
**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

dba CHADWICK APARTMENTS

HUD PROJECT NO. 053-EE006

**REPORT ON AUDIT OF FINANCIAL
STATEMENTS AND ACCOMPANYING
INFORMATION AND COMPLIANCE
AND INTERNAL CONTROL**

YEARS ENDED JUNE 30, 2022 AND 2021

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Chadwick Apartments, Inc.
(A North Carolina Not-For-Profit Corporation)

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of Chadwick Apartments, Inc., which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of profit and (loss) - changes in net assets, changes in net assets, 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 Chadwick Apartments, Inc. as of June 30, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Chadwick Apartments, Inc. 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 Chadwick Apartments, Inc.'s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinions. 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 and *Government 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 and *Government 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 Chadwick Apartments, Inc.'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 Chadwick Apartments, Inc.'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.

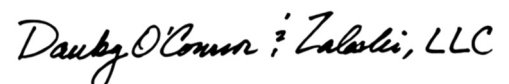
Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 17 to 35 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022, on our consideration of Chadwick Apartments, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chadwick Apartments, Inc.'s internal control over financial reporting and compliance.

August 12, 2022
Carmel, Indiana



Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	ASSETS	
	<u>2022</u>	<u>2021</u>
Current assets		
Cash and cash equivalents		
Cash - operations	\$ 16,508	\$ 13,703
Residents' security deposits	16,056	15,301
Escrow deposits	9,295	8,933
Reserve for replacements	367,323	356,819
Residual receipts	10,262	10,259
	<u>419,444</u>	<u>405,015</u>
Accounts receivable - other	666	1,408
Prepaid expenses	8,023	1,569
	<u>428,133</u>	<u>407,992</u>
Property and equipment		
Land and land improvements	104,032	104,032
Buildings	2,159,133	2,155,392
Furniture for community/resident use	36,110	36,110
Office furniture and equipment	10,758	10,758
	<u>2,310,033</u>	<u>2,306,292</u>
Less: accumulated depreciation	(1,495,936)	(1,437,114)
	<u>814,097</u>	<u>869,178</u>
	<u><u>\$ 1,242,230</u></u>	<u><u>\$ 1,277,170</u></u>

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**STATEMENTS OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2022 AND 2021**

LIABILITIES AND NET ASSETS

	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable - operations	\$ 4,842	\$ 5,447
Accounts payable - HUD	66	231
Accrued wages payable	2,010	1,792
Accrued payroll taxes payable	152	134
Accrued management fee payable	2,636	2,591
Incentive performance fee payable	5,924	3,657
Prepaid revenue	1,216	188
Total current liabilities	16,846	14,040
Deposit liabilities		
Residents' security deposits	<u>15,718</u>	<u>14,964</u>
Long term liabilities		
HUD Capital Advance Note	<u>2,148,300</u>	<u>2,148,300</u>
Total liabilities	2,180,864	2,177,304
Net assets - without donor restrictions	<u>(938,634)</u>	<u>(900,134)</u>
	<u>\$ 1,242,230</u>	<u>\$ 1,277,170</u>

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF PROFIT AND (LOSS) - CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021

		2022	2021
Rental revenue	Rent revenue - gross potential	\$ 138,105	\$ 135,183
	Tenant assistance payments	\$ 129,610	\$ 130,257
	Rent revenue - stores and commercial	\$	\$
	Garage and parking spaces	\$	\$
	Flexible subsidy revenue	\$	\$
	Miscellaneous rent revenue	\$	\$
	Excess rent	\$	\$
	Rent revenue/insurance	\$	\$
	Special claims revenue	\$ 521	\$ 166
	Retained excess income	\$	\$
	Lease revenue (nursing home or section 232-B&C or AL)	\$	\$
	Total rent revenue potential at 100% occupancy	\$ 268,236	\$ 265,606
Vacancies	Apartments	(2,710)	(4,765)
	Stores and commercial	()	()
	Rental concessions	()	()
	Garage and parking spaces	()	()
	Miscellaneous	()	()
	Total vacancies	(2,710)	(4,765)
	Net rental revenue rent revenue less vacancies	\$ 265,526	\$ 260,841
Financial revenue	Nursing homes and other elderly care revenues	\$	\$
	Financial revenue - community operations	\$ 2	\$ 3
	Revenue from investments - residual receipts	\$ 3	\$ 5
	Revenue from investments - reserve for replacements	\$ 214	\$ 166
	Revenue from investments - miscellaneous	\$	\$
	Total financial revenue	\$ 219	\$ 174
Other revenue	Laundry and vending revenue	\$ 4,656	\$ 4,530
	Resident charges	\$ 76	\$ 1,293
	Interest reduction payments revenue	\$	\$
	Expiration of gift donor restrictions	\$	\$
	Gifts	\$	\$
	Miscellaneous revenue	\$ 2	\$ 7,413
	Total other revenue	\$ 4,734	\$ 13,236
	Total revenue	\$ 270,479	\$ 274,251
Admin. expenses	Conventions and meetings	\$ 1,094	\$ 935
	Management consultants	\$	\$ 200
	Advertising and marketing	\$ 412	\$ 322
	Other renting expenses	\$ 240	\$ 160
	Office salaries	\$ 5,230	\$ 5,074
	Office expenses	\$ 10,956	\$ 14,008
	Office or model apartment rent	\$	\$
	Management fee	\$ 30,587	\$ 30,071
	Manager or superintendent salaries	\$ 26,693	\$ 25,403
	Administrative rent free unit	\$	\$
	Legal expenses (community)	\$	\$ 107
	Audit expenses	\$ 5,260	\$ 5,110
	Bookkeeping fees/accounting services	\$ 151	\$ 134
	Bad debts	\$ 125	\$
Miscellaneous administrative expenses	\$ 912	\$ 981	
	Total administrative expenses	\$ 81,660	\$ 82,505
Utilities expenses	Fuel oil/coal	\$	\$
	Electricity	\$ 13,723	\$ 13,160
	Water	\$ 5,090	\$ 4,200
	Gas	\$	\$
	Sewer	\$ 8,452	\$ 7,421
	Total utilities expense	\$ 27,265	\$ 24,781

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF PROFIT AND (LOSS) - CHANGES IN NET ASSETS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021

		2022	2021
Operating and maint. expenses	Payroll	\$ 16,874	\$ 16,821
	Supplies	\$ 9,220	\$ 11,755
	Contracts	\$ 42,537	\$ 60,281
	Operating and maintenance rent free unit	\$	\$
	Garbage and trash removal	\$ 3,454	\$ 3,251
	Security payroll/contract	\$ 284	\$
	Security rent free unit	\$	\$
	Heating/cooling repairs and maintenance	\$ 7,569	\$ 4,406
	Snow removal	\$	\$
	Vehicle and maint. equipment operation and repairs	\$	\$
	Lease expense	\$	\$
	Miscellaneous operating and maintenance expenses	\$ 14,306	\$ 7,834
	Total operating and maintenance expenses	\$ 94,244	\$ 104,348
	Taxes and insurance	Real estate taxes	\$
Payroll taxes (community's share)		\$ 3,307	\$ 3,264
Property and liability insurance (hazard)		\$ 10,483	\$ 9,408
Fidelity bond insurance		\$ 99	\$ 100
Workmen's compensation		\$ 780	\$ 970
Health insurance and other employee benefits		\$ 3,568	\$ 1,973
Miscellaneous taxes, licenses, permits and insurance		\$	\$
Total taxes and insurance	\$ 18,237	\$ 15,715	
Financial expenses	Interest on first mortgage (or bonds) payable	\$	\$
	Interest on other mortgages	\$	\$
	Interest on notes payable (long-term)	\$	\$
	Interest on notes payable (short-term)	\$	\$
	Interest on capital recovery payment (M2M)	\$	\$
	Mortgage insurance premium/service charge	\$	\$
	Miscellaneous financial expenses	\$	\$
Total financial expenses	\$ -	\$ -	
	Nursing homes and other elderly care expenses	\$ 21,205	\$ 18,503
	Total cost of operations before depreciation	\$ 242,611	\$ 245,852
	Profit (loss) before depreciation	\$ 27,868	\$ 28,399
	Depreciation	\$ 60,444	\$ 60,601
	Amortization	\$	\$
Operating profit or (loss)	\$ (32,576)	\$ (32,202)	
Entity income and expenses	Entity revenue	\$	\$ 3,319
	Officer's salaries	\$	\$
	Incentive performance fee (M2M)	\$	\$
	Legal expenses	\$	\$
	Federal, state, and other income taxes	\$	\$
	Interest on notes payable	\$	\$
	Interest on mortgage payable	\$	\$
	Other expenses	\$ 5,924	\$ 3,657
Net entity expenses	\$ 5,924	\$ 338	
Change in net assets from operations	Change in net assets without donor restrictions	\$ (38,500)	\$ (32,540)
	Change in net assets with donor restrictions	\$	\$
	Change in total net assets from operations	\$ (38,500)	\$ (32,540)

See notes to financial statements

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**STATEMENTS OF CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2022 AND 2021**

Balance, July 1, 2020	\$ (867,594)
Change in net assets without donor restrictions	<u>(32,540)</u>
Balance, June 30, 2021	(900,134)
Change in net assets without donor restrictions	<u>(38,500)</u>
Balance, June 30, 2022	<u><u>\$ (938,634)</u></u>

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash flow from operating activities		
Revenue:		
Rental income	\$ 266,264	\$ 261,260
Financial	219	174
Other income	4,734	13,236
	<u>271,217</u>	<u>274,670</u>
Expenditures:		
Administrative	(41,696)	(42,268)
Management fee	(30,542)	(30,018)
Utilities	(27,265)	(24,781)
Salaries and wages	(48,579)	(54,353)
Operating and maintenance	(75,044)	(89,200)
Property insurance	(16,937)	(9,408)
Miscellaneous taxes and insurance	(7,736)	(6,301)
Incentive performance fee	(3,657)	-
Resident security deposits	754	(79)
	<u>(250,702)</u>	<u>(256,408)</u>
Net cash provided by (used in) operating activities	<u>20,515</u>	<u>18,262</u>
Cash flow from investing activities		
Purchase of property and equipment	(6,086)	(10,907)
Net cash provided by (used in) investing activities	<u>(6,086)</u>	<u>(10,907)</u>
Net change in cash and cash equivalents	14,429	7,355
Cash and cash equivalents, beginning	<u>405,015</u>	<u>397,660</u>
Cash and cash equivalents, ending	<u>\$ 419,444</u>	<u>\$ 405,015</u>

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 1-ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Chadwick Apartments, Inc. (a North Carolina Not-For-Profit Corporation) (the "Corporation") was organized to develop, own and operate a 41-unit apartment community in Garner, North Carolina, known as Chadwick Apartments (the "Community"), pursuant to Section 202 of the Housing Act of 1959, as amended. The Corporation has entered into the standard Federal Housing Administration ("FHA") regulatory agreement (the "Regulatory Agreements") governing the operation of the Community with the FHA section of the Department of Housing and Urban Development ("HUD"). The Corporation leases apartment units to low income families (or persons) in the normal course of business. The terms of the leases are generally one year.

In addition, the Corporation has entered into a Project Rental Assistance Contract ("PRAC") Agreement. The PRAC is a rent assistance program for low-income families (or persons). Eligible low-income residents pay 30% of their income as rent, while HUD pays the difference between this rental amount and "contract rent" (as defined). The Corporation can request from HUD an amount equal to 50% of contract rent during periods that the unit is vacant if certain conditions are met, but not to exceed 60 days ("Special Claim"). If a unit continues to be vacant after the 60-day period, the Corporation may submit a claim and receive additional housing assistance payments on a semiannual basis, if certain conditions are met, as outlined in the PRAC. The PRAC is for 40 units, which does not include a non-revenue producing unit, and expires January 31, 2023.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the financial statements

The primary intent of the financial statements is for the U.S. Office of Management and Budget. The financial statements will also be used by HUD; therefore, the presentation and account descriptions have been established to conform to their reporting guidelines. In addition, the financial statements are in conformity with the provisions required by the Not-for-Profit Entities Presentation of Financial Statements topic of the Financial Accounting Standards Board ("FASB") *Accounting Standards Codification* ("ASC") 958-205. This statement established standards for external financial reporting for Not-for-Profit Organizations.

The Not-for-Profit Entities Presentation of Financial Statements topic of the FASB ASC primarily affects the display of the financial statements and requires that the amounts for each of two classes of net assets - with or without donor restrictions be displayed in an aggregate statement of financial position and the amounts of change in each of those classes of net assets be displayed in a statement of changes in net assets. All assets held by the Corporation at June 30, 2022 and 2021 are classified as without donor restrictions.

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting services of the Corporation. All revenue and expenses relates to the operating costs of the multi-family Property except for Administrative Expenses in the Statement of Profit and (Loss) - Changes in Net Assets are deemed program expenses. All administrative expenses represent supporting services.

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

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

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

New accounting pronouncements

In February 2016, the 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 Statements of Financial Position. 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 equivalents. As of June 30, 2022 and 2021, cash consists of an unrestricted checking and petty cash account.

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 Corporation does not accrue interest on the resident receivable balances.

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not material to the financial statements for the years ended June 30, 2022 and 2021. Bad debts expensed for the years ended June 30, 2022 and 2021 totaled \$125 and \$-0-, respectively.

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 Corporation is subject to the provisions of the Impairment or Disposal of Long-Lived Assets topic of the FASB ASC 360-10. Impairment or Disposal of Long-Lived Assets has no retroactive impact on the Corporation'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 losses were recognized during the years ended June 30, 2022 and 2021.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

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

Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the residents of the Community are operating leases under FASB ASC 840 and are not within the scope of FASB ASU 2014-09.

Grant income

Proceeds from the Green Retrofit Program for Multifamily Housing Grant have been received in full, and income was recognized during the year ended June 30, 2011.

Advertising costs

Advertising costs are expensed as incurred and are included in advertising and marketing in the Statements of Profit and (Loss) - Changes in Net Assets.

Property taxes

The Corporation has received an exemption from real and personal property taxes.

Concentration of credit risk

The Corporation deposits its cash in financial institutions. At times, deposits may exceed federally insured limits. The Corporation continuously monitors the financial strength of each institution, and has not experienced any losses in such accounts.

The rental income from the PRAC Contract totaled \$130,131 or 49% of the net rental revenue for the year ended June 30, 2022. The PRAC Contract is subject to annual appropriations to HUD from Congress.

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay the related cost, including the additional administrative burden, if any, to comply with a change.

Use of estimates in the preparation of financial statements

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 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.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

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

Fair value

The Corporation 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 Corporation's financial statements for the years ended June 30, 2022 and 2021.

Accounting for uncertainty in income taxes

The Corporation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and state income tax and has been classified as an other than private foundation. Accordingly, no provision for federal and state taxes on revenue and income has been recognized in the accompanying financial statements. Generally, the Federal and State tax returns were subject to examinations from the three years after the later of the original or extended due date or the date filed with the applicable tax authority.

Subsequent events

Management performed an evaluation of the Corporation's activity through August 12, 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-HUD CAPITAL ADVANCE NOTE

The Corporation has entered into a Capital Advance Program Mortgage Note (the "Note") for a capital advance in the amount of \$2,148,300; all the funds were drawn during construction and remain outstanding. The Note bears no interest and repayment is not required as long as the housing project remains available for very low-income elderly and handicapped individuals in accordance with Section 202 of the Housing Act of 1959, as amended, and the PRAC and is operated in accordance with the Regulatory Agreement and HUD Regulations. The Note is secured by the mortgage upon the land, building and equipment and other amounts held by the Corporation.

The debt evidenced by this Note may not be prepaid prior to the maturity date of March 1, 2034, without the prior written approval of HUD. Provided (1) the housing project has remained available for occupancy by eligible families for no less than 40 years; and (2) the Note has not otherwise become due and payable by reason of defaults under the Note, mortgage or Regulatory Agreement through that date, the Note shall be deemed to be paid and discharged. If a default occurs under the terms of this Note, mortgage, the Regulatory Agreement or the regulations, at the option of the holder of this Note, the entire principal and interest at 7.75% should at once become due and payable without notice.

The liability of the Corporation under the mortgage loan is limited to the underlying value of the property and equipment collateral in addition to other amounts on deposit.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 3-CASH DISTRIBUTIONS, RESIDUAL RECEIPTS, RESERVE FOR REPLACEMENTS FUND AND LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Pursuant to the terms of the Regulatory Agreement, no cash distributions in excess of the annual incentive performance fee may be made to nonprofit owners, nor can they incur obligations on behalf of the community, to themselves or any officers, directors, stockholders, trustees, partners, beneficiaries under a trust, or any of their nominees without prior written approval of HUD. Residual receipts in excess of the annual incentive performance fee ("Surplus Cash") as defined by HUD, existing at the end of the fiscal year must be deposited in an interest bearing residual receipts fund in the name of the Corporation. The residual receipts fund is an asset of the Corporation held under HUD control. Withdrawals from the residual receipts fund may only be made with the approval of HUD for property purposes, including reduction of housing assistance payments. In accordance with the PRAC, if HUD determines at any time that community funds are more than the amount needed for community operations, reserve requirements and permitted distributions, HUD may require excess to be placed in an account to be used to reduce PRAC payments or for other community purposes. Upon termination of the PRAC, any excess funds must be remitted to HUD.

During the years ended June 30, 2022 and 2021, there were no required deposits, no expenditures and no amounts were remitted back to HUD from the residual receipts fund. At June 30, 2022 and 2021, the balance in the residual receipts fund is \$10,262 and \$10,259, respectively.

Pursuant to the terms of the Regulatory Agreement, the Corporation is required to make monthly deposits to the reserve for replacements fund. This fund is under the control of HUD. Disbursements from such fund may only be made for the purpose of effecting replacement of structural elements and mechanical equipment of the Community and after receiving the written consent of the Secretary of HUD. As of June 30, 2022 and 2021, the balance in the reserve for replacements account is \$367,323 and \$356,819, respectively.

Liquidity and availability of financial assets

The Corporation's liquidity and availability of cash flow is limited to surplus cash as defined by HUD. The Corporation manages its liquidity by completing annual operating budgets that provide sufficient funds for general expenditures in meeting liabilities and other obligations as they become due and maintains a reserve for replacements and residual receipts that may be drawn upon as needed during the year to manage cash flow and make necessary repairs to the Community with approval from HUD. The Corporation's cash and cash equivalents is available within one year of the statement of financial position date to meet cash needs for general expenditures.

NOTE 4-MANAGEMENT AGREEMENT

The Community is managed by Community Management Corporation (the "Agent"). In accordance with the management agreement, the Corporation pays an annual management fee of 11.31% of residential and miscellaneous income collected. During the years ended June 30, 2022 and 2021, the Agent earned management fees of \$30,587 and \$30,071, respectively. At June 30, 2022 and 2021, \$2,636 and \$2,591 remains payable, respectively.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 4-MANAGEMENT AGREEMENT (CONTINUED)

In accordance with HUD regulations, the Agent is also entitled to be reimbursed for the actual costs incurred for front-line management activities performed at the central office (as these activities are defined by HUD).

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"). During prior years, the Agent allocated a portion of the PPP Loan to the Corporation related to the payroll and related costs incurred by the Corporation, totaling \$7,413, which was included in Accrued Payroll and Payroll Taxes Payable on the Statements of Financial Position. 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 and receivable recorded by the Corporation were eliminated during the year ended June 30, 2021.

NOTE 5-GREEN RETROFIT GRANT

In September 2010, the Corporation entered into a Green Retrofit Commitment Plan and Retrofit Funding Agreement ("Retrofit Agreement") with HUD under the Green Retrofit Program for Multifamily Housing ("GRP"). The GRP is authorized by the American Recovery and Reinvestment Act of 2009. Under the Retrofit Agreement, the Corporation was awarded \$190,110 in GRP funds to cause certain retrofits, repairs and/or improvements to be made to the Community. Management completed the retrofits, repairs and/or improvements during the year ended June 30, 2011. The term of the Retrofit Agreement shall run from the closing date of September 2010 through February 2049. The Retrofit Agreement and related documents require the Corporation to operate the Community in accordance with the stated use requirements throughout the term. Noncompliance of the stated use requirements could subject the Corporation to liquidated damages or other remedies to the benefit of the GRP, or be considered an event of default under the Regulatory Agreement or PRAC. The Corporation received total grant proceeds of \$190,110, which were used to fund capital additions.

Incentive performance fee

During the use restriction period expiring in February 2049, the owner is entitled to receive a non-cumulative annual incentive performance fee in the amount of 3% of the property's annual effective gross income as defined in the Retrofit Agreement. The incentive performance fee is paid solely from available surplus cash as long as the Community is in compliance with all terms and conditions outlined in the Retrofit Agreement. If there is insufficient surplus cash to pay the fee, it shall not accrue. During the years ended June 30, 2022 and 2021, incentive performance fees of \$5,924 and \$3,657 were earned, and \$3,657 and \$-0- was paid, all respectively. The fee earned during the year ended June 30, 2020 of \$3,319 was not paid and was written off and included in entity revenue of the Statements of Profit and (Loss) - Changes in Net Assets at year ended June, 30, 2021. At June 30, 2022 and 2021, \$5,924 and \$3,657 remains payable, respectively.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 6-COMMITMENTS AND CONTINGENCIES

Residual receipts fund

In accordance with the PRAC, if HUD determines at any time that residual receipt funds are more than the amount needed for Community purposes, HUD may require any excess to be remitted to HUD upon notice.

In accordance with HUD Memorandum issued June 19, 2015, upon termination of the PRAC residual receipt funds in excess of \$250 per unit must be remitted to HUD on an annual basis. Approved service coordinator costs are eligible to be withdrawn from residual receipts funds, upon HUD approval, not to exceed \$15 per unit per month. At the end of the Regulatory Agreement any funds remaining in the residual receipt fund must be remitted to HUD.

Although the Corporation has adopted the policy to reflect a recapture liability equal to the excess of \$250 per unit, HUD has the right upon notice to request the entire residual receipt balance to be remitted to HUD; however, the Corporation does not believe this is likely. Any funds remaining in the residual receipts fund will be approved by HUD to be utilized for Community purposes.

As of June 30, 2022 and 2021, there was no excess of \$250 per unit. During the years ended June 30, 2022 and 2021, the loss due to recapture of residual receipts was \$-0- and the gain due to recapture of residual receipts was \$-0-. During the years ended June 30, 2022 and 2021, no residual receipts were remitted back to HUD. At June 30, 2022 and 2021, \$-0- remains payable.

Economic conditions

In December 2019, COVID-19 surfaced. The spread of COVID-19 around the world has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies, and, as such, the Corporation is unable to determine if it will have a material impact to its operations.

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

ACCOMPANYING INFORMATION REQUIRED BY HUD
YEAR ENDED JUNE 30, 2022

Reserve for replacements

In accordance with provisions of the Regulatory Agreement, cash is held by First Horizon Bank to be used for replacing assets of the Community with HUD's approval.

Balance, July 1, 2021	\$	356,819
Monthly deposits		19,728
Other - PRAC shortfall reimbursement		10,104
Approved withdrawals		(19,542)
Interest earned		214
		<hr/>
Balance, June 30, 2022	\$	<u><u>367,323</u></u>

Residual receipts

In accordance with the provisions of the Regulatory Agreement, cash is held by First Horizon Bank to be used as allowed by HUD.

Balance, July 1, 2021	\$	10,259
Interest earned		3
		<hr/>
Balance, June 30, 2022	\$	<u><u>10,262</u></u>

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS AND RESIDUAL RECEIPTS
YEAR ENDED JUNE 30, 2022**

Part A - Compute Surplus Cash		
1. Cash	\$	32,564
2. Accounts Receivable - HUD	\$	
3. Other	\$	
(a) Total Cash (Add Lines 1, 2, and 3)		\$ 32,564
Current Obligations		
4. Accrued Mortgage (or Bond) Interest Payable	\$	
5. Delinquent Mortgage (or Bond) Principal Payments	\$	
6. Delinquent Deposits to Reserve for Replacements	\$	
7. Accounts Payable (due Within 30 days)	\$	4,908
8. Loans and Notes Payable (due Within 30 days)	\$	
9. Deficient Tax Insurance or MIP Escrow Deposits	\$	
10. Accrued Expenses (not Escrowed)	\$	4,798
11. Prepaid Revenue	\$	1,216
12. Resident/Patient Deposits Held in Trust	\$	15,718
13. Other Current Obligations	\$	5,924
(b) Less Total Current Obligations (Add Lines 4 Through 13)		\$ 32,564
(c) Surplus Cash (Deficiency) (Line (a) Minus Line (b))		\$ -
PART B - Compute Distributions to Owners and Required Deposit to Residual Receipts		
1. Deposit Due Residual Receipts	\$	-

BALANCE SHEET DATA SUPPLEMENTAL INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
For Year Ending June 30, 2022			
ASSETS			
Acct No.	Description of Account		
1120	Cash - Operations		16,508
1121	Construction Cash Account		-
1125	Cash - Entity		-
1130	Tenant/Member Accounts Receivable (Coops)	-	
1131	Allowance for Doubtful Accounts	-	
1130N	Net Tenant Accounts Receivable		-
1135	Accounts Receivable - HUD		-
1137	Medicare/Medicaid/Other Insurance Receivable	-	
1138	Allowance for Doubtful Accounts (Medicare/Medicaid/Other Insurance Receivable)	-	
1137N	Net Medicare/Medicaid/Other Insurance Receivable		-
1140	Accounts and Notes Receivable - Operations		666
1145	Accounts and Notes Receivable - Entity		-
1160	Accounts Receivable - Interest		-
1165	Interest Reduction Payment Receivable		-
1170	Short Term Investments - Operations		-
1175	Short Term Investments - Entity		-
1180	Inventory		-
1190	Miscellaneous Current Assets		-
1200	Prepaid Expenses		8,023
1100T	Total Current Assets		25,197
1191	Tenant/Patient Deposits Held in Trust		16,056
1310	Escrow Deposits		9,295
1320	Replacement Reserve		367,323
1330	Other Reserves		-
1340	Residual Receipts Reserve		10,262
1355	Bond Reserves		-
1367	Sinking Fund		-
1381	Management Improvement and Operating Plan		-
1300T	Total Deposits		386,880
1410	Land		104,032
1420	Buildings		2,159,133
1440	Building Equipment (Portable)		-
1450	Furniture for Project/Tenant Use		36,110
1460	Furnishings		-
1465	Office Furniture and Equipment		10,758
1470	Maintenance Equipment		-
1480	Motor Vehicles		-
1490	Miscellaneous Fixed Assets		-
1400T	Total Fixed Assets		2,310,033
1495	Accumulated Depreciation		1,495,936
1400N	Net Fixed Assets		814,097
1510	Investments - Operations		-
1515	Investments - Entity		-
1525	Cash Restricted for Long-term Investment		-
1590	Miscellaneous Other Assets		-
1500T	Total Other Assets		-
1000T	Total Assets		\$ 1,242,230

LIABILITIES			
2105	Bank Overdraft - Operations		-
2110	Accounts Payable - Operations		4,842
2111	Accounts Payable - Construction/Development		-
2112	Accounts Payable - Project Improvement Items		-
2113	Accounts Payable - Entity		5,924
2114	Incentive Performance Fee Payable		-
2115	Accounts Payable - 236 Excess Income due HUD		-
2116	Accounts Payable - Section 8 & Other		66
2120	Accrued Wages Payable		2,010
2121	Accrued Payroll Taxes Payable		152
2123	Accrued Management Fee Payable		2,636
2125	Accrued Lease Payments Payable		-
2130	Accrued Interest Payable - Section 236		-
2131	Accrued Interest Payable - First Mortgage (or Bonds)		-
2132	Accrued Interest Payable - Other Mortgages		-
2133	Accrued Interest Payable - Other Loans and Notes (Surplus Cash)		-
2134	Accrued Interest Payable - Other Loans and Notes		-
2135	Accrued Interest Payable - Flexible Subsidy Loan		-
2136	Accrued Interest Payable - Capital Improvements Loan		-
2137	Accrued Interest Payable - Operating Loss Loan		-
2139	Accrued Interest Payable - Capital Recovery Payment (M2M)		-
2150	Accrued Property Taxes		-
2160	Notes Payable (Short-term)		-
2170	Mortgage(or Bonds) Payable - First Mortgage(Bonds) (Short Term)		-
2172	Other Mortgages Payable (Short Term)		-
2173	Other Loans and Notes Payable - Surplus Cash (Short Term)		-
2174	Other Loans and Notes (Short Term)		-
2175	Flexible Subsidy Loan Payable (Short Term)		-
2176	Capital Improvement Loan Payable (Short Term)		-
2177	Operating Loss Loan Payable (Short Term)		-
2179	Capital Recovery Payment Payable (Short Term - M2M)		-
2180	Utility Allowances		-
2190	Miscellaneous Current Liabilities		-
2210	Prepaid Revenue		1,216
2122T	Total Current Liabilities		16,846
2191	Tenant/Patient Deposits Held In Trust (Contra)		15,718
2305	Accounts Payable - Entity (Long Term)		-
2306	Accrued Lease Payments Payable - Long Term		-
2310	Notes Payable (Long-Term)		-
2311	Notes Payable - Surplus Cash		-
2320	Mortgage (or Bonds) Payable - First Mortgage (or Bonds)		2,148,300
2322	Other Mortgages Payable (Long Term)		-
2323	Other Loans and Notes Payable - Surplus Cash		-
2324	Other Loans and Notes Payable		-
2325	Flexible Subsidy Loan Payable		-
2326	Capital Improvement Loan Payable		-
2327	Operating Loss Loan Payable		-
2329	Capital Recovery Payment (M2M)		-
2330	Interest on Loans or Notes Payable (Long Term)		-
2331	Accrued Interest Other Mortgages Payable (Long Term)		-
2332	Accrued Interest Notes Payable (Surplus Cash) (Long Term)		-
2340	Debt Issuance Costs		-
2390	Miscellaneous Long Term Liabilities		-
2300T	Total Long Term Liabilities		2,148,300
2000T	Total Liabilities		\$ 2,180,864
NET ASSETS			
3131	Net Assets Without Donor Restrictions		(938,634)
3133	Net Assets With Donor Restrictions		-
3130	Total Net Assets		(938,634)
2033T	Total Liabilities and Equity/Net Assets		\$ 1,242,230

PROFIT AND LOSS DATA SUPPLEMENTAL INFORMATION			
Organization Name		FHA/Contract Number	
Chadwick Apartments, Inc.		See cover page	
For Year Ending			
June 30, 2022			
Acct No.	Description of Account		
Rent Revenue			
5120	Rent Revenue - Gross Potential	138,105	
5121	Tenant Assistance Payments	129,610	
5140	Rent Revenue - Stores and Commercial	-	
5170	Garage and Parking Spaces	-	
5180	Flexible Subsidy Revenue	-	
5190	Miscellaneous Rent Revenue	-	
5191	Excess Rent	-	
5192	Rent Revenue/Insurance	-	
5193	Special Claims Revenue	521	
5194	Retained Excess Income	-	
5195	Lease Revenue (Nursing Home or Section 232 - B&C or AL)	-	
5100T	Total Rent Revenue		268,236
Vacancies			
5220	Apartments	2,710	
5240	Stores and Commercial	-	
5250	Rental Concessions	-	
5270	Garage and Parking Space	-	
5290	Miscellaneous	-	
5200T	Total Vacancies		2,710
5152N	Net Rental Revenue (Rent Revenue Less Vacancies)		265,526
5300 Revenue			
5300	Nursing Homes/ Assisted Living/Board & Care/Other Elderly Care/Coop/ and Other Revenues		-
Financial Revenue			
5410	Financial Revenue - Project Operation	2	
5430	Revenue from Investments - Residual Receipts	3	
5440	Revenue from Investments - Replacement Reserve	214	
5490	Revenue from Investments - Miscellaneous	-	
5400T	Total Financial Revenue		219
Other Revenue			
5910	Laundry and Vending Revenue	4,656	
5920	Tenant Charges	76	
5945	Interest Reduction Payments Revenue	-	
5560	Expiration of Gift Donor Restrictions	-	
5970	Gifts	-	
5990	Miscellaneous Revenue	2	
5900T	Total Other Revenue		4,734
5000T	Total Revenue		270,479
Administrative Expenses			
6203	Conventions and Meetings	1,094	
6204	Management Consultants	-	
6210	Advertising and Marketing	412	
6250	Other Renting Expenses	240	
6310	Office Salaries	5,230	
6311	Office Expenses	10,956	
6312	Office or Model Apartment Rent	-	
6320	Management Fee	30,587	
6330	Manager or Superintendent Salaries	26,693	
6331	Administrative Rent Free Unit	-	
6340	Legal Expense - Project	-	
6350	Audit Expense	5,260	
6351	Bookkeeping Fees/Accounting Services	151	
6370	Bad Debts	125	
6390	Miscellaneous Administrative Expenses	912	
6263T	Total Administrative Expenses		81,660
Utilities Expenses			
6420	Fuel Oil/Coal	-	
6450	Electricity	13,723	
6451	Water	5,090	
6452	Gas	-	
6453	Sewer	8,452	
6400T	Total Utilities Expense		27,265

Maintenance Expenses			
6510	Payroll	16,874	
6515	Supplies	9,220	
6520	Contracts	42,537	
6521	Operating and Maintenance Rent Free Unit	-	
6525	Garbage and Trash Removal	3,454	
6530	Security Payroll/Contract	284	
6531	Security Rent Free Unit	-	
6546	Heating/Cooling Repairs and Maintenance	7,569	
6548	Snow Removal	-	
6570	Vehicle and Maintenance Equipment Operation and Repairs	-	
6580	Lease Expense	-	
6590	Miscellaneous Operating and Maintenance Expenses	14,306	
6500T	Total Operating and Maintenance Expense		94,244
Taxes & Insurance			
6710	Real Estate Taxes	-	
6711	Payroll Taxes (Project's Share)	3,307	
6720	Property & Liability Insurance (Hazard)	10,483	
6721	Fidelity Bond Insurance	99	
6722	Workmen's Compensation	780	
6723	Health Insurance and Other Employee Benefits	3,568	
6790	Miscellaneous Taxes, Licenses, Permits and Insurance	-	
6700T	Total Taxes and Insurance		18,237
Financial Expenses			
6820	Interest on First Mortgage (or Bonds) Payable	-	
6825	Interest on Other Mortgages	-	
6830	Interest on Notes Payable (Long Term)	-	
6840	Interest on Notes Payable (Short Term)	-	
6845	Interest on Capital Recovery Payment (M2M)	-	
6850	Mortgage Insurance Premium/ Service Charge	-	
6890	Miscellaneous Financial Expenses	-	
6800T	Total Financial Expenses		-
6900 Expenses			
6900	Nursing Homes/Assisted Living/ Board & Care/Other Elderly Care Expenses		21,205
Operating Results			
6000T	Total Cost of Operations before Depreciation		242,611
5060T	Profit (Loss) before Depreciation		27,868
6600	Depreciation Expenses	60,444	
6610	Amortization Expense	-	
5060N	Operating Profit or (Loss)		(32,576)
Corporate or Mortgagor Revenue/Expenses			
7105	Entity Revenue	-	
7110	Officer's Salaries	-	
7115	Incentive Performance Fee	-	
7120	Legal Expenses	-	
7130	Federal, State, and Other Income Taxes	-	
7141	Interest on Notes Payable	-	
7142	Interest on Mortgage Payable	-	
7190	Other Expenses	5,924	
7100T	Net Entity Expenses		5,924
Change in Net Assets from Operations			
3247	Change in Net Assets Without Donor Restrictions	(38,500)	
3249	Change in Net Assets With Donor Restrictions	-	
3250	Change in Total Net Assets from Operations		(38,500)
Part II			
S1000-010	Total first mortgage (or bond) principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held and HUD-insured first mortgages.		\$ -
S1000-020	The total of all monthly reserve for replacement deposits (usually 12 months) required during the audit period even if deposits have been temporarily waived or suspended.		\$ 19,728
S1000-030	Replacement Reserves, or Residual Receipts and Releases which are included as expense items on this Profit and Loss statement.		\$ -
S1000-040	Project Improvement Reserve releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss statement.		\$ -

EQUITY DATA SUPPLEMENTAL INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
For Year Ending June 30, 2022			
Acct No.	Description of Account		
S1100-060	Previous Year Net Assets Without Donor Restrictions	(900,134)	
3247	Change in Net Assets Without Donor Restrictions	(38,500)	
S1100-065	Other Changes in Net Assets Without Donor Restrictions	-	
3131	Net Assets Without Donor Restrictions		(938,634)
S1100-080	Previous Year Net Assets With Donor Restrictions	-	
3249	Change in Net Assets With Donor Restrictions	-	
S1100-085	Other Changes in Net Assets With Donor Restrictions	-	
3133	Net Assets With Donor Restrictions		-
S1100-050	Previous Year Total Net Assets	(900,134)	
3250	Change in Total Net Assets from Operations	(38,500)	
S1100-055	Other Changes in Total Net Assets	-	
3130	Total Net Assets		(938,634)

CASH FLOW DATA			
SUPPLEMENTAL INFORMATION			
Organization Name		FHA/Contract Number	
Chadwick Apartments, Inc.		See cover page	
For Year Ending			
June 30, 2022			
Acct No.	Description of Account		
Cash Flow from Operating Activities			
S1200-010	Rental Receipts	266,264	
S1200-020	Interest Receipts	219	
S1200-025	Gifts	-	
S1200-030	Other Operating Receipts	4,734	
S1200-035	Entity/Construction Receipts	-	
S1200-040	Total Receipts		271,217
S1200-050	Administrative	(41,696)	
S1200-070	Management Fee	(30,542)	
S1200-090	Utilities	(27,265)	
S1200-100	Salaries and Wages	(48,579)	
S1200-110	Operating and Maintenance	(75,044)	
S1200-115	Lease Payments	-	
S1200-120	Real Estate Taxes	-	
S1200-140	Property Insurance	(16,937)	
S1200-150	Miscellaneous Taxes and Insurance	(7,736)	
S1200-160	Tenant Security Deposits	(1)	
S1200-170	Other Operating Expenses	-	
S1200-180	Interest on Mortgages	-	
S1200-181	Interest Payments - Second Mortgage	-	
S1200-182	Interest Payments - Third Mortgage	-	
S1200-190	Interest on Notes Payable	-	
S1200-200	Interest on Capital Recovery Payment	-	
S1200-210	Mortgage Insurance Premium (MIP)	-	
S1200-220	Miscellaneous Financial	-	
S1200-223	Entity - Incentive Performance Fee	-	
S1200-225	Entity/Construction Disbursements	(3,657)	
S1200-230	Total Disbursements		(251,457)
S1200-240	Net Cash provided by (used in) Operating Activities		19,760
Cash Flow from Investing Activities			
S1200-245	Net Deposits to the Mortgage Escrow account	(362)	
S1200-250	Net Deposits to the Reserve for Replacement account	(10,504)	
S1200-255	Net Deposits to Other Reserves	-	
S1200-260	Net Deposits to the Residual Receipts account	(3)	
S1200-300	Net Deposits to the Management Improvement and Operating Plan	-	
S1200-310	Net Deposits to the Long Term Investment account	-	
S1200-330	Net Purchase of Fixed Assets	(6,086)	
S1200-340	Other Investing Activities	-	
S1200-345	Entity/Construction Investing Activities	-	
S1200-350	Net Cash provided by (used in) Investing Activities		(16,955)

Cash Flow from Financing Activities		
S1200-360	Principal Payments - First Mortgage (or Bonds)	-
S1200-361	Principal Payments - Second Mortgage	-
S1200-362	Principal Payments - Third Mortgage	-
S1200-365	Proceeds from Mortgages, Loans or Notes Payable	-
S1200-370	Principal Payments on Loans or Notes Payable	-
S1200-385	Proceeds from Flexible Subsidy Loans	-
S1200-390	Flexible Subsidy Loan principal payments	-
S1200-395	Proceeds from Capital Improvement Loans	-
S1200-400	Principal payments on Capital Improvement Loan Payable	-
S1200-405	Proceeds from Operating Loss Loans	-
S1200-410	Principal payments on Operating Loss Loan Payable	-
S1200-413	Proceeds from Capital Recovery Payment	-
S1200-417	Principal Payments on Capital Recovery Payment	-
S1200-420	Distributions	-
S1200-430	Contributions	-
S1200-450	Other Financing Activities	-
S1200-455	Entity/Construction Financing Activities	-
S1200-460	Net Cash provided by (used in) Financing Activities	-
S1200-470	Net increase (decrease) in Cash and Cash Equivalents	2,805
Cash and Cash Equivalents		
S1200-480	Beginning of Period Cash	13,703
S1200T	End of Period Cash	\$ 16,508
S1200-620	Comments	

DETAIL OF ACCOUNTS SUPPLEMENTAL INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
For Year Ending June 30, 2022			
Acct No.	Detail Description		
Balance Sheet Data			
1140	Accounts and Notes Receivable - Operations		
	Sales tax refund	666	
		-	
		-	
		-	
		-	
		-	
1140	Total Accounts and Notes Receivable - Operations		666
1145	Accounts and Notes Receivable - Entity		
		-	
		-	
		-	
		-	
		-	
		-	
1145	Total Accounts and Notes Receivable - Entity		-
1190	Miscellaneous Current Assets		
		-	
		-	
		-	
		-	
		-	
		-	
1190	Total Miscellaneous Current Assets		-
1330	Other Reserves		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
1330	Total Other Reserves		-
1590	Miscellaneous Other Assets		
		-	
		-	
		-	
		-	
		-	
		-	
1590	Total Miscellaneous Other Assets		-

2132	Accrued Interest Payable - Other Mortgages		
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2132	Total Accrued Interest Payable - Other Mortgages		-
2172	Other Mortgages Payable (Short Term)		
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2172	Total Other Mortgages Payable (Short Term)		-
2190	Miscellaneous Current Liabilities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
2190	Total Miscellaneous Current Liabilities		-
2322	Other Mortgages Payable (Long Term)		
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2322	Total Other Mortgages Payable (Long Term)		-
2331	Accrued interest Other Mortgages Payable (Long Term)		
	First Mortgage	-	
	Second Mortgage	-	
	Third Mortgage	-	
	Fourth Mortgage	-	
	Fifth Mortgage	-	
2331	Total Accrued interest Other Mortgages Payable (Long Term)		-
2390	Miscellaneous Long-term Liabilities		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
		-	
2390	Total Miscellaneous Long-term Liabilities		-
Profit and Loss Data			
5190	Miscellaneous Rent Revenue		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
5190	Total Miscellaneous Rent Revenue		-

5290	Miscellaneous		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
5290	Total Miscellaneous		-
5490	Revenue from Investments - Miscellaneous		
		-	
		-	
		-	
		-	
		-	
		-	
5490	Total Revenue from Investments - Miscellaneous		-
5990	Miscellaneous Revenue		
	Vendor rebate	2	
		-	
		-	
		-	
		-	
		-	
		-	
5990	Total Miscellaneous Revenue		2
6390	Miscellaneous Administrative Expenses		
	Bank fees	265	
	Employee mileage	207	
	Key attendant	440	
		-	
		-	
		-	
		-	
		-	
6390	Total Miscellaneous Administrative Expenses		912
6590	Miscellaneous Operating and Maintenance Expenses		
	Fire protection services	9,558	
	Loss on disposal of fixed assets	723	
	Capital needs assessment	4,025	
		-	
		-	
		-	
		-	
6590	Total Miscellaneous Operating and Maintenance Expenses		14,306
6790	Miscellaneous Taxes, Licenses, Permits and Insurance		
		-	
		-	
		-	
		-	
		-	
		-	
		-	
6790	Total Miscellaneous Taxes, Licenses, Permits and Insurance		-

6890	Miscellaneous Financial Expenses		
		-	
		-	
		-	
		-	
		-	
6890	Total Miscellaneous Financial Expenses		-
7190	Other Expenses		
	Incentive performance fee	5,924	
		-	
		-	
		-	
		-	
		-	
7190	Total Other Expenses		5,924
Equity Data			
S1100-055	Other Changes in Total Net Assets		
		-	
		-	
		-	
S1100-055	Total Other Changes in Total Net Assets		-
Cash Flow Data			
S1200-035	Entity/Construction Receipts		
		-	
		-	
		-	
		-	
S1200-035	Total Entity/Construction Receipts		-
S1200-225	Entity/Construction Disbursements		
	Incentive performance fee	(3,657)	
		-	
		-	
		-	
		-	
S1200-225	Total Entity/Construction Disbursements		(3,657)
S1200-255	Net Deposits to Other Reserves		
		-	
		-	
		-	
		-	
S1200-255	Total Net Deposits to Other Reserves		-
S1200-340	Other Investing Activities		
		-	
		-	
		-	
		-	
S1200-340	Total Other Investing Activities		-

S1200-345	Entity/Construction Investing Activities		
		-	
		-	
		-	
		-	
		-	
		-	
S1200-345	Total Entity/Construction Investing Activities		-
S1200-450	Other Financing Activities		
		-	
		-	
		-	
		-	
		-	
		-	
S1200-450	Total Other Financing Activities		-
S1200-455	Entity/Construction Financing Activities		
		-	
		-	
		-	
		-	
		-	
		-	
S1200-455	Total Entity/Construction Financing Activities		-

SCHEDULE OF REQUIRED RESERVES SUPPLEMENTAL INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
For Year Ending June 30, 2022			
SCHEDULE OF RESERVE FOR REPLACEMENT			
Acct No.	Description of Account		
1320P	Balance at Beginning of Year		356,819
1320DT	Total Monthly Deposits	19,728	
1320ODT	Other Deposits	10,104	
1320INT	Interest on Replacement Reserve Accounts	214	
1320RGL	Realized Gain or (Loss)	-	
1320UGL	Unrealized Gain or (Loss)	-	
1320WT	Approved Withdrawals	19,542	
1320OWT	Other Withdrawals	-	
1320	Balance at End of Year		367,323
1320R	Deposits suspended or waived indicator		No
Reserve for Replacements Details			
1320ODT	Other Deposits		
	PRAC shortfall reimbursement	10,104	
		-	
		-	
		-	
1320ODT	Total Other Deposits		10,104
1320OWT	Other Withdrawals		
		-	
		-	
		-	
		-	
1320OWT	Total Other Withdrawals		-
SCHEDULE OF RESIDUAL RECEIPTS			
1340P	Balance at Beginning of Year		10,259
1340DT	Total Deposits	-	
1340ODT	Other Deposits	-	
1340INT	Interest on Residual Receipts Accounts	3	
1340RGL	Realized Gain or (Loss)	-	
1340UGL	Unrealized Gain or (Loss)	-	
1340WT	Approved Withdrawals	-	
1340OWT	Other Withdrawals	-	
1340	Balance at End of Year		10,262
Residual Receipts Details			
1340ODT	Other Deposits		
		-	
		-	
		-	
		-	
1340ODT	Total Other Deposits		-
1340OWT	Other Withdrawals		
		-	
		-	
		-	
		-	
1340OWT	Total Other Withdrawals		-

COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS SUPPLEMENTAL INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
For Year Ending June 30, 2022			
COMPUTATION OF SURPLUS CASH, DISTRIBUTIONS, AND RESIDUAL RECEIPTS			
Acct No.	Description of Account		
S1300-010	Cash	32,564	
1135	Tenant subsidy due for period covered by financial statement	-	
S1300-030	Other	-	
S1300-040	Total Cash		32,564
S1300-050	Accrued Mortgage Interest Payable	-	
S1300-060	Delinquent Mortgage Principal Payments	-	
S1300-070	Delinquent Deposits to Reserve for Replacements	-	
S1300-075	Accounts Payable (due within 30 days)	4,908	
S1300-080	Loans and Notes Payable (due within 30 days)	-	
S1300-090	Deficient Tax Insurance or MIP Escrow Deposits	-	
S1300-100	Accrued Expenses [not escrowed]	4,798	
2210	Prepaid Revenue	1,216	
2191	Tenant Security Deposits Liability	15,718	
S1300-110	Other Current Obligations	5,924	
S1300-140	Total Current Obligations		32,564
S1300-150	Surplus Cash (Deficiency)		-
S1300-160	Annual Distribution Earned During Fiscal Period Covered by the Statement	-	
S1300-170	Distribution Accrued and Unpaid as of the End of the Prior Fiscal Period	-	
S1300-180	Distributions and Entity Expenses Paid During Fiscal Period Covered by Statement	-	
S1300-190	Distribution Earned but Unpaid	-	
S1300-200	Amount Available for Distribution During Next Fiscal Period		-
S1300-203	Incentive Performance Fee Payable (M2M)	-	
S1300-204	Percentage Surplus Cash Split (M2M)	-	
S1300-205	Surplus Cash Available for Second Mortgage Payments (M2M)	-	
S1300-206	Surplus Cash Available for Distribution (M2M)		-
S1300-210	Deposit Due Residual Receipts		-
Surplus Cash Details (Annual)			
S1300-030	Other Cash		
		-	
		-	
		-	
		-	
		-	
		-	
S1300-030	Total Other Cash		-
S1300-110	Other Current Obligations		
	Incentive performance fee	5,924	
		-	
		-	
		-	
		-	
S1300-110	Total Other Current Obligations		5,924

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS SUPPLEMENTAL INFORMATION			
Organization Name Chadwick Apartments, Inc.		FHA/Contract Number See cover page	
For Year Ending June 30, 2022			
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS			
Acct No.	Description of Account		
1410P	Beginning Balance for 1410		104,032
1410AT	Additions for 1410	-	
1410DT	Deductions for 1410	-	
1410	Land		104,032
1420P	Beginning Balance for 1420		2,155,392
1420AT	Additions for 1420	6,086	
1420DT	Deductions for 1420	2,345	
1420	Buildings		2,159,133
1440P	Beginning Balance for 1440		-
1440AT	Additions for 1440	-	
1440DT	Deductions for 1440	-	
1440	Building Equipment (Portable)		-
1450P	Beginning Balance for 1450		36,110
1450AT	Additions for 1450	-	
1450DT	Deductions for 1450	-	
1450	Furniture for Project/Tenant Use		36,110
1460P	Beginning Balance for 1460		-
1460AT	Additions for 1460	-	
1460DT	Deductions for 1460	-	
1460	Furnishings		-
1465P	Beginning Balance for 1465		10,758
1465AT	Additions for 1465	-	
1465DT	Deductions for 1465	-	
1465	Office Furniture and Equipment		10,758
1470P	Beginning Balance for 1470		-
1470AT	Additions for 1470	-	
1470DT	Deductions for 1470	-	
1470	Maintenance Equipment		-
1480P	Beginning Balance for 1480		-
1480AT	Additions for 1480	-	
1480DT	Deductions for 1480	-	
1480	Motor Vehicles		-
1490P	Beginning Balance for 1490		-
1490AT	Additions for 1490	-	
1490DT	Deductions for 1490	-	
1490	Miscellaneous Fixed Assets		-
1400PT	Total Beginning Balance for Fixed Assets		2,306,292
1400AT	Total Asset Additions	6,086	
1400DT	Total Asset Deductions	2,345	
1400T	Total Fixed Assets		2,310,033
1495P	Beginning Balance for Accumulated Depreciation		1,437,114
6600	Total Provisions	60,444	
1400ADT	Total Accumulated Depreciation from Disposed Assets.	1,622	
1495	Ending Balance for Accumulated Depreciation		1,495,936
1400N	Total Net Book Value		814,097

SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS (CONTINUED)			
SUPPLEMENTAL INFORMATION			
Organization Name		FHA/Contract Number	
Chadwick Apartments, Inc.		See cover page	
For Year Ending			
June 30, 2022			
SCHEDULE OF CHANGES IN FIXED ASSET ACCOUNTS (CONTINUED)			
Acct No.	Description of Account		
Fixed Asset Details			
1410AT		-	
1410DT		-	
1420AT	Walk-in tub	6,086	
1420DT	Bathtub	2,345	
1440AT		-	
1440DT		-	
1450AT		-	
1450DT		-	
1460AT		-	
1460DT		-	
1465AT		-	
1465DT		-	
1470AT		-	
1470DT		-	
1480AT		-	
1480DT		-	
1490AT		-	
1490DT		-	

CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)

SCHEDULE OF CHANGES IN PROPERTY AND EQUIPMENT
YEAR ENDED JUNE 30, 2022

	ASSETS			
	<u>Balance 7/1/2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2022</u>
Land and land improvements	\$ 104,032	\$ -	\$ -	\$ 104,032
Buildings	2,155,392	6,086 ⁽¹⁾	2,345 ⁽²⁾	2,159,133
Furniture for community/ resident use	36,110	-	-	36,110
Office furniture and equipment	10,758	-	-	10,758
	<u>\$ 2,306,292</u>	<u>\$ 6,086</u>	<u>\$ 2,345</u>	<u>\$ 2,310,033</u>
Accumulated depreciation	<u>\$ 1,437,114</u>	<u>\$ 60,444</u>	<u>\$ 1,622</u>	<u>\$ 1,495,936</u>
Net book value				<u>\$ 814,097</u>

Additions:

(1) Walk-in tub

Deletions:

(2) Bathtub

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022**

U.S. Department of Housing and Urban Development

Supportive Housing for the Elderly (Assistance Listing No. 14.157)

- Balance of capital advance as of July 1, 2021, under Section 202 of the Housing Act of 1959	\$ 2,148,300
- Project Rental Assistance Contract	<u>130,131</u>
	<u>\$ 2,278,431</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: The schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

Note 2: The Corporation has elected to not use the 10% de minimis cost rate.

Note 3: The balance of the capital advance at June 30, 2022 is \$2,148,300.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Chadwick Apartments, Inc.
(A North Carolina Not-For-Profit Corporation)

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Chadwick Apartments, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of profit and (loss) - changes in net assets, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 12, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chadwick Apartments, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of Chadwick Apartments, Inc.'s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

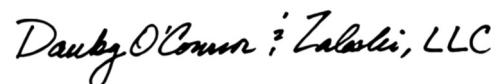
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chadwick Apartments, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chadwick Apartments, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

August 12, 2022
Carmel, Indiana



Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of
Chadwick Apartments, Inc.
(A North Carolina Not-For-Profit Corporation)

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Chadwick Apartments, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Chadwick Apartments, Inc.'s major federal programs for the year ended June 30, 2022. Chadwick Apartments, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying summary of auditor's results.

In our opinion, Chadwick Apartments, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the Guide. Our responsibilities under those standards, the Uniform Guidance, and the Guide are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Chadwick Apartments, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major HUD program. Our audit does not provide a legal determination of Chadwick Apartments, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Chadwick Apartments, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Chadwick Apartments, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, the Uniform Guidance, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above are considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Chadwick Apartments, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Chadwick Apartments, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Chadwick Apartments, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Guide, but not for the purpose of expressing an opinion on the effectiveness of Chadwick Apartments, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance (continued)

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purposes of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

August 12, 2022
Carmel, Indiana

Dauby O'Connor & Zaleski, LLC

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SUMMARY OF AUDITOR'S RESULTS
YEAR ENDED JUNE 30, 2022**

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported
- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualifies as a low-risk auditee? yes no

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
<u>14.157</u>	<u>Supportive Housing for the Elderly</u>

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SUMMARY OF AUDITOR'S RESULTS (CONTINUED)
YEAR ENDED JUNE 30, 2022**

Section II-Financial Statement Findings

Our audit disclosed no findings or questioned costs that are required to be reported.

Section III-Federal Award Findings and Questioned Costs

Our audit disclosed no findings or questioned costs that are required to be reported.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2022**

Name of auditee: Chadwick Apartments, Inc.

HUD auditee identification number: 053-EE006

Name of audit firm: Dauby O'Connor & Zaleski, LLC

Period covered by the audit: Year ended June 30, 2022

CAP prepared by

Name: Laura Grimes

Position: Accounting Manager

Telephone number: 336-231-8134

Current Findings on the Schedule of Findings, Questioned Costs, and Recommendations

No corrective action plan is required to be reported.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

There were no open findings or questioned costs from the prior audit report.

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**MANAGEMENT AGENT CERTIFICATION
YEAR ENDED JUNE 30, 2022**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Chadwick Apartments, Inc. and, to the best of our knowledge and belief, the same are accurate and complete.



David C. Eagan, President
Community Management Corporation

Date: August 12, 2022

Federal Employer Identification Number: 56-1010128

**CHADWICK APARTMENTS, INC.
(A NORTH CAROLINA NOT-FOR-PROFIT CORPORATION)**

**CERTIFICATION OF OFFICERS
YEAR ENDED JUNE 30, 2022**

We hereby certify that we have examined the accompanying financial statements and supplemental data of Chadwick Apartments, Inc. and, to the best of our knowledge and belief, the same are complete and accurate.

Officers:

Yolanda Winstead Digitally signed by Yolanda Winstead
DN: cn=Yolanda Winstead, o=DHIC, ou,
email=yolanda@dhic.org, c=US
Date: 2022.08.24 08:54:39 -0400

(Signature of Officer)

Yolanda Winstead

(Print Name of Officer)

President

(Title of Certifying Officer)

August 12, 2022

Date

Sharon Lorden

(Signature of Officer)

Sharon Lorden

(Print Name of Officer)

Vice President

(Title of Certifying Officer)

August 12, 2022

Date