

Oaks at Four Corners Development Corporation

Financial Statements

**For The Years Ended
June 30, 2020 And 2019**

Oaks at Four Corners 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
Oaks at Four Corners Development Corporation
10400 Detrick Avenue
Kensington, MD 20895

Report on the Financial Statements

We have audited the accompanying financial statements of Oaks at Four Corners Development Corporation, which comprise the balance sheet as of June 30, 2020 and the related statements of operations, changes in net assets, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 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 balance sheets of Oaks at Four Corners 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, Oaks at Four Corners 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.

Other Matter

The financial statements of Oaks at Four Corner Development Corporation as of June 30, 2019 were audited by other auditors whose report dated October 10, 2019, expressed an unmodified opinion on those statements.

SC+H attest services, P.C.

Sparks, Maryland
December 7, 2020

Oaks at Four Corners Development Corporation

Balance Sheets

As of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 102,224	\$ 149,870
Accounts receivable, net and other assets	16,525	39,214
Interfund receivable	<u>-</u>	<u>9,915</u>
Total unrestricted current assets	<u>118,749</u>	<u>198,999</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	568,794	497,515
Tenants' security deposits	<u>125,116</u>	<u>122,405</u>
Total restricted cash and cash equivalents for current liabilities	<u>693,910</u>	<u>619,920</u>
Property and equipment		
Property and equipment, net of accumulated depreciation	<u>2,734,621</u>	<u>2,859,499</u>
Total assets	<u>\$ 3,547,280</u>	<u>\$ 3,678,418</u>

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

Oaks at Four Corners Development Corporation

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

	2020	2019
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 85,798	\$ 78,326
Accrued interest payable	7,509	8,444
Interfund payable	2,358	-
First mortgage, current maturities	190,761	179,143
Total current liabilities	<u>286,426</u>	<u>265,913</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	122,822	120,224
Total current liabilities payable from restricted assets	<u>122,822</u>	<u>120,224</u>
Long-term liabilities		
First mortgage, net of current maturities and unamortized financing fees of \$14,204 - 2020 and \$16,786 - 2019	1,209,915	1,398,093
Note payable	1,580,714	1,580,714
Deferred revenue	-	600
Total long-term liabilities	<u>2,790,629</u>	<u>2,979,407</u>
Total liabilities	<u>3,199,877</u>	<u>3,365,544</u>
Net assets		
Investment in capital assets, net of related debt	(260,973)	(315,237)
Restricted net assets	571,088	499,696
Unrestricted net assets	37,288	128,415
Total net assets	<u>347,403</u>	<u>312,874</u>
Total liabilities and net assets	<u>\$ 3,547,280</u>	<u>\$ 3,678,418</u>

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

Oaks at Four Corners Development Corporation

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

	2020	2019
Operating revenues		
Dwelling rental income	\$ 1,400,662	\$ 1,367,278
Other income	7,062	6,962
Total operating revenues	<u>1,407,724</u>	<u>1,374,240</u>
Operating expenses		
Administrative	262,126	230,898
Operating and maintenance	461,509	349,905
Depreciation	195,577	190,638
Utilities	90,936	82,941
Fringe benefits	83,718	79,020
Interest expense	96,957	107,995
Other	183,889	182,820
Bad debt expense	4,151	4,304
Total operating expenses	<u>1,378,863</u>	<u>1,228,521</u>
Operating income	<u>28,861</u>	<u>145,719</u>
Nonoperating revenue		
Interest revenue	<u>5,668</u>	<u>7,268</u>
Total nonoperating revenue	<u>5,668</u>	<u>7,268</u>
Net income	<u>\$ 34,529</u>	<u>\$ 152,987</u>

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

Oaks at Four Corners Development Corporation

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

Balance - July 1, 2018	\$ 159,887
Net income - June 30, 2019	<u>152,987</u>
Balance - June 30, 2019	312,874
Net income - June 30, 2020	<u>34,529</u>
Balance - June 30, 2020	<u><u>\$ 347,403</u></u>

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

Oaks at Four Corners Development Corporation

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net income	\$ 34,529	\$ 152,987
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	195,577	190,638
Amortization of financing fees	2,583	2,583
Bad debt expense	4,151	4,304
(Increase) decrease in operating assets:		
Accounts receivable, net and other assets	18,538	(10,047)
Interfund receivable	9,915	(945)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	7,472	(8,082)
Accrued interest payable	(935)	(808)
Interfund payable	2,358	-
Deferred revenue	(600)	(600)
Tenants' security deposits	2,598	10,279
Net cash provided by operating activities	<u>276,186</u>	<u>340,309</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>(70,699)</u>	<u>(54,927)</u>
Net cash used in investing activities	<u>(70,699)</u>	<u>(54,927)</u>
Cash flows from financing activities		
Mortgage principal payments	<u>(179,143)</u>	<u>(273,425)</u>
Net cash used in financing activities	<u>(179,143)</u>	<u>(273,425)</u>
Net increase in cash, cash equivalents and restricted cash	26,344	11,957
Cash, cash equivalents and restricted cash, beginning of year	<u>769,790</u>	<u>757,833</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 796,134</u>	<u>\$ 769,790</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 95,309</u>	<u>\$ 106,220</u>

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

Oaks at Four Corners Development Corporation

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

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

Cash and cash equivalents	\$ 102,224	\$ 149,870
Restricted cash and cash equivalents	568,794	497,515
Tenants' security deposits	<u>125,116</u>	<u>122,405</u>
Total cash, cash equivalents and restricted cash, end of year	<u>\$ 796,134</u>	<u>\$ 769,790</u>

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

Oaks at Four Corners 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

Oaks at Four Corners Development Corporation (the Corporation) is a nonprofit, nonstock corporation formed in the State of Maryland on August 21, 1996 to acquire, develop and manage a 120-unit moderately priced housing property (the Project). The units are located in Silver Spring, Montgomery County, Maryland.

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.

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. The allowances as of June 30, 2020 and 2019 were \$301 and \$0, respectively.

Property and Equipment

Land, buildings and improvements are recorded at cost. Building and improvements are depreciated over their estimated useful lives of 5 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.

Oaks at Four Corners 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 FASB ASC Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet 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 balances of the mortgage, and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 6 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 Project and tenants of the property are operating leases.

Advertising

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

Reclassification

Reclassifications have been made to the prior year balances to conform to current year presentation.

See independent auditor's report.

Oaks at Four Corners 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 and restricted cash equivalents with cash and cash equivalents 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 and cash equivalents. Restricted cash was \$693,910 and \$619,920 as of June 30, 2020 and 2019, respectively, and therefore resulted in an increase in cash, cash equivalents and restricted cash of \$693,910 and \$619,920 as presented on the statements of cash flows as of June 30, 2020 and 2019, respectively.

3) Concentration of Risk

The Corporation, at times, will have cash in banking institutions in excess of the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC). Cash balances in excess of the FDIC insured amounts are collateralized with the Federal Reserve Bank and, therefore, are not at risk.

4) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	<u>2020</u>	<u>2019</u>
Mortgage escrow deposits	\$ 11,453	\$ 11,229
Replacement reserve	<u>557,341</u>	<u>486,286</u>
	<u>\$ 568,794</u>	<u>\$ 497,515</u>

Mortgage Escrow Deposits

Pursuant to the terms of the mortgage note, the Corporation is required to make monthly deposits with the mortgagee for payment of mortgage insurance premium so that a sufficient amount is on deposit with the mortgagee when the actual payment of such expenses is due.

The activity of these funds for the years ended June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 11,229	\$ 11,031
Withdrawals	(7,263)	(8,148)
Deposits	<u>7,487</u>	<u>8,346</u>
Balance, end of year	<u>\$ 11,453</u>	<u>\$ 11,229</u>

See independent auditor's report.

Oaks at Four Corners Development Corporation

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

4) Restricted Cash and Cash Equivalents (Continued)

Replacement Reserve

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 replacement reserve account during the years ended June 30 were as follows:

	<u>2020</u>	<u>2019</u>
Balance, beginning of year	\$ 486,286	\$ 352,845
Monthly deposits*	171,996	171,996
Reserve releases	(108,260)	(46,895)
Interest earned	<u>7,319</u>	<u>8,340</u>
Balance, end of year	<u>\$ 557,341</u>	<u>\$ 486,286</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. However, HOC reviews the capital needs of the Corporation on an annual basis and approves an annual deposit amount based on those needs. Monthly deposits for the years ended June 30, 2020 and 2019 were \$14,333 for each year.

5) Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Buildings	\$ 6,950,447	\$ 6,950,447
Furniture and equipment	174,890	174,890
Site improvements	<u>176,646</u>	<u>105,946</u>
Total property and equipment	7,301,983	7,231,283
Less: accumulated depreciation	<u>4,567,362</u>	<u>4,371,784</u>
Property and equipment, net	<u>\$ 2,734,621</u>	<u>\$ 2,859,499</u>

See independent auditor's report.

Oaks at Four Corners Development Corporation

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

6) Long-Term Debt

Mortgage Payable

The Corporation is obligated to repay a mortgage to HOC. On September 3, 1996, the Corporation assumed the HUD regulatory agreement from HOC in conjunction with execution of a mortgage loan from HOC for \$3,695,000. 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 \$73,900 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. Beginning October 1, 1996, principal and interest payments of \$22,871 are due monthly until maturity on September 1, 2026. The loan provides for interest at a nominal rate of 6.30% per annum and an effective interest rate of 6.41% per annum. The outstanding principal and accrued interest balances as of June 30, 2020 and 2019 are \$1,414,880 and \$7,509, respectively, for 2020 and \$1,594,022 and \$8,444, respectively, for 2019. Unamortized financing fees for the years ended June 30, 2020 and 2019 were \$14,204 and \$16,786, respectively. For the years ended June 30, 2020 and 2019, interest incurred on the mortgage was \$96,957 and \$107,995, respectively, including amortized financing fees of \$2,583 for each of the years.

Maturities of the mortgage payable are as follows:

2021	\$	190,761
2022		203,132
2023		216,305
2024		230,333
2025		245,270
2026		<u>329,079</u>
Total	\$	<u>1,414,880</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$2,583. 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.

Note Payable

The Corporation assumed a note payable, deed of trust security agreement, and regulatory agreement with Montgomery County, Maryland. The original amount of the note is \$2,349,725 and is non-interest bearing. There were no financing fees incurred on the note. An annual payment of principal is due on July 1 and is paid from the Net Cash Flow from the property, as defined. The note matures on the termination of the ground lease on December 31, 2035. As of June 30, 2020 and 2019 the outstanding principal balance was \$1,580,714.

7) Real Estate Taxes

The Corporation has entered into a Payment In Lieu Of Taxes (PILOT) agreement for the 120 units whereby a portion of Montgomery County real estate tax and special area taxes are abated.

See independent auditor's report.

Oaks at Four Corners Development Corporation

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

8) Property Management Fee

The Project is managed by Edgewood Management Corporation pursuant to a management agreement. The fee was calculated at a flat rate of \$36 per unit per month, or \$51,840 annually with an incentive bonus of \$2 per unit per month when the property is operating at or above 96.5% occupancy, per the monthly compliance report. Effective August 1, 2019, the fee is calculated at a flat rate of \$40 per occupied unit per month. In addition, HOC reserves the right to pay Edgewood Management Corporation an annual fee. Payment of the annual 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 July 31, 2021, with two renewal options of one year each at the discretion of the Corporation. For the years ended June 30, 2020 and 2019, management fees of \$56,120 and 54,720, respectively, were incurred.

9) Related Party Transactions

Interfund Receivable and Payable

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. The balance of the interfund payable as of June 30, 2020 and 2019 was \$2,358 and \$0 respectively. The balance of the interfund receivable as of June 30, 2020 and 2019 was \$0 and \$9,915, respectively

Ground Lease

The Corporation assumed a ground lease from HOC which was entered into with Montgomery County, Maryland. The ground lease provides for a rent payment of \$100 per year payable due on the anniversary date of the agreement and provides that the premises be used solely for housing the elderly and handicapped. The ground lease terminates on December 31, 2035.

Asset Management Fee

The Corporation was charged an asset management fee of \$129,405 and \$135,670, respectively, for the years ended June 30, 2020 and 2019, by HOC.

10) Housing Assistance Payment Contract

Effective July 1, 2015, the Corporation has entered into a Rent Supplement Agreement with HOC to provide a rental supplement for income eligible families. The agreement will continue until terminated by mutual consent of the parties. Tenant assistance payments for the years ended June 30, 2020 and 2019 were \$108,882 and \$122,931, respectively.

11) 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.

See independent auditor's report.

Oaks at Four Corners Development Corporation

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

12) 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 Oaks at Four Corner Development Corporation as of and for the year ended June 30, 2020 and our report thereon dated December 3, 2020, expressed an unmodified opinion on those financial statements, which appears on pages one and two. Our audit was 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. The supplemental schedules as of June 30, 2019 were subjected to auditing procedures applied in the audit of the basic financial statements as of June 30, 2019 by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the financial statements as of June 30, 2019.

SC&H Attest Services, P.C.

Sparks, Maryland
December 7, 2020

Oaks at Four Corners Development Corporation

Detail of Selected Balance Sheet Accounts

As of June 30, 2020 and 2019

	2020	2019
Accounts receivable, net and other assets		
Rents receivable	\$ 10,702	\$ 4,915
Allowance for doubtful accounts	(301)	-
Prepaid insurance	841	4,236
Prepaid mortgage insurance	1,816	2,037
Insurance claims receivable	-	26,802
Subsidy receivable	3,467	1,224
	<u>16,525</u>	<u>39,214</u>
Total accounts receivable, net and other assets	<u>\$ 16,525</u>	<u>\$ 39,214</u>
Accounts payable and accrued expenses		
Accounts payable	\$ 48,179	\$ 25,001
Accrued salaries	7,990	4,532
Accrued utility payments	4,158	5,301
Clearing resident refunds	13,940	12,679
Other accrued liabilities	222	19,002
Resident prepaid rents	11,309	11,811
	<u>85,798</u>	<u>78,326</u>
Total accounts payable and accrued expenses	<u>\$ 85,798</u>	<u>\$ 78,326</u>

See independent auditor's report on supplementary information.

Oaks at Four Corners 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	\$ 1,424,767	\$ 1,401,673
Vacancies and concessions	(39,214)	(53,863)
Tenant charges	6,694	11,860
Laundry income	8,415	7,608
Total dwelling rental income	<u>\$ 1,400,662</u>	<u>\$ 1,367,278</u>
Other income		
User fees	\$ 1,347	\$ 1,545
Miscellaneous	75	137
Rental license	5,640	5,280
Total other income	<u>\$ 7,062</u>	<u>\$ 6,962</u>
Administrative expenses		
Advertising and marketing	\$ 840	\$ 2,954
Contract management fees	56,120	54,720
Miscellaneous	29,639	3,530
Salaries	78,558	77,734
Office supplies and expense	15,589	11,300
Licenses and fees	6,082	5,553
Professional fees	12,876	11,877
Resident services	53,136	55,380
Telephone	9,286	7,850
Total administrative expenses	<u>\$ 262,126</u>	<u>\$ 230,898</u>

See independent auditor's report on supplementary information.

Oaks at Four Corners Development Corporation

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

	2020	2019
Operating and maintenance expenses		
Contracts	\$ 181,234	\$ 75,324
Exterminating	8,280	7,973
Grounds maintenance	49,141	28,081
HVAC repairs and maintenance	8,168	9,944
Janitorial	15,630	9,228
Salaries	138,697	136,710
Snow removal	475	3,621
Supplies and repairs	59,884	79,024
Total operating and maintenance expenses	<u>\$ 461,509</u>	<u>\$ 349,905</u>
Utilities expense		
Electricity	\$ 39,452	\$ 40,888
Gas	4,879	4,616
Trash removal	11,284	8,433
Water	35,321	29,004
Total utilities expense	<u>\$ 90,936</u>	<u>\$ 82,941</u>
Fringe benefits		
Contract managed benefits	\$ 65,983	\$ 61,468
Other fringe benefits	17,735	17,552
Total fringe benefits	<u>\$ 83,718</u>	<u>\$ 79,020</u>
Other expenses		
Asset management fees	\$ 129,405	\$ 135,670
Insurance	26,156	21,513
Ground rent	-	200
Mortgage insurance	7,486	8,369
Security contracts	15,119	11,345
Taxes	5,723	5,723
Total other expenses	<u>\$ 183,889</u>	<u>\$ 182,820</u>

See independent auditor's report on supplementary information.

Oaks at Four Corners Development Corporation

Distribution of Net Cash Flow
For the Years Ended June 30, 2020 and 2019

Calculation of NCF per terms of Montgomery County loan agreement:

	<u>2020</u>	<u>2019</u>
Net cash provided by operating activities	\$ 276,186	\$ 340,309
Add: Replacement reserve releases	108,260	46,895
Less: Purchase of building and equipment	(70,699)	(54,927)
Deposits to replacement reserve	(171,996)	(171,996)
Net deposits to tenants' security deposits	(2,711)	(7,786)
Mortgage principal payments	(179,143)	(168,234)
Cash flow available for Montgomery County note payment	<u>\$ (40,103)</u>	<u>\$ (15,739)</u>

See independent auditor's report on supplementary information.