

Booker Park North, LLC

NCFHA Project No. 9198240

**Independent Auditor’s Report,
Financial Statements, and
Supplementary Information**

December 31, 2022 and 2021



Table of Contents

Independent Auditor's Report	1
Financial Statements:	
Balance Sheets.....	4
Statements of Operations.....	6
Statements of Members' Equity (Deficit).....	7
Statements of Cash Flows.....	8
Notes to Financial Statements.....	10
Supplementary Information:	
Schedules of Income and Expenses.....	19



Independent Auditor's Report

Members
Booker Park North, LLC
NCHFA Project No. 9198240
Raleigh, NC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Booker Park North, LLC, which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Booker Park North, LLC as of December 31, 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Booker Park North, 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 Booker Park North, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that an audit conducted in accordance with 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 Booker Park North, 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 Booker Park North, 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.

FORVIS

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.

FORVIS,LLP

High Point, NC
March 1, 2023

Booker Park North, LLC
NCHFA Project No. 9198240
Balance Sheets
December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
ASSETS		
Current assets:		
Cash, operating	\$ 155,468	\$ 170,302
Accounts receivable, tenants	1,871	-
Accounts receivable, other	1,857	497
Prepaid insurance	<u>4,835</u>	<u>24,180</u>
Total current assets	<u>164,031</u>	<u>194,979</u>
Restricted deposits and funded reserves:		
Cash, tenant security deposits	43,970	42,784
Cash, replacement reserve	67,573	47,219
Cash, tax and insurance escrow	26,112	6,878
Cash, operating reserve	<u>245,737</u>	<u>245,314</u>
Total restricted deposits and funded reserves	<u>383,392</u>	<u>342,195</u>
Rental property:		
Land	538,373	538,373
Building	8,357,174	8,357,174
Land improvements	1,110,107	1,110,107
Furniture and fixtures	<u>431,880</u>	<u>431,880</u>
	10,437,534	10,437,534
Less accumulated depreciation	<u>(1,570,935)</u>	<u>(1,131,980)</u>
	<u>8,866,599</u>	<u>9,305,554</u>
Other assets:		
Deferred tax credit fees, net of accumulated amortization of \$37,820 in 2022 and \$27,357 in 2021	<u>119,129</u>	<u>129,592</u>
	<u>\$ 9,533,151</u>	<u>\$ 9,972,320</u>

See accompanying notes.

Booker Park North, LLC
NCHFA Project No. 9198240
Balance Sheets
December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities:		
Current maturities of notes payable	\$ 69,115	\$ 67,255
Accounts payable, trade	6,269	15,464
Accrued investor services fee	-	3,501
Accrued company administration fees	42,737	31,297
Accrued interest, current	<u>7,505</u>	<u>9,187</u>
Total current liabilities	<u>125,626</u>	<u>126,704</u>
Deposits and prepayment liabilities:		
Tenant security deposits	43,970	42,784
Prepaid rent	4,930	6,367
Prepaid revenue	<u>9,520</u>	<u>11,200</u>
	<u>58,420</u>	<u>60,351</u>
Long-term liabilities:		
Accrued interest, affiliates	4,051	2,036
Notes payable, net of unamortized debt issuance costs of \$49,600 in 2022 and \$51,682 in 2021, net of current maturities	<u>5,360,366</u>	<u>5,427,399</u>
	<u>5,364,417</u>	<u>5,429,435</u>
Members' equity	<u>3,984,688</u>	<u>4,355,830</u>
	<u>\$ 9,533,151</u>	<u>\$ 9,972,320</u>

Booker Park North, LLC
NCHFA Project No. 9198240
Statements of Operations
Years Ended December 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue:		
Gross rental income	\$ 569,640	\$ 556,605
Less: Vacancy loss	(8,235)	(3,034)
Less: Concessions and loss to lease	<u>(4,593)</u>	<u>(4,025)</u>
Total rental income	556,812	549,546
Other income:		
Interest income	603	133
Other	<u>10,614</u>	<u>7,504</u>
Total income	<u>568,029</u>	<u>557,183</u>
Expenses:		
Administrative	111,636	113,485
Professional fees	13,933	9,879
Utilities	58,193	30,029
Management fees	33,582	32,610
Repairs and maintenance	92,553	88,548
Taxes and insurance	<u>31,302</u>	<u>27,171</u>
Total operating expense	<u>341,199</u>	<u>301,722</u>
Income from operations	<u>226,830</u>	<u>255,461</u>
Nonoperating expenses:		
Interest expense	112,713	107,376
Depreciation	438,955	438,956
Amortization	10,463	10,463
Investor services fee	3,606	3,501
Company administration fee	<u>32,235</u>	<u>31,297</u>
Total nonoperating expenses	<u>597,972</u>	<u>591,593</u>
Net loss	<u>\$ (371,142)</u>	<u>\$ (336,132)</u>

See accompanying notes.

Booker Park North, LLC
NCHFA Project No. 9198240
Statements of Members' Equity (Deficit)
Years Ended December 31, 2022 and 2021

	<u>Managing Member</u>	<u>Investor Member</u>	<u>Total</u>
Balance (deficit), January 1, 2021	\$ (799,412)	\$ 5,491,274	\$ 4,691,862
Contributions	100	-	100
Net loss	<u>(34)</u>	<u>(336,098)</u>	<u>(336,132)</u>
Balance (deficit), December 31, 2021	\$ (799,346)	\$ 5,155,176	\$ 4,355,830
Net loss	<u>(37)</u>	<u>(371,105)</u>	<u>(371,142)</u>
Balance (deficit), December 31, 2022	<u>\$ (799,383)</u>	<u>\$ 4,784,071</u>	<u>\$ 3,984,688</u>

Booker Park North, LLC
NCHFA Project No. 9198240
Statements of Cash Flows
Years Ended December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Net loss	\$ (371,142)	\$ (336,132)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	438,955	438,956
Amortization	10,463	10,463
Amortization of deferred financing costs	2,082	2,082
Change in assets and liabilities		
(Increase) decrease:		
Accounts receivable, tenants	(1,871)	1,052
Accounts receivable, other	(1,360)	616
Prepaid insurance	19,345	(11,871)
Increase (decrease):		
Accounts payable, trade	(9,195)	(94)
Accrued investor services fee	(3,501)	102
Accrued company administration fee	11,440	(18,755)
Accrued interest, current	(1,682)	799
Tenant security deposit liability	1,186	719
Prepaid rent	(1,437)	(7,558)
Prepaid revenue	(1,680)	(1,680)
Accrued interest, affiliates	2,015	(4,166)
Net cash provided by operating activities	<u>93,618</u>	<u>74,533</u>
Cash flows from investing activities:		
Investment in rental property	-	(30,770)
Net cash used by investing activities	<u>-</u>	<u>(30,770)</u>
Cash flows from financing activities:		
Member contributions	-	100
Payments of notes payable	(67,255)	(67,445)
Net cash used by financing activities	<u>(67,255)</u>	<u>(67,345)</u>
Net increase (decrease) in cash, restricted deposits, and funded reserves	26,363	(23,582)
Cash, restricted deposits, and funded reserves, beginning of year	<u>512,497</u>	<u>536,079</u>
Cash, restricted deposits, and funded reserves, end of year	<u>\$ 538,860</u>	<u>\$ 512,497</u>

See accompanying notes.

Booker Park North, LLC
 NCHFA Project No. 9198240
 Statements of Cash Flows
 Years Ended December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	<u>\$ 110,298</u>	<u>\$ 108,661</u>
Reconciliation of cash, restricted deposits and funded reserves to balance sheet:		
Cash, operating	<u>\$ 155,468</u>	<u>\$ 170,302</u>
Restricted deposits and funded reserves	<u>383,392</u>	<u>342,195</u>
	<u>\$ 538,860</u>	<u>\$ 512,497</u>

Notes to Financial Statements

1. Nature of Operations and Significant Accounting Policies

Nature of operations

Booker Park North, LLC (the “Company”) was organized on September 7, 2016 for the purpose of acquiring, developing, constructing, leasing, managing, and operating a 72-unit apartment complex (the “project”) for rental to seniors in Raleigh, North Carolina commonly known as “Booker Park North.” The major activities of the Company are governed by the operating agreement and the loan agreements. The property was placed into service in May of 2019.

In June of 2018, 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 had one managing member - Booker Park North Housing, Inc.; and one investor member - Enterprise Housing Partners XXIX Limited Partnership.

The ownership of the Company is as follows:

Booker Park North Housing, Inc.	0.01%
Enterprise Housing Partners XXIX Limited Partnership	<u>99.99%</u>
	<u>100.00%</u>

The Company received an allocation of low-income housing tax credits from the North Carolina Housing Finance Agency under Section 42 of the Internal Revenue Code of 1986, as amended.

Basis of accounting

The financial statements of the Company are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles.

The following is a summary of significant accounting policies consistently applied in the preparation of these financial statements.

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.

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.

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.

Restricted cash

Restricted cash consists of tenant security deposits and escrow deposits held in segregated accounts for property taxes, insurance, operating deficits, replacement reserves, and rent up costs. The tenant security deposit account represents cash restricted for the purpose of refunding tenants' security deposits paid at the move-in date. Security deposits are refunded to the tenants at the time of move-out in accordance with the tenant lease agreement, subject to cleaning and repairs incidental to normal wear on the tenant unit.

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	15 years
Building	30 years
Furnishings and equipment	5 years

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

Other assets

Deferred tax credit fees are being amortized using the straight-line method over the 15-year monitoring period.

Debt issuance costs

Debt issuance costs represent costs incurred in conjunction with acquiring debt facilities. In accordance with GAAP, the debt issuance costs are presented as an offset of the related debt instruments within the liabilities section of the balance sheet. Amortization expense is included in interest expense on the accompanying Statement of Operations. The costs are amortized over the terms of the related debt using a method that approximates the effective interest method.

Revenue recognition

Rental revenue attributed to residential leases is recorded on a straight-line basis over the term of the lease. Leases are for periods of up to one year, with rental payments due monthly. Payments made in advance of scheduled due dates are deferred as Prepaid Rent and classified accordingly on the Balance Sheet until earned.

Other income includes fees for late payments, cleaning, damages, laundry facilities and other charges and is recorded when earned (when services are provided or when the tenant incurs the charge) and when collectability is reasonably assured. Advance receipts of revenue are deferred and classified as liabilities until earned.

Advertising

The Company expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2022 and 2021 amounted to \$88 and \$133, respectively.

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.

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 loss was recognized during the years ended December 31, 2022 and 2021.

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.

Subsequent Events

The Company evaluated the effect subsequent events would have on the financial statements through March 1, 2023, which is the date the financial statements were available to be issued.

2. Members' Capital Contributions

The managing member is required to make a capital contribution of \$100, all of which has been contributed as of December 31, 2022 and 2021. The investor member is required to make capital contributions of \$6,239,609, including an upward equity adjuster of \$62,009, all of which has been contributed as of December 31, 2022 and 2021.

3. Notes Payable

Details of the notes payable at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
<p>Note payable to The State Employees' Credit Union Foundation ("SECU"), in the amount of \$2,400,000, bearing interest at 3%, with all outstanding principal and interest due July 1, 2038. Monthly payments of principal and interest are due in the amount of \$10,118.50, commencing August 1, 2020 and continue the first day of each month through July 1, 2038 (the maturity date). The July 1, 2038 monthly payment shall also include a balloon payment of principal and any unpaid interest. During the years ended December 31, 2022 and 2021, interest expense amounted to \$69,022 and \$70,559, respectively. Accrued interest at December 31, 2022 and 2021 amounted to \$5,702 and \$5,821, respectively. During the years ended December 31, 2022 and 2021, interest paid amounted to \$69,141 and \$70,686, respectively. Deferred loan costs amortized to interest expense amounted to \$801 for each of the years ended December 31, 2022 and 2021. The loan is secured by the first lien Deed of Trust on the property</p>	\$ 2,276,288	\$ 2,328,567
<p>Note payable to the City of Raleigh in the maximum amount of \$2,200,000, with interest accruing at 1%. During the construction period, no payments of principal and interest were due under the note. Upon receipt of the final disbursement of the loan, monthly payments of principal and interest shall begin, ranging from \$202 to \$2,958. All outstanding principal and interest, if any, shall be due and payable on June 1, 2049. Receipt of the final disbursement was made on January 3, 2020 and monthly amortizing payments began in April 2020, in the amount of \$2,907 per month. Total payments in 2022 were \$44,829. Interest expense amounted to \$31,202 and \$21,832, for the years ended December 31, 2022 and 2021, respectively. Accrued interest at December 31, 2022 and 2021 amounted to \$1,803 and \$1,814, respectively. Interest paid for the years ended December 31, 2022 and 2021 amounted to \$31,213 and \$21,843, respectively. Deferred loan costs amortized to interest expense amounted to \$709 for each of the years ended December 31, 2022 and 2021, respectively. The note is secured by the second lien Deed of Trust on the property.</p>	2,163,432	2,177,048

Booker Park North, LLC
NCHFA Project No. 9198240
Notes to Financial Statements

	<u>2022</u>	<u>2021</u>
Note payable to Wake County, North Carolina, in the amount of \$850,000, with interest accruing at 1%. Interest only payments are due beginning in September 2018, until the commencement of annual principal and interest payments which are due, beginning December 1, 2019, and ranging from \$6,126 to \$9,759 until maturity on August 8, 2038, at which time all outstanding principal and interest shall be due. During the years ended 2022 and 2021, annual principal and interest payments were made in the amount of \$9,752 and \$9,719, respectively. Interest expense incurred and paid amounted to \$8,392 and \$8,405, for the years ended December 31, 2022 and 2021, respectively. Deferred loan costs amortized to interest expense amounted to \$572 for each of the years ended December 31, 2022 and 2021. The loan is secured by a third lien Deed of Trust on the property.	\$ 837,855	\$ 839,215
Note payable to DHIC, Inc. ("DHIC"), an affiliate of the managing member, in the amount of \$203,643, with interest accruing at 1%. No payments are due until maturity on February 1, 2040. The note shall be repaid from net cash flow, as defined in the operating agreement (see Note 7), beginning March 15, 2020. Accrued interest at December 31, 2022 and 2021 amounted to \$4,051 and \$2,036, respectively. Interest expense amounted to \$2,015 and \$2,036 for the years ended December 31, 2022 and 2021, respectively. The loan is collateralized by a fourth lien Deed of Trust on the property.	201,506	201,506
Less: unamortized debt issuance costs	<u>(49,600)</u>	<u>(51,682)</u>
	5,429,481	5,494,654
Less: current maturities	<u>(69,115)</u>	<u>(67,255)</u>
	<u>\$ 5,360,366</u>	<u>\$ 5,427,399</u>

Total estimated principal maturities of the notes payable subsequent to December 31, 2022 are as follows:

2023	\$ 69,115
2024	70,943
2025	72,669
2026	74,311
2027	75,680
Thereafter	4,914,857
*	<u>201,506</u>
	<u>\$ 5,479,081</u>

* Future maturities cannot be reasonably determined at December 31, 2022.

4. Related-Party Transactions

Development fee

The Company incurred a development fee of \$936,000 payable to DHIC for services rendered to the Company for overseeing the construction of the project. As of December 31, 2022 and 2021, the total fee has been earned and paid in full. The deferred portion of the development fee, as defined in the amended and restated development services agreement, was repaid out of available cash flow, as defined in the operating agreement (see Note 7), and accrued interest at a rate of 8%. As of December 31, 2022 and 2021, accrued interest payable amounted to \$0 and \$1,522, respectively.

Investor services fee

The Company is required to pay the investor member a cumulative, annual investor services fee of \$3,300 to be increased annually by 3%. In the initial year of operations, the fee is to be prorated for the number of months that the Company receives rental income. This fee is compensation for property management oversight, tax credit compliance and monitoring and related services. The investor services fee is payable annually, out of the Company's available cash flow (see Note 7). For the year ended December 31, 2022 and 2021, \$3,606 and \$3,501 was incurred, respectively, of which \$0 and \$3,501 remained payable, respectively.

Company administration fee

Beginning in 2019, the Company shall pay to DHIC, Inc., the administrator, over the term of the agreement, an annual company administration fee of \$29,500, to be prorated in the first year for the number of months the Company has rental income. After 2019, the company administration fee shall increase at the rate of 3% per year. The company administration fee is paid out of the Company's available cash flow (see Note 7). Company administration fees of \$32,235 and \$31,297 were incurred during the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, accrued company administration fees were \$42,737 and \$31,297, respectively. Company administration fees of \$22,627 are to be paid in 2023 out of net cash flow available at December 31, 2022.

Purchase of land from related party

The Company purchased the land on which the project was built on August 31, 2017 for \$880,000 from College Park Collaborative, LLC. The related net book value of the land to College Park Collaborative, LLC amounted to \$80,663 at the date of the sale, resulting in a difference between the purchase price and net book value of \$799,337. The Company and College Park Collaborative, LLC (the "entities") are commonly controlled by DHIC, Inc., whose subsidiaries are the managing members of each respective entity. As the entities are commonly controlled, no profit or loss should be recognized by the buyers or the seller in this related party transaction. The difference between the net book value of the land sold and the cumulative purchase price is instead viewed as a transfer of equity between affiliates. Accordingly, equity distributions totaling \$799,337 have been recognized by the Company at the date of sale related to this purchase.

5. Reserves

Replacement reserve

The operating agreement requires 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, commencing the second full month following substantial completion of the project. 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 for any capital expenditure which causes total withdrawals from the replacement reserve account to exceed \$5,000 during any calendar year without written consent from the investor member. An analysis of the reserve for the year ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 47,219	\$ 27,736
Funding	20,248	19,469
Interest, net of fees	<u>106</u>	<u>14</u>
Balance, ending	<u>\$ 67,573</u>	<u>\$ 47,219</u>

As of December 31, 2022 and 2021, the replacement reserve is adequately funded.

Operating reserve

The operating agreement requires the Company to fund an operating reserve account in the initial amount of \$243,828 upon the payment of the fifth installment of the investor member's capital contribution. The reserve shall be deposited 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. An analysis of the reserve for the year ended December 31, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning	\$ 245,314	\$ 245,212
Interest, net of fees	<u>423</u>	<u>102</u>
Balance, ending	<u>\$ 245,737</u>	<u>\$ 245,314</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 5.98% of gross operating revenues received from the preceding month, as defined in the agreement. Such fee shall be paid out of the general operating account on a monthly basis. The term of the agreement is from November 1, 2017 until November 1, 2020, but shall be automatically renewed for periods 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. An additional one-time leasing and rent-up fee is to be paid to the management agent to cover the agent's staff costs, overhead, and travel time for the period prior to occupancy, in the amount of \$150 per unit, to be earned throughout the process of initial occupancy. The management fee expense for the years ended December 31, 2022 and 2021 amounted to \$33,582 and \$32,610, respectively.

7. Distribution of Cash Flow

Payment of fees and other expenses contingent upon cash flow shall be made annually in the following order of priority:

1. To the investor member, an amount equal to the credit deficiency;
2. To the investor member, an amount sufficient to pay federal income taxes on taxable income allocated to the investor member for such fiscal year by the Company, assuming the investor member is subject to the maximum corporate federal income tax rate then in effect;
3. To fund the operating reserve up to the operating reserve amount;
4. To pay the deferred development fee, including accrued interest;
5. To pay the investor services fee in accordance with the investor services agreement;
6. To the managing member to repay any operating deficit contribution;
7. To pay the company administration fee in accordance with the company administration agreement;
8. To repay the DHIC loan; and
9. Any remaining cash flow shall constitute net cash flow which is distributable to the members in an amount of 90% to the managing member and 10% to the investor member.

8. Real Estate Tax Exemption

As of December 31, 2022 and 2021, the managing member is wholly owned by a 501(c)(3) organization which qualifies the Company for full exemption for property taxes. The owner of the managing member is required to maintain in good standing its 501(c)(3) non-profit status. The tax-exemption is subject to change by an act of State Legislature. Such change may occur with little notice and would materially impact the rental operations of the project.

9. Contingencies, Risks and Uncertainties

The Company's sole asset is its 72-unit housing complex located in Raleigh, North Carolina. The Company's operations are concentrated in the affordable housing real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Supplementary Information

Booker Park North, LLC
NCHFA Project No. 9198240
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
Rental income:		
Residential income	<u>\$ 556,812</u>	<u>\$ 549,546</u>
Interest income:		
Interest income	<u>\$ 603</u>	<u>\$ 133</u>
Other income:		
Application fees	\$ 440	\$ 100
Late fees	1,642	1,053
Damages and cleaning	3,999	1,673
Laundry and vending	777	1,206
Cable TV fees	3,115	3,270
Grant revenue	-	202
Other revenue	641	-
	<u>\$ 10,614</u>	<u>\$ 7,504</u>
Administrative:		
Advertising/marketing	\$ 88	\$ 133
Bad debt expense (recoveries)	(566)	1,751
Office payroll and related expenses	69,821	71,121
Office supplies	2,335	1,254
Office furnishings and equipment	845	1,797
Telephone	6,414	6,189
Consulting fees	-	862
Resident services	26,569	26,100
Miscellaneous	6,130	4,278
	<u>\$ 111,636</u>	<u>\$ 113,485</u>
Professional fees:		
Auditing and accounting	\$ 13,482	\$ 7,910
Legal fee	451	1,969
	<u>\$ 13,933</u>	<u>\$ 9,879</u>

Booker Park North, LLC
NCHFA Project No. 9198240
Schedules of Income and Expenses
Years Ended December 31, 2022 and 2021

(2 pages)

	<u>2022</u>	<u>2021</u>
Utilities:		
Electricity	\$ 14,363	\$ 11,935
Water and sewer	43,430	17,494
Other	400	600
	<u>\$ 58,193</u>	<u>\$ 30,029</u>
Management fees:		
Property management	<u>\$ 33,582</u>	<u>\$ 32,610</u>
Repairs and maintenance:		
Repairs and maintenance payroll	\$ 23,231	\$ 18,982
Repairs supplies	13,159	16,384
Snow removal	-	104
Grounds maintenance	15,110	10,050
Fire protection	3,126	5,012
Repairs contracts	20,459	24,968
HVAC repairs and maintenance	9,599	7,015
Garbage and trash	7,869	6,033
	<u>\$ 92,553</u>	<u>\$ 88,548</u>
Taxes and insurance:		
Personal property taxes	\$ 1,441	\$ 1,476
Property insurance	23,000	18,954
Other taxes and fees	6,861	6,741
	<u>\$ 31,302</u>	<u>\$ 27,171</u>
Interest expense:		
Interest expense - Wake County	\$ 8,392	\$ 8,405
Interest expense - DHIC deferred loan	2,015	2,036
Interest expense - DHIC development fee	-	2,462
Interest expense - City of Raleigh	31,202	21,832
Interest expense - SECU	69,022	70,559
Amortization of debt issuance costs	2,082	2,082
	<u>\$ 112,713</u>	<u>\$ 107,376</u>