



**MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING
OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

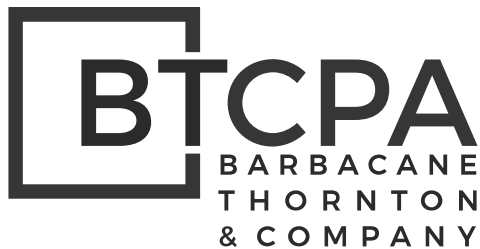
**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2023 AND 2022

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)

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INDEPENDENT AUDITOR'S REPORT

December 12, 2023

To the Commissioners
Magruder's Discovery Development Corporation
Kensington, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Magruder's Discovery Development Corporation, a nonprofit corporation and a component unit of the Housing Opportunities Commission of Montgomery County, Kensington, Maryland, which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations, changes in net deficit, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Magruder's Discovery Development Corporation's financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Magruder's Discovery Development Corporation as of June 30, 2023 and 2022, and the results of its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Magruder's Discovery 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.

To the Commissioners
Magruder's Discovery Development Corporation

Responsibilities of Management for the Financial Statements

The Magruder's Discovery Development Corporation's 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 the Magruder's Discovery Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are 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 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, 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 the Magruder's Discovery 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 the Magruder's Discovery Development Corporation's ability to continue as a going concern for a reasonable period of time.

To the Commissioners
Magruder's Discovery Development Corporation

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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Detail of Selected Balance Sheet Accounts and Detailed Statements of Operations ("the supplementary information") is presented for purposes of additional analysis and is 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 stated in all material respects in relation to the financial statements as a whole.

Barbacane, Thornton & Company LLP

BARBACANE, THORNTON & COMPANY LLP

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
BALANCE SHEETS
JUNE 30, 2023 AND 2022

<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
Current Assets:		
Accounts receivable, net	\$ 31,559	\$ 11,107
Interfund receivable	33,128	68,494
Total Unrestricted Current Assets	<u>64,687</u>	<u>79,601</u>
Restricted Cash and Cash Equivalents:		
Restricted cash and cash equivalents	548,551	501,798
Tenants' security deposits	69,200	73,809
Total Restricted Cash and Cash Equivalents	<u>617,751</u>	<u>575,607</u>
Property and Equipment:		
Property and equipment, net of accumulated depreciation	<u>4,361,665</u>	<u>4,603,980</u>
Deferred Charges, Net:		
Negative arbitrage	<u>116,748</u>	<u>123,240</u>
TOTAL ASSETS	<u>\$ 5,160,851</u>	<u>\$ 5,382,428</u>
<u>LIABILITIES AND NET DEFICIT</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 145,832	\$ 102,168
Accrued interest payable	49,806	51,236
Mortgage payable, current maturities	285,647	267,984
Total Current Liabilities	<u>481,285</u>	<u>421,388</u>
Current Liabilities Payable from Restricted Assets:		
Tenants' security deposits	66,946	72,494
Total Current Liabilities Payable from Restricted Assets	<u>66,946</u>	<u>72,494</u>
Long-term Liabilities:		
Mortgage payable, net of current maturities and unamortized financing fees of \$241,585 and \$255,301, respectively	8,811,479	9,083,409
Total Long-term Liabilities	<u>8,811,479</u>	<u>9,083,409</u>
TOTAL LIABILITIES	<u>9,359,710</u>	<u>9,577,291</u>
Net Deficit:		
Without donor restrictions	<u>(4,198,859)</u>	<u>(4,194,863)</u>
Total Net Deficit	<u>(4,198,859)</u>	<u>(4,194,863)</u>
TOTAL LIABILITIES AND NET DEFICIT	<u>\$ 5,160,851</u>	<u>\$ 5,382,428</u>

The accompanying notes are an integral part of these financial statements.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
Dwelling rental	\$ 2,458,166	\$ 2,457,320
Other income	156,298	138,692
Total Operating Revenues	<u>2,614,464</u>	<u>2,596,012</u>
Operating Expenses:		
Administration	186,938	186,002
Operating and maintenance	439,240	331,063
Depreciation	265,295	292,292
Utilities	154,121	149,663
Fringe benefits	65,895	59,419
Interest expense	625,837	642,497
Other	875,066	1,003,374
Bad debt expense	10,268	-
Total Operating Expenses	<u>2,622,660</u>	<u>2,664,310</u>
Operating Income (Loss)	<u>(8,196)</u>	<u>(68,298)</u>
Nonoperating Revenues:		
Interest income	4,200	89
Total Nonoperating Revenues	<u>4,200</u>	<u>89</u>
NET INCOME (LOSS)	<u>\$ (3,996)</u>	<u>\$ (68,209)</u>

The accompanying notes are an integral part of these financial statements.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
STATEMENTS OF CHANGES IN NET DEFICIT
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

Net Deficit - June 30, 2021	\$ (4,126,654)
Net Income (Loss)	<u>(68,209)</u>
Net Deficit - June 30, 2022	(4,194,863)
Net Income (Loss)	<u>(3,996)</u>
Net Deficit - June 30, 2023	<u><u>\$ (4,198,859)</u></u>

The accompanying notes are an integral part of these financial statements.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (3,996)	\$ (68,209)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation	265,295	292,292
Bad debt	10,268	-
Amortization of financing fees	13,716	13,716
Amortization of negative arbitrage	6,492	6,492
Decrease (increase) in operating assets:		
Accounts receivable, net	(30,720)	39,725
Interfund receivable	35,366	(30,569)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	43,664	(2,470)
Accrued interest payable	(1,430)	(1,341)
Tenants' security deposits	(5,548)	763
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	333,107	250,399
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(22,980)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(22,980)	-
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage principal payments	(267,983)	(251,413)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(267,983)	(251,413)
NET INCREASE (DECREASE) IN CASH AND RESTRICTED CASH AND CASH EQUIVALENTS	42,144	(1,014)
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	575,607	576,621
CASH AND RESTRICTED CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 617,751	\$ 575,607
SUPPLEMENTAL DISCLOSURES:		
Cash paid during the year for interest	\$ 607,059	\$ 623,630
Cash paid during the year for taxes	\$ -	\$ -

The accompanying notes are an integral part of these financial statements.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

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

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

Basis 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 an original maturity of three months or less to be cash equivalents.

Rents Receivables 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.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due after the tenth of the month in which they were due. Accounts receivable are considered uncollectible if they are outstanding over 90 days. The allowance for doubtful accounts as of June 30, 2023 and 2022 was \$40,483 and \$39,776, respectively.

Property and Equipment

Property and equipment is carried at cost. Depreciation of the property and equipment is calculated on the straight-line method based on the estimated useful lives of the property and equipment, which is 10 to 40 years.

Depreciation expense for the years ended June 30, 2023 and 2022 amounted to \$265,295 and \$292,292, respectively.

The Corporation's policy is to capitalize property and equipment expenditures of \$5,000 or more.

Expenditures for maintenance and repairs necessary to maintain the real estate in efficient operating condition are charged to operations. Expenditures which increase the useful lives of the assets are capitalized.

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, 2023 and 2022.

Financing Fees and Amortization

Financing fees, net of amortization, are reported as a direct deduction from the face amount of the mortgage payable. Amortization of financing fees is reported as a component of interest expense and is computed using the straight-line method which approximates the effective yield method over the term of the related mortgage note payable. Accumulated amortization relating to financing fees for the years ended June 30, 2023 and 2022 was \$116,801 and \$103,085, respectively. The amount of amortization expense included as interest expense was \$13,716 for both years ended June 30, 2023 and 2022.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Taxes

The Corporation is exempt from income taxes under Section 115 of the Internal Revenue Code.

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Section 740 regarding accounting for uncertainty in income taxes, the Corporation is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will not be sustained upon examination. The Corporation has no uncertain tax positions that qualify for recognition in the financial statements.

Rental Revenue

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

Functional Expenses

The costs of providing the program and other activities have been reported on a functional basis in the statement of operations. Administration, fringe benefits, and other expenses are mostly for supporting services activities.

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.

NOTE 2 CONCENTRATION OF RISK

The Corporation maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank.

Additionally, the Corporation is included with the HOC as part of the HOC's funds, and was entirely insured or collateralized with securities held by the HOC's agent in the HOC's name.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
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NOTES TO FINANCIAL STATEMENTS

NOTE 3 RESTRICTED CASH AND CASH EQUIVALENTS

Restricted funds are comprised of the following at June 30:

	<u>2023</u>	<u>2022</u>
Mortgage escrow deposits	\$ 79,676	\$ 77,829
Reserve for replacements	417,722	373,778
Renovation escrow	<u>51,153</u>	<u>50,191</u>
	<u>\$ 548,551</u>	<u>\$ 501,798</u>

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

	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 373,778	\$ 389,061
Monthly deposits	43,944	42,876
Reserve releases	<u>-</u>	<u>(58,159)</u>
	<u>\$ 417,722</u>	<u>\$ 373,778</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 the HOC. Monthly deposits for the years ended June 30, 2023 and 2022 were \$3,662 and \$3,573, respectively.

NOTE 4 PROPERTY AND EQUIPMENT

As of June 30, 2023 and 2022, property and equipment consisted of the following:

	<u>2023</u>	<u>2022</u>
Land	\$ 691,363	\$ 691,363
Buildings and building improvements	11,237,827	11,219,827
Machinery and equipment	<u>1,308,934</u>	<u>1,303,954</u>
Total Capital Assets	13,238,124	13,215,144
Accumulated depreciation	<u>(8,876,459)</u>	<u>(8,611,164)</u>
Property and equipment, net	<u>\$ 4,361,665</u>	<u>\$ 4,603,980</u>

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)

NOTES TO FINANCIAL STATEMENTS

NOTE 5 NEGATIVE ARBITRAGE

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

During the year ended June 30, 2011, the Corporation paid \$194,637 to the HOC as charge for the incurred negative arbitrage, representing the difference between the interest the HOC earns on its loan to the Corporation and the interest the HOC pays to the bondholders over the life of the loan. The Corporation is amortizing the amount over the 30-year term of the loan. For the years ended June 30, 2023 and 2022, \$6,492 of the negative arbitrage was amortized and charged to interest expense. The balance of the negative arbitrage is included in the accompanying balance sheets under deferred charges.

NOTE 6 MORTGAGE PAYABLE

The Corporation is obligated to repay a mortgage to the HOC. On June 14, 2010, the Corporation assumed the HUD regulatory agreement from the HOC in conjunction with execution of a mortgage loan from the HOC for \$11,780,518. The note is secured by a promissory note, deed of trust, security, and assignment of rent agreements, and substantially all assets.

The mortgage provides for interest at a nominal rate of 6.40% per annum and an effective interest rate of 6.51% per annum, to accrue until maturity, with the final balance of principal and accrued interest due on June 1, 2041. Starting on July 1, 2011, the Corporation began monthly principal and interest payments of \$73,688. On July 1, 2014, the Corporation executed an Amended and Restated Deed of Trust Note with the HOC, which reduced the total available principal balance from \$11,780,518 to \$11,657,791. As of July 1, 2014, the note amendment revised the monthly principal and interest payments to \$72,920, which will continue through maturity, June 1, 2041.

The outstanding principal balance as of June 30, 2023 and 2022 was \$9,338,711 and \$9,606,694. Interest expense incurred during the years ended June 30, 2023 and 2022 was \$625,837 and \$642,497, respectively. Included in interest expense was amortization of financing fees of \$13,716 for each year and amortization of negative arbitrage of \$6,492 for each year.

Aggregate annual maturities of the mortgage payable for the next five years and thereafter are as follows:

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 6 MORTGAGE PAYABLE (cont'd)

Year Ending June 30,	Principal
2024	\$ 285,647
2025	304,474
2026	324,543
2027	345,934
2028	368,734
2029 - 2033	2,241,892
2034 - 2038	3,084,748
2039 - 2041	2,382,739
TOTAL	\$ 9,338,711

Estimated financing fees being amortized to interest expense for each of the next five years are \$13,716.

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 7 REAL ESTATE TAXES

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

NOTE 8 PROPERTY MANAGEMENT FEE

Effective August 1, 2019, the Project is managed by Edgewood Management Corporation pursuant to an Amended and Restated Property Assistance Agreement. The fee is calculated at a flat rate of \$28 per occupied unit per month. In addition, the HOC reserves the right to pay Edgewood Management Corporation an annual fee. Payment of the fee is in the HOC's sole discretion, and there is no guarantee that Edgewood Management Corporation will receive the annual fee in any given year. The annual fee will be based on target occupancy levels and rent actually received. The agreement is set to expire on December 31, 2023. For the years ended June 30, 2023 and 2022, management fees of \$41,748 and \$44,240, respectively, were incurred.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 9 RELATED PARTY TRANSACTIONS

Interfund Receivable

The Corporation has numerous transactions with the HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Corporation has not been paid or collected as of year-end, interfund payables and receivables are recorded.

In addition, the Corporation is allocated costs from the HOC defined benefit pension plan and other postemployment benefits plan ("OPEB") which includes retiree health insurance. The Corporation is allocated a net pension and OPEB liability and related deferred outflows and inflows of resources based on the HOC management's calculation of costs related to employees of the HOC that perform activities related to the Corporation.

Pension and OPEB activity allocated to the Corporation and included in interfund receivable are \$153,532 of deferred outflows of resources, \$220,738 of deferred inflows of resources, and \$235,811 of net pension and OPEB liabilities as of June 30, 2023.

Pension and OPEB activity allocated to the Corporation and included in interfund receivable are \$277,330 of deferred outflows of resources, \$240,740 of deferred inflows of resources, and \$350,364 of net pension and OPEB liabilities as of June 30, 2022.

The balance of the interfund receivable as of June 30, 2023 and 2022 is \$33,128 and \$68,494, respectively.

Asset Management Fee

The Corporation was charged an asset management fee of \$90,050 for both years ended June 30, 2023 and 2022 by the HOC.

Development Corporation Fee

The Corporation pays an annual fee to the HOC in the amount as approved by the HOC Commissioners. The fee is assessed at the end of the fiscal year based on the performance of the property during the fiscal year. For the years ended June 30, 2023 and 2022, development corporation fees of \$673,230 and \$827,858, respectively, were incurred.

NOTE 10 HOUSING ASSISTANCE PAYMENT CONTRACT

Effective June 17, 2010, the Corporation assumed from the HOC the Assignment, Assumption and Amendment Agreement of the Section 8 Housing Assistance Payment Contract. The agreement was renewed on December 1, 2021 and is renewable annually. Tenant assistance

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
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NOTES TO FINANCIAL STATEMENTS

NOTE 10 HOUSING ASSISTANCE PAYMENT CONTRACT (cont'd)

payments for the years ended June 30, 2023 and 2022 were \$1,702,328 and \$1,819,747, respectively.

NOTE 11 NET ASSETS

The HOC follows the reporting requirements of the Governmental Accounting Standards Board ("GASB") and reclassifies the net assets of the Corporation as follows:

	2023	2022
Net investment in capital assets	\$ (4,977,046)	\$ (5,002,714)
Restricted net position	550,805	503,113
Unrestricted net position	227,382	304,738
	\$ (4,198,859)	\$ (4,194,863)

NOTE 12 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Corporation's financial assets consist of restricted cash and cash equivalents, tenant security deposits, accounts receivable, net, and interfund receivable.

The following reflects the Corporation's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general use because of contractual restrictions within one year of the balance sheet date.

	2023	2022
Financial assets, at year-end	\$ 682,438	\$ 655,208
Less those unavailable for general expenditures within one year due to:		
Contractual restrictions	617,751	575,607
Financial assets available to meet cash needs for general expenditures within one year	\$ 64,687	\$ 79,601

The Corporation has a goal to maintain financial assets on hand to meet, at a minimum, 90 days of normal operating expenses. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
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NOTES TO FINANCIAL STATEMENTS

NOTE 13 SUBSEQUENT EVENTS

The Corporation has evaluated all subsequent events through December 12, 2023, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
DETAIL OF SELECTED BALANCE SHEET ACCOUNTS
JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ACCOUNTS RECEIVABLE, NET</u>		
Accounts receivable - subsidy	\$ 36,361	\$ 39,951
Allowance for doubtful accounts	(40,483)	(39,776)
Ex-resident workorders receivable	24	24
Other resident fees receivable	55	55
Rents receivable	35,612	10,863
Technology fee receivable	(10)	(10)
	<u>31,559</u>	<u>11,107</u>
Total Accounts Receivable and Other Assets, Net	<u>\$ 31,559</u>	<u>\$ 11,107</u>
<u>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</u>		
Accrued annual leave	\$ 17,591	\$ 16,605
Accounts payable	57,834	26,471
Accrued salaries	4,003	2,367
Accrued utility payments	4,288	1,691
Clearing resident refunds	5,026	5,026
Resident prepaid rents	38,118	31,036
Subsidy prepaid rents	18,972	18,972
	<u>145,832</u>	<u>102,168</u>
Total Accounts Payable and Accrued Expenses	<u>\$ 145,832</u>	<u>\$ 102,168</u>

MAGRUDER'S DISCOVERY DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
DETAILED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
<u>OPERATING REVENUE</u>		
Dwelling Rental Income:		
Rent	\$ 2,633,315	\$ 2,492,917
Vacancy loss	(184,780)	(46,458)
Laundry income	9,631	10,861
Total Dwelling Rental Income	2,458,166	2,457,320
Other Income:		
Miscellaneous	150,000	132,394
Rental license	6,298	6,298
Total Other Income	156,298	138,692
TOTAL OPERATING REVENUE	2,614,464	2,596,012
 <u>OPERATING EXPENSES</u>		
Administrative Expenses:		
Contract management fees	41,748	44,240
Licenses and fees	6,298	6,298
Miscellaneous	8,288	9,685
Office supplies and expense	19,667	42,770
Professional fees	14,370	11,653
Rent	754	754
Salaries	86,376	59,847
Telephone	4,086	4,760
Vehicle	5,351	5,995
Total Administrative Expenses	186,938	186,002
Operating and Maintenance Expenses:		
Contracts	155,693	26,533
Exterminating	-	3,176
Grounds maintenance	44,687	28,806
HVAC repairs and maintenance	3,203	3,402
Janitorial	3,328	4,552
Salaries	140,576	137,318
Supplies and repairs	91,753	127,276
Total Operating and Maintenance Expenses	439,240	331,063

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Utilities Expenses:		
Electricity	26,953	16,568
Trash removal	17,095	15,997
Water	110,073	117,098
Total Utilities Expenses	<u>154,121</u>	<u>149,663</u>
Fringe Benefits:		
Accrued leave	987	(999)
Contract managed benefits	17,497	12,992
Defined contribution pension plan	8,316	8,789
FICA	10,510	9,951
Health insurance	31,370	26,765
Pension/other postemployment benefits (credit)	(9,507)	(3,803)
Unemployment	659	1,664
Workers' compensation	6,063	4,060
Total Fringe Benefits	<u>65,895</u>	<u>59,419</u>
Other Expenses:		
Asset management fee	90,050	90,050
Development corporation fee	673,230	827,858
Insurance	56,784	41,655
Mortgage insurance	47,315	36,462
Taxes	2,388	2,317
Water quality protect charge (RFSA)	5,299	5,032
Total Other Expenses	<u>875,066</u>	<u>1,003,374</u>
Interest expense	625,837	642,497
Depreciation	265,295	292,292
Bad debt	10,268	-
TOTAL OPERATING EXPENSES	<u>2,622,660</u>	<u>2,664,310</u>
NONOPERATING REVENUES		
Interest income	<u>4,200</u>	<u>89</u>
NET INCOME (LOSS)	<u>\$ (3,996)</u>	<u>\$ (68,209)</u>