental income	68,191	62,817
Less:		
Vacancies	(5,178)	(8,022)
Loss to lease	(5,664)	(3,660)
Concessions	(2,000)	(2,500)
Add:		
Excess rent	6,124	5,610
Total rental income	<u>403,684</u>	<u>392,382</u>
Other income:		
Interest income	446	466
Other	9,577	2,278
Total other income	<u>10,023</u>	<u>2,744</u>
Total income	<u>413,707</u>	<u>395,126</u>
Expenses:		
Administrative	67,134	57,802
Utilities	26,217	30,103
Auditing and accounting	7,910	7,730
Management fees	24,374	23,581
Repairs and maintenance	72,111	90,308
Taxes and insurance	23,192	22,715
Total operating expense	<u>220,938</u>	<u>232,239</u>
Income from operations	<u>192,769</u>	<u>162,887</u>
Nonoperating expenses:		
Interest expense	80,382	82,548
Depreciation	179,203	179,203
Amortization	5,853	5,853
Total nonoperating expenses	<u>265,438</u>	<u>267,604</u>
Net loss	<u>\$ (72,669)</u>	<u>\$ (104,717)</u>



Willow Creek Seniors, LLC  
 NCHFA Project No. 9151902  
 Statements of Members' Equity  
 Years Ended December 31, 2021 and 2020

	2021			2020
	Managing Member	Investor Member	Total	
Balance, beginning of year	\$ 332	\$ 3,310,913	\$ 3,311,245	\$ 3,415,962
Net loss	(7)	(72,662)	(72,669)	(104,717)
Balance, end of year	<u>\$ 325</u>	<u>\$ 3,238,251</u>	<u>\$ 3,238,576</u>	<u>\$ 3,311,245</u>

Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Statements of Cash Flows  
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Net loss	\$ (72,669)	\$ (104,717)
Adjustments to reconcile net loss to net cash provided (used) by operating activities:		
Depreciation	179,203	179,203
Amortization of intangible assets	5,853	5,853
Amortization of deferred financing costs	3,768	3,768
(Increase) decrease:		
Accounts receivable, tenants	724	(1,862)
Prepaid expenses	(8,262)	(1)
Increase (decrease):		
Accounts payable, trade	(7,637)	8,539
Accrued interest, notes payable	(22,935)	4,898
Tenant security deposits	1,165	(420)
Prepaid rent	(455)	439
Net cash provided by operating activities	<u>78,755</u>	<u>95,700</u>
Cash flows from financing activities:		
Payments of development fee	(10,000)	(10,337)
Payments of notes payable	<u>(35,590)</u>	<u>(31,384)</u>
Net cash used by financing activities	<u>(45,590)</u>	<u>(41,721)</u>
Net increase in cash and restricted deposits and funded reserves	33,165	53,979
Cash and restricted deposits and funded reserves, beginning of year	<u>397,206</u>	<u>343,227</u>
Cash and restricted deposits and funded reserves, end of year	<u>\$ 430,371</u>	<u>\$ 397,206</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 99,549</u>	<u>\$ 73,882</u>
Reconciliation of cash, cash equivalents, restricted deposits and funded reserves to the balance sheet:		
Cash, operations	\$ 122,818	\$ 32,093
Tenant security deposits, held in trust	36,928	35,760
Tax and insurance escrow	9,215	84,479
Replacement reserve	88,083	71,930
Operating reserve	<u>173,327</u>	<u>172,944</u>
	<u>\$ 430,371</u>	<u>\$ 397,206</u>

See accompanying notes.

## Notes to Financial Statements

### 1. Nature of Operations and Significant Accounting Policies

#### *Nature of operations*

Willow Creek Seniors, LLC (the “Company”) was organized for the purpose of developing, owning, maintaining and operating a 53-unit apartment complex for rental to elderly individuals 55 years or older in Cary, North Carolina commonly known as “Willow Creek.” The major activities of the Company are governed by the operating agreement and the loan agreements. The property was placed into service in September of 2015.

In September 2014, the operating agreement was amended to admit a new investor member and to permit the withdrawal of the original investor member, DHIC, Inc. (“DHIC”). As a result, the Company has one managing member - Davis Drive Development, Inc.; and one investor member - Community Equity Fund XIX Limited Partnership.

The ownership of the Company is as follows:

Davis Drive Development, Inc.	0.01%
Community Equity Fund XIX Limited Partnership	<u>99.99%</u>
	<u>100.00%</u>

#### *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 members in accordance with the operating agreement and is reflected in their 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 computed primarily using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	20 years
Building	40 years
Furnishings and equipment	7 to 10 years

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

### ***Rental income and prepaid rents***

Rental income is recognized as rentals become due. Rental payments secured in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

### ***Cash and cash equivalents***

For purposes of the statement of cash flows, the Company considers all unrestricted, highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Company's deposited funds are in institutions insured by the Federal Deposit Insurance Corporation and the U.S. Treasury.

### ***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.

### ***Other assets***

Deferred tax credit fees are being amortized over 15 years, the tax credit compliance period.

### ***Concentrations of credit risk***

The Company maintains its cash in financial institutions insured by the 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 amounted to \$69 and \$99, respectively.

### ***Subsequent events evaluation***

The Company evaluated the effect subsequent events would have on the financial statements through March 21, 2022, which is the date the financial statements were available to be issued.

**Debt issuance costs**

Loan costs are being amortized to interest expense over the life of the related loan using the effective interest method.

**2. Members' Capital Contributions**

The managing member is required to make a capital contribution of \$398, all of which has been contributed as of December 31, 2021. The investor member is required to make capital contributions of \$3,984,182, including an upward credit adjuster of \$1,255, all of which has been contributed as of December 31, 2021.

**3. Notes Payable**

Details of the notes payable at 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
<p>First mortgage loan with M&amp;F Bank in the amount of \$1,075,000 bearing interest at 5.875% with all outstanding principal and accrued interest due June 1, 2034. The loan was funded on May 3, 2016 from Centrant Community Capital ("Centrant"). On October 1, 2021, the loan was sold to M&amp;F Bank but continues to be serviced by Centrant. The outstanding principal balance will be repaid with 216 consecutive monthly principal and interest payments of \$6,360 beginning July 1, 2016 and continuing on the first day of each month through June 1, 2034, at which time all outstanding principal and interest, if any, shall be due. Accrued interest amounted to \$4,846 and \$4,932 at December 31, 2021 and 2020, respectively. During the years ended December 31, 2021 and 2020, interest expense amounted to \$58,629 and \$59,636, respectively, and interest paid amounted to \$58,715 and \$59,717, respectively. Deferred loan costs amortized to interest expense for the years ended December 31, 2021 and 2020 amounted to \$3,205. The loan is secured by a first lien Deed of Trust on the property.</p>	\$ 989,778	\$ 1,007,383
<p>Note payable to North Carolina Housing Finance Agency ("NCHFA") in the maximum amount of \$795,000, with interest accruing at 1%. During the construction period, no payments of principal and interest are due under the note. On the conversion date, which is the date that final disbursement is made under the note, monthly payments of principal and interest shall begin. The final disbursement occurred on May 3, 2016. The Company is required to make monthly payments ranging from \$744 to \$4,097. From January 2021 to June 2021, monthly payments of \$1,299 were made. From July 2021 through December 2021, monthly payments of \$1,284 were made. All outstanding principal and interest, if any, shall be due and payable on June 1, 2036. For the years ended December 31, 2021 and 2020, interest expensed and paid amounted to \$7,551 and \$7,631, respectively. The note is secured by the second lien Deed of Trust on the property.</p>	750,805	758,751

Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Notes to Financial Statements

	<u>2021</u>	<u>2020</u>
<p>Note payable to Wake County, North Carolina, in the amount of \$583,000 with interest accruing at 1%. Interest only payments were due monthly through March, 2016. Annual payments of principal and interest ranging from \$15,233 to \$5,375 are due beginning April 1, 2016 and continue annually until April 1, 2036 (the maturity date), at which time all outstanding principal and accrued interest shall be due and payable. Total payments on the note amounted to \$11,124 during 2021. Accrued interest as of both December 31, 2021 and 2020 amounted to \$4,203. During the years ended December 31, 2021 and 2020, total interest expense amounted to \$5,489 and \$5,561, respectively. During the years ended December 31, 2021 and 2020, interest paid amounted to \$5,489 and \$5,561 respectively. Deferred loan costs amortized to interest expense amounted to \$223 during each of the years ended December 31, 2021 and 2020. The loan is secured by a third lien Deed of Trust on the property.</p>	\$ 543,575	\$ 549,210
<p>Note payable to the Town of Cary in the amount of \$100,000, bearing interest at 1% and maturing on December 31, 2035. Interest and payments will be deferred for construction and rent-up. Payments for years one through 20 will be based on a pro-rata split of available net income with other subordinate lenders, ranging from \$6,373 to \$1,158. During 2021 and 2019, payments of \$1,997 and \$2,021 respectively, were made. Accrued interest as of December 31, 2021 and 2020 amounted to \$968 and \$979, respectively. During the years ended December 31, 2021 and 2020, interest expense amounted to \$952 and \$1,952 respectively. Interest paid during the years ended December 31, 2021 and 2020 amounted to \$962 and \$973 respectively. Deferred loan costs amortized to interest expense amounted to \$77, during the years ended December 31, 2021 and 2020. The loan is collateralized by a fourth lien Deed of Trust on the property.</p>	95,181	96,216
<p>Note payable to DHIC, Inc. ("DHIC"), an affiliate of the managing member, in the amount of \$400,000, with interest accruing at 1%. No payments are due until maturity on September 18, 2034. Accrued interest at December 31, 2021 and 2020 amounted to \$0 and \$22,838 respectively. Interest expense amounted to \$3,993 and \$4,000 for each of the years ended December 31, 2021 and 2020, respectively. Deferred loan costs amortized to interest expense amounted to \$213 during each of the years ended December 31, 2021 and 2020. The loan is collateralized by a fifth lien Deed of Trust on the property.</p>	396,631	400,000
<p>Noninterest-bearing note payable to North Carolina Housing Finance Agency ("NCHFA") in the amount of \$622,586. No payments are due on this loan until maturity on November 1, 2045, at which time all outstanding principal and accrued interest shall be due and payable. Deferred loan costs amortized to interest expense amounted to \$50 during each of the years ended December 31, 2021 and 2020. The note is secured by a sixth lien Deed of Trust on the property.</p>	622,586	622,586
Less: unamortized debt issuance costs	<u>(47,278)</u>	<u>(51,046)</u>
	3,351,278	3,383,100
Less current maturities	<u>(33,017)</u>	<u>(32,221)</u>
	<u>\$ 3,318,261</u>	<u>\$ 3,350,879</u>

Total estimated principal maturities of the notes payable subsequent to December 31, 2021 are as follows:

2022	\$	33,017
2023		33,791
2024		34,521
2025		35,253
2026		43,789
Thereafter		<u>3,218,185</u>
	\$	<u>3,398,556</u>

Interest costs incurred on notes payable during the years ended December 31, 2021 and 2020, amounted to \$76,614 and \$78,780, respectively.

**4. Related-Party Transactions**

***Development fee***

The Company incurred a development fee of \$636,000 payable to DHIC for services rendered to the Company for overseeing the construction of the complex. The total fee has been earned in prior years. As of December 31, 2021 and 2020, \$0 and \$10,000, respectively remained payable.

***Incentive management fee***

The Company has entered into an incentive management fee agreement with the managing member for its services in managing the business. This management fee is based on net cash flow payable, as defined, (see Note 7) and is not cumulative. The fee is equal to one hundred percent of net cash flow available to pay the incentive management fee, up to a maximum of \$53,000 per year. No incentive management fees were incurred for the years ended December 31, 2021 and 2020.

**5. Reserves**

***Replacement reserve***

The operating agreement and the NCHFA loan agreements require the Company to fund a replacement reserve using cash flow from operations, as defined. Reserve additions of \$250 per unit per year, increasing at 4% each year, are required to be made annually upon the achievement of 100% qualified occupancy, as defined, prorated in the year occupancy is achieved. This reserve is utilized to fund major repairs, capital expenditures and replacements of capital items in the Project. The managing member shall not utilize the replacement reserve without written consent from the investor member except in an emergency situation, as well as written consent from NCHFA.

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

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 71,930	\$ 56,385
Funding	16,121	15,501
Interest earned, net of fees	<u>32</u>	<u>44</u>
Balance, ending	<u>\$ 88,083</u>	<u>\$ 71,930</u>

***Operating reserve***

The operating agreement and NCHFA loan agreements require the Company to fund an operating reserve account in the amount of \$171,125 into a segregated reserve account to fund operating expenses in excess of operating revenues. The managing member shall not utilize the operating reserve without written consent from the investor member, as well as written consent from NCHFA. An analysis of the reserve for the years ended December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning	\$ 172,944	\$ 172,544
Interest earned, net of fees	<u>383</u>	<u>400</u>
Balance, ending	<u>\$ 173,327</u>	<u>\$ 172,944</u>

**6. Property Management Agreement**

The Company has entered into a management agreement with Community Management Corporation, an unaffiliated management company, to provide property management services to the Project. The management agent will be compensated an amount equal to 6% of gross operating revenues received from the preceding month. Such fee shall be paid out of the general operating account on the first of each month. The term of the agreement is from March 31, 2014 until March 30, 2017, but shall be automatically renewed for a period of one year unless, on or before 60 days prior to the expiration, either party hereto shall notify the other in writing of an intention to terminate this agreement. The total management fee expense for the years ended December 31, 2021 and 2020 was \$24,374 and \$23,581, respectively.

During 2020, CMC applied for and received a loan through the Paycheck Protection Program (“PPP”) as authorized in the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”). The Company reduced payroll and related reimbursements to CMC during the year ended December 31, 2020 in the total amount of \$6,480, which is the portion of the PPP loan proceeds that CMC planned to contribute to the Company in 2021 upon approval of its PPP loan forgiveness application. As of December 31, 2020, the Company recognized a liability of \$6,480 for the unpaid payroll and related costs. On May 18, 2021, CMC received formal forgiveness of its PPP loan and contributed the funds to the Company. Accordingly, forgiveness income of \$6,480 has been recognized by the Company for the year ended December 31, 2021 in the statement of operations.



**7. Company Profits, Losses and Distributions**

Distributable net cash flow is payable annually in the following order:

Operating cash flow at December 31, 2021:	\$ 106,269*
First, to the investor member for any credit deficiency and then to repay any loans made to the investor member to the Company;	-
Second, to replenish with operating reserve account to the required amount;	-
Third, to pay the deferred developer fee;	-
Fourth, to repay the managing member for any development advances, operating deficit loans, and other loans made by the managing member to the Company	(106,269)
Fifth, to distribute ten percent of the amount remaining after required distributions to the investor member per the operating agreement;	-
Sixth, to pay the incentive management fee;	- -----
	-
Thereafter, the balance to the members in accordance with their percentage interests:	
Managing member - 0.01%	-
Investor member - 99.99%	- -----
	\$ ----- =====

*\*Includes \$64,919 of undistributed net cash flow from the year ended December 31, 2019.*

**8. Contingencies, Risks and Uncertainties**

The Company's sole asset is its 53-unit housing complex located in Cary, 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 Company'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 subsequent increase in economic uncertainty.



## *Supplementary Information*

Willow Creek Seniors, LLC  
NCHFA Project No. 9151902  
Schedules of Income and Expenses  
December 31, 2021 and 2020

(3 pages)

	<u>2021</u>	<u>2020</u>
Rental income:		
Residential income	<u>\$ 403,684</u>	<u>\$ 392,382</u>
Interest income:		
Interest income	<u>\$ 446</u>	<u>\$ 466</u>
Other income:		
Application fees	\$ 580	\$ 505
Laundry and vending	1,235	1,121
Late fees	474	329
Damages and cleaning fees	-	315
Grant Revenue	6,480	-
Other	808	8
	<u>\$ 9,577</u>	<u>\$ 2,278</u>
Administrative expenses:		
Administrative payroll	\$ 29,541	\$ 23,596
Payroll taxes	3,220	1,639
Workers compensation	754	603
Other payroll related	651	1,420
Legal fees	-	142
Advertising	69	99
Telephone, internet and cable	7,823	7,716
Administrative supplies and expenses	4,479	3,790
Administrative training expenses	223	467
Criminal background, credit check expenses	858	410
Other administrative expense	1,095	154
Bank fees	315	308
Resident services	18,106	17,458
	<u>\$ 67,134</u>	<u>\$ 57,802</u>
Property management fees	<u>\$ 24,374</u>	<u>\$ 23,581</u>
Auditing and accounting	<u>\$ 7,910</u>	<u>\$ 7,730</u>

Willow Creek Seniors, LLC  
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	<u>2021</u>	<u>2020</u>
Repairs and maintenance:		
Maintenance payroll	\$ 18,579	\$ 15,466
Repairs expense	13,718	33,256
Painting and decorating	2,182	2,094
Elevator maintenance	2,445	5,768
Grounds maintenance	14,619	13,074
Garbage and trash removal	7,428	7,445
Cleaning expense (janitorial)	5,029	6,870
Exterminating	710	681
Fire alarm expense	6,483	5,451
Security	918	203
	<u>\$ 72,111</u>	<u>\$ 90,308</u>
Utilities:		
Electricity	\$ 12,408	\$ 13,674
Water	4,810	5,685
Sewer	8,999	10,744
	<u>\$ 26,217</u>	<u>\$ 30,103</u>
Taxes and insurance:		
Property and liability insurance	\$ 18,512	\$ 19,928
Other insurance	4,252	2,361
Other taxes, licenses and fees (state charges)	428	426
	<u>\$ 23,192</u>	<u>\$ 22,715</u>
Amortization	<u>\$ 5,853</u>	<u>\$ 5,853</u>
Depreciation	<u>\$ 179,203</u>	<u>\$ 179,203</u>

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	<u>2021</u>	<u>2020</u>
Interest expense - mortgage loans:		
1st mortgage interest - Centrant	\$ 58,629	\$ 59,636
2nd mortgage interest - NCHFA RPP	7,551	7,631
3rd mortgage interest - Wake County	5,489	5,561
Deferred mortgage interest - Town of Cary	952	1,952
Deferred mortgage interest - DHIC	3,993	4,000
Amortization of deferred financing costs	<u>3,768</u>	<u>3,768</u>
	<u>\$ 80,382</u>	<u>\$ 82,548</u>