

Oaks at Four Corner Development Corporation

Financial Statements

**For The Years Ended
June 30, 2018 And 2017**

Oaks at Four Corner Development Corporation

Table of Contents For the Years Ended June 30, 2018 and 2017

| | |
|--|-------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statements of Financial Position | 3-4 |
| Statements of Activities | 5 |
| Statements of Changes in Net Assets (Deficit) | 6 |
| Statements of Cash Flows | 7 |
| Notes to Financial Statements | 8-13 |
| Supplementary Information | |
| Independent Auditor's Report on Supplementary Information | 14 |
| Detail of Selected Statements of Financial Position Accounts | 15 |
| Detailed Statements of Activities | 16-17 |
| Distribution of Net Cash Flow | 18 |

Independent Auditor's Report

To the Board of Commissioners
Oaks at Four Corner Development Corporation
10400 Detrick Avenue
Kensington, MD 20895

Report on the Financial Statements

We have audited the accompanying financial statements of Oaks at Four Corner Development Corporation (The Corporation), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, 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 audit 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 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.

Oaks at Four Corner Development Corporation
Independent Auditor's Report
Page Two

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statements of financial position of Oaks at Four Corner Development Corporation as of June 30, 2018 and 2017, 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.

Hertzbach & Company, P.A.

Owings Mills, Maryland
October 11, 2018

Oaks at Four Corner Development Corporation

Statements of Financial Position
As of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 279,338 | \$ 177,448 |
| Accounts receivable, net and other assets | 33,471 | 18,687 |
| Interfund receivable | <u>8,970</u> | <u>3,334</u> |
| Total unrestricted current assets | 321,779 | 199,469 |
| Restricted cash and cash equivalents | | |
| Tenants' security deposits | 114,619 | 112,416 |
| Replacement reserve | 352,845 | 303,531 |
| Mortgage Escrow | <u>11,031</u> | <u>10,831</u> |
| Total restricted cash and cash equivalents | 478,495 | 426,778 |
| Property and equipment | | |
| Property and equipment, net of accumulated depreciation | <u>2,995,210</u> | <u>3,184,047</u> |
| Total assets | <u><u>\$ 3,795,484</u></u> | <u><u>\$ 3,810,294</u></u> |

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

Oaks at Four Corner Development Corporation

Statements of Financial Position (Continued)
As of June 30, 2018 and 2017

| | 2018 | 2017 |
|---|--------------|--------------|
| Liabilities and Net Assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 75,122 | \$ 75,616 |
| Accrued interest payable | 9,252 | 10,081 |
| Mortgage payable - current | 168,233 | 157,987 |
| Prepaid rent | 11,286 | 11,052 |
| Total current liabilities | 263,893 | 254,736 |
| Current liabilities payable from restricted assets | | |
| Tenants' security deposits | 109,945 | 111,634 |
| Total current liabilities payable from restricted assets | 109,945 | 111,634 |
| Long-term liabilities | | |
| First mortgage, net of current maturities and unamortized financing fees of \$19,369 - 2018 and \$21,951 - 2017 | 1,574,654 | 1,740,304 |
| Notes payable | 1,685,905 | 1,685,905 |
| Deferred revenue | 1,200 | 1,800 |
| Total long-term liabilities | 3,261,759 | 3,428,009 |
| Total liabilities | 3,635,597 | 3,794,379 |
| Net assets | | |
| Investment in capital assets, net of related debt | (452,951) | (422,100) |
| Restricted net assets | 368,550 | 315,144 |
| Unrestricted net assets | 244,288 | 122,871 |
| Total net assets | 159,887 | 15,915 |
| Total liabilities and net assets | \$ 3,795,484 | \$ 3,810,294 |

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

Oaks at Four Corner Development Corporation

Statements of Activities

For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|------------------------------|-------------------|-------------------|
| Operating revenues | | |
| Dwelling rental income | \$ 1,361,873 | \$ 1,373,578 |
| Other income | 6,934 | 6,373 |
| Total operating revenues | <u>1,368,807</u> | <u>1,379,951</u> |
| Operating expenses | | |
| Administrative | 231,977 | 249,712 |
| Operating and maintenance | 322,901 | 319,463 |
| Depreciation | 188,837 | 186,317 |
| Utilities | 84,048 | 80,712 |
| Interest expense | 118,219 | 127,891 |
| Other | 179,928 | 155,702 |
| Bad debt expense | 536 | 122 |
| Fringe benefits | 100,029 | 97,046 |
| Total operating expenses | <u>1,226,475</u> | <u>1,216,965</u> |
| Operating income | 142,332 | 162,986 |
| Nonoperating expenses | | |
| Interest expense | <u>1,640</u> | <u>(1,255)</u> |
| Total nonoperating expenses | <u>1,640</u> | <u>(1,255)</u> |
| Change in net assets | <u>\$ 143,972</u> | <u>\$ 161,731</u> |

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

Oaks at Four Corner Development Corporation

Statements of Changes in Net Assets (Deficit)
For the Years Ended June 30, 2018 and 2017

| | |
|--------------------------------------|--------------------------|
| Balance - July 1, 2016 | \$ (145,816) |
| Change in net assets - June 30, 2017 | <u>161,731</u> |
| Balance - June 30, 2017 | 15,915 |
| Change in net assets - June 30, 2018 | <u>143,972</u> |
| Balance - June 30, 2018 | <u><u>\$ 159,887</u></u> |

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

Oaks at Four Corner Development Corporation

Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Cash flows from operating activities | | |
| Changes in net assets | \$ 143,972 | \$ 161,731 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation | 188,837 | 186,317 |
| Amortization of financing fees (debt issuance cost) | 2,583 | 2,583 |
| Bad debt expense | 536 | 122 |
| Increase in operating assets: | | |
| Accounts receivable, net and other assets | (15,320) | (2,380) |
| Interfund receivable | (5,636) | (4,758) |
| Tenant security deposits | (3,892) | (213) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued expenses | (494) | 20,924 |
| Accrued interest payable | (829) | (779) |
| Prepaid rents | 234 | 2,120 |
| Deferred revenue | (600) | (600) |
| Net cash provided by operating activities | <u>309,391</u> | <u>365,067</u> |
| Cash flows from investing activities | | |
| Deposits to reserve for replacements, net | (49,314) | (108,737) |
| Deposits to mortgage escrows | (200) | (187) |
| Acquisition of property and equipment | - | (70,385) |
| Net cash used in investing activities | <u>(49,514)</u> | <u>(179,309)</u> |
| Cash flows from financing activities | | |
| Mortgage principal payments | <u>(157,987)</u> | <u>(207,400)</u> |
| Net cash used in financing activities | <u>(157,987)</u> | <u>(207,400)</u> |
| Net increase (decrease) in cash | 101,890 | (21,642) |
| Cash, beginning of year | <u>177,448</u> | <u>199,090</u> |
| Cash, end of year | <u>\$ 279,338</u> | <u>\$ 177,448</u> |
| Supplemental disclosure of cash flow information | | |
| Cash paid during the year for interest | <u>\$ 116,465</u> | <u>\$ 135,123</u> |

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

Oaks at Four Corner Development Corporation

Notes to Financial Statements
For the Years Ended June 30, 2018 and 2017

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Oaks at Four Corner 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.

Basis of Presentation

The Corporation conforms with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-For-Profit Entities* and is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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, 2018 and 2017.

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. There was no allowance as of June 30, 2018 and 2017.

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.

See independent auditor's report.

Oaks at Four Corner Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

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

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, 2018 and 2017.

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. The balance of the interfund receivable as of June 30, 2018 and 2017 was \$8,970 and \$3,334, respectively.

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 mortgages payable as a direct deduction from the principal balances of the mortgages, and is reporting amortization of the loan fees as interest expense on the mortgages payable. See Note 5 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.

See independent auditor's report.

Oaks at Four Corner Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

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

Rental Revenue

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

Advertising

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

Reclassifications

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

2) Concentration of Risk

The Corporation maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federal insured limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2018 and 2017.

3) Restricted Cash and Cash Equivalents

Mortgage Escrows

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, 2018 and 2017 is as follows:

| | <u>2018</u> | <u>2017</u> |
|---------------------------|------------------|------------------|
| Balance beginning of year | \$ 10,831 | \$ 10,644 |
| Withdrawals | (8,978) | (9,758) |
| Deposits | <u>9,178</u> | <u>9,945</u> |
| Balance end of year | <u>\$ 11,031</u> | <u>\$ 10,831</u> |

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.

See independent auditor's report.

Oaks at Four Corner Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

3) Restricted Cash and Cash Equivalents (Continued)

Replacement Reserve (Continued)

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

| | <u>2018</u> | <u>2017</u> |
|---------------------------|-------------------|-------------------|
| Balance beginning of year | \$ 303,531 | \$ 194,794 |
| Monthly deposits* | 171,996 | 171,996 |
| Reserve releases | (125,792) | (63,957) |
| Interest earned | <u>3,110</u> | <u>698</u> |
| Balance end of year | <u>\$ 352,845</u> | <u>\$ 303,531</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 2018 and 2017 were \$14,333 for each year.

4) Property and Equipment

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

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|---------------------|---------------------|
| Buildings | \$ 6,895,520 | \$ 6,895,520 |
| Furniture and equipment | 174,890 | 174,890 |
| Site improvements | <u>105,946</u> | <u>105,946</u> |
| Total property and equipment | 7,176,356 | 7,176,356 |
| Less: accumulated depreciation | <u>4,181,146</u> | <u>3,992,309</u> |
| Property and Equipment, net | <u>\$ 2,995,210</u> | <u>\$ 3,184,047</u> |

See independent auditor's report.

Oaks at Four Corner Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

5) 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. The loan provides for interest at a nominal rate of 6.30% per annum and an effective interest rate of 6.40% per annum, to accrue until maturity, with the final balance of principal and accrued interest due September 1, 2026. The outstanding principal and accrued interest balances as of June 30, 2018 and 2017 are \$1,762,256 and \$9,252, respectively, for 2018 and \$1,920,242 and \$10,081, respectively, for 2017. Unamortized financing fees for the years ended June 30, 2018 and 2017 were \$19,369 and \$21,951, respectively. For the years ended June 30, 2018 and 2017, interest incurred on the mortgage was \$118,219 and \$127,891, respectively, including amortized financing fees of \$2,583 for each of the years.

Maturities of the mortgage payable are as follows:

| | | |
|-------------|----|-------------------------|
| 2019 | \$ | 168,233 |
| 2020 | | 179,143 |
| 2021 | | 190,761 |
| 2022 | | 203,132 |
| 2023 | | 216,305 |
| 2024 - 2027 | | <u>804,682</u> |
| Total | \$ | <u><u>1,762,256</u></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. The note matures on the termination of the ground lease on December 31, 2035. As of June 30, 2018 and 2017 the loan balance was \$1,685,905.

6) 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 Corner Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2018 and 2017

7) Related Party Transactions

Property Management Fee

The Project is managed by Edgewood Management Corporation pursuant to a management agreement. The fee is 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. For the years ended June 30, 2018 and 2017, management fees of \$54,720 were incurred.

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. As of June 30, 2018 and 2017, Montgomery County was owed \$100.

Asset Management Fee

The Corporation was charged an asset management fee of \$129,210 and \$90,330, respectively, for the years ended June 30, 2018 and 2017, by HOC.

8) 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, 2016 and is renewable annually. Tenant assistance payments for the years ended June 30, 2018 and 2017 were \$136,225 and \$153,067, respectively.

9) Subsequent Events

Management has evaluated events and transactions subsequent to the statement of financial position 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 years ended June 30, 2018 and 2017, and our report thereon dated October 11, 2018, 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 11, 2018

Oaks at Four Corner Development Corporation

Detail of Selected Statements of Financial Position Accounts
As of June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|------------------|------------------|
| Accounts receivable, net and other assets | | |
| Rents receivable | \$ 225 | \$ 100 |
| Prepaid insurance | 3,732 | 3,696 |
| Prepaid mortgage insurance premium | 2,244 | 2,439 |
| Insurance claims receivable | 26,802 | 12,452 |
| Other receivable | 468 | - |
| | <u>33,471</u> | <u>18,687</u> |
| Total accounts receivable, net and other assets | <u>\$ 33,471</u> | <u>\$ 18,687</u> |
| Accounts payable and accrued expenses | | |
| Accounts payable | \$ 51,903 | \$ 57,521 |
| Accrued salaries | 4,826 | 5,350 |
| Accrued utility payments | 7,990 | 2,347 |
| Clearing resident refunds | 10,278 | 10,278 |
| Other accrued liabilities | 125 | 120 |
| | <u>75,122</u> | <u>75,616</u> |
| Total accounts payable and accrued expenses | <u>\$ 75,122</u> | <u>\$ 75,616</u> |

See independent auditor's report on supplementary information.

Oaks at Four Corner Development Corporation

Detailed Statements of Activities
For the Years Ended June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|---------------------|---------------------|
| Dwelling rental income | | |
| Rent | \$ 1,392,527 | \$ 1,372,718 |
| Vacancies and concessions | (47,656) | (13,762) |
| Tenant charges | 8,956 | 6,463 |
| Laundry income | 8,046 | 8,159 |
| Total dwelling rental income | <u>\$ 1,361,873</u> | <u>\$ 1,373,578</u> |
| Other income | | |
| User fees | \$ 1,534 | \$ 1,418 |
| Miscellaneous | 120 | 35 |
| Rental license | 5,280 | 4,920 |
| Total other income | <u>\$ 6,934</u> | <u>\$ 6,373</u> |
| Administrative expenses | | |
| Advertising and marketing | \$ 2,720 | \$ 1,774 |
| Property management fees | 54,720 | 54,720 |
| Miscellaneous | 1,385 | 1,790 |
| Salaries | 86,930 | 88,293 |
| Office supplies and expense | 9,027 | 7,711 |
| Licenses and fees | 5,697 | 5,204 |
| Professional fees | 10,686 | 2,976 |
| Resident service fee | 53,297 | 79,268 |
| Telephone | 7,515 | 7,976 |
| Total administrative expenses | <u>\$ 231,977</u> | <u>\$ 249,712</u> |

See independent auditor's report on supplementary information.

Oaks at Four Corner Development Corporation

Detailed Statements of Activities (Continued)
For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|-------------------|-------------------|
| Operating and maintenance expenses | | |
| Contracts | \$ 71,912 | \$ 88,942 |
| Exterminating | 8,168 | 9,170 |
| Grounds maintenance | 27,800 | 26,464 |
| HVAC repairs and maintenance | 19,532 | 14,423 |
| Janitorial | 3,596 | 7,186 |
| Salaries | 132,420 | 115,693 |
| Snow removal | 2,965 | 2,267 |
| Supplies and repairs | 56,508 | 55,318 |
| Total operating and maintenance expenses | <u>\$ 322,901</u> | <u>\$ 319,463</u> |
| Utilities expense | | |
| Gas | \$ 6,616 | \$ 6,824 |
| Electric | 38,973 | 39,436 |
| Trash removal | 8,833 | 7,016 |
| Water | 29,626 | 27,436 |
| Total utilities expense | <u>\$ 84,048</u> | <u>\$ 80,712</u> |
| Other expenses | | |
| Asset management fees | \$ 129,210 | \$ 90,330 |
| Insurance - property | 23,559 | 21,620 |
| Mortgage insurance premium | 9,173 | 9,941 |
| Security contracts | 12,263 | 16,643 |
| Taxes | 5,723 | 17,168 |
| Total other expenses | <u>\$ 179,928</u> | <u>\$ 155,702</u> |

See independent auditor's report on supplementary information.

Oaks at Four Corner Development Corporation

Distribution of Net Cash Flow
For the Year Ended June 30, 2018 and 2017

Calculation of NCF per terms of Montgomery County loan agreement:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|--------------------|
| Net cash provided by operating activities | \$ 309,391 | \$ 365,067 |
| Add: Replacement reserve releases | 125,783 | 63,957 |
| Less: Purchase of building and equipment | - | (70,385) |
| Deposits to replacement reserve | (171,996) | (171,996) |
| Mortgage principal payments | (157,987) | (207,400) |
| Cash flow available for Montgomery County note payment | <u>\$ 105,191</u> | <u>\$ (20,757)</u> |

See independent auditor's report on supplementary information.