



64 MODERATELY PRICED DWELLING UNITS

CDA PROJECT NUMBER: MON-84-1610

FINANCIAL STATEMENTS
(Including Supplementary Information
Required by the Maryland Department of
Housing and Community Development)

JUNE 30, 2020 AND 2019

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

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INDEPENDENT AUDITOR'S REPORT

October 1, 2020

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland
Kensington, Maryland

Report on the Financial Statements

We have audited the accompanying balance sheets of the 64 Moderately Priced Dwelling Units, ("the Property"), CDA Project Number: MON-84-1610, (a property owned by the Housing Opportunities Commission of Montgomery County, Maryland), Kensington, Maryland, as of June 30, 2020 and 2019, and the related statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Property's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting practices prescribed or permitted by the Maryland Department of Housing and Community Development to demonstrate compliance with the Maryland Department of Housing and Community Development's regulatory basis of accounting and budget laws. Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Property's preparation and fair presentation of the financial statements 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 the Property's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 64 Moderately Priced Dwelling Units, Kensington, Maryland, as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with the financial reporting provisions of the Maryland Department of Housing and Community Development, as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. As discussed in Note 1, the 64 Moderately Priced Dwelling Units prepares its financial statements using accounting practices prescribed or permitted by Maryland Department of Housing and Community Development to demonstrate compliance with the Maryland Department of Housing and Community Development's regulatory basis of accounting and budget laws, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are described in Note 1. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Property's basic financial statements as a whole. The supplementary information on pages 14 through 23 and pages 28 and 29 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland

The supplementary information on pages 14 through 23 and pages 28 and 29 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The annual audit questionnaire on pages 24 through 27 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2020, on our consideration of the Property'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 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 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 the Property's internal control over financial reporting and compliance.

Purpose of This Report

This report is intended solely for the information and use of management; the Housing Opportunities Commission of Montgomery County, Maryland; and the Maryland Department of Housing and Community Development, and is not intended to be and should not be used by anyone other than these specified parties.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
BALANCE SHEETS
JUNE 30, 2020 and 2019

ASSETS	<u>2020</u>	<u>2019</u>
CURRENT ASSETS:		
Accounts receivable and other assets, net	\$ 89,372	\$ 59,655
Total Current Assets	<u>89,372</u>	<u>59,655</u>
RESTRICTED CASH AND CASH EQUIVALENTS:		
Restricted deposits and funded reserves	101,861	126,877
Tenant deposits	24,883	24,713
Total Restricted Cash and Cash Equivalents	<u>126,744</u>	<u>151,590</u>
NONCURRENT ASSETS:		
Property and equipment, net	1,007,428	1,057,608
Deferred charges, net	22,351	26,354
Total Noncurrent Assets	<u>1,029,779</u>	<u>1,083,962</u>
TOTAL ASSETS	<u><u>\$ 1,245,895</u></u>	<u><u>\$ 1,295,207</u></u>

The accompanying notes are an integral part of these financial statements.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
BALANCE SHEETS
JUNE 30, 2020 AND 2019

LIABILITIES AND NET POSITION (DEFICIT)	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES:		
Accounts payable, accrued liabilities and prepaid rents	\$ 24,769	\$ 11,771
Advance from HOC	1,331,204	1,372,252
Interest payable	4,971	5,742
Mortgage payable - current portion	166,231	156,729
Total Current Liabilities	<u>1,527,175</u>	<u>1,546,494</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Tenant deposits held in trust	16,218	17,580
Total Current Liabilities Payable from Restricted Assets	<u>16,218</u>	<u>17,580</u>
NONCURRENT LIABILITIES:		
Mortgage payable less current portion	844,905	1,011,135
TOTAL LIABILITIES	<u>2,388,298</u>	<u>2,575,209</u>
NET POSITION (DEFICIT)		
Net investment in capital assets	(3,708)	(110,256)
Restricted	110,526	134,010
Unrestricted (deficit)	<u>(1,249,221)</u>	<u>(1,303,756)</u>
Total Net Deficit	<u>(1,142,403)</u>	<u>(1,280,002)</u>
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 1,245,895</u>	<u>\$ 1,295,207</u>

The accompanying notes are an integral part of these financial statements.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUE		
Dwelling rental	\$ 814,699	\$ 790,377
Other revenue	83,461	21,603
TOTAL OPERATING REVENUE	<u>898,160</u>	<u>811,980</u>
 OPERATING EXPENSES		
Administration	197,606	209,384
Maintenance	233,929	309,866
Depreciation and amortization	91,913	115,090
Utilities	9,725	13,424
Fringe benefits	46,230	31,735
Interest expense	63,940	72,942
Other expenses	29,264	28,775
Bad debt expense	31,078	12,264
TOTAL OPERATING EXPENSES	<u>703,685</u>	<u>793,480</u>
 Operating income	<u>194,475</u>	<u>18,500</u>
 NONOPERATING REVENUES (EXPENSES)		
Interest income	1,230	2,123
Security deposit interest income (loss)	(39)	447
TOTAL NONOPERATING REVENUES	<u>1,191</u>	<u>2,570</u>
 Net income	<u><u>\$ 195,666</u></u>	<u><u>\$ 21,070</u></u>

The accompanying notes are an integral part of these financial statements.

**64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
STATEMENTS OF CHANGES IN NET DEFICIT
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Net deficit, beginning of year	\$ (1,280,002)	\$ (1,235,625)
Distribution to HOC	(58,067)	(65,447)
Net income	<u>195,666</u>	<u>21,070</u>
Net deficit, end of year	<u><u>\$ (1,142,403)</u></u>	<u><u>\$ (1,280,002)</u></u>

The accompanying notes are an integral part of these financial statements.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 195,666	\$ 21,070
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	87,910	111,087
Amortization	4,003	4,003
Bad debt expense	31,078	12,264
Increase in accounts receivable and other assets	(60,795)	(27,949)
Increase (Decrease) in accounts payable, accrued liabilities and prepaid rents	12,998	(8,219)
Decrease in interest payable	(771)	(728)
(Decrease) Increase in advance from HOC	(41,048)	88,399
Decrease in tenant deposits held in trust	(1,362)	(1,582)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>227,679</u>	<u>198,345</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(37,730)</u>	<u>-</u>
NET CASH USED FOR INVESTING ACTIVITIES	<u>(37,730)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage	(156,728)	(147,771)
Distributions to HOC	(58,067)	(65,447)
NET CASH USED FOR FINANCING ACTIVITIES	<u>(214,795)</u>	<u>(213,218)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(24,846)	(14,873)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>151,590</u>	<u>166,463</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 126,744</u>	<u>\$ 151,590</u>
Cash balances for the purpose of cash flow analysis include the following accounts:		
Tenant security deposits	\$ 24,883	\$ 24,713
Restricted deposits and funded reserves	101,861	126,877
	<u>\$ 126,744</u>	<u>\$ 151,590</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 64,711</u>	<u>\$ 73,670</u>

The accompanying notes are an integral part of these financial statements.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The 64 Moderately Priced Dwelling Units ("the Property") is a property owned by the Housing Opportunities Commission of Montgomery County, Maryland ("HOC"), for the purpose of acquiring 64 units to provide rental housing for low and moderate-income families and is not a separate legal entity.

Basis of Accounting

These financial statements have been presented in conformity with the reporting practices prescribed by the Maryland Department of Housing and Community Development, which is a presentation not intended to be in conformity with accounting principles generally accepted in the United States of America. Specifically, the statement of cash flows and footnote disclosures do not conform to the requirements of the Governmental Accounting Standards Board ("GASB"), and mortgage issuance costs are capitalized and amortized over the life of the applicable debt.

Rental Income

Rental income is recognized as rental charges are due. Rental payments received in advance are reported as a liability until earned. All leases between the Property and tenants of the Property are operating leases.

Property and Equipment

Property and equipment is carried at cost. Depreciation of the property and equipment is calculated on the straight-line method based on the estimated useful lives of the property and equipment. The useful lives are as follows:

Buildings	40 years
Building renovations	10 years
Equipment - building	10 years
Motor vehicles	5 years

Depreciation expense for the years ended June 30, 2020 and 2019 amounted to \$87,910 and \$111,087, respectively.

Expenditures for maintenance and repairs necessary to maintain the real estate in efficient operating condition are charged to operations. Expenditures which increase the useful lives of the assets are capitalized.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Amortization

Mortgage costs are amortized over the term of the mortgage loan (30 years) using the straight-line method. Amortization expense for the years ended June 30, 2020 and 2019 amounted to \$4,003. Accumulated amortization at June 30, 2020 and 2019 amounted to \$195,714 and \$191,711, respectively.

Income Taxes

The Property is not a separate legal entity and is owned by the Housing Opportunities Commission of Montgomery County, Maryland, a component unit of Montgomery County, Maryland, and is, therefore, exempt from income taxation. No provision for income taxes has been included in these financial statements, and there are no other tax positions which must be considered for disclosure.

Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. An allowance for doubtful accounts is established for tenant receivables that are 90 or more days past due. Unpaid balances remaining after the stated payment terms are considered past due. An allowance is established through a charge to income. Recoveries of previously charged-off accounts are recorded when received. At June 30, 2020 and 2019, the allowance for doubtful accounts was \$42,418 and \$9,464, respectively.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in accordance with the prescribed basis of accounting described on the previous page 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.

NOTE 2 MORTGAGE PAYABLE

The mortgage note payable to HOC is insured by the Maryland Housing Fund and is collateralized by a deed of trust on the Property. Principal and interest are payable in monthly installments of \$18,453 and is due October 1, 2025. The note bears interest at the rate of 5.9 percent per annum.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

NOTES TO FINANCIAL STATEMENTS

NOTE 2 MORTGAGE PAYABLE (cont'd)

Annual maturities of the mortgage payable for the next five years and thereafter are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2021	\$ 166,231
2022	176,308
2023	186,996
2024	198,332
2025	210,355
2026	<u>72,914</u>
TOTAL	<u>\$ 1,011,136</u>

NOTE 3 RESERVE FOR REPLACEMENTS

The Property is required to make monthly deposits into the reserve for the replacements fund of \$2,295 per month. The Property disburses funds from the reserve fund, whether for the purpose of effecting replacements of structural elements and mechanical equipment of the Project or for any other purpose, only after receiving the written consent of the Community Development Administration ("CDA"). The balance in this account at June 30, 2020 and 2019 was \$89,702 and \$115,514, respectively. During the years ended June 30, 2020 and 2019, there were releases of \$53,642 and \$45,100, respectively, from this reserve to cover the cost of repairs to the Property.

NOTE 4 MORTGAGE ESCROW FUND

The Property is required to maintain the Mortgage Escrow Fund by making monthly deposits. At June 30, 2020 and 2019, the balance in the fund was \$12,159 and \$11,363, respectively. During the years ended June 30, 2020 and 2019, \$5,648 and \$6,398, respectively, was paid from this account for MIP insurance.

NOTE 5 RELATED PARTY TRANSACTIONS

Advance from HOC

From time to time, HOC pays expenses related to the operations of the Property and is periodically reimbursed. These advances are non-interest bearing and due upon demand. At June 30, 2020 and 2019, the Property owed HOC \$1,331,204 and \$1,372,252, respectively, for such payments and has a liability recorded for that amount.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

NOTES TO FINANCIAL STATEMENTS

NOTE 5 RELATED PARTY TRANSACTIONS (cont'd)

Management Fee

The Property is managed by HOC. Fees for the years ended June 30, 2020 and 2019 are based on HOC's Cost Allocation Plan. Management fees charged to operations for the years ended June 30, 2020 and 2019 amounted to \$121,100 and \$110,990, respectively.

PILOT Agreement

The Property pays a negotiated sum calculated by Montgomery County in lieu of taxes. The amount charged to operations for the years ended June 30, 2020 and 2019 amounted to \$13,649 and \$13,127, respectively.

NOTE 6 RENTAL PROPERTY AND EQUIPMENT

Rental property and equipment consists of the following as of June 30:

	2020	2019
Land	\$ 849,256	\$ 849,256
Buildings	3,586,424	3,548,694
Office furniture and equipment	136,660	136,660
Motor vehicles	12,499	12,499
Total Property and Equipment	4,584,839	4,547,109
Accumulated depreciation	(3,577,411)	(3,489,501)
 TOTALS	 \$ 1,007,428	 \$ 1,057,608

NOTE 7 TENANT ASSISTANCE PAYMENTS

Dwelling rental revenue includes income from tenant-based Section 8 rental assistance payments. For the years ended June 30, 2020 and 2019, \$135,931 and \$108,556, respectively, of such assistance payments were included in dwelling rental revenue.

NOTE 8 UNCERTAINTIES

COVID-19 Pandemic

As a result of the spread of the COVID-19 coronavirus which is ongoing at June 30, 2020, economic and operational uncertainties have arisen which may impact the Property in fiscal

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

NOTES TO FINANCIAL STATEMENTS

NOTE 8 UNCERTAINTIES (cont'd)

year 2021. There exist uncertainties surrounding the Property's operations in the 2020 - 2021 fiscal year. The uncertainties surrounding the on-site operations will have a direct impact on individual revenue and expense items that are dependent on services being provided to residents. The extent of the potential impact is unknown as the COVID-19 pandemic continues to develop.

NOTE 9 SUBSEQUENT EVENTS

The Property has evaluated all subsequent events through October 1, 2020, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION REQUIRED BY THE
MARYLAND DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT**

BALANCE SHEET DATA
PROJECT NAME: 64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
AS OF JUNE 30, 2020

Part I	Description of Account	Acct. No.	Amount*		
CURRENT ASSETS 1100	Cash - Operations	1120	\$ -		
	Construction Cash Account	1121	\$ -		
	Cash - Entity	1125	\$ -		
	Tenant Accounts Receivable	1130	\$ 61,974		
	Allowance for Doubtful Accounts	1131	\$ (42,418)		
	Accounts Receivable - HUD	1135	\$ 68,404		
	Accounts and Notes Receivable - Operations	1140	\$ -		
	Accounts and Notes Receivable - Entity	1145	\$ -		
	Accounts Receivable - Interest	1160	\$ -		
	Interest Reduction Payment Receivable	1165	\$ -		
	Short-term Investments - Operations	1170	\$ -		
	Short-term Investments - Entity	1175	\$ -		
	Miscellaneous Current Assets	1190	\$ -		
		Current Assets			\$ 87,960
	Tenant / Patient Deposits Held in Trust	1191	\$ 24,883		
	Miscellaneous Prepaid Expenses	1200	\$ 1,412		
	Total Current Assets			\$ 114,255	
FUNDED RESERVES 1300	Escrows Deposits	1310	\$ -		
	Replacement Reserve	1320	\$ 89,702		
	Other Reserves	1330	\$ 12,159		
	Residual Receipts Reserve	1340	\$ -		
	Management Improvement Operating Plan	1381	\$ -		
	Total Funded Reserves			\$ 101,861	
FIXED ASSETS 1400	Land	1410	\$ 849,256		
	Buildings	1420	\$ 3,586,424		
	Buildings Equipment (Portable)	1440	\$ -		
	Furniture for Project / Tenant Use	1450	\$ -		
	Furnishings	1460	\$ -		
	Office Furniture and Equipment	1465	\$ 136,660		
	Maintenance Equipment	1470	\$ -		
	Motor Vehicles	1480	\$ 12,499		
	Miscellaneous Fixed Assets	1490	\$ -		
		Total Fixed Assets			\$ 4,584,839
		Less Accumulated Depreciation	1495	\$ (3,577,411)	
	Net Fixed Assets			\$ 1,007,428	
INVESTMENTS 1500	Investments - Operations	1510	\$ -		
	Investments - Entity	1515	\$ -		
	Intangible Assets	1520	\$ 22,351		
	Miscellaneous Other Assets	1525	\$ -		
		Total Other Assets			\$ 22,351
	Total Assets			\$ 1,245,895	

BALANCE SHEET DATA
PROJECT NAME: 64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
YEAR ENDED: JUNE 30, 2020

Part I	Description of Account	Acct. No.	Amount*	
CURRENT LIABILITIES 2100	Bank Overdraft - Operations	2105	\$ -	
	Accounts Payable - Operations	2110	\$ 8,758	
	Accounts Payable - Construction / Development	2111	\$ -	
	Accounts Payable - Project Improvement	2112	\$ -	
	Accounts Payable - Entity	2113	\$ -	
	Accounts Payable - 236 Excess Income	2115	\$ -	
	Accounts Payable - Section 8 and Other	2116	\$ -	
	Accrued Wages Payable	2120	\$ 9,797	
	Accrued Payroll Taxes Payable	2121	\$ -	
	Accrued Management Fee Payable	2123	\$ -	
	Accrued Interest Payable - Section 236	2130	\$ -	
	Accrued Interest Payable - First Mortgage	2131	\$ 4,971	
	Accrued Interest Payable - Second Mortgage	2132	\$ -	
	Accrued Interest Payable - Security Deposits	2133	\$ -	
	Accrued Interest Payable - Other Loans and Notes	2134	\$ -	
	Accrued Interest Payable - Flexible Subsidy Loan	2135	\$ -	
	Accrued Interest Payable - Capital Improvement	2136	\$ -	
	Accrued Interest Payable - Operating Loss Loan	2137	\$ -	
	Accrued Property Taxes	2150	\$ -	
	Note Payable - (Short-term)	2160	\$ -	
	Mortgage Payable - First Mortgage (Short-term)	2170	\$ 166,231	
	Mortgage Payable - Second Mortgage (Short-term)	2172	\$ -	
	Other Loans and Notes Payable, Surplus Cash	2173	\$ -	
	Other Loans and Notes Payable (Short-term)	2174	\$ -	
	Flexible Subsidy Loan Payable (Short-term)	2175	\$ -	
	Capital Improvement Loan Payable (Short-term)	2176	\$ -	
	Operating Loss Loan Payable (Short-term)	2177	\$ -	
Utility Allowance	2180	\$ -		
Miscellaneous Current Liabilities	2190	\$ 1,331,204		
Tenant / Patient Deposits Held in Trust (Contra)	2191	\$ 16,218		
Prepaid Revenue	2210	\$ 6,214		
	Total Current Liabilities			\$ 1,543,393
LONG TERM LIABILITIES 2300	Note Payable - (Long-term)	2310	\$ -	
	Note Payable, Surplus Cash	2311	\$ -	
	Mortgage Payable - First Mortgage (Long-term)	2320	\$ 844,905	
	Mortgage Payable - Second Mortgage (Long-term)	2322	\$ -	
	Other Loans and Notes Payable, Surplus Cash	2323	\$ -	
	Other Loans and Notes Payable	2324	\$ -	
	Flexible Subsidy Loan Payable	2325	\$ -	
	Capital Improvement Loan Payable	2326	\$ -	
	Operating Loss Loan Payable	2327	\$ -	
	Interest Payable - Notes	2328	\$ -	
	Miscellaneous Long-term Liabilities	2390	\$ -	
	Total Long-term Liabilities			\$ 844,905
	Total Liabilities			\$ 2,388,298
EQUITY	Total Equity (Deficit) / Retained Earnings	3130	\$ (1,142,403)	
	Total Liabilities and Equity (Deficit)			\$ 1,245,895

STATEMENT OF OPERATIONS DATA
PROJECT NAME: 64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
YEAR ENDED: JUNE 30, 2020

Part I	Description of Account	Acct. No.	Amount*	
RENTAL INCOME 5100	Rent Revenue - Gross Potential	5120	\$ 775,632	
	Tenant Assistance Payments	5121	\$ 135,931	
	Rent Revenue - Stores and Commercial	5140	\$ -	
	Garage and Parking Space	5170	\$ -	
	Flexible Subsidy Revenue	5180	\$ -	
	Miscellaneous Rent Revenue	5190	\$ -	
	Excess Rent	5191	\$ -	
	Rent Revenue - Insurance	5192	\$ -	
	Special Claims Revenue	5193	\$ -	
	Retained Excess Income	5194	\$ -	
	Lease Revenue (Nursing Homes)	5195	\$ -	
		Total Rent Revenue		
VACANCIES 5200	Apartments	5220	\$ (96,864)	
	Stores and Commercial	5240	\$ -	
	Rental Concessions	5250	\$ -	
	Garage and Parking Space	5270	\$ -	
	Miscellaneous	5290	\$ -	
		Total Vacancies		
	Net Rent Revenue (Rent Revenue less Vacancies)			\$ 814,699
FINANCIAL REVENUE 5400	Nursing Homes / Assisted Living / Board and Care / Other Elderly Care / Coop / and Other Revenue	5300	\$ -	
	Members Group Life Insurance Expense (Coops)	5320	\$ -	
	Financial Revenue - Project Operations	5410	\$ 940	
	Revenue from Investments - Residual Receipts	5430	\$ -	
	Revenue from Investments - Replacement Reserve	5440	\$ 290	
	Expiration of Gift Donor Restrictions (Non-profits)	5460	\$ -	
	Gifts (Non-profits)	5470	\$ -	
	Revenue from Investments - Miscellaneous	5490	\$ -	
	Total Financial Revenue		\$ -	\$ 1,230
OTHER REVENUE 5900	Laundry and Vending Revenue	5910	\$ -	
	Tenant Charges (NSF and Late Charges)	5920	\$ -	
	Damages and Cleaning Fees	5930	\$ -	
	Forfeited Tenant Security Deposits	5940	\$ -	
	Interest Reduction Payments Revenue	5945	\$ -	
	Miscellaneous Revenue: Miscellaneous Income and Rental License Fees	5990	\$ 83,461	
		Total Other Revenue		
	Total Revenue			\$ 899,390

STATEMENT OF OPERATIONS DATA
PROJECT NAME: 64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
YEAR ENDED: JUNE 30, 2020

ADMINISTRATIVE EXPENSES 6200 6300	Conventions and Meetings	6203	\$ -	
	Management Consultants	6204	\$ -	
	Advertising and Marketing	6210	\$ -	
	Other Renting Expenses	6250	\$ -	
	Office Salaries	6310	\$ 43,688	
	Office Expenses	6311	\$ 120	
	Office or Model Apartment Rent	6312	\$ -	
	Management Fee	6320	\$ 121,100	
	Manager or Superintendent Salaries	6330	\$ -	
	Administrative Rent Free Unit	6331	\$ -	
	Legal Expenses - Project	6340	\$ 3,425	
	Auditing Expense - Project	6350	\$ 10,550	
	Bookkeeping Fees / Accounting Services	6351	\$ -	
	Telephone and Answering Services	6360	\$ -	
	Bad Debt Expense	6370	\$ 31,078	
	Miscellaneous Administrative Expenses	6390	\$ 18,723	
	Total Administrative Expenses			\$ 228,684
UTILITIES EXPENSE 6400	Fuel Oil / Coal	6420	\$ -	
	Electricity (Lights and Miscellaneous Power)	6450	\$ 5,878	
	Water and Sewer	6451-3	\$ 3,847	
	Gas	6452	\$ -	
		Total Utilities Expense		
OPERATING AND MAINTENANCE 6500	Payroll	6510	\$ 79,107	
	Supplies	6515	\$ 22,462	
	Contracts	6520	\$ 53,204	
	Operating and Maintenance Rent Free Unit	6521	\$ -	
	Garbage and Trash Removal	6525	\$ 133	
	Security Payroll / Contract	6530	\$ -	
	Security Rent Free Unit	6531	\$ -	
	Heating / Cooling / Repairs and Maintenance	6546	\$ 11,464	
	Snow Removal	6548	\$ -	
	Vehicle and Maintenance Equipment Operation	6570	\$ -	
	Miscellaneous Operating and Maintenance Expenses	6590	\$ 67,559	
	Total Operating and Maintenance Expense			\$ 233,929

STATEMENT OF OPERATIONS DATA
PROJECT NAME: 64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
YEAR ENDED: JUNE 30, 2020

TAXES AND INSURANCE 6700	Real Estate Taxes	6710	\$ -	
	Payroll Taxes (FICA) (Project's Share)	6711	\$ 6,648	
	Property and Liability Insurance (Hazard)	6720	\$ 9,080	
	Fidelity Bond Insurance	6721	\$ -	
	Workmen's Compensation	6722	\$ 2,430	
	Health Insurance and Other Employee Benefits	6723	\$ 37,152	
	Miscellaneous Taxes, Licenses, Permits, and Insurance	6790	\$ 14,349	
	Total Taxes and Insurance			
Total Operating Expenses				\$ 541,997
FINANCIAL EXPENSES 6800	Interest on Bonds Payable	6819	\$ -	
	Interest on Mortgage Payable	6820	\$ 63,940	
	Interest on Notes Payable (Long-term)	6830	\$ -	
	Interest on Notes Payable (Short-term)	6840	\$ -	
	Mortgage Insurance Premium / Service Charge	6850	\$ 5,835	
	Miscellaneous Financial Expenses	6890	\$ -	
	Total Financial Expenses			
	Nursing Homes / Assisted Living / Board and Care / Other Elderly Care / Coop / and Other Expenses	6900	\$ -	
Total Cost of Operations Before Depreciation				\$ 611,772
DEPRECIATION 6600	Depreciation Expenses	6600	\$ 87,910	
	Amortization Expense	6610	\$ 4,003	
	Total Depreciation			
CORPORATE OR MORTGAGOR ENTITY EXPENSES 7100	Entity Revenue	7105	\$ -	
	Officers Salaries	7110	\$ -	
	Legal Expenses	7120	\$ -	
	Federal, State, and Other Income Taxes	7130	\$ -	
	Interest Income	7140	\$ -	
	Interest on Notes Payable	7141	\$ -	
	Interest on Mortgage Payable	7142	\$ -	
	Other Expense	7190	\$ 39	
Net Entity Expenses				\$ 703,724
Profit or Loss (Net Income or Loss)				\$ 195,666

Part II*

1. Total principal payments required under the mortgage, even if payments under a Workout Agreement are less or more than those required under the mortgage.	\$ 156,728
2. Replacement Reserve deposits required by the Regulatory Agreement or Amendments thereto, even if payments may be temporarily suspended or waived.	\$ 27,540
3. Replacement or Painting Reserve releases which are included as expense items on this Profit and Loss Statement.	\$ 53,642
4. Project Improvement Reserve Releases under the Flexible Subsidy Program that are included as expense items on this Profit and Loss Statement.	\$ -

* **Part II - Must be completed for all financial statements**

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

ADDITIONAL DATA REQUIRED BY DHCD

ACCOUNTS AND NOTES RECEIVABLE (OTHER THAN FROM REGULAR TENANTS)

None noted.

RESERVE FOR REPLACEMENTS

In accordance with the provisions of the regulatory agreement, restricted cash is held by the Housing Opportunities Commission of Montgomery County, Maryland to be used for replacement of the property with the approval of CDA. Current required monthly deposits are \$2,295. Activity for the year ended June 30, 2020 was as follows:

Balance, June 30, 2019	\$ 115,514
Monthly deposits	27,540
Interest earned	290
Withdrawals	<u>(53,642)</u>
Balance, June 30, 2020	<u>\$ 89,702</u>

DEBT SERVICE GUARANTEE RESERVE (MORTGAGE ESCROW)

In accordance with the provisions of the mortgage loan commitment, restricted cash is held by the Housing Opportunities Commission of Montgomery County, Maryland to be used for those items described in the commitment with the approval of CDA as follows:

Balance, June 30, 2019	\$ 11,363
Monthly deposits	6,444
Withdrawals	<u>(5,648)</u>
Balance, June 30, 2020	<u>\$ 12,159</u>

RESIDUAL RECEIPTS

None.

LETTERS OF CREDIT

None.

Continued on next page.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

ADDITIONAL DATA REQUIRED BY DHCD

LOANS AND NOTES PAYABLE

None.

MORTGAGE PAYABLE

<u>Creditor</u>	<u>Terms</u>	<u>Original Amount</u>	<u>Balance Due</u>
Housing Opportunities Commission of Montgomery County, Maryland	356 months at 5.9%	\$ 3,098,424	\$1,011,136

MORTGAGES PAYABLE FROM SURPLUS CASH

None.

IDENTITY OF INTEREST ENTITIES AND ACTIVITIES

<u>Company Name</u>	<u>Type of Service</u>	<u>Amount</u>
Housing Opportunities Commission of Montgomery County, Maryland	Property management fees	\$ 121,100

Also see below.

DETAILS OF ACCOUNTS – BALANCE SHEET

Miscellaneous Current Liabilities (Account No. 2190)

Advance from HOC	<u>\$ 1,331,204</u>
Total	<u>\$ 1,331,204</u>

Continued on next page.

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610

ADDITIONAL DATA REQUIRED BY DHCD

DETAILS OF ACCOUNTS – STATEMENT OF OPERATIONS

Miscellaneous Administrative Expenses (Account No. 6390)

Vehicle expenses	\$	8,350
Property assistance contract fee		1,460
Rental license fee		7,296
Other		<u>1,617</u>
Total Miscellaneous Administrative Expenses	\$	<u>18,723</u>

UNAUTHORIZED DISTRIBUTIONS

None.

ADDITIONAL INFORMATION REQUIRED

Barbacane, Thornton & Company LLP, 200 Springer Building, 3411 Silverside Road, Wilmington, DE 19810

Steven N. Kutsuflakis, CPA, Partner - (302) 468-4008

**64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610**

**COMPUTATION OF SURPLUS CASH,
DISTRIBUTIONS, AND RESIDUAL RECEIPTS
JUNE 30, 2020**

PART A - COMPUTE SURPLUS CASH

Section I - Cash

1. Cash	\$	<u>24,883</u>	
2. Tenant Subsidy Vouchers due for Period Covered by Financial Statements	\$	<u>-</u>	
3. Other (Describe)	\$	<u>-</u>	
(A) Total Cash (Add Lines 1, 2, & 3)			\$ <u>24,883</u>

Section II - Current Obligations

4. Accrued Mortgage Interest Payables	\$	<u>4,971</u>	
5. Delinquent Mortgage Principal Payments	\$	<u>-</u>	
6. Delinquent Deposits to Reserve for Replacements	\$	<u>-</u>	
7. Accounts Payables (due within 30 days)	\$	<u>8,758</u>	
8. Loans and Notes Payables (due within 30 days)	\$	<u>13,482</u>	
9. Deficient Tax Insurance/Mortgage Insurance Escrow	\$	<u>-</u>	
10. Accrued Expenses (not escrowed)	\$	<u>9,797</u>	
11. Prepaid Rents	\$	<u>6,214</u>	
12. Tenant Security Deposits Liability	\$	<u>16,218</u>	
13. Other (Describe)	\$	<u>-</u>	
(B) Total Liabilities			\$ <u>59,440</u>
(C) Surplus Cash (Deficiency)			\$ <u>(34,557)</u>
Line (A) Minus Line (B)			

PART B - COMPUTE OWNERS DISTRIBUTIONS & REQUIRED DEPOSIT TO RESIDUAL RECEIPTS

1. Surplus Cash			\$ <u>-</u>
2. a. Beginning Balance: Accrued Distributions from Prior Year(s) Unpaid	\$	<u>-</u>	
Annual Distribution Earned During Fiscal Period Covered	\$	<u>-</u>	
Annual Distribution Paid During Audit Year Against Audit Year	\$	<u>-</u>	
Annual Distribution Paid During Audit Year Against Prior Year(s)	\$	<u>-</u>	
b. Ending Balance: Distributions Unpaid From Audit Year and Prior Year(s) at Audit Year End (Amount Carried on Balance Sheet)			\$ <u>-</u>
3. Amount available for distribution (the lesser of Line 1 or Line 2b)			\$ <u>-</u>
4. Amount due residual receipts, must be deposited with mortgagee within 90 days (Line 1 minus Line 3)			\$ <u>-</u>

**64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
SUPPLEMENTAL INFORMATION REQUIRED BY DHCD
CHANGES IN FIXED ASSETS
FOR THE YEAR ENDED JUNE 30, 2020**

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
<u>Fixed Assets:</u>				
Land	\$ 849,256	\$ -	\$ -	\$ 849,256
Buildings and improvements	3,548,694	37,730	-	3,586,424
Motor vehicles	12,499	-	-	12,499
Office furniture and equipment	136,660	-	-	136,660
Total Fixed Assets	<u>4,547,109</u>	<u>37,730</u>	<u>-</u>	<u>4,584,839</u>
<u>Accumulated Depreciation:</u>				
Buildings and improvements	3,340,342	87,910	-	3,428,252
Motor vehicles	12,499	-	-	12,499
Office furniture and equipment	136,660	-	-	136,660
Total Accumulated Depreciation	<u>3,489,501</u>	<u>87,910</u>	<u>-</u>	<u>3,577,411</u>
Total Fixed Assets, Net	<u>\$ 1,057,608</u>	<u>\$ (50,180)</u>	<u>\$ -</u>	<u>\$ 1,007,428</u>

ANNUAL AUDIT QUESTIONNAIRE

PROJECT NAME 64 Moderately Priced Dwelling Units

PROJECT NUMBER CDA Project No. MON-84-1610

FISCAL YEAR END June 30, 2020

Answers to these questions should be based upon review of procedures and/or actual tests of transactions. Answers indicative of an adverse condition must be described in the audit report unless the mortgagor has written permission from MDHCD to deviate from the requirements of law, regulation, contract, or grant.

EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
1. Mortgage Status				
a. Are payments on all mortgages current? First Lien Second Lien Third Lien Fourth Lien Fifth Lien	X		X X X X	5300.05
b. Has the mortgagor complied with the terms and conditions of the Regulatory Agreement and/or workout agreements, as applicable?	X			5300.05
2. Books and Records				
a. Are a complete set of books and records maintained in a satisfactory manner?	X			3600.01
b. Does the mortgagor make frequent postings (at least monthly) to the ledger accounts?	X			3600.01
3. Cash Activities				
a. Has the borrower made the required deposits to mortgage escrow accounts as required by the loan documents?	X			4100.05
b. Are security deposits kept separate and apart from all other funds of the project in an insured institution?	X			4100.05

EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
c. Does the mortgagor keep sufficient funds in the security deposit account to equal or exceed the aggregate of all outstanding obligations to the tenants?	X			4100.05
d. Is the project meeting all of its financial obligations as they become due?	X			GL
e. Does the owner or his management agent have a fidelity bond in an amount at least equal to the requirements of the Regulatory Agreement which provides coverage for all employees handling assets of the project?	X			8000.01
f. Did cash disbursements exclude payments for items listed below?				
<ul style="list-style-type: none"> • Legal expenses incurred in the sale of partnership interests? 	X			8000.01
<ul style="list-style-type: none"> • The fee for the preparation of a partner's, shareholders, or individual's federal, state, or local income tax returns? 	X			8000.01
<ul style="list-style-type: none"> • Advice to an owner on tax consequences of foreclosure? 	X			8000.01
<ul style="list-style-type: none"> • Reimbursement to the owners or affiliates while the mortgage is in default, or under workout arrangements for prior advances, capital expenditures, and/or project acquisition costs? 	X			8000.01
<ul style="list-style-type: none"> • Letter of Credit fees? 	X			8000.01
g. Were distributions made to or on behalf of the owners limited to those authorized by the Regulatory Agreement?			X	
Note: <i>Distribution to non-profit mortgagor entities or principles may not be permitted by the Regulatory Agreement.</i>				
Note: <i>The use of rental proceeds to pay for costs included in the mortgagor's cost certification are unauthorized distributions of project income.</i>				
h. Was any surplus cash available for payment on cash flow debt per the Deed of Trust and Note remitted timely to MDHCD?			X	

EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
i. Were residual receipts deposited with the mortgagee within 90 days after the close of the mortgagor's fiscal year?			X	
j. If required, were excess rental collections in Section 236 projects remitted to HUD each month?			X	
k. Does the mortgagor have a formal collection policy?	X			8000.01
l. Is the collection policy enforced?	X			8000.01
m. Do tenant accounts receivables consist exclusively of amounts due from tenants?	X			7100.08
n. Are accounts receivable other than tenants' receivables composed exclusively of amounts due from unrelated persons or firms?			X	
o. Were payments for services, supplies, or materials consistent with amounts normally paid for such services?	X			8000.01
p. If applicable, were utility allowance payments to residents paid on a monthly basis?			X	
4. Management Compensation Was compensation to the management agent limited to the amounts prescribed in the management agreement as written or amended?	X			7200.06
5. Rents and Occupancy				
a. Is the gross potential rental income from apartments equal to or less than that approved by HUD or MDHCD?	X			3600.01
b. In subsidized projects, are dwelling unit contract rental rates, and Fair Market Rent rates in Section 236 projects the same as those approved by HUD or MDHCD?			X	

EXAMINATION STATUS	YES	NO	N/A	WORKING PAPER REFERENCE
6. MDHCD/HUD Subsidy Payments (Section 8 / RAP projects only)				
a. Were the amounts requested from MDHCD/HUD adequately supported by the accounting records?			X	
b. Were subsidy payments received recorded in the proper accounts?			X	
7. Ownership Interest				
a. Were any changes of stockholders or investors during the current fiscal year approved by MDHCD? Provide a schedule of significant changes, if applicable.			X	
b. Were all dividends paid or other distributions made to owners or stockholders, including distributions and purchase or redemption of stock, reflected in the equity statement?	X			6100.05

OTHER SUPPLEMENTARY INFORMATION

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
SCHEDULES OF SELECTED FINANCIAL DATA
AS OF AND FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
ACCOUNTS RECEIVABLE AND OTHER ASSETS		
Accounts receivable	\$ 130,378	\$ 67,520
Prepaid expenses	1,412	1,599
Allowance for uncollectible accounts	(42,418)	(9,464)
TOTAL ACCOUNTS RECEIVABLE AND OTHER ASSETS	\$ 89,372	\$ 59,655
RESTRICTED DEPOSITS AND FUNDED RESERVES		
Mortgage escrow	12,159	\$ 11,363
Reserve for replacements	89,702	115,514
TOTAL RESTRICTED ASSETS	\$ 101,861	\$ 126,877
PROPERTY AND EQUIPMENT		
Land	\$ 849,256	\$ 849,256
Building and building improvements	3,586,424	3,548,694
Equipment	149,159	149,159
Total Property and Equipment	4,584,839	4,547,109
Accumulated depreciation, building and building improvements	3,428,252	3,340,342
Accumulated depreciation, equipment	149,159	149,159
Less accumulated depreciation	3,577,411	3,489,501
TOTAL PROPERTY AND EQUIPMENT, NET OF DEPRECIATION	\$ 1,007,428	\$ 1,057,608
DEFERRED CHARGES		
Deferred charges	\$ 218,065	\$ 218,065
Accumulated amortization	(195,714)	(191,711)
DEFERRED CHARGES, NET OF AMORTIZATION	\$ 22,351	\$ 26,354
ACCOUNTS PAYABLE, ACCRUED LIABILITIES AND PREPAID RENTS		
Accounts payable	\$ 8,758	\$ 2,147
Prepaid tenant rent	6,214	3,882
Accrued wages	9,797	5,742
TOTAL ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	\$ 24,769	\$ 11,771
OTHER EXPENSES		
Insurance	\$ 9,080	\$ 9,074
Miscellaneous taxes and licenses	14,349	13,127
Mortgage insurance premium	5,835	6,574
TOTAL OTHER EXPENSES	\$ 29,264	\$ 28,775

64 MODERATELY PRICED DWELLING UNITS
CDA PROJECT NUMBER: MON-84-1610
SCHEDULES OF CASH FLOWS DATA
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITES		
Rental receipts	\$ 756,048	\$ 758,750
Interest receipts	1,231	2,123
Other operating receipts	83,461	21,603
Net tenant security deposits paid	(1,362)	(1,582)
Cash paid to suppliers for goods and services	(267,923)	(227,939)
Cash paid for salaries and related costs	(157,965)	(169,950)
Management fees paid	(121,100)	(110,990)
Interest paid on mortgage	(64,711)	(73,670)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>227,679</u>	<u>198,345</u>
CASH FLOWS FROM INVESTING ACTIVITES		
Net withdrawals from reserve for replacements	25,812	16,390
Net deposits to security deposits - tenants	(170)	(273)
Net deposits to from mortgage escrow	(796)	(1,244)
Purchase of property and equipment	(37,730)	-
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(12,884)</u>	<u>14,873</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on mortgage	(156,728)	(147,771)
Distributions to HOC	(58,067)	(65,447)
NET CASH USED BY FINANCING ACTIVITIES	<u>(214,795)</u>	<u>(213,218)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	-	-
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
NET INCOME	\$ 195,666	\$ 21,070
Adjustments to reconcile change in net income to net cash provided by operating activities:		
Depreciation	87,910	111,087
Amortization	4,003	4,003
Bad debt expense	31,078	12,264
Increase in accounts receivable and other assets	(60,795)	(27,949)
Increase (Decrease) in accounts payable, accrued liabilities and prepaid rents	12,998	(8,219)
Decrease in interest payable	(771)	(728)
(Decrease) Increase in advance from HOC	(41,048)	88,399
Decrease in tenant deposits held in trust	(1,362)	(1,582)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 227,679</u>	<u>\$ 198,345</u>

OTHER REPORT



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*

October 1, 2020

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland
Kensington, Maryland

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 the 64 Moderately Priced Dwelling Units ("the Property"), CDA Project Number: MON-84-1610, (a property owned by the Housing Opportunities Commission of Montgomery County, Maryland), Kensington, Maryland, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Property's basic financial statements, and have issued our report thereon dated October 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Property's internal control over financial reporting ("internal control") to determine the 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 the Property's internal control. Accordingly, we do not express an opinion on the effectiveness of the Property'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 the entity's financial statements will not be prevented, or detected and corrected, on a

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland

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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property'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 determination of financial statement amounts. 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 the Property's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Property's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP