

Barclay Apartments Development Corporation

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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 26, 2024, 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 Barclay Apartments Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Barclay Apartments Development Corporation's internal control over financial reporting and compliance.

CohnReznick LLP

Baltimore, Maryland
March 26, 2024

Barclay Apartments Development Corporation

Balance Sheets June 30, 2023 and 2022

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 89,731	\$ 34,778
Accounts receivable and other assets, net of allowance	<u>70,829</u>	<u>54,736</u>
Total current assets	<u>160,560</u>	<u>89,514</u>
Restricted cash and cash equivalents		
Tenant deposits	37,512	58,417
Restricted cash and cash equivalents	<u>465,724</u>	<u>479,018</u>
Total restricted cash and cash equivalents	<u>503,236</u>	<u>537,435</u>
Noncurrent assets		
Rental property, net of accumulated depreciation	4,504,322	4,866,899
Prepaid and other assets	105,599	113,568
Due from affiliates	<u>565,927</u>	<u>784,658</u>
Total noncurrent assets	<u>5,175,848</u>	<u>5,765,125</u>
Total assets	<u>\$ 5,839,644</u>	<u>\$ 6,392,074</u>

Barclay Apartments Development Corporation

**Balance Sheets
June 30, 2023 and 2022**

Liabilities and Net Assets

	<u>2023</u>	<u>2022</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 127,639	\$ 72,457
Mortgage payable - current	361,593	345,883
Accrued interest payable	<u>23,658</u>	<u>24,941</u>
Total current liabilities	<u>512,890</u>	<u>443,281</u>
Current liabilities payable from restricted cash and cash equivalents		
Tenant deposits payable	<u>33,983</u>	<u>33,769</u>
Noncurrent liabilities		
Mortgage payable, net of unamortized debt issuance costs of \$147,634 and \$162,110 and net of current maturities	5,870,518	6,217,635
Loans payable	2,460,919	2,460,919
Due to affiliates	<u>-</u>	<u>32,180</u>
Total noncurrent liabilities	<u>8,331,437</u>	<u>8,710,734</u>
Total liabilities	8,878,310	9,187,784
Total net assets	<u>(3,038,666)</u>	<u>(2,795,710)</u>
Total liabilities and net assets	<u>\$ 5,839,644</u>	<u>\$ 6,392,074</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Operations Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue		
Rental income	\$ 1,245,051	\$ 1,214,717
Other income	27,285	84,551
	<u>1,272,336</u>	<u>1,299,268</u>
Total operating revenue		
	<u>1,272,336</u>	<u>1,299,268</u>
Operating expenses		
Administration	155,072	156,105
Maintenance	337,451	354,947
Bad debt	5,760	-
Depreciation and amortization	380,677	392,117
Utilities	130,389	137,263
Fringe benefits	25,559	24,781
Interest expense	313,456	328,537
Other	172,682	151,529
	<u>1,521,046</u>	<u>1,545,279</u>
Total operating expenses		
	<u>1,521,046</u>	<u>1,545,279</u>
Operating loss	(248,710)	(246,011)
Nonoperating revenues		
Investment income	5,754	120
	<u>5,754</u>	<u>120</u>
Net loss	<u>\$ (242,956)</u>	<u>\$ (245,891)</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

**Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022**

Balance, July 1, 2021	\$ (2,549,819)
Net loss	<u>(245,891)</u>
Balance, June 30, 2022	(2,795,710)
Net loss	<u>(242,956)</u>
Balance, June 30, 2023	<u><u>\$ (3,038,666)</u></u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

**Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Net loss	\$ (242,956)	\$ (245,891)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	380,677	392,117
Amortization of debt issuance costs	14,476	14,475
(Increase) decrease in assets		
Accounts receivable and other assets	(16,093)	50,011
Prepaid and other assets	7,969	7,970
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	55,182	(28,223)
Accrued interest payable	(1,283)	(1,227)
Customer deposits payable	214	(18,124)
	198,186	171,108
Net cash provided by operating activities		
Cash flows from investing activities		
Purchases of property and equipment	(18,100)	(436)
Receipt of advances to affiliates	218,731	183,826
	200,631	183,390
Net cash provided by investing activities		
Cash flows from financing activities		
Payments on mortgage payable	(345,883)	(330,856)
Payments of advances from affiliates	(32,180)	-
	(378,063)	(330,856)
Net cash used in financing activities		
Net increase in cash, cash equivalents, and restricted cash	20,754	23,642
Cash, cash equivalents, and restricted cash, beginning	572,213	548,571
Cash, cash equivalents, and restricted cash, end	\$ 592,967	\$ 572,213
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 300,263	\$ 315,289

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022, the allowance was \$98,500 and \$92,739, 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, 2023 and 2022.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2023 and 2022

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, 2023, returns for the tax years 2020 through 2022 generally remain subject to examination by taxing authorities.

Rental income

Residential lease income is recognized as rentals become due. Rental payments received in advance are deferred until earned.

Commercial lease income is recognized in accordance with the respective lease terms, 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.

All leases between the Corporation and tenants of the property are operating leases.

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, 2023 and 2022, there were no cash equivalents.

Statement reclassifications

Certain reclassifications may have been made in the prior year's amounts to conform with current year statement presentation.

New accounting pronouncements

The Corporation adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on July 1, 2022 ("Adoption Date"). Additionally, the Corporation elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Corporation to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

The Corporation accounted for its existing leases with tenants of the property as operating leases. Adopting Topic 842 in accounting for tenant leases did not result in adjustments to the financial statements.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2023 and 2022

Leases with commercial tenants not classified as sales-type or direct financing leases are classified as operating leases.

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, 2023 and 2022, the balance in the reserve was \$253,303 and \$271,691, 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, 2023 and 2022, the balance in the reserve was \$124,082 and \$121,738, respectively.

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, 2023 and 2022, the balance in the escrow was \$88,339 and \$85,589, 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>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 89,731	\$ 34,778
Customer deposits - funded security deposits	37,512	58,417
Mortgage escrow	88,339	85,589
Renovation reserve	124,082	121,738
Replacement reserve	<u>253,303</u>	<u>271,691</u>
Total cash, cash equivalents, and restricted cash shown in statements of cash flows	<u>\$ 592,967</u>	<u>\$ 572,213</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, a replacement reserve and renovation reserve for maintenance, improvements and repairs, and a mortgage escrow for monthly deposits for the mortgage insurance, as required by the loan agreement.

Barclay Apartments Development Corporation

**Notes to Financial Statements
June 30, 2023 and 2022**

Note 5 - Rental property

Property held by the Corporation at June 30, 2023 and 2022 consists of the following:

	2023	2022
Buildings and improvements	\$ 10,327,035	\$ 10,327,035
Land improvements	230,040	230,040
Furniture and equipment	285,803	267,703
Construction in progress	103,816	103,816
Accumulated depreciation	(6,442,372)	(6,061,695)
	\$ 4,504,322	\$ 4,866,899

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, 2023 and 2022, the outstanding principal balance and accrued interest was \$6,379,745 and \$23,658 and \$6,725,628 and \$24,941, respectively.

As discussed in Note 2, debt issuance costs, net of accumulated amortization, totaled \$147,634 and \$162,110 as of June 30, 2023 and 2022, 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, 2023 and 2022, amortization expense related to debt issuance costs was \$14,476 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, 2023 and every five years thereafter are as follows:

2024	\$	361,593
2025		378,016
2026		395,195
2027		413,134
2028		431,898
2029-2033		2,248,994
2034-2037		2,150,915
	\$	6,379,745

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 and 2022, the Corporation determined no valuation allowance was necessary. As of June 30, 2023 and 2022, \$565,927 and \$752,478, respectively, were due to the Corporation.

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, 2023 and 2022, asset management fees of \$104,780 and \$81,310, respectively, were incurred and are included in other expenses on the statements of operations. As of June 30, 2023 and 2022, \$52,390 and \$0, respectively, remains payable and is included in accounts payable and accrued liabilities on the balance sheets.

Shared expenses

The Corporation shares certain operating costs with affiliated projects within its geographical region. As of June 30, 2023 and 2022, the amounts due from related parties for shared costs with affiliated projects were \$0 and \$32,180, respectively.

Note 9 - Property management fee

The Corporation entered an agreement with Residential ONE, an unrelated party, to provide property management services through March 31, 2024. The agreement provides for compensation of \$41 per occupied unit per month. For the years ended June 30, 2023 and 2022, management fees were \$39,337 and \$35,217, respectively. As of June 30, 2023 and 2022, \$3,112 and \$0, respectively, remains payable and is included in accounts payable and accrued liabilities on the balance sheets.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2023 and 2022

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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investment in capital assets, net	\$ (4,336,342)	\$ (4,319,648)
Restricted net assets	469,253	503,666
Unrestricted net assets	<u>828,423</u>	<u>1,020,272</u>
	<u>\$ (3,038,666)</u>	<u>\$ (2,795,710)</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.

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:

2024	<u>\$ 16,461</u>
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For the year ended June 30, 2023, the Corporation's rent receipts required under the lease terms were \$39,505.

Barclay Apartments Development Corporation

Notes to Financial Statements

June 30, 2023 and 2022

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 - 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 26, 2024 (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, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Administration		
Administrative salaries	\$ 83,046	\$ 68,517
Contract management fee	39,337	35,217
Office supplies and expense	2,334	2,638
Training and travel	531	536
Telephone	5,751	14,592
Computer supplies and expense	2,064	2,367
Other rent expense	399	26
Miscellaneous administrative expenses	3,708	4,733
Advertising and newspaper	6,880	17,011
Auditing services	10,935	10,805
Legal services	87	(1,070)
Cable	-	733
	<u>-</u>	<u>733</u>
 Total administration expenses	 <u>\$ 155,072</u>	 <u>\$ 156,105</u>
 Maintenance		
Maintenance salaries	\$ 45,291	\$ 61,173
Exterminating	1,425	1,869
Grounds	18,602	25,308
Supplies	41,103	58,631
HVAC expense	51,274	26,370
Painting, decorating, and cleaning	53,170	90,822
Repairs and maintenance - other than contracts	57,614	37,605
Miscellaneous maintenance expenses	11,700	6,950
Elevator	17,843	16,437
Carpeting	39,429	26,790
Electrical	-	2,992
	<u>-</u>	<u>2,992</u>
 Total maintenance expenses	 <u>\$ 337,451</u>	 <u>\$ 354,947</u>
 Utilities		
Water	\$ 46,617	\$ 76,671
Electric	45,447	23,605
Windmill energy	-	358
Natural gas	7,552	13,558
Trash collection	30,773	23,071
	<u>30,773</u>	<u>23,071</u>
 Total utility expenses	 <u>\$ 130,389</u>	 <u>\$ 137,263</u>

Barclay Apartments Development Corporation

Supplementary Information

Selected Line Item Detail Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Fringe benefits		
Contract managed benefits	\$ 22,581	\$ 21,458
Workers' compensation	2,978	3,323
	<u>\$ 25,559</u>	<u>\$ 24,781</u>
Other		
Mortgage insurance	\$ 32,405	\$ 34,092
Other taxes	3,509	6,997
Liability insurance	12,138	13,144
Fire and hazard insurance	17,012	9,142
COVID-19 - Coronavirus expense	-	6,187
Security services/contracts	2,838	657
Asset management fee	104,780	81,310
	<u>\$ 172,682</u>	<u>\$ 151,529</u>

See Independent Auditor's Report.

Barclay Apartments Development Corporation

Supplementary Information

**Cash Flow and Distribution
Year Ended June 30, 2023**

Net cash provided by operating activities	\$	198,186
Add:		
Replacement reserve releases		41,188
Less:		
Deposits into replacement reserve		(22,800)
Mortgage principal payments		<u>(345,883)</u>
Net cash flow available for HOC note payment	\$	<u><u>(129,309)</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, 2023 and 2022, 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 26, 2024.

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 no 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 26, 2024



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