

Magruder's Discovery Development Corporation

Financial Statements

**For the Years Ended
June 30, 2020 and 2019**

Magruder's Discovery Development Corporation

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For the Years Ended June 30, 2020 and 2019

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Independent Auditor's Report

To the Board of Commissioners
Magruder's Discovery Development Corporation
10400 Detrick Avenue
Kensington, MD 20895

Report on the Financial Statements

We have audited the accompanying financial statements of Magruder's Discovery Development Corporation, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of operations, changes in net assets (deficit), 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. 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 purposes 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 Magruder's Discovery Development Corporation 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 accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, during the year ended June 30, 2020, Magruder's Discovery Development Corporation adopted Financial Accounting Standards Board Update (ASU) No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

Hertzbach & Company, P.A.

Owings Mills, Maryland
October 13, 2020

Magruder's Discovery Development Corporation

Balance Sheets

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash	\$ -	\$ 400
Accounts receivable, net and other assets	10,607	112,170
Interfund receivable	<u>88,404</u>	<u>113,044</u>
Total unrestricted current assets	<u>99,011</u>	<u>225,614</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	517,731	445,119
Tenants' security deposits	<u>71,756</u>	<u>71,268</u>
Total restricted cash and cash equivalents for current liabilities	<u>589,487</u>	<u>516,387</u>
Property and equipment		
Property and equipment, net of accumulated depreciation	<u>5,169,119</u>	<u>5,435,122</u>
Deferred charges		
Negative arbitrage	<u>136,224</u>	<u>142,716</u>
Total assets	<u>\$ 5,993,841</u>	<u>\$ 6,319,839</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Balance Sheets (Continued)
As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	\$ 108,041	\$ 88,669
Accrued interest payable	53,835	55,015
First mortgage, current maturities	<u>235,867</u>	<u>221,282</u>
Total current liabilities	<u>397,743</u>	<u>364,966</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	<u>69,232</u>	<u>70,954</u>
Total current liabilities payable from restricted assets	<u>69,232</u>	<u>70,954</u>
Long-term liabilities		
First mortgage, net of current maturities and unamortized financing fees of \$176,521 - 2020 and \$184,927 - 2019	<u>9,681,586</u>	<u>9,909,046</u>
Total long-term liabilities	<u>9,681,586</u>	<u>9,909,046</u>
Total liabilities	<u>10,148,561</u>	<u>10,344,966</u>
Net assets (deficit)		
Investment in capital assets, net of related debt	(4,924,855)	(4,880,133)
Restricted net assets	520,255	445,433
Unrestricted net assets	<u>249,880</u>	<u>409,573</u>
Total net assets (deficit)	<u>(4,154,720)</u>	<u>(4,025,127)</u>
Total liabilities and net assets (deficit)	<u>\$ 5,993,841</u>	<u>\$ 6,319,839</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Operations

For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues		
Dwelling rental income	\$ 2,281,402	\$ 2,273,939
Other income	<u>147,663</u>	<u>44,935</u>
Total operating revenues	<u>2,429,065</u>	<u>2,318,874</u>
Operating expenses		
Administrative	194,297	250,253
Operating and maintenance	263,222	281,513
Depreciation	294,814	344,605
Utilities	131,075	114,609
Fringe benefits	114,255	86,121
Interest expense	667,478	681,234
Other	894,648	758,695
Bad debt expense	<u>-</u>	<u>72,283</u>
Total operating expenses	<u>2,559,789</u>	<u>2,589,313</u>
Operating loss	<u>(130,724)</u>	<u>(270,439)</u>
Nonoperating revenues		
Interest revenue	<u>1,131</u>	<u>278</u>
Total nonoperating revenues	<u>1,131</u>	<u>278</u>
Net loss	<u>\$ (129,593)</u>	<u>\$ (270,161)</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Changes in Net Assets (Deficit)
For the Years Ended June 30, 2020 and 2019

Balance, July 1, 2018	\$ (3,754,966)
Net loss, June 30, 2019	<u>(270,161)</u>
Balance, June 30, 2019	(4,025,127)
Net loss, June 30, 2020	<u>(129,593)</u>
Balance, June 30, 2020	<u>\$ (4,154,720)</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

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 loss	\$ (129,593)	\$ (270,161)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	294,814	344,605
Amortization of financing fees	8,406	8,406
Amortization of negative arbitrage	6,492	6,492
Decrease in operating assets:		
Accounts receivable, net and other assets	101,563	62,655
Interfund receivable	24,640	46,352
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	19,372	9,341
Accrued interest payable	(1,180)	(1,107)
Tenants' security deposits	(1,722)	1,176
Net cash provided by operating activities	<u>322,792</u>	<u>207,759</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(28,811)</u>	<u>(25,460)</u>
Net cash used in investing activities	<u>(28,811)</u>	<u>(25,460)</u>
Cash flows from financing activities		
Mortgage principal payments	<u>(221,281)</u>	<u>(207,599)</u>
Net cash used in financing activities	<u>(221,281)</u>	<u>(207,599)</u>
Net increase in cash and restricted cash and cash equivalents	72,700	(25,300)
Cash and restricted cash and cash equivalents, beginning of year	<u>516,787</u>	<u>542,087</u>
Cash and restricted cash and cash equivalents, end of year	<u>\$ 589,487</u>	<u>\$ 516,787</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 653,760</u>	<u>\$ 667,443</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2020 and 2019

The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the balance sheets that sum to the total of the same such amounts presented in cash and restricted cash and cash equivalents, end of year, above:

	<u>2020</u>	<u>2019</u>
Cash	\$ -	\$ 400
Restricted cash and cash equivalents	517,731	445,119
Tenants' security deposits	<u>71,756</u>	<u>71,268</u>
Total cash and restricted cash and cash equivalents, end of year	<u>\$ 589,487</u>	<u>\$ 516,787</u>

See independent auditor's report and notes to financial statements.

Magruder's Discovery Development Corporation

Notes to Financial Statements
For the Years Ended June 30, 2020 and 2019

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Magruder's Discovery Development Corporation (the Corporation) is a nonprofit, nonstock corporation formed in the State of Maryland on August 19, 2008 to acquire, own and operate 134 apartment units to be operated as a housing project for rental to persons of eligible income under the Annotated Code of Maryland (the Project). The Corporation provides residential housing to low income families and receives federal rent subsidies under a Section 8 Housing Assistance Payments Contract with the U.S. Department of Housing and Urban Development (HUD). The units are located in Bethesda, Maryland. Operations began on June 17, 2010.

Housing projects undertaken, financed, or assisted by the Corporation and the projects' related expenditures must be approved by the Housing Opportunities Commission of Montgomery County, Maryland, (a component unit of Montgomery County, Maryland) (HOC). The Corporation is legally separate from HOC, but the Corporation's financial statements are included in the Opportunity Housing Fund of HOC as a blended component unit. The Corporation's directors must be commissioners of HOC and, therefore, HOC can significantly influence the programs, projects, activities of, and the level of service performed by the Corporation.

Method of Accounting

The Corporation's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents as of June 30, 2020 and 2019.

Rents Receivable and Bad Debts

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts.

Management periodically evaluates the need for an allowance for doubtful accounts by considering the Corporation's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due after the tenth of the month in which they were due. Accounts receivable are considered uncollectible if they are outstanding over 90 days. Allowances as of June 30, 2020 and 2019 were \$72,283.

Property and Equipment

Land, buildings and improvements are recorded at cost. Building and improvements are depreciated over their estimated useful lives of 10 to 40 years using the straight-line method.

Impairment of Long-lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended June 30, 2020 and 2019.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Net Assets

HOC, the Corporation's principal investor, is required to report on a fund basis and categorize net assets as the following:

Investment in capital assets represents the total of property and equipment, net less mortgage payable.

Restricted net assets represents the sum of total restricted cash and cash equivalents and tenant security deposits less the tenant security deposit liability.

Unrestricted net assets represents the balance remaining after investment in capital assets and restricted net assets.

Interest

The Corporation has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the statement of financial position as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Corporation is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the mortgage, and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 7 for more information.

Income Taxes

The Corporation is exempt from income taxes under Section 115 of the Internal Revenue Code, which excludes from gross income amounts earned by state and local governments.

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 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Revenue

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

Advertising

The Corporation's policy is to expense advertising costs when incurred.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

2) Accounting Pronouncements Adopted

The Corporation adopted ASU No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*, which reduced diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows by including restricted cash with cash when reconciling the beginning of year and end of year total amounts shown on the statement of cash flows. The Corporation adopted the provisions under this ASU on July 1, 2019 on a retrospective basis which resulted in an increase in beginning of year and end of year cash. Restricted cash was \$589,487 and \$516,387 as of June 30, 2020 and 2019, respectively, and therefore resulted in an increase in cash and restricted cash of \$589,487 and \$516,387 as presented on the statements of cash flows as of June 30, 2020 and 2019, respectively.

3) Concentration of Risk

The Corporation maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. Additionally, the Corporation is included with the Housing Opportunities Commission of Montgomery County, Maryland (the “Commission”) as part of the agency funds, and was entirely insured or collateralized with securities held by the Commission’s agent in the Commission’s name.

4) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	2020	2019
Mortgage escrow deposits	\$ 65,643	\$ 14,094
Reserve for replacements	401,934	381,212
Renovation escrow	50,154	49,813
	<u>\$ 517,731</u>	<u>\$ 445,119</u>

Pursuant to the regulatory agreement with HUD, the Corporation is required to maintain a replacement reserve escrow account with HOC as trustee. The replacement reserve is set aside for future maintenance of the property. Details of the reserve for replacement account during the years ended June 30 were as follows:

	2020	2019
Balance, beginning of year	\$ 381,212	\$ 409,715
Monthly deposits*	40,812	39,816
Reserve releases	(20,090)	(68,319)
Balance end of year	<u>\$ 401,934</u>	<u>\$ 381,212</u>

*In July 2011, the Corporation began contributing monthly payments of \$2,792 to the replacement reserve. Annually the monthly payment is scheduled to increase by 2.5%, and may be modified as needed by HOC. Monthly deposits for the years 2020 and 2019 were \$3,401 and \$3,318, respectively.

See independent auditor’s report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

5) Property and Equipment

Property and equipment detail for the years ended June 30 was as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 691,363	\$ 691,363
Buildings and improvements	11,196,827	11,168,016
Machinery and equipment	<u>1,303,954</u>	<u>1,303,954</u>
Total property and equipment	13,192,144	13,163,333
Less: accumulated depreciation	<u>8,023,025</u>	<u>7,728,211</u>
Property and equipment, net	<u>\$ 5,169,119</u>	<u>\$ 5,435,122</u>

6) Negative Arbitrage

HOC issued bonds to provide the financing for the Corporation's rehabilitation. Because HOC earned less in interest revenue from the Corporation's loan during the construction than it paid to the HOC bondholders, negative arbitrage occurred. Negative arbitrage occurs when investments acquired with the bond proceeds earn less interest than is due to the bondholders.

During the year ended June 30, 2011, the Corporation paid \$194,637 to HOC as charge for the incurred negative arbitrage, representing the difference between the interest HOC earns on its loan to the Corporation and the interest HOC pays to the bondholders over the life of the loan. The Corporation is amortizing the amount over the 30-year term of the loan. For the years ended June 30, 2020 and 2019, \$6,492 of the negative arbitrage was amortized and charged to interest expense. The balance of the negative arbitrage is included in the accompanying statements of financial position under deferred charges.

7) Long-term Debt

Mortgage Payable

The Corporation is obligated to repay a mortgage to HOC. On June 14, 2010, the Corporation assumed the HUD regulatory agreement from HOC in conjunction with execution of a mortgage loan from HOC for \$11,780,518. The note is secured by a promissory note, deed of trust, security and assignment of rent agreements, and substantially all assets. Financing fees related to the mortgage were \$252,173 and are being amortized to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

7) Long-term Debt (Continued)

Mortgage Payable (Continued)

The loan provides for interest at a nominal rate of 6.40% per annum and an effective interest rate of 6.51% per annum, to accrue until maturity, with the final balance of principal and accrued interest due June 1, 2041. Starting July 1, 2011, the Corporation began monthly principal and interest payments of \$73,688. On July 1, 2014, the Corporation executed an Amended and Restated Deed of Trust Note with HOC, which reduced the total available principal balance from \$11,780,518 to \$11,657,791. As of July 1, 2014, the note amendment revised the monthly principal and interest payments to \$72,920, which will continue through maturity, June 1, 2041. The outstanding principal and accrued interest balances as of June 30, 2020 and 2019 are \$10,093,974 and \$53,835, respectively, for 2020 and \$10,315,255 and \$55,015, respectively, for 2019. Unamortized financing fees for the years ended June 30, 2020 and 2019 were \$176,521 and \$184,927, respectively. Interest expense incurred during the years ended June 30, 2020 and 2019 was \$667,478 and \$681,234, respectively, including amortized financing fees of \$8,406 and negative arbitrage of \$6,492 each year.

Maturities of the mortgage payable are as follows:

2021	\$	235,867
2022		251,413
2023		267,984
2024		285,647
2025		304,474
2026-2030		1,851,193
2031-2035		2,547,163
2036-2040		3,504,787
2041		<u>845,446</u>
Total	\$	<u>10,093,974</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$8,406.

The liability of the Corporation under the mortgages is limited to the underlying value of the real estate collateral and an assignment of rents, plus other amounts deposited with the lender.

8) Real Estate Taxes

The Corporation has an agreement with Montgomery County, Maryland, to make a payment in lieu of taxes (PILOT). During the year ended June 30, 2010, the Corporation applied for and received an exemption from the state property tax under a similar PILOT agreement.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

9) Property Management Fee

Effective August 1, 2019, the Project is managed by Edgewood Management Corporation pursuant to an Amended and Restated Property Assistance Agreement. 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 will be based on target occupancy levels and rent actually received. The agreement is set to expire on December 31, 2021. For the year ended June 30, 2020, management fees of \$40,348 were incurred.

10) Related Party Transactions

Interfund Receivable

The Corporation has numerous transactions with HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Corporation has not been paid or collected as of year-end, interfund payables and receivables are recorded. In addition, the Corporation is allocated costs from the HOC defined benefit pension plan and other post-employment benefit plan (OPEB) which includes retiree health insurance. The Corporation is allocated a net liability composed of a share of the related plan assets, liabilities, deferred outflows, and deferred inflows. Pension and OPEB expense are based on HOC management's calculation of costs related to employees of HOC that perform activities related to the Corporation. The components of the OPEB pension liability allocated to the Corporation and included in interfund receivable are \$222,044 of deferred outflows, \$294,087 of deferred inflows, and \$219,744 of net pension and OPEB liability as of June 30, 2020. The components of the OPEB pension liability allocated to the Corporation and included in interfund receivable are \$114,722 of deferred outflows, \$98,514 of deferred inflows, and \$269,781 of net pension and OPEB liability as of June 30, 2019. The balance of the interfund receivable as of June 30, 2020 and 2019, is \$88,404 and \$113,044, respectively.

Property Management Fee

The Corporation was required to pay a management fee to HOC as determined by HOC. Each year, the amount was approved by HOC based on the agency cost allocation model determined during the budgetary process. During the year ended June 30, 2019, management fees of \$90,050 were incurred. 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 will therefore no longer pay a management fee to HOC.

Asset Management Fee

The Corporation was charged an asset management fee of \$90,050 and \$0, respectively, for the years ended June 30, 2020 and 2019, by HOC.

Development Corporation Fee

The Corporation pays an annual fee to HOC in the amount as approved by the HOC Commissioners. The fee is assessed at the end of the fiscal year based on the performance of the property during the fiscal year. For the years ended June 30, 2020 and 2019, development corporation fees of \$721,858 and \$684,885, respectively, were incurred.

See independent auditor's report.

Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019

11) Housing Assistance Payment Contract

Effective June 17, 2010, the Corporation assumed from HOC the Assignment, Assumption and Amendment Agreement of the Section 8 Housing Assistance Payment Contract. The agreement was renewed on December 1, 2019 and is renewable annually. Tenant assistance payments for the years ended June 30, 2020 and 2019 were \$1,603,832 and \$1,550,157, respectively.

12) Business Risk Factor

The Corporation could potentially be affected by natural disasters, public health crisis, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

13) Subsequent Events

Management has evaluated events and transactions subsequent to the balance sheet date for potential recognition or disclosure through the independent auditor's report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

See independent auditor's report.



Independent Auditor's Report on Supplementary Information

We have audited the financial statements of Magruder's Discovery Development Corporation as of and for the years ended June 30, 2020 and 2019 and our report thereon dated October 13, 2020, expressed an unmodified opinion on those financial statements, which appears on pages one and two. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the 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 presented in all material respects in relation to the financial statements as a whole.

Hertzbach & Company, P.A.

Owings Mills, Maryland
October 13, 2020

Magruder's Discovery Development Corporation

Detail of Selected Balance Sheet Accounts

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Accounts receivable, net and other assets		
Accounts receivable - subsidy	\$ 73,470	\$ 134,546
Allowance for doubtful accounts	(72,283)	(72,283)
Ex-resident workorders receivable	24	24
Other resident fees receivable	42	344
Prepaid mortgage insurance	-	50,983
Rents receivable	9,364	(1,434)
Technology fee receivable	(10)	(10)
	<u>\$ 10,607</u>	<u>\$ 112,170</u>
Accounts payable and accrued expenses		
Accrued annual leave	\$ 15,015	\$ 12,925
Accounts payable	29,124	17,297
Accrued salaries	1,545	-
Accrued utility payments	12,047	16,111
Clearing resident refunds	5,026	5,026
Resident prepaid rents	26,312	18,338
Subsidy prepaid rents	18,972	18,972
	<u>\$ 108,041</u>	<u>\$ 88,669</u>

See independent auditor's report on supplementary information.

Magruder's Discovery Development Corporation

Detailed Statements of Operations
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Dwelling rental income		
Rent	\$ 2,310,264	\$ 2,328,834
Vacancies and concessions	(46,318)	(75,745)
Tenant charges	2,280	2,470
Laundry income	15,176	18,380
Total dwelling rental income	<u>\$ 2,281,402</u>	<u>\$ 2,273,939</u>
Other income		
Miscellaneous	\$ 141,365	\$ 39,039
Rental license	6,298	5,896
Total other income	<u>\$ 147,663</u>	<u>\$ 44,935</u>
Administrative expenses		
Advertising and marketing	\$ 55	\$ -
Contract management fees	40,348	-
Licenses and fees	6,298	6,006
Management fees	-	90,050
Miscellaneous	4,609	2,816
Office supplies and expense	9,284	9,190
Professional fees	12,705	13,812
Rent	1,166	1,165
Salaries	111,900	112,461
Telephone	4,491	5,595
Vehicle	3,441	9,158
Total administrative expenses	<u>\$ 194,297</u>	<u>\$ 250,253</u>
Operating and maintenance expenses		
Contracts	\$ 7,941	\$ 24,413
Exterminating	12,104	10,698
Grounds maintenance	29,399	23,742
HVAC repairs and maintenance	9,457	8,389
Janitorial	3,768	4,127
Salaries	120,889	121,931
Snow removal	570	-
Supplies and repairs	79,094	88,213
Total operating and maintenance expenses	<u>\$ 263,222</u>	<u>\$ 281,513</u>

See independent auditor's report on supplementary information.

Magruder's Discovery Development Corporation

Detailed Statements of Operations (Continued)
For the Years Ended June 30, 2020 and 2019

	2020	2019
Utilities expense		
Electricity	\$ 40,886	\$ 33,762
Trash removal	18,578	11,417
Water	71,611	69,430
	<u>131,075</u>	<u>114,609</u>
Total utilities expense	<u>\$ 131,075</u>	<u>\$ 114,609</u>
Fringe benefits		
Accrued leave	\$ 2,090	\$ (1,036)
Contract managed benefits	11,681	-
Deferred contribution plan	9,388	11,313
FICA	11,151	12,698
Health insurance	33,440	42,997
Other post employment benefits	42,271	14,591
Unemployment	544	478
Workers' compensation	3,690	5,080
	<u>114,255</u>	<u>86,121</u>
Total fringe benefits	<u>\$ 114,255</u>	<u>\$ 86,121</u>
Other expenses		
Asset management fee	\$ 90,050	\$ -
Development corporation fee	721,858	684,885
Insurance	24,776	14,978
Mortgage insurance	50,983	52,058
Security contracts	207	-
Taxes	2,152	2,152
Water quality protect charge (RFSA)	4,622	4,622
	<u>894,648</u>	<u>758,695</u>
Total other expenses	<u>\$ 894,648</u>	<u>\$ 758,695</u>

See independent auditor's report on supplementary information.