

**Oaks at Four Corners Development Corporation**

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

**June 30, 2023 and 2022**

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# Oaks at Four Corners Development Corporation

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## Independent Auditor's Report

To Management  
Oaks at Four Corners Development Corporation

### *Opinion*

We have audited the financial statements of Oaks at Four Corners 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 Oaks at Four Corners 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"). 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 Oaks at Four Corners 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 Oaks at Four Corners 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 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 Oaks at Four Corners 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 Oaks at Four Corners 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 calculation of net cash flow 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 audits 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.

*CohnReznick LLP*

Baltimore, Maryland  
February 14, 2024

Oaks at Four Corners Development Corporation

Balance Sheets  
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets		
Cash	\$ 102,841	\$ 184,302
Accounts receivable and other assets, net of allowance	41,152	20,469
Total current assets	<u>143,993</u>	<u>204,771</u>
Restricted deposits and funded reserves		
Customer deposits	140,825	132,066
Restricted cash	637,153	567,557
Total restricted deposits and funded reserves	<u>777,978</u>	<u>699,623</u>
Noncurrent assets		
Rental property, net of accumulated depreciation	<u>2,222,799</u>	<u>2,345,579</u>
Total noncurrent assets	<u>2,222,799</u>	<u>2,345,579</u>
Total assets	<u>\$ 3,144,770</u>	<u>\$ 3,249,973</u>

**Oaks at Four Corners Development Corporation**

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

Liabilities and Net Assets

	2023	2022
Current liabilities		
Accounts payable and accrued liabilities	\$ 101,791	\$ 122,155
Interfund payable	22,858	6,060
Accrued interest payable	4,322	5,452
Mortgage payable - current	230,333	216,305
Loan payable to Montgomery County, Maryland - current	93,060	84,702
Total current liabilities	452,364	434,674
Current liabilities payable from restricted cash and cash equivalents		
Tenant deposits payable	133,955	128,675
Noncurrent liabilities		
Mortgage payable, net of unamortized debt issuance costs of \$6,456 and \$9,039, respectively, and net of current maturities	567,890	795,640
Loan payable to Montgomery County, Maryland	1,185,908	1,276,873
Total noncurrent liabilities	1,753,798	2,072,513
Total liabilities	2,340,117	2,635,862
Net assets	804,653	614,111
Total liabilities and net assets	\$ 3,144,770	\$ 3,249,973

See Notes to Financial Statements.

**Oaks at Four Corners Development Corporation**

**Statements of Operations  
Years Ended June 30, 2023 and 2022**

	2023	2022
Operating revenue		
Rental income	\$ 1,456,248	\$ 1,423,204
Other income	21,669	7,046
Total operating revenue	1,477,917	1,430,250
Operating expenses		
Administration	251,781	243,659
Maintenance	395,771	394,663
Bad debt	708	5,659
Depreciation and amortization	195,233	193,066
Utilities	99,544	107,854
Fringe benefits	67,438	85,377
Interest expense	59,601	72,842
Other	235,822	190,555
Total operating expenses	1,305,898	1,293,675
Operating income	172,019	136,575
Nonoperating revenues		
Interest income (expense)	18,523	(1,090)
Net income	\$ 190,542	\$ 135,485

See Notes to Financial Statements.

**Oaks at Four Corners Development Corporation**

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

Balance, July 1, 2021	\$ 478,626
Net income	<u>135,485</u>
Balance, June 30, 2022	614,111
Net income	<u>190,542</u>
Balance, June 30, 2023	<u><u>\$ 804,653</u></u>

See Notes to Financial Statements.



**Oaks at Four Corners Development Corporation**

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

	2023	2022
Cash flows from operating activities		
Net income	\$ 190,542	\$ 135,485
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	195,233	193,066
Amortization of debt issuance costs	2,583	2,582
Bad debt expense	708	5,659
(Increase) decrease in assets		
Accounts receivable and other assets	(21,391)	(8,763)
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(20,364)	56,562
Accrued interest payable	(1,130)	(1,060)
Interfund payable	16,798	(2,095)
Tenant deposits payable	5,280	2,302
Net cash provided by operating activities	368,259	383,738
Cash flows from investing activities		
Purchases of property and equipment	(72,453)	-
Net cash used in investing activities	(72,453)	-
Cash flows from financing activities		
Payments on mortgage payable	(216,305)	(203,135)
Payments on loan payable	(82,607)	(219,139)
Net cash used in financing activities	(298,912)	(422,274)
Net decrease in cash and restricted cash	(3,106)	(38,536)
Cash and restricted cash, beginning	883,925	922,461
Cash and restricted cash, end	\$ 880,819	\$ 883,925
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 58,148	\$ 71,320

See Notes to Financial Statements.

# Oaks at Four Corners Development Corporation

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

### Note 1 - Organization

Oaks at Four Corners Development Corporation (the "Corporation") was formed as a nonstock corporation under the laws of the state of Maryland on August 21, 1996. The Corporation is a component unit of The Housing Opportunities Commission of Montgomery County, Maryland (the "Commission"). The Corporation was formed for the purpose of operating a housing property consisting of 120 moderately priced units, located in Silver Spring, Maryland (the "Project").

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

### 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 ("GAAP") 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 \$285 and \$0, 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	40 years
Land improvements	Straight-line	15 years
Furniture and equipment	Straight-line	5 years

## Oaks at Four Corners Development Corporation

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

#### **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.

#### **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 an imputed interest rate on 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 GAAP 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.

#### **Residential rental income**

Residential rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the residential tenants of the property are classified as operating leases.

#### **Commercial rental income**

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 commercial leases are classified as 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.

## Oaks at Four Corners Development Corporation

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

#### New accounting pronouncement

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 operating 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.

#### Note 3 - Restricted deposits and funded reserves

##### Replacement reserve

In accordance with the operating agreement, the Corporation is required to maintain a replacement reserve with the Commission as trustee. 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. Beginning 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 Commission. However, the Commission reviews the capital needs of the Corporation on an annual basis and approves an annual deposit amount based on those needs. Monthly deposits for the years ended June 30, 2023 and 2022, were \$14,333 for each year. The balance in the reserve for years ended June 30, 2023 and 2022, was \$624,929 and \$555,606, respectively.

##### Mortgage escrow

In accordance with the terms of the mortgage note, the Corporation is required to make monthly escrow deposits for the payment of mortgage insurance premiums. As of June 30, 2023 and 2022, the escrow was \$12,224 and \$11,951, respectively.

#### Note 4 - Statements of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows:

	2023	2022
Cash	\$ 102,841	\$ 184,302
Customer deposits - funded security deposits	140,825	132,066
Replacement reserve	624,929	555,606
Mortgage escrow	12,224	11,951
Total cash and restricted cash shown in the statements of cash flows	<u>\$ 880,819</u>	<u>\$ 883,925</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 for maintenance, improvements and repairs, and a mortgage escrow for monthly deposits for the mortgage insurance, as required by the operating agreement.

**Oaks at Four Corners 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	\$ 6,991,312	\$ 6,950,447
Land improvements	176,646	176,646
Furniture and equipment	206,478	174,890
Accumulated depreciation	(5,151,637)	(4,956,404)
	\$ 2,222,799	\$ 2,345,579

**Note 6 - Mortgage payable**

The Corporation is obligated to repay a mortgage to the Commission. On September 3, 1996, the Corporation assumed the HUD regulatory agreement from the Commission in conjunction with execution of a mortgage loan from the Commission for \$3,695,000. The note is secured by a promissory note, deed of trust, security and assignment of rent agreements, and substantially all assets. Beginning October 1, 1996, principal and interest payments of \$22,871 are due monthly until maturity on September 1, 2026. The loan provides for interest at a rate of 6.30% per annum. As of June 30, 2023 and 2022, the mortgage payable was \$804,679 and \$1,020,984, respectively, and accrued interest was \$4,322 and \$5,452, respectively.

As discussed in Note 2, debt issuance costs, net of accumulated amortization, totaled \$6,456 and \$9,039 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 6.41%. For the years ended June 30, 2023 and 2022, amortization expense related to debt issuance costs was \$2,583 and \$2,582, respectively, and is included in interest expense in the statements of operations.

Aggregate maturities of the mortgage payable for the four years following June 30, 2023 are as follows:

2024	\$	230,333
2025		245,270
2026		261,176
2027		67,900
	\$	804,679

**Note 7 - Note payable to Montgomery County, Maryland**

The Corporation assumed the obligations of a note payable to Montgomery County, Maryland in the amount of \$2,349,725, which bears no interest. An annual payment of principal is due on July 1 and is paid from the Net Cash Flow from the property, as defined. The note matures on the termination of the ground lease on December 31, 2035. As of June 30, 2023 and 2022, the outstanding principal balance was \$1,278,968 and \$1,361,575, respectively.

## Oaks at Four Corners Development Corporation

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

#### Note 8 - Related party transactions

##### Interfund payable

The Corporation was advanced funds from affiliates which do not bear interest and are due on demand. As of June 30, 2023 and 2022, \$22,858 and \$6,060, respectively, is owed to affiliates.

##### 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 \$165,440 and \$128,390, respectively, were incurred and paid, and are included in other expenses on the statements of operations.

#### Note 9 - Ground lease

The Corporation has a ground lease with the Commission, dated July 14, 1995. The lease provides the Corporation a right to use a tract of land which the Project is located on for 40 years beginning on July 14, 1995, the commencement date. Upon commencement date of the lease provides for a rent payment of \$100 per year payable due on the anniversary date of the agreement and provides that the premises be used solely for housing the elderly and handicapped. The expense is included in the statements of operations in other expenses. The lease is classified as an operating lease. The lease term remaining at June 30, 2023 is 12 years. The ground lease terminates on December 31, 2035.

#### Note 10 - Rental income under operating lease

The Corporation has a commercial lease that commenced on August 1, 2022 with Ana Cecilia Raymundo Hair Studio for a term of four years. For the years ended June 30, 2023 and 2022, commercial income was \$8,800 and \$0, respectively. The following is a schedule of minimum future rental income on noncancelable operating leases for the remainder of the lease:

2024	\$	9,600
2025		9,875
2026		9,900
2027		825
		<hr/>
	\$	30,200
		<hr/> <hr/>

#### Note 11 - Property management fee

The Corporation has an agreement with Edgewood Management Company, an unrelated party, to provide property management services, the agreement provided for a fee of \$40 per occupied unit through July 1, 2022. Effective August 1, 2022 through July 31, 2023, the agreement provides for a fee of \$43 per occupied unit. Management fees charged to operations under this agreement for the years ended June 30, 2023 and 2022 were \$60,703 and \$55,840, respectively.

## Oaks at Four Corners Development Corporation

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

#### Note 12 - Payment in lieu of taxes ("PILOT")

The Corporation entered into an agreement with Montgomery County, Maryland for a PILOT. Under the agreement, the Corporation received a 100% reduction of the county and special area real property taxes.

#### Note 13 - Net assets

The Commission, the Corporation's principal investor, is required to report on a fund basis. The Corporation, therefore, has reported net assets on a fund basis to conform to the Commission's presentation. This presentation does not conform with GAAP, but is not materially different. Below is a summary of the Corporation's net assets as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Investment in capital assets, net	\$ 145,608	\$ (27,941)
Restricted net assets	777,978	699,623
Unrestricted net assets	<u>(118,933)</u>	<u>(57,571)</u>
	<u>\$ 804,653</u>	<u>\$ 614,111</u>

#### Note 14 - Housing assistance payment contract

Effective July 1, 2015, the Corporation has entered into a Rent Supplement Agreement with the Commission to provide a rental supplement for income eligible families. The agreement will continue until terminated by mutual consent of the parties. Tenant assistance payments for the years ended June 30, 2023 and 2022 were \$246,540 and \$186,237, respectively.

#### Note 15 - 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 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 February 14, 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**



**Oaks at Four Corners Development Corporation**

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

	2023	2022
<b>Administration</b>		
Marketing and lease-up	\$ 66,926	\$ 49,762
Contract administration salary	80,222	89,756
Contract bonus/commission	-	525
Contract management fee	60,703	55,840
Miscellaneous operating expenses	1,917	1,216
Postage	299	432
Printing/reproduction	3,725	2,841
Office supplies	1,612	2,355
Auditing services	11,850	14,325
Credit check services	662	1,569
Telephone	8,906	9,664
Software	7,220	8,692
Rental license fees	5,640	5,734
Bank fees	201	570
Local mileage and travel	1,898	378
	<u>\$ 251,781</u>	<u>\$ 243,659</u>
<b>Total administration expenses</b>		
	<u>\$ 251,781</u>	<u>\$ 243,659</u>
<b>Maintenance</b>		
Contract maintenance salary	\$ 125,906	\$ 153,610
Supplies and materials	47,038	39,213
Contracts	145,599	100,599
Windows and glass	10,029	19,549
Doors	822	6,903
Flooring and carpeting	21,955	24,993
Paint and wall coverings	22,743	6,582
Equipment	21,679	43,214
	<u>\$ 395,771</u>	<u>\$ 394,663</u>
<b>Total maintenance expenses</b>		
	<u>\$ 395,771</u>	<u>\$ 394,663</u>
<b>Utilities</b>		
Water	\$ 42,201	\$ 49,111
Electric	40,594	46,505
Trash collection	16,749	12,238
	<u>\$ 99,544</u>	<u>\$ 107,854</u>
<b>Total utility expenses</b>		
	<u>\$ 99,544</u>	<u>\$ 107,854</u>

Oaks at Four Corners Development Corporation

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

	<u>2023</u>	<u>2022</u>
Fringe benefits		
Contract managed benefits	\$ 50,657	\$ 68,772
Contract housing allowance	15,264	15,131
Contract other training	1,517	1,474
	<u>                    </u>	<u>                    </u>
Total fringe benefits	<u>\$ 67,438</u>	<u>\$ 85,377</u>
Other		
Mortgage insurance	\$ 4,518	\$ 5,570
Other taxes	2,693	2,641
Property insurance	47,248	32,248
Ground rent expense	100	300
Security contracts	13,252	17,045
Building insurance	1,730	3,520
Asset management fee	165,440	128,390
Environmental insurance	841	841
	<u>                    </u>	<u>                    </u>
Total other expenses	<u>\$ 235,822</u>	<u>\$ 190,555</u>

See Independent Auditor's Report.

Oaks at Four Corners Development Corporation

Calculation of Net Cash Flow  
Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net cash provided by operations	\$ 368,259	\$ 383,738
Add: Replacement reserve releases	121,861	79,153
Less: Deposits to replacement reserve	(171,996)	(172,257)
Net deposits to security deposits	(8,759)	(4,892)
Mortgage principal payments	(216,305)	(203,135)
Purchase of property and equipment	<u>(72,453)</u>	<u>-</u>
	<u>\$ 20,607</u>	<u>\$ 82,607</u>

Note 1: The calculation of net cash flow is as defined and per the terms of the Montgomery County loan agreement.

See Independent Auditor's Report.



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