

Barclay Apartments Development Corporation

Index

	<u>Page</u>
Independent Auditor's Report	2
Financial Statements	
Balance Sheets	5
Statements of Operations	7
Statements of Changes in Net Assets	8
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information	
Selected Line Item Detail	18
Cash Flow and Distribution	20
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

To Management
Barclay Apartments Development Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barclay Apartments Development Corporation, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Barclay Apartments Development Corporation as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Barclay Apartments Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Barclay Apartments Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Barclay Apartments Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Barclay Apartments Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The selected line item detail and cash flow and distribution schedules are presented for purposes 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 selected line item detail and cash flow and distribution schedules are 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 a report dated March 27, 2023, on our consideration of Barclay Apartments Development 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 of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of 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 Barclay Apartments Development Corporation's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
March 27, 2023

Barclay Apartments Development Corporation

Balance Sheets June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 34,778	\$ 8,933
Accounts receivable and other assets, net of allowance	54,736	104,747
Total current assets	<u>89,514</u>	<u>113,680</u>
Restricted cash and cash equivalents		
Customer deposits	58,417	58,391
Restricted cash and cash equivalents	479,018	481,247
Total restricted cash and cash equivalents	<u>537,435</u>	<u>539,638</u>
Noncurrent assets		
Rental property, net of accumulated depreciation	4,866,899	5,258,580
Prepaid and other assets	113,568	121,538
Advance to affiliates	752,478	936,304
Total noncurrent assets	<u>5,732,945</u>	<u>6,316,422</u>
Total assets	<u>\$ 6,359,894</u>	<u>\$ 6,969,740</u>

Barclay Apartments Development Corporation

**Balance Sheets
June 30, 2022 and 2021**

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 72,457	\$ 100,680
Mortgage payable - current	<u>345,883</u>	<u>330,856</u>
Total current liabilities	<u>418,340</u>	<u>431,536</u>
Current liabilities payable from restricted cash and cash equivalents		
Customer deposits payable	<u>33,769</u>	<u>51,893</u>
Noncurrent liabilities		
Mortgage payable, net of unamortized debt issuance costs of \$162,110 and \$176,585 and net of current maturities	6,217,635	6,549,043
Loans payable	2,460,919	2,460,919
Accrued interest payable	<u>24,941</u>	<u>26,168</u>
Total noncurrent liabilities	<u>8,703,495</u>	<u>9,036,130</u>
Total liabilities	9,155,604	9,519,559
Total net assets	<u>(2,795,710)</u>	<u>(2,549,819)</u>
Total liabilities and net assets	<u>\$ 6,359,894</u>	<u>\$ 6,969,740</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Operations Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenue		
Dwelling rental	\$ 1,175,472	\$ 1,097,941
Commercial rental	39,245	38,238
Other income	84,551	18,076
	<u>1,299,268</u>	<u>1,154,255</u>
Total operating revenue		
Operating expenses		
Administration	156,105	132,944
Maintenance	354,947	273,571
Bad debt	-	52,289
Depreciation and amortization	392,117	392,116
Utilities	137,263	109,088
Fringe benefits	24,781	14,041
Interest expense	328,537	342,965
Other	151,529	160,835
	<u>1,545,279</u>	<u>1,477,849</u>
Total operating expenses		
Operating loss	(246,011)	(323,594)
Nonoperating revenues		
Investment income	120	53
	<u>120</u>	<u>53</u>
Net loss	<u>\$ (245,891)</u>	<u>\$ (323,541)</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

**Statements of Changes in Net Assets
Years Ended June 30, 2022 and 2021**

Balance, July 1, 2020	\$ (2,226,278)
Net loss	<u>(323,541)</u>
Balance, June 30, 2021	(2,549,819)
Net loss	<u>(245,891)</u>
Balance, June 30, 2022	<u><u>\$ (2,795,710)</u></u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities		
Net loss	\$ (245,891)	\$ (323,541)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	392,117	392,116
Amortization of debt issuance costs	14,475	14,475
(Increase) decrease in assets		
Accounts receivable and other assets	50,011	(17,797)
Prepaid and other assets	7,970	7,970
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(28,223)	(36,063)
Accrued interest payable	(1,227)	(1,173)
Customer deposits payable	(18,124)	(6,251)
Net cash provided by operating activities	171,108	29,736
Cash flows from investing activities		
Purchases of property and equipment	(436)	(2,122)
Decrease in advance to affiliate	183,826	218,559
Net cash provided by investing activities	183,390	216,437
Cash flows from financing activities		
Payments on mortgage payable	(330,856)	(316,482)
Net cash used in financing activities	(330,856)	(316,482)
Net increase (decrease) in cash, cash equivalents, and restricted cash	23,642	(70,309)
Cash, cash equivalents, and restricted cash, beginning	548,571	618,880
Cash, cash equivalents, and restricted cash, end	\$ 572,213	\$ 548,571
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 315,289	\$ 329,663

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

Note 1 - Organization

Barclay Apartments Development Corporation (the "Corporation") was formed as a nonstock corporation under the laws of the State of Maryland on July 20, 2004. The Corporation is a component unit of the Housing Opportunities Commission of Montgomery County, Maryland (the "Commission"). It was formed for the purpose of acquiring and leasing a housing property consisting of 77 condominium units located in Bethesda, Maryland operating under the name of Barclay Apartments (the "Project").

On September 1, 2007, the Corporation completed the purchase of the 77 condominium units from an affiliated entity, Barclay One Associates Limited Partnership. The Corporation assumed the permanent financing under the FHA's risk sharing program.

Note 2 - Summary of significant accounting policies

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 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.

Accounts receivable and bad debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. As of June 30, 2022 and 2021, the allowance was \$92,739 and \$126,997, respectively.

Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. For income tax purposes, accelerated lives and methods are used:

	<u>Method</u>	<u>Estimated useful lives</u>
Buildings and improvements	Straight-line	27.5 years
Land improvements	Straight-line	15 years
Furniture and equipment	Straight-line	5 years

Impairment of long-lived assets

The Corporation reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2022 and 2021.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the effective yield method over the term of the related mortgage.

Income taxes

The Corporation is a component unit of the Commission and is therefore exempt from income taxation. Accordingly, the financial statements do not include a provision for income taxes.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities. As of June 30, 2022, returns for the tax years 2019 through 2021 generally remain subject to examination by taxing authorities.

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.

Commercial lease income is recognized as earned in accordance with the respective lease terms. GAAP requires commercial lease income to be recognized on a straight-line basis over the terms of the respective leases. Rental income recorded on the straight-line method in excess of the rents billed is recognized as deferred rent asset.

Advertising costs

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

Cash and cash equivalents

Short-term liquid investments with original maturities of less than three months are considered to be cash equivalents. As of June 30, 2022 and 2021, there were no cash equivalents.

Note 3 - Restricted cash and cash equivalents

Replacement reserve

In accordance with the Regulatory Agreement with the Commission, disbursements from the reserve for replacement for the purpose of maintenance, improvements, or renovations of the Project cannot be made without prior consent of the Commission. The reserve for replacement is pooled with other properties that are controlled by the Commission and deposited with Montgomery County, Maryland. The Corporation is required to deposit \$1,900 monthly in accordance with the Regulatory Agreement. As of June 30, 2022 and 2021, the balance in the reserve was \$271,691 and \$274,449, respectively.

Renovation reserve

The Corporation has an additional renovation reserve to be used to fund capital improvements or major repairs. The renovation reserve is pooled with other properties that are controlled by the Commission. The Project is not required to deposit funds into the reserve. As of June 30, 2022 and 2021, the balance in the reserve was \$121,738 and \$121,683, respectively.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

Mortgage escrow

Under the Regulatory Agreement with the Commission, the Corporation is required to make monthly escrow deposits for mortgage insurance. As of June 30, 2022 and 2021, the balance in the escrow was \$85,589 and \$85,115, respectively.

Note 4 - Statements of cash flows

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 in the statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 34,778	\$ 8,933
Customer deposits - funded security deposits	58,417	58,391
Mortgage escrow	85,589	85,115
Renovation reserve	121,738	121,683
Replacement reserve	<u>271,691</u>	<u>274,449</u>
Total cash, cash equivalents, and restricted cash shown in statements of cash flows	<u>\$ 572,213</u>	<u>\$ 548,571</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property and the renovation and replacement reserves.

Note 5 - Rental property

Property held by the Corporation at June 30, 2022 and 2021 consists of the following:

	<u>2022</u>	<u>2021</u>
Buildings and improvements	\$ 10,327,035	\$ 10,327,035
Land improvements	230,040	230,040
Furniture and equipment	267,703	267,703
Construction in progress	103,813	103,380
Accumulated depreciation	<u>(6,061,695)</u>	<u>(5,669,578)</u>
	<u>\$ 4,866,896</u>	<u>\$ 5,258,580</u>

Note 6 - Mortgage payable

The Corporation assumed a mortgage note for \$10,557,738 from Barclay One Associates Limited Partnership as a result of the purchase of the condominium units from that entity. The mortgage is collateralized by a leasehold deed of trust on all 77 units, a security agreement and assignment of rents. The loan converted to permanent financing in September 2007. The note bears interest at a fixed rate of 4.45% per annum with monthly principal and interest payments of \$53,181 and matures on September 1, 2036. As of June 30, 2022 and 2021, the outstanding principal balance and accrued interest was \$6,725,628 and \$24,941 and \$7,056,484 and \$26,168, respectively.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

As discussed in Note 2, debt issuance costs, net of accumulated amortization, totaled \$162,110 and \$176,585 as of June 30, 2022 and 2021, respectively, and are related to the mortgage payable. Debt issuance costs on the above mortgage are being amortized using an imputed rate of 4.81%. For the years ended June 30, 2022 and 2021, amortization expense related to debt issuance costs was \$14,475 and \$14,475, respectively, and is included in interest expense in the statements of operations.

Aggregate maturities of the mortgage payable for the five years following June 30, 2022 and every five years thereafter are as follows:

2023	\$	345,883
2024		361,593
2025		378,016
2026		395,195
2027		413,134
2028-2032		2,141,589
2033-2037		<u>2,690,218</u>
	\$	<u>6,725,628</u>

Note 7 - Loans payable

The Corporation assumed upon the purchase of the 77-unit condominium the Amended and Restated Promissory Note in the amount of \$2,738,606. The note does not bear interest, is nonrecourse, and is secured by a leasehold deed of trust, security agreement and assignment of rents on the 77 units. The loan matures on January 1, 2036. Payment of outstanding principal is due annually based on available cash flow as defined in the agreement. As of June 30, 2022 and 2021, the outstanding principal balance was \$2,460,919 and \$2,460,919, respectively.

Note 8 - Related party transactions

Development corporation fee payable

The Commission earns an annual noncumulative development corporation fee. The fee is based off of the property's annual budget and is payable from available cash flow. For the years ended June 30, 2022 and 2021, no development corporation fees were incurred and are included in other expenses on the statements of operations.

Advance to affiliates

The Corporation made advances to affiliates which do not bear interest and are due on demand. Management closely monitors outstanding balances and provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. As of June 30, 2022 and 2021, the Corporation determined no valuation allowance was necessary. As of June 30, 2022 and 2021, \$752,478 and \$936,304, respectively, were due to the Corporation.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

Asset management fee

The Corporation agreed to pay an annual asset management fee to the Commission equal to the proportionate share of the asset management agent's indirect overhead expense attributable to the Project for the preceding year as determined annually as part of the asset management agent's annual budget. For the years ended June 30, 2022 and 2021, asset management fees of \$81,310 and \$81,310, respectively, were incurred and are included in other expenses on the statements of operations.

Shared expenses

The Corporation shares certain operating costs with affiliated projects within its geographical region. As of June 30, 2022 and 2021, there were no amounts due to or from related parties for shared costs with affiliated projects.

Note 9 - Property management fee

The Corporation entered an agreement with Residential ONE, an unrelated party, to provide property management services through February 28, 2023. The agreement provides for compensation of \$41 per occupied unit per month. For the years ended June 30, 2022 and 2021, management fees were \$35,217 and \$34,743, respectively.

Note 10 - Net assets (deficit)

The Commission is required to report on a fund basis. The Corporation, therefore, has reported net assets on a fund balance to conform to the Commission's presentation. This presentation does not conform with generally accepted accounting principles, but is not materially different. Below is a summary of the Corporation's net assets (deficit) as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Investment in capital assets, net	\$ (4,319,648)	\$ (4,258,823)
Restricted net assets	503,666	487,745
Unrestricted net assets	<u>1,020,272</u>	<u>1,221,259</u>
	<u>\$ (2,795,710)</u>	<u>\$ (2,549,819)</u>

Note 11 - Ground lease

On September 1, 2007, Barclay One Associates Limited Partnership partially assigned the ground lease with Montgomery County, Maryland to Barclay Apartments Development Corporation as part of the condominium transaction. The County approved the partial assignment on October 24, 2007. The ground lease provides for a rent of \$1 per year payable annually beginning September 30, 1991 (the commencement date) by the complex which includes Barclay Apartments Development Corporation and Barclay One Associates Limited Partnership and also provides that the premise be used for rental housing. The ground rent is prorated between the properties 49% or 49 cents to Barclay Apartments Development Corporation and 51% or 51 cents to Barclay One Associates Limited Partnership based on the properties' respective share of the mortgage. The ground lease expires on December 31, 2082.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

Note 12 - Payment in Lieu of Taxes ("PILOT")

The Corporation has entered into a Payment in Lieu of Taxes ("PILOT") agreement with Montgomery County, Maryland to replace the special area and real property taxes with a single payment of an agreed amount. There are conditions to this agreement; the Corporation must be wholly-owned by the Housing Opportunities Commission of Montgomery, Maryland, provide reports to the Chief, Division of Treasury for Montgomery County, Maryland, and both the Corporation and Housing Opportunities Commission of Montgomery County, Maryland must comply with Division II of the Housing and Community Development Article of the Annotated Code of Maryland. This agreement took effect October 24, 2007 and expired on December 31, 2020. Effective July 2, 2021, the entity obtained approval from the Maryland Department of Assessments and Taxation to be exempt from real estate taxes.

Note 13 - Rental income under operating leases

The Project has a commercial lease that expires in December 2023. The following is a schedule of minimum future rental income on noncancelable operating leases for the remainder of the lease:

2023	\$	39,505
2024		<u>16,461</u>
	\$	<u><u>55,966</u></u>

For the year ended June 30, 2022, the Corporation's rent receipts required under the lease terms were \$39,245.

Note 14 - Concentration of credit 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.

Note 15 - Financial dependency

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Corporation as a going concern. The Corporation has operating expenses and debt service in excess of operating income in recent years. If sufficient cash flow from operations cannot be attained, the Corporation will continue to be financially dependent on the Commission, which has agreed to continue funding deficits as needed. The Commission has committed to fund any shortfall in operating cash flow as necessary for a period no less than one year following the issuance of these financial statements.

Note 16 - Contingency

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Corporation's financial position, results of operations, and cash flows. The Corporation is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. The Corporation's performance in future periods will be heavily

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2022 and 2021

influenced by the timing, length, and intensity of any business disruptions from COVID-19 and the related effects on the Corporation's operations. Management continues to monitor the results of operations to evaluate the actual and potential economic impact on the Project.

Note 17 - Subsequent events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Corporation through March 27, 2023 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Supplementary Information

Barclay Apartments Development Corporation

Supplementary Information

**Selected Line Item Detail
Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Administration		
Administrative salaries	\$ 68,517	\$ 53,866
Contract management fee	35,217	34,743
Office supplies and expense	2,638	2,034
Training and travel	536	969
Telephone	14,592	7,326
Computer supplies and expense	2,367	1,948
Other rent expense	26	398
Miscellaneous administrative expenses	4,733	8,697
Advertising and newspaper	17,011	10,854
Auditing services	10,805	10,875
Legal services	(1,070)	1,153
Cable	733	81
	<u> </u>	<u> </u>
Total administration expenses	<u>\$ 156,105</u>	<u>\$ 132,944</u>
Maintenance		
Maintenance salaries	\$ 61,173	\$ 47,073
Exterminating	1,869	8,371
Grounds	25,308	21,867
Supplies	58,631	17,432
HVAC expense	26,370	30,420
Painting, decorating, and cleaning	90,822	70,882
Repairs and maintenance - other than contracts	37,605	33,434
Miscellaneous maintenance expenses	6,950	182
Elevator	16,437	29,153
Carpeting	26,790	13,823
Electrical	2,992	934
	<u> </u>	<u> </u>
Total maintenance expenses	<u>\$ 354,947</u>	<u>\$ 273,571</u>
Utilities		
Water	\$ 76,671	\$ 65,309
Electric	23,605	23,670
Windmill energy	358	-
Natural gas	13,558	2,283
Trash collection	23,071	17,826
	<u> </u>	<u> </u>
Total utility expenses	<u>\$ 137,263</u>	<u>\$ 109,088</u>

Barclay Apartments Development Corporation

Supplementary Information

Selected Line Item Detail Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Fringe benefits		
Contract managed benefits	\$ 21,458	\$ 12,485
Workers' compensation	<u>3,323</u>	<u>1,556</u>
Total fringe benefits	<u>\$ 24,781</u>	<u>\$ 14,041</u>
Other		
Mortgage insurance	\$ 34,092	\$ 35,759
Other taxes	6,997	3,220
Liability insurance	13,144	11,903
Water quality protection charge	-	1,620
Fire and hazard insurance	9,142	9,657
COVID-19 - Coronavirus expense	6,187	6,050
Security services/contracts	657	11,316
Asset management fee	<u>81,310</u>	<u>81,310</u>
Total other expenses	<u>\$ 151,529</u>	<u>\$ 160,835</u>

See Independent Auditor's Report.

Barclay Apartments Development Corporation

Supplementary Information

**Cash Flow and Distribution
Year Ended June 30, 2022**

Net cash provided by operating activities	\$	171,108
Add:		
Replacement reserve releases		25,558
Less:		
Deposits into replacement reserve		(22,800)
Mortgage principal payments		<u>(330,856)</u>
Net cash flow available for HOC note payment	\$	<u><u>(156,990)</u></u>

See Independent Auditor's Report.

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To Management
Barclay Apartments Development Corporation

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 Barclay Apartments Development Corporation, which comprise the balance sheets as of June 30, 2022 and 2021, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Barclay Apartments Development Corporation's internal control over financial reporting as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Barclay Apartments Development Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Barclay Apartments Development Corporation's internal control over financial reporting.

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 in internal control* 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 in internal control* 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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barclay Apartments Development Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Baltimore, Maryland
March 27, 2023