

Sligo Hills Development Corporation

AUDITED FINANCIAL STATEMENTS

For the years ended June 30, 2023 and 2022

Sligo Hills Development Corporation

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Sligo Hills Development Corporation
10400 Detrick Avenue
Kensington, Maryland

Opinion

We have audited the accompanying financial statements of Sligo Hills Development Corporation (Sligo) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of net assets, revenue and expenses, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statement.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sligo Hills Development Corporation as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Sligo Hills 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 Sligo Hills Development Corporation's ability to continue as a going concern within 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 generally accepted 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 generally accepted 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 Sligo Hills 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 Sligo Hills 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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.

UHY LLP

Columbia, Maryland

May 2, 2024

Sligo Hills Development Corporation
STATEMENTS OF NET ASSETS
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
CURRENT ASSETS		
Accounts receivable and other assets, net	\$ 23,803	\$ 20,515
Interfund receivable	257,869	256,729
Interest receivable	<u>120,946</u>	<u>116,092</u>
Total current assets	<u>402,618</u>	<u>393,336</u>
Restricted cash and cash equivalents for current liabilities		
Replacement reserve	43,781	36,371
Customer deposits - tenant security deposits	<u>9,747</u>	<u>9,561</u>
Total restricted assets available for current liabilities	<u>53,528</u>	<u>45,932</u>
NON CURRENT ASSETS		
HOC notes receivable - long term	1,199,402	1,199,402
Property and equipment, net of depreciation	<u>1,029,782</u>	<u>1,085,380</u>
Total non-current assets	<u>2,229,184</u>	<u>2,284,782</u>
Total assets	<u><u>\$ 2,685,330</u></u>	<u><u>\$ 2,724,050</u></u>

Sligo Hills Development Corporation
STATEMENTS OF NET ASSETS
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	<u>\$ 14,481</u>	<u>\$ 11,903</u>
Total current liabilities	<u>14,481</u>	<u>11,903</u>
Current liabilities payable from restricted assets		
Customer deposit payable - tenant security deposits	<u>5,053</u>	<u>5,160</u>
Total current liabilities payable from restricted assets	<u>5,053</u>	<u>5,160</u>
Total liabilities	<u>19,534</u>	<u>17,063</u>
NET ASSETS		
Investment in capital assets	1,029,782	1,085,380
Restricted net assets	48,474	40,772
Unrestricted net assets	<u>1,587,540</u>	<u>1,580,835</u>
Total net assets	<u>2,665,796</u>	<u>2,706,987</u>
Total liabilities and net assets	<u><u>\$ 2,685,330</u></u>	<u><u>\$ 2,724,050</u></u>

Sligo Hills Development Corporation
STATEMENTS OF REVENUE AND EXPENSES
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenue:		
Dwelling rental	\$ 254,508	\$ 258,417
Management fees and other income	6,221	84,063
	<u>260,729</u>	<u>342,480</u>
Operating expenses		
Administration	85,695	82,639
Maintenance	168,129	175,835
Depreciation	66,749	62,291
Utilities	2,397	1,288
Fringe benefits	8,098	10,334
Other	13,976	6,586
Bad debt expense	16,963	26,926
	<u>362,007</u>	<u>365,899</u>
Operating loss	(101,278)	(23,419)
Non-operating revenue		
Investment income	<u>60,087</u>	<u>59,688</u>
Change in net asset	<u>\$ (41,191)</u>	<u>\$ 36,269</u>

Sligo Hills Development Corporation
STATEMENTS OF CHANGES IN NET ASSETS
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Net assets, beginning of year	\$ 2,706,987	\$ 2,670,718
Changes in net assets	<u>(41,191)</u>	<u>36,269</u>
Net assets, end of year	<u>\$ 2,665,796</u>	<u>\$ 2,706,987</u>

Sligo Hills Development Corporation
STATEMENTS OF CASH FLOWS
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Changes in net assets	\$ (41,191)	\$ 36,269
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation	66,749	62,291
(Increase) decrease in assets		
Accounts receivable and other assets	(3,288)	100,823
Interfund receivable	(1,140)	(200,617)
Interest receivable	(4,854)	93,072
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	2,578	(352)
Customer deposits payable	(107)	(88)
	<u>18,747</u>	<u>91,398</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Building renovations	<u>(11,151)</u>	<u>(82,196)</u>
Net cash used in investing activities	<u>(11,151)</u>	<u>(82,196)</u>
Net increase in cash and cash equivalents	7,596	9,202
Restricted cash at beginning of year	<u>45,932</u>	<u>36,730</u>
Restricted cash at end of year	<u>\$ 53,528</u>	<u>\$ 45,932</u>
	<u>2023</u>	<u>2022</u>
Replacement reserves	\$ 43,781	\$ 36,371
Customer deposits - tenant security deposits	<u>9,747</u>	<u>9,561</u>
Total restricted cash	<u>\$ 53,528</u>	<u>\$ 45,932</u>

Sligo Hills Development Corporation
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 1 - ORGANIZATION

Sligo Hills Development Corporation (the Corporation), a not-for-profit, non-stock Corporation, was formed under the laws of the State of Maryland on August 1, 1997, for the purpose of acquiring, owning, operating and maintaining 50 apartment units and 23 scattered site moderately priced units to provide rental housing for persons of eligible income under the Annotated Code of Maryland. The Corporation's dwelling units are located in various parts of Montgomery County, Maryland and are a component unit of the Housing Opportunities Commission of Montgomery County, Maryland.

The Corporation sold the 50 apartment units to Tanglewood and Sligo LP on December 18, 2012. These financial statements and notes refer to the remaining property.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and presentation

The Corporation's financial statements are prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recorded when incurred in accordance with accounting principles generally accepted in the United States of America. The Corporation is solely owned by the Housing Opportunities of Montgomery County, Maryland ("HOC") and therefore, follows the financial statement format used by the Commission.

Cash and cash equivalents

Short-term liquid investments (including securities purchased under agreements to resell) with original maturities of less than three months are considered to be cash equivalents. The Corporation considers the reserve for replacement fund and tenant security deposits as cash and cash equivalents.

Accounts receivable and allowance for doubtful accounts

Accounts receivables are stated at outstanding balances net of allowance for doubtful accounts. Accounts deemed to be uncollectible are charged against the allowance and subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on past experience, aging of the receivable, adverse situations that may affect a tenant's ability to pay, current economic conditions, and other relevant factors. For the years ended June 30, 2023 and 2022, there was a balance of \$50,018 and \$33,056, respectively, for the allowance for doubtful accounts.

Sligo Hills Development Corporation
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America require 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and equipment

Property and equipment, including major improvements, replacements and betterments are capitalized and stated at cost. The assets are depreciated on the straight-line method over the estimated useful lives of the respective assets, as follows:

Building	40 years
Building renovations	10 years

The Corporation’s policy is to capitalize property and equipment expenditures of \$5,000 or more. Maintenance, repairs, and minor renewals which do not significantly improve or extend the lives of the respective assets are charged against operations when incurred.

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

Rental income

Rental income is recognized as rents become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and tenants of the property are operating leases with terms of twelve months or less.

Rental subsidies

The Corporation receives rental subsidies from the county and state for making units available for low-income tenants. For the years ended June 30, 2023 and 2022, rent subsidies totaled \$43,110 and \$45,484, respectively.

Sligo Hills Development Corporation
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes

No provision or benefit for income taxes has been included in these financial statements. The Corporation is not subject to tax under Internal Revenue Code Section 115.

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. The Corporation 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.

The Corporation's federal income tax returns for the tax years 2020 through 2022 generally remain subject to examination by the IRS, generally for three years after they are filed.

Advertising costs

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

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Land and non-depreciable assets	\$ 102,320	\$ 102,320
Buildings	2,262,136	2,262,136
Building renovations	<u>206,703</u>	<u>195,553</u>
Total cost	2,571,159	2,560,009
Less: accumulated depreciation	<u>(1,541,377)</u>	<u>(1,474,629)</u>
Total property and equipment, net	<u>\$ 1,029,782</u>	<u>\$ 1,085,380</u>

NOTE 4 - POOLED INVESTMENTS

As of June 30, 2023 and 2022, the Corporation had \$9,747 and \$9,561, respectively, of security deposit cash which is in a pooled fund with other properties that are controlled by the HOC.

Sligo Hills Development Corporation
NOTES TO FINANCIAL STATEMENTS
For the years ended June 30, 2023 and 2022

NOTE 5 - RESERVE FOR REPLACEMENT

Under the regulatory agreement with the Housing Opportunities Commission (HOC), disbursements from the replacement reserve for the purpose of maintenance, improvements, or renovations of the property cannot be made without prior written consent of the HOC. Deposits to the replacement reserve are made at the sole discretion of HOC. As of June 30, 2023 and 2022, the balance of the reserve for replacement was \$43,781 and \$36,371, respectively.

NOTE 6 - NOTE RECEIVABLE - HOC (\$1,199,402)

On December 18, 2012, the Corporation entered into a note agreement with Tanglewood and Sligo, LP in the amount of \$3,190,410. The note bears simple interest at 5% per annum with maturity date of December 18, 2055. The note of \$3,190,410 is divided between the Corporation and Tanglewood Apartments in the amount of \$1,199,402 and \$1,991,008, respectively. Surplus cash flow distributions were \$0 and \$55,125 for 2023 and 2022, respectively, which was used to reduce the accrued interest receivable. Interest income of \$59,980 is accrued each year. As of June 30, 2023 and 2022, accrued interest income receivable was \$120,946 and \$116,092, respectively.

NOTE 7 - RELATED PARTY TRANSACTIONS

The Housing Opportunities Commission Corporation of Montgomery County, Maryland pays expenses related to the operations of the Corporation. Significant related party balances and transactions with HOC consist of the following as of and for the years ended June 30,

	<u>2023</u>	<u>2022</u>
Related parties receivable (Interfund)	\$ 257,869	\$ 256,729
Housing association fees	86,009	81,148
Agency management fee (allocated overhead)	53,170	48,950
Management Fees and Other Income	6,221	84,063

NOTE 8 - SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 2, 2024, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Sligo Hills Development Corporation
DETAIL OF ACCOUNTS - STATEMENT OF NET ASSETS
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ACCOUNTS RECEIVABLE AND OTHER ASSETS		
Accounts receivable - Other Government	\$ 10,352	\$ 6,605
Resident rent receivable	62,814	46,752
Other resident fees receivable	495	54
Ex-Resident work orders receivable	160	160
Allowance for doubtful accounts	(50,018)	(33,056)
Total accounts receivable and other assets	<u>\$ 23,803</u>	<u>\$ 20,515</u>
ACCRUED INTEREST RECEIVABLE		
Interest Receivable	<u>\$ 120,946</u>	<u>\$ 116,092</u>
PROPERTY AND EQUIPMENT		
Land and non-depreciable assets	\$ 102,320	\$ 102,320
Buildings	2,262,136	2,262,136
Building renovations	206,703	195,553
Accumulated depreciation - building renovations	(12,889)	(3,675)
Accumulated depreciation - building	(1,528,488)	(1,470,954)
Property and equipment, net	<u>\$ 1,029,782</u>	<u>\$ 1,085,380</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Accounts payable - vendors	\$ 959	\$ 959
Accrued salaries	688	1,018
Accrued annual leave	1,990	2,267
Resident rent prepaid	7,013	3,553
Accrued utilities	-	30
Accrued other	1,523	1,768
Clearing resident refunds	2,308	2,308
Accounts payable and accrued liabilities	<u>\$ 14,481</u>	<u>\$ 11,903</u>

Sligo Hills Development Corporation
DETAIL OF ACCOUNTS - STATEMENTS OF REVENUE AND EXPENSES
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
DWELLING RENTAL INCOME		
Rent - current residents	\$ 254,769	\$ 245,716
Rent - subsidies	43,110	45,484
Rent - retroactive	-	5,214
Concessions	-	(700)
Vacancy loss	(44,421)	(37,297)
Ex-Resident work orders	1,050	-
	<u>254,508</u>	<u>258,417</u>
Total dwelling rental income	<u>\$ 254,508</u>	<u>\$ 258,417</u>
ADMINISTRATION		
Administrative salaries - budget	\$ 7,881	\$ 11,993
Auditing services	5,370	5,038
Miscellaneous operating expenses	2,213	473
Gasoline	534	873
Vehicle repairs and maintenance	433	820
Temp agency - administration	12,690	3,185
Contract administration salary	-	7,671
Other operating professional services	32	177
Rental license fees	1,822	1,822
Vehicle lease/rent	1,550	1,692
Allocated overhead	53,170	48,950
Salaries - Tenant services	-	(55)
	<u>85,695</u>	<u>82,639</u>
Total administration	<u>\$ 85,695</u>	<u>\$ 82,639</u>

Sligo Hills Development Corporation
DETAIL OF ACCOUNTS - STATEMENTS OF REVENUE AND EXPENSES
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
MAINTENANCE		
Salary - maintenance	\$ 17,984	\$ 19,909
Overtime/on call	1,675	2,634
Premium pay	50	64
Temp agency - maintenance	597	346
Kitchen, bath, electrical, appliance and plumbing supplies	1,010	2,785
Employee uniforms	263	179
Cleaning, janitorial, grounds and landscaping supplies	346	212
Health and safety materials	21	2,427
Locks keys, windows, glass, and doors	1,871	2,072
Hardware and HVAC supplies	520	2,232
Paint, wall covering and miscellaneous supplies	4,266	1,165
Plumbing and HVAC equipment	6,016	17,925
Appliance equipment	-	435
Kitchen, bath and electrical contract	1,525	-
Electrical and plumbing contracts	-	280
Cleaning, janitorial, grounds and landscaping contracts	7,849	8,051
Flooring/carpeting - contracts	7,642	1,572
Paint/wallcoverings int. - contracts	6,523	9,776
Paint/wallcoverings ext. - contracts	4,810	1,020
Windows and Glass Contracts	345	-
Exterminating, asphalt, concrete, and miscellaneous contracts	957	915
Housing association fees	86,009	81,148
Kitchen, bath, electrical, appliance and plumbing supplies - capital	656	2,659
Cleaning, janitorial, windows, glass, doors, hardware supplies - capital	172	1,957
Appliance and maintenance equipment - capital	4,242	5,535
Flooring and carpeting - capital	-	4,553
Plumbing, grounds/landscaping and miscellaneous contracts - capital	1,983	2,138
Flooring/carpet contracts - capital	10,032	3,596
Roofing/gutter contracts - capital	765	250
Total maintenance	<u>\$ 168,129</u>	<u>\$175,835</u>

Sligo Hills Development Corporation
DETAIL OF ACCOUNTS - STATEMENTS OF REVENUE AND EXPENSES
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
UTILITIES		
Water bill	\$ 32	\$ 147
Electric bill	1,004	1,094
Natural gas	1,361	47
Total utilities	<u>\$ 2,397</u>	<u>\$ 1,288</u>
FRINGE BENEFITS		
Accrued leave	\$ (277)	\$ (962)
FICA	555	883
Unemployment	49	177
Workers compensation	493	435
Health insurance	1,666	1,509
Deferred contribution plan	328	871
Pension expense	218	1,788
OPEG expense (GASB 75)	(2,405)	(3,222)
FICA - tenant services	-	(4)
Unemployment - tenant services	-	16
Health insurance - tenant services	-	(7)
Deferred contribution plan - tenant services	-	(4)
Unemployment - maintenance	69	193
Workers' compensation - maintenance	306	460
Health insurance - maintenance	5,793	6,800
Deferred Contribution plan - maintenance	1,224	1,401
Front Foot Benefit Charge	79	-
Total fringe benefits	<u>\$ 8,098</u>	<u>\$ 10,334</u>
OTHER EXPENSES		
Fire and hazard insurance	\$ 4,990	\$ 2,610
Liability insurance	1,050	805
Insurance reserve	660	680
Vehicle insurance	490	221
Solid waste tax	2,320	2,008
Water quality protect charge	197	262
Development corporate fee	4,269	-
Total other expenses	<u>\$ 13,976</u>	<u>\$ 6,586</u>