

**Banor Housing, Inc.**  
**HUD Project No. MD06RR00003**

Financial Statements and  
Supplementary Information

For the Years Ended June 30, 2020 and 2019  
with Independent Auditor's Reports

**MaherDuessel**

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# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

## TABLE OF CONTENTS

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### **Independent Auditor's Report**

#### **Financial Statements:**

Statements of Financial Position	1
Statements of Activities	2
Statements of Changes in Net Assets	3
Statements of Cash Flows	4
Notes to Financial Statements	5

#### **Supplementary Information:**

Supporting Data Required by HUD	14
Schedule of Expenditures of Federal Awards	20

#### **Independent Auditor's Reports Required by the Uniform Guidance:**

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 <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance	23

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

## TABLE OF CONTENTS

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(Continued)

Schedule of Findings and Questioned Costs	26
Summary Schedule of Prior Audit Findings	27
<b>Certifications:</b>	
Owner's Certification	28
Management Agent's Certification	29

## Independent Auditor's Report

**Board of Directors  
Banor Housing, Inc.**

We have audited the accompanying financial statements of Banor Housing, Inc. (Corporation), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility 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; this includes 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 entity'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 entity'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 Corporation as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 2 to the financial statements, the Corporation adopted ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash.*" The accounting principle was applied retrospectively to the prior period presented. 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 as a whole. The accompanying supplementary information on pages 14 to 19 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also 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 November 20, 2020 on our consideration of the Corporation'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 on internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation'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 the Corporation's internal control over financial reporting and compliance.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
November 20, 2020

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	Without Donor Restrictions	Without Donor Restrictions
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 29,726	\$ 23,653
Accounts receivable, net and other assets	760,400	18,798
Total current assets	790,126	42,451
Restricted assets:		
Customer deposits - funded security deposits	79,207	78,667
Restricted cash and cash equivalents	292,830	505,511
Total restricted assets	372,037	584,178
Property and equipment, net of accumulated depreciation	2,908,342	2,224,435
<b>Total Assets</b>	<b>\$ 4,070,505</b>	<b>\$ 2,851,064</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 65,908	\$ 57,861
Deferred revenue	28,051	8,794
Interfund payable to HOC	427,994	378,438
Total current liabilities	521,953	445,093
Current liabilities payable from restricted assets:		
Customer deposit payable	63,518	70,376
Noncurrent liabilities:		
Advance from HOC Montgomery County	523,110	358,581
Total Liabilities	1,108,581	874,050
Net Assets:		
Without donor restrictions	2,961,924	1,977,014
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,070,505</b>	<b>\$ 2,851,064</b>

See accompanying notes to financial statements.

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	Without Donor Restrictions	
	2020	2019
<b>Operating Revenues:</b>		
Rental revenue		
Gross potential	\$ 858,900	\$ 916,179
Tenant assistance payments	955,701	81,586
Retained excess income	143	10,904
Total rental revenue	1,814,744	1,008,669
Vacancies	(225,110)	(140,720)
Net rental revenue	1,589,634	867,949
Interest reduction payments	-	12,352
Other	16,551	17,328
Total operating revenues	1,606,185	897,629
<b>Operating Expenses:</b>		
Management and general:		
Advertising and marketing	55	-
Office expense	8,085	8,638
Management fee	38,752	46,010
Manager and office salaries	160,038	111,937
Legal expense	54,497	960
Audit expense	7,500	7,350
Bad debt	2,983	400
Miscellaneous	8,961	8,404
Total management and general	280,871	183,699
Program:		
Maintenance	153,212	135,344
Payroll	167,206	149,637
Depreciation	32,163	34,791
Utilities	132,112	111,904
Fringe benefits	77,995	92,139
Interest expense	4,248	5,940
Other	73,686	29,948
Total program	640,622	559,703
Total operating expenses	921,493	743,402
<b>Operating Income</b>	684,692	154,227
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	539	632
Contributions	299,679	599,963
Loan forgiveness	-	183,000
Total non-operating revenues (expenses)	300,218	783,595
<b>Changes in Net Assets</b>	<b>\$ 984,910</b>	<b>\$ 937,822</b>

See accompanying notes to financial statements.



# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## STATEMENTS OF CHANGES IN NET ASSETS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Net assets, beginning of year	\$ 1,977,014	\$ 1,039,192
Changes in net assets	<u>984,910</u>	<u>937,822</u>
Net assets, end of year	<u>\$ 2,961,924</u>	<u>\$ 1,977,014</u>

See accompanying notes to financial statements.

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 984,910	\$ 937,822
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	32,163	34,791
Contribution of property and equipment	(299,679)	(599,963)
Forgiveness of debt	-	(183,000)
Change in:		
Tenant accounts receivable	(241)	(9,283)
Accounts receivable - HUD	(741,361)	82,543
Accounts receivable - interest reduction payments	-	12,352
Prepaid expenses	-	16,407
Accounts payable	3,010	(7,694)
Accounts payable - excess rent - HUD	(922)	1,023
Accrued wages payable	5,959	3,615
Interest payable - mortgage	-	(241)
Tenant security deposits held in trust	(6,858)	(2,930)
Prepaid revenue	19,967	(5,596)
Deferred revenue	(710)	(710)
Net cash provided by (used in) operating activities	(3,762)	279,136
<b>Cash Flows From Investing Activities:</b>		
Work in progress	(416,391)	(273,767)
<b>Cash Flows From Financing Activities:</b>		
Principal payments - first mortgage	-	(41,276)
Advance from HOC Montgomery County	164,529	358,581
Increase (decrease) from Interfund payable	49,556	(206,586)
Net cash provided by (used in) financing activities	214,085	110,719
<b>Net Increase (Decrease) in Cash, Cash Equivalents, and Restricted Assets</b>	(206,068)	116,088
<b>Cash, Cash Equivalents, and Restricted Assets:</b>		
Beginning of year	607,831	491,743
End of year	\$ 401,763	\$ 607,831
Consists of:		
Cash and cash equivalents	\$ 29,726	\$ 23,653
Restricted assets	372,037	584,178
	\$ 401,763	\$ 607,831
<b>Supplemental Data for Noncash Investing Activities:</b>		
Contribution of property and equipment	\$ 299,679	\$ 599,963
<b>Supplemental Data for Noncash Financing Activities:</b>		
Forgiveness of debt	\$ -	\$ 183,000

See accompanying notes to financial statements.

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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## 1. Organization and Presentation

Banor Housing, Inc. (Corporation) is a nonprofit corporation organized in June of 1974, under the laws of the State of Maryland. The Corporation operates a 142-unit elderly apartment housing project called Bauer Park Apartments located in Rockville, Maryland pursuant to Section 236, of Title II of the National Housing Act. Under Section 236, the project receives monthly subsidies from the Department of Housing and Urban Development (HUD) to assist in the payment of mortgage interest. Additionally, for a limited number of residents who qualify under income guidelines set forth under Section 8 of the National Housing Act, the Corporation receives rent subsidy equivalent to the difference between a predetermined minimum basic rent and the net family contribution required under the applicable rent assistance program. HUD regulates this project as to rent charges and operating methods.

## 2. Summary of Significant Accounting Policies

### Basis of Accounting

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

### Basis of Presentation

The Corporation is required to report information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions, established according to their nature and purpose.

Net assets of the Corporation are reported as follows:

Without Donor Restrictions – represent the portion of expendable funds that are available for support of the Corporation's operations.

With Donor Restrictions – are specifically restricted by donors for various programs or future periods. The property has no donor-restricted net assets.

# **BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

## **NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### Cash and Cash Equivalents

For the purposes of the statements of cash flows, the Corporation considers all highly liquid investments available for current use with an initial maturity of three months or less when purchased to be cash equivalents. Restricted amounts are not included in beginning or ending cash in the statements of cash flows. The Corporation had no cash equivalents at June 30, 2020 and 2019.

### Restricted Deposits and Funded Reserves

Restricted cash is to be used for replacement of property and various other uses with the approval of HUD. The Corporation made monthly deposits of \$5,000 for 2020 and 2019, to the restricted replacement reserve fund. The annual contribution for the fiscal years 2020 and 2019 was \$60,000. HUD-restricted deposits and funded reserves of \$292,830 at June 30, 2020 and \$505,511 at June 30, 2019, are held in separate accounts and are not available for operating purposes.

### Allowance for Doubtful Accounts

The Corporation uses the allowance method of accounting for receivables. All receivable balances greater than 90 days old are charged to the allowance account. The allowance for doubtful account balances for the years ended June 30, 2020 and 2019 was \$141,656 and \$138,707, respectively.

### Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of assets that range from 40 years for buildings, 10 years for building improvements, and five to ten years for portable building equipment. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred.

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### Impairment of Assets

The Corporation 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 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 flow analysis, or other valuation technique. There was no impairment loss recognized in 2020 and 2019.

### Rental Income

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

### Contributions

The Housing Opportunities Commission of Montgomery County (HOC) is performing a renovation of Bauer Park Apartments. During 2020 and 2019, renovation costs in the amount of \$299,679 and \$599,963, respectively, were paid for by HOC and are reported as contribution revenue on the statements of activities, and the contributed fixed assets are reported as an increase in construction in progress during the year.

### Functional Allocation of Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statements of activities. This statement presents the natural classification detail of expenses by function. The sole program of the Corporation is to provide low-income housing to elderly individuals. Expenses related to the program are charged directly.

# **BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

## **NOTES TO FINANCIAL STATEMENTS**

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### Liquidity and Availability

The Corporation's liquid resources are managed within federal guidelines. HOC has made the stance that it will cover any cash flow issues the Corporation incurs and will forgive any loans made to the Corporation if the time comes that the Corporation cannot continue on its own. Additionally, surplus cash must be deposited into a residual receipts reserve. If funds are needed, the Corporation can use reserve for replacements with HUD's permission.

### Tax-Exempt Status

The Corporation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Service also ruled that the Corporation is not a private foundation. As a result, the Corporation is not required to provide for income taxes unless it has unrelated business income. The Corporation's federal income tax returns are subject to examination by the IRS, generally for three years after they were filed.

Further, the Corporation annually files a Form 990.

### Distributions

The Corporation's regulatory agreement with HUD stipulates, among other things, that the Corporation will not make distributions of assets or income to any of its officers or directors.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosures 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, particularly given the significant social and economic disruptions and uncertainties associated with the ongoing COVID-19 pandemic and the COVID-19 control response, and such differences may be material.

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### Adopted Accounting Standards

The provisions of these Standards Updates have been adopted and incorporated into these financial statements.

Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, provides guidance for revenue recognition related to contracts involving the transfer of promised goods or services to customers and the related disclosures. The implementation of these amendments was applied retrospectively to all periods presented, with no effect on net assets. Implementation resulted in financial statement disclosure modifications only.

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* The amendments require that the statement of cash flows explain the change during the period in the total cash and cash equivalents including the changes of those amounts generally described as restricted cash or restricted cash equivalents. The corporation has adopted these provisions in the accompanying financial statements.

ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958).* The amendments provide guidance for characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. Implementation of these amendments had no impact on the financial statements.

### Pending Accounting Standards Update

FASB has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of these updates on the financial statements.

ASU 2016-02, *Leases (Topic 842),* is effective, as delayed, for the financial statements for the year beginning after December 15, 2021. These amendments and related amendments will require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures also will be required by lessees to meet the objective of enabling users of

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# **BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

## Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

## Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

Bauer Park Apartments was sold to Bauer Park Limited Liability Partnership on September 1, 2020 in preparation for RAD conversion of the property.

### **3. Cash Management**

The Corporation maintains its cash and cash equivalents, deposits held in trust, and restricted deposits and funded reserves in various high-credit financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each institution. If these balances exceed the federal insurance limits, they will be collateralized. The Corporation has not experienced any losses in such accounts. The Corporation believes it is not exposed to any significant credit risk on these bank deposits.



# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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### 4. Property and Equipment

Property and equipment consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Land/land improvements	\$ 102,054	\$ 102,054
Building	4,504,247	4,504,247
Building equipment (portable)	254,668	254,668
Miscellaneous fixed assets	<u>2,719,862</u>	<u>2,003,792</u>
Total property and equipment	7,580,831	6,864,761
Less: accumulated depreciation	<u>(4,672,489)</u>	<u>(4,640,326)</u>
Net property and equipment	<u><u>\$ 2,908,342</u></u>	<u><u>\$ 2,224,435</u></u>

### 5. Mortgage Payable

The mortgage note was payable in monthly installments of \$20,825, including interest at 7% through August 2018. The mortgage payable was secured by the Corporation's property and equipment. The mortgage was paid in full in August 2018.

Interest expense incurred for the years ended June 30, 2020 and 2019 related to this note was as follows:

	<u>2020</u>	<u>2019</u>
Gross mortgage interest expense	\$ -	\$ 5,940
Less: Interest paid by HUD	-	<u>(12,352)</u>
Net interest loss	<u><u>\$ -</u></u>	<u><u>\$ (6,412)</u></u>

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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## 6. Notes Payable to Montgomery County

The note payable to Montgomery County, Maryland Department of Housing and Community Affairs, in the amount of \$183,000 was non-interest bearing and matured in September 2018. The proceeds were specifically advanced for the cost associated with repairing/replacing the roof. The loan was forgiven in April 2019 and income of \$183,000 for debt forgiveness was recognized in fiscal year 2019 as a result.

## 7. Related Party Transactions

All four voting members of the Board of Directors (Board) are appointed by HOC. The Board contracted HOC to manage the Bauer Park Apartments.

During the year ended June 30, 2019, management fees of \$46,010 were incurred (a monthly management fee of \$27 per unit per month). During the year ended June 30, 2020, the Corporation entered into an Amended and Restated Property Assistance Agreement with Edgewood Management Corporation for management of the property and therefore no longer paid a management fee to HOC. The fee is calculated at a flat rate of \$28 per occupied unit per month. In addition, HOC reserves the right to pay Edgewood Management Corporation an annual fee. Payment of the fee is in HOC's sole discretion and there is no guarantee that Edgewood Management Corporation will receive the annual fee in any given year. The annual fee is based on target occupancy levels and actual rents received. The agreement is set to expire on December 31, 2021. For the year ended June 30, 2020, management fees totaled \$38,752.

The amounts charged to operations for the above services for the years ended June 30, 2020 and 2019 were:

	<u>2020</u>	<u>2019</u>
Management fees	\$ -	\$ 46,010
Salaries and wages	327,244	261,574
Fringe benefits	58,180	67,013

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# **BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

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In June 2017, the Board of HOC passed a resolution to advance funds to the Corporation of up to \$523,110 to help pay for capital improvements at the property. At June 30, 2020 and 2019, the funds advanced to the Corporation were \$523,110 and \$358,581, respectively.

The Corporation transfers its daily cash collections from operations to a central cash account that is under the control of HOC. Correspondingly, HOC pays for all project expenses from a central cash account also under its control. At the end of each month, the net amount owed to or by the Corporation is assessed interest charges based on the average rate HOC earned on its nightly repurchase agreements during that month. The average rate used at June 30, 2020 and 2019 was 0.04%-0.12% and 0.08%-0.12%, respectively. Interest accrued by the Corporation on net balances owed to HOC in June 30, 2020 and 2019 was \$4,248 and \$5,819, respectively. At June 30, 2020 and 2019, the Corporation owed HOC \$427,994 and \$378,438, respectively.

## **8. Current Vulnerability Due to Certain Concentrations**

The Corporation's sole asset is a 142-unit apartment project (Project). The Project's operations are concentrated in the multifamily real estate market. In addition, the Project operates in a heavily regulated environment. The operations of the Project 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 for the related cost, including the additional administrative burden, to comply with a change.

**SUPPLEMENTARY INFORMATION  
REQUIRED BY HUD**

**BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

SUPPORTING DATA REQUIRED BY HUD

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

Account Number	<u>Assets</u>	<u>2020</u>	<u>2019</u>
	Current assets:		
1120	Cash - operations	\$ 29,726	\$ 23,653
1130	Tenant accounts receivable	11,956	11,715
1135	Accounts receivable - HUD, net	<u>748,444</u>	<u>7,083</u>
1100T	Total current assets	<u>790,126</u>	<u>42,451</u>
	Deposits held in trust - funded:		
1191	Tenant deposits held in trust	<u>79,207</u>	<u>78,667</u>
	Restricted deposits and funded reserves:		
1320	Reserve for replacements	237,755	258,552
1340	Residual receipts reserve	<u>55,075</u>	<u>246,959</u>
1300T	Total restricted deposits and funded reserves	<u>292,830</u>	<u>505,511</u>
1400	Property and equipment:		
1410	Land/land improvements	102,054	102,054
1420	Building	4,504,247	4,504,247
1440	Building equipment (portable)	254,668	254,668
1490	Miscellaneous fixed assets	<u>2,719,862</u>	<u>2,003,792</u>
1400T	Total property and equipment	7,580,831	6,864,761
1495	Less: accumulated depreciation	<u>(4,672,489)</u>	<u>(4,640,326)</u>
1400N	Net property and equipment	<u>2,908,342</u>	<u>2,224,435</u>
1000T	<b>Total Assets</b>	<u><u>\$ 4,070,505</u></u>	<u><u>\$ 2,851,064</u></u>
	<b>Liabilities and Net Assets</b>		
	Liabilities:		
	Current liabilities:		
2110	Accounts payable - operations	\$ 41,244	\$ 38,234
2115	Accounts payable - excess rent - HUD	1,485	2,407
2120	Accrued wages payable	23,179	17,220
2177	Operating loss loan payable (short-term)	427,994	378,438
2190	Deferred revenue - current portion	-	710
2210	Prepaid revenue	<u>28,051</u>	<u>8,084</u>
2122T	Total current liabilities	<u>521,953</u>	<u>445,093</u>
	Deposit liabilities:		
2191	Tenant deposits held in trust	<u>63,518</u>	<u>70,376</u>
	Long-term liabilities:		
2324	Advance from HOC Montgomery County	<u>523,110</u>	<u>358,581</u>
2300T	Total long-term liabilities	<u>523,110</u>	<u>358,581</u>
2000T	Total Liabilities	1,108,581	874,050
3131	Net Assets without Donor Restrictions	<u>2,961,924</u>	<u>1,977,014</u>
2033T	<b>Total Liabilities and Net Assets</b>	<u><u>\$ 4,070,505</u></u>	<u><u>\$ 2,851,064</u></u>

**BANOR HOUSING, INC.**  
**HUD PROJECT NO. MD06RR00003**  
**SUPPORTING DATA REQUIRED BY HUD**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2020 AND 2019**

Account Number		2020	2019
	<b>Revenues:</b>		
5120	Rent revenue - gross potential	\$ 858,900	\$ 916,179
5121	Tenant assistance payments	955,701	81,586
5194	Retained excess income	143	10,904
5100T	Total rent revenue	1,814,744	1,008,669
5220	Vacancies - apartments	(221,483)	(140,720)
5250	Rental concessions	(3,627)	-
5200T	Total vacancies	(225,110)	(140,720)
5152N	Net rent revenues	1,589,634	867,949
5410	Financial revenue	539	620
5430	Revenue from investments - residual receipts	-	6
5440	Revenue from investments - replacement reserve	-	6
5400T	Total financial revenue	539	632
5910	Laundry and vending revenue	8,172	7,793
5920	Tenant charges	724	1,472
5945	Interest reduction payments revenue	-	12,352
5990	Contributions	299,679	599,963
5990	Miscellaneous revenue	7,655	191,063
5900T	Total other revenues	316,230	812,643
5000T	Total revenues	1,906,403	1,681,224
	<b>Expenses:</b>		
	Administrative expenses:		
6210	Advertising	55	-
6250	Other renting expenses	96	311
6310	Office salaries	20,153	27,173
6311	Office expenses	8,085	8,638
6320	Management fee	38,752	46,010
6330	Manager salary	139,885	84,764
6340	Legal expense	54,497	960
6350	Audit expense	7,500	7,350
6370	Bad debts	2,983	400
6390	Miscellaneous administrative expenses	8,865	8,093
6263T	Total administrative expenses	280,871	183,699
	Utilities expenses:		
6450	Electricity	51,630	47,906
6451	Water	53,379	35,638
6452	Gas	22,931	24,458
6400T	Total utilities expenses	127,940	108,002

(Continued)

**BANOR HOUSING, INC.**  
**HUD PROJECT NO. MD06RR00003**  
**SUPPORTING DATA REQUIRED BY HUD**  
**STATEMENTS OF ACTIVITIES**  
(Continued)  
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Account Number		2020	2019
	<b>Expenses (continued):</b>		
	Operating and maintenance expenses:		
6510	Payroll	167,206	149,637
6515	Supplies	12,855	22,638
6520	Contracts	61,907	73,567
6525	Garbage and trash removal	4,172	3,902
6530	Security	43,028	390
6546	Heating/cooling repairs and maintenance	26,810	13,232
6548	Snow removal	4,625	13,794
6570	Vehicle and maintenance equipment operation and repairs	5,585	3,124
6580	Leases	5,076	6,876
6590	Miscellaneous operating and maintenance expenses	35,967	751
6500T	Total operating and maintenance expenses	367,231	287,911
	Taxes and insurance:		
6710	Real estate taxes	6,483	5,258
6711	Payroll taxes (Project's Share)	15,185	19,876
6720	Property and liability insurance	24,175	24,253
6722	Workmen's comp	4,630	5,250
6723	Health Insurance and other ben.	58,180	67,013
6700T	Total taxes and insurance	108,653	121,650
	Financial expenses:		
6820	Interest on mortgage payable	4,248	5,940
6850	Mortgage insurance premium/service charge	-	47
6890	Miscellaneous financial expense	387	1,362
6800T	Total financial expenses	4,635	7,349
6000T	Total cost of operations before depreciation	889,330	708,611
5060T	Profit (loss) before depreciation	1,017,073	972,613
6600	Depreciation expense	32,163	34,791
3250	<b>Changes in Net Assets</b>	984,910	937,822
	<b>Net Assets without Donor Restrictions:</b>		
S1100-060	Beginning of year	1,977,014	1,039,192
3131	End of year	\$ 2,961,924	\$ 1,977,014
	<b>Part II</b>		
S1000-010	Total first mortgage principal payments required during the audit period (usually 12 months). This applies to all direct loans, HUD-held, and HUD-insured first mortgages.	\$ -	\$ 41,276
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.	\$ 60,000	\$ 60,000
S1000-030	Replacement reserves or residual receipts and releases included as expenses in the above statement of activities.	\$ -	\$ -
S1000-040	Project improvement reserve releases under the flexible subsidy program included as expenses in the above statement of activities.	\$ -	\$ -

(Concluded)

**BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

SUPPORTING DATA REQUIRED BY HUD

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

Account Number		<u>2020</u>	<u>2019</u>
	<b>Cash Flows From Operating Activities:</b>		
	Receipts:		
S1200-010	Rental receipts	\$ 867,286	\$ 935,613
S1200-020	Interest receipts	539	632
S1200-030	Other operating receipts	<u>15,629</u>	<u>42,345</u>
S1200-040	Total receipts	<u>883,454</u>	<u>978,590</u>
	Disbursements:		
S1200-050	Administrative	82,081	9,345
S1200-070	Management fees	38,752	46,010
S1200-090	Utilities	123,311	120,288
S1200-100	Salaries and wages	321,285	257,959
S1200-110	Operating and maintenance	201,641	136,381
S1200-120	Real estate taxes	6,483	5,258
S1200-140	Property insurance	24,175	21,554
S1200-150	Miscellaneous taxes and insurance	77,995	92,139
S1200-160	Tenant security deposits	7,398	3,423
S1200-180	Interest on mortgages	4,248	6,181
S1200-210	Mortgage insurance premium	-	47
S1200-220	Miscellaneous financial expenses	<u>387</u>	<u>1,362</u>
S1200-230	Total disbursements	<u>887,756</u>	<u>699,947</u>
S1200-240	Net cash provided by (used in) operating activities	<u>(4,302)</u>	<u>278,643</u>
	<b>Cash Flows From Investing Activities:</b>		
S1200-245	Net (deposits to) withdrawal from the mortgage escrow account	-	20,742
S1200-250	Net (deposits to) withdrawal from the reserve for replacement	20,797	(60,006)
S1200-260	Net (deposits to) withdrawal from the residual receipts	191,884	(52,778)
S1200-330	Net purchase of fixed assets	<u>(416,391)</u>	<u>(273,767)</u>
S1200-350	Net cash provided by (used in) investing activities	<u>(203,710)</u>	<u>(365,809)</u>
	<b>Cash Flows From Financing Activities:</b>		
S1200-360	Principal payments - first mortgage	-	(41,276)
S1200-365	Advance from HOC Montgomery County	164,529	358,581
S1200-410	Increase (decrease) from Interfund payable	<u>49,556</u>	<u>(206,586)</u>
S1200-460	Net cash provided by (used in) financing activities	<u>214,085</u>	<u>110,719</u>
S1200-470	<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>6,073</u>	<u>23,553</u>
	<b>Cash and Cash Equivalents:</b>		
S1200-480	Beginning of year	<u>23,653</u>	<u>100</u>
S1200T	End of year	<u>\$ 29,726</u>	<u>\$ 23,653</u>
	<b>Supplemental Data for Noncash Investing Activities:</b>		
S1200-602	Contribution of property and equipment	<u>\$ 299,679</u>	<u>\$ 599,963</u>
	<b>Supplemental Data for Noncash Financing Activities:</b>		
S1200-602	Forgiveness of debt	<u>\$ -</u>	<u>\$ 183,000</u>



# BANOR HOUSING, INC.

## HUD PROJECT NO. MD06RR00003

### SUPPORTING DATA REQUIRED BY HUD

FOR THE YEAR ENDED JUNE 30, 2020

#### Computation of Surplus Cash, Distributions, and Residual Receipts (Annual)

S1300-010	Cash	\$	108,933	
1135	Accounts receivable - HUD		748,444	
S1300-040	Total cash			\$ 857,377
S1300-075	Accounts payable (due within 30 days)		41,244	
S1300-100	Accrued expenses (not escrowed) - wages		23,179	
2210	Prepaid revenue		28,051	
2191	Tenant security deposits liability		63,518	
S1300-110	Other - accounts payable - excess income		1,485	
S1300-140	Total current obligations			157,477
S1300-150	Surplus cash (deficiency)			\$ 699,900

#### Schedule of Changes in Fixed Asset Accounts

	<u>Cost</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
1410	Land	\$ 102,054	\$ -	\$ -	\$ 102,054
1420	Buildings	4,504,247	-	-	4,504,247
1440	Building equipment (portable)	254,668	-	-	254,668
1490	Miscellaneous other fixed assets	2,003,792	716,070	-	2,719,862
		<u>\$ 6,864,761</u>	<u>\$ 716,070</u>	<u>\$ -</u>	<u>\$ 7,580,831</u>
	Accumulated depreciation	<u>\$ 4,640,326</u>	<u>\$ 32,163</u>	<u>\$ -</u>	<u>\$ 4,672,489</u>
	Net book value	<u>\$ 2,224,435</u>			<u>\$ 2,908,342</u>

# BANOR HOUSING, INC.

## HUD PROJECT NO. MD06RR00003

### SUPPORTING DATA REQUIRED BY HUD

FOR THE YEAR ENDED JUNE 30, 2020

#### Schedule of Reserve for Replacements

In accordance with HUD regulations, monies are deposited in a separate account (including investments) to be used for replacement of property with the approval of HUD as follows:

1320P	Balance at beginning of year	\$ 258,552
1320DT	Total deposits	60,000
1320INT	Interest on replacement reserve account	-
1320OWT	Other withdrawals	<u>(80,797)</u>
1320	Balance at current fiscal year-end	<u>\$ 237,755</u>

#### Schedule of Residual Receipts

1340P	Balance at beginning of year	\$ 246,959
1340DT	Total deposits	-
1340INT	Interest on residual receipts account	-
1340WT	Other withdrawals	<u>(191,884)</u>
1340	Balance at current fiscal year-end	<u>\$ 55,075</u>

**BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Passed through to Subrecipients</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Section 8 Project-Based Cluster:			
Section 8 Housing Assistance Payments Program	14.195	\$ 751,852	\$ -
Housing Voucher Cluster:			
Section 8 Housing Choice Vouchers	14.871	<u>203,849</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 955,701</u>	<u>\$ -</u>

Notes to Schedule of Expenditures of Federal Awards:

1. The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of HOC Banor Housing and is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Banor Housing, Inc.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Banor Housing Inc. has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Banor Housing, Inc.**

HUD Project No. 000-44227

Independent Auditor's Reports  
Required by the Uniform Guidance

Year Ended June 30, 2020

**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**

**Board of Directors  
Banor Housing, Inc.**

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 Banor Housing, Inc. (Corporation), a nonprofit corporation, HUD Project No. MD06RR00003, which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, 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 November 20, 2020.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Corporation’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 the Corporation’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation’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 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.

Board of Directors  
Banor Housing, Inc.  
Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of 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 matter 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahe Duessel*

Pittsburgh, Pennsylvania  
November 20, 2020

## Independent Auditor's Report on Compliance for the Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors  
Banor Housing, Inc.

### Report on Compliance for the Major Federal Program

We have audited Banor Housing, Inc.'s (Corporation), a nonprofit corporation, HUD Project No. MD06RR00003, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2020. The Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for the Corporation's major federal program based on our audit of the types of compliance requirements referred to above. 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; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

### ***Opinion on the Major Federal Program***

In our opinion, the Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2020.

### **Report on Internal Control over Compliance**

Management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Board of Directors  
Banor Housing, Inc.  
Independent Auditor's Report on Compliance for the Major  
Program and on Internal Control over Compliance

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.

*Maher Duessel*

Pittsburgh, Pennsylvania  
November 20, 2020

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

### I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes  none reported

3. Noncompliance material to financial statements noted?  yes  no

4. Internal control over major programs:

Material weakness(es) identified?  yes  no

Significant deficiencies identified that are not considered to be material weakness(es)?

yes  none reported

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

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

7. Major Programs:

CFDA Number(s)

14.195

Name of Federal Program or Cluster

Section 8 Housing Assistance Payments

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee?  yes  no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

**No matters were reported.**

III. Findings and questioned costs for federal awards.

**No matters were reported.**

**BANOR HOUSING, INC.**

HUD PROJECT NO. MD06RR00003

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2020

**NO SINGLE AUDIT IN PRIOR YEAR**

## **CERTIFICATIONS**

# BANOR HOUSING, INC.

HUD PROJECT NO. MD06RR00003

## OWNER'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental information of Banor Housing, Inc., HUD Project No. MD06RR00003 as of June 30, 2020 and for the year then ended and, to the best of our knowledge and belief, the same are accurate and complete.

Banor Housing, Inc.                      EIN: 52-1060147  
Phone: (240) 627-9754

By: \_\_\_\_\_  
Name

Date: November 20, 2020

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name

Date: November 20, 2020

\_\_\_\_\_  
Title

# BANOR HOUSING, INC.

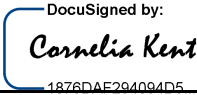
HUD PROJECT NO. MD06RR00003

## MANAGEMENT AGENT'S CERTIFICATION

We hereby certify that we have examined the accompanying financial statements and supplemental information of Banor Housing, Inc., HUD Project No. MD06RR00003 as of June 30, 2020 and for the year then ended and, to the best of our knowledge and belief, the same are accurate and complete.

HOUSING OPPORTUNITIES COMMISSION OF MONTGOMERY COUNTY

EIN: 52-0859090

By:  \_\_\_\_\_  
Name  
Chief Financial Officer  
\_\_\_\_\_  
Title

Date: November 20, 2020