

Barclay Apartments Development Corporation

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

June 30, 2020 and 2019

Barclay Apartments Development Corporation

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Independent Auditor's Report

To Management
Barclay Apartments Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Barclay Apartments Development Corporation, which comprise the balance sheet as of June 30, 2020, and the related statements of operations, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Barclay Apartments Development Corporation as of June 30, 2020, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Barclay Apartments Development Corporation as of June 30, 2019, were audited by other auditors whose report date was November 4, 2019, expressed an unmodified opinion on those financial statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 2020 accompanying supplementary information on pages 17 to 19 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. The 2019 accompanying supplementary information on pages 17 to 19 was subjected to auditing procedures applied in the 2019 audit of the basic financial statements by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the 2019 financial statements as a whole.

CohnReznick LLP

Baltimore, Maryland
January 22, 2021

Barclay Apartments Development Corporation

Balance Sheets June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 102,070	\$ 115,679
Accounts receivable and other assets, net of allowance	86,950	66,858
Total current assets	<u>189,020</u>	<u>182,537</u>
Restricted cash and cash equivalents available for current liabilities		
Customer deposits	58,375	57,977
Restricted cash and cash equivalents	458,435	483,837
Total restricted cash and cash equivalents for current liabilities	<u>516,810</u>	<u>541,814</u>
Noncurrent assets		
Rental property, net of accumulated depreciation	5,648,574	6,023,308
Prepaid and other assets	129,508	137,478
Advance to affiliate	1,154,863	1,226,730
Total noncurrent assets	<u>6,932,945</u>	<u>7,387,516</u>
Total assets	<u>\$ 7,638,775</u>	<u>\$ 8,111,867</u>

Barclay Apartments Development Corporation

**Balance Sheets
June 30, 2020 and 2019**

Liabilities and Net Assets

	<u>2020</u>	<u>2019</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 136,743	\$ 138,609
Mortgage payable - current	<u>316,482</u>	<u>302,732</u>
Total current liabilities	<u>453,225</u>	<u>441,341</u>
Current liabilities payable from restricted cash and cash equivalents		
Customer deposit payable	<u>58,144</u>	<u>51,263</u>
Noncurrent liabilities		
Mortgage payable, net of unamortized debt issuance costs of \$191,060 and \$205,535 and net of current maturities	6,865,424	7,167,431
Loans payable	2,460,919	2,460,919
Accrued interest payable	<u>27,341</u>	<u>28,464</u>
Total noncurrent liabilities	<u>9,353,684</u>	<u>9,656,814</u>
Total liabilities	9,865,053	10,149,418
Total net assets	<u>(2,226,278)</u>	<u>(2,037,551)</u>
Total liabilities and net assets	<u>\$ 7,638,775</u>	<u>\$ 8,111,867</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Operations Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenue		
Dwelling rental	\$ 1,174,679	\$ 1,199,158
Commercial rental	34,617	37,260
Other income	17,798	24,990
	<u>1,227,094</u>	<u>1,261,408</u>
Total operating revenue		
	<u>1,227,094</u>	<u>1,261,408</u>
Operating expenses		
Administration	149,277	109,624
Maintenance	202,976	180,833
Bad debt	62,232	10,848
Depreciation and amortization	392,142	390,972
Utilities	93,517	100,163
Fringe benefits	26,624	19,959
Interest expense	356,766	373,471
Other	134,366	269,313
	<u>1,417,900</u>	<u>1,455,183</u>
Total operating expenses		
	<u>1,417,900</u>	<u>1,455,183</u>
Operating loss	(190,806)	(193,775)
Nonoperating revenues		
Investment income	2,079	4,142
	<u>2,079</u>	<u>4,142</u>
Net loss	<u>\$ (188,727)</u>	<u>\$ (189,633)</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

**Statements of Changes in Net Assets
Years Ended June 30, 2020 and 2019**

Balance, July 1, 2018	\$ (1,847,918)
Net loss	<u>(189,633)</u>
Balance, June 30, 2019	(2,037,551)
Net loss	<u>(188,727)</u>
Balance, June 30, 2020	<u><u>\$ (2,226,278)</u></u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net loss	\$ (188,727)	\$ (189,633)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	392,142	390,972
Amortization of debt issuance costs	14,475	17,979
(Increase) decrease in assets		
Accounts receivable and other assets	(20,092)	(26,359)
Prepaid and other assets	7,970	7,970
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(1,866)	66,195
Accrued interest payable	(1,123)	(1,074)
Customer deposits payable	6,881	2,024
	<u>209,660</u>	<u>268,074</u>
Cash flows from investing activities		
Increase in mortgage escrow	(1,315)	(1,570)
Purchases of property and equipment	(17,408)	(6,393)
Decrease (increase) in advance to affiliate	71,867	(87,872)
	<u>53,144</u>	<u>(95,835)</u>
Cash flows from financing activities		
Payments on mortgage payable	(302,732)	(289,580)
Proceeds on loans payable	-	28,672
	<u>(302,732)</u>	<u>(260,908)</u>
Net decrease in cash, cash equivalents, and restricted cash	(39,928)	(88,669)
Cash, cash equivalents, and restricted cash, beginning	<u>574,140</u>	<u>662,809</u>
Cash, cash equivalents, and restricted cash, end	<u>\$ 534,212</u>	<u>\$ 574,140</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 343,414</u>	<u>\$ 356,566</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

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, 2020 and 2019, the allowance was \$74,712 and \$19,493, 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:

	Method	Estimated useful lives
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 year ended June 30, 2020.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

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, 2020, returns for the tax years 2017 through 2019 generally remain subject to examination by taxing authorities.

Rental income

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

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

Advertising costs

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

Cash and cash equivalents

Short-term liquid investments with original maturities of less than three months are considered to be cash equivalents. As of June 30, 2020, there were no cash equivalents.

Change in accounting principles

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18"), to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020. Consequently, ending cash, cash equivalents and restricted cash as of June 30, 2019 and 2018 was increased from \$236,540 to \$574,140 and \$348,015 to \$662,809, respectively.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASU 2014-09"). Effective July 2019, the Corporation adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Corporation's contracts with customers. No practical expedients were applied. The majority of the Corporation's revenue is derived from leases with tenants of the Project generally for terms of one year or less, which are accounted for in accordance with *Leases (Topic 840)*. Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the Project during the periods presented or on the opening balances of net assets as of July 1, 2019 and 2018.

Reclassification

Reclassifications have been made to the prior year balances to conform to the current year presentation.

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, 2020 and 2019, the balance in the reserve was \$252,117 and \$279,623, 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, 2020 and 2019, the balance in the reserve was \$121,650 and \$120,861, 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, 2020 and 2019, the balance in the escrow was \$84,668 and \$83,353, respectively.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 102,070	\$ 115,679
Customer deposits - funded security deposits	58,375	57,977
Renovation reserve	121,650	120,861
Replacement reserve	<u>252,117</u>	<u>279,623</u>
Total cash, cash equivalents and restricted cash shown in statements of cash flows	<u>\$ 534,212</u>	<u>\$ 574,140</u>

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

Note 5 - Rental property

Property held by the Corporation at June 30, 2020 and 2019 consists of the following:

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 10,327,035	\$ 10,327,035
Land improvements	230,040	230,040
Furniture and equipment	267,703	267,703
Construction in progress	101,258	83,850
Accumulated depreciation	<u>(5,277,462)</u>	<u>(4,885,320)</u>
	<u>\$ 5,648,574</u>	<u>\$ 6,023,308</u>

Note 6 - Mortgage payable

The Corporation assumed a mortgage note for \$10,557,738 from Barclay One Associates Limited Partnership as a result of the purchase of the condominium units from that entity. The mortgage is collateralized by a leasehold deed of trust on all 77 units, a security agreement and assignment of rents. The loan converted to permanent financing in September 2007. The note bears interest at a fixed rate of 4.45% per annum with monthly principal and interest payments of \$53,181 and matures on September 1, 2036. The Project serves as collateral for the loan. As of June 30, 2020 and 2019, the outstanding principal balance and accrued interest was \$7,372,966 and \$27,341 and \$7,675,698 and \$28,464, respectively.

As discussed in Note 2, debt issuance costs, net of accumulated amortization, totaled \$191,060 and \$205,535 as of June 30, 2020 and 2019, respectively, and are related to the mortgage payable. Debt issuance costs on the above mortgage are being amortized using an imputed rate 4.81%. For the years ended June 30, 2020 and 2019, amortization expense related to debt issuance costs was \$14,475 and \$17,979, respectively, and is included in interest expense in the statements of operations.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

Aggregate maturities of the mortgage payable for the five years following June 30, 2020 and every five years thereafter are as follows:

2021	\$	316,482
2022		330,856
2023		345,883
2024		361,593
2025		378,014
2026-2030		2,163,757
2031-2035		2,701,839
2036-2037		<u>774,542</u>
	\$	<u>7,372,966</u>

Note 7 - Loans payable

The Corporation assumed upon the purchase of the 77-unit condominium the Amended and Restated Promissory Note in the amount of \$2,738,606. The note does not bear interest, is nonrecourse, and 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, 2020 and 2019, 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, 2020 and 2019, development corporation fees of \$16,505 and \$109,000, respectively, were incurred and are included in other expenses on the statements of operations.

Intercompany receivable

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, 2020 and 2019, the Corporation determined no valuation allowance was necessary. As of June 30, 2020 and 2019, \$1,154,863 and \$1,226,730, 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, 2020 and 2019, asset management fees of \$15,658 and \$85,930, respectively, were incurred and are included in other expenses on the statements of operations.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

Shared expenses

The Corporation shares certain operating costs with affiliated projects within its geographical region. As of June 30, 2020 and 2019, there were no amounts due to or from related parties for shared costs with affiliated projects.

Note 9 - Property management fee

The Corporation had an agreement with CAPREIT Residential Management LLC, an unrelated party, to provide property management services, effective January 1, 2018 for a period of two years with two, one-year renewal options. Their agreement provided for a compensation of 3% of the monthly gross receipts as defined in Article VIII of the management agreement. CAPREIT can also earn 6% construction fee based on the cost of construction and a 5% performance incentive fee. Effective March 1, 2020, the Corporation entered an agreement with Residential ONE, an unrelated party, to provide property management services through February 28, 2021. The agreement provides for compensation of \$41 per occupied unit per month. For the years ended June 30, 2020 and 2019, management fees were \$34,772 and \$36,429, respectively.

Note 10 - Net assets

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 as of June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Investment in capital assets, net	\$ (4,185,311)	\$ (4,113,309)
Restricted net assets	458,666	490,551
Unrestricted net assets	<u>1,500,367</u>	<u>1,585,207</u>
	<u>\$ (2,226,278)</u>	<u>\$ (2,037,551)</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 pro-rated between the properties 49% or forty-nine cents to Barclay Apartments Development Corporation and 51% or fifty-one 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

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2020 and 2019

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 will expire on December 31, 2020, unless sooner terminated pursuant to certain condition of the PILOT agreement.

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 each of the next five years and thereafter as of June 30, 2020:

2021	\$	38,355
2022		39,023
2023		39,505
2024		<u>16,461</u>
	\$	<u>133,344</u>

For the year ended June 30, 2020, the Corporation's rent receipts required under the lease terms was \$34,617.

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 - Risks and uncertainties

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Corporation's financial position, results of operations, and cash flows. The Corporation is not able to reliably estimate the length or severity of this outbreak and therefore the related financial impact.

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 January 22, 2021 (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

**Selected Line Item Detail
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Administration		
Administrative salaries	\$ 84,807	\$ 46,538
Contract management fee	34,772	36,429
Office supplies and expense	4,420	1,650
Training and travel	-	267
Telephone	7,559	7,390
Computer supplies and expense	4,739	1,587
Other rent expense	5	827
Miscellaneous administrative expenses	5,276	1,889
Advertising and newspaper	3,878	4,703
Auditing services	590	7,810
Legal services	583	127
Cable	2,316	407
Bank fees	332	-
	<u>149,277</u>	<u>109,624</u>
Total administration expenses	<u>\$ 149,277</u>	<u>\$ 109,624</u>
Maintenance		
Maintenance salaries	\$ 29,800	\$ 38,154
Exterminating	5,873	3,832
Grounds	11,191	7,145
Supplies	30,220	11,435
HVAC expense	3,281	14,262
Painting, decorating, and cleaning	45,348	45,711
Repairs and maintenance - other than contracts	31,723	25,726
Miscellaneous maintenance expenses	6,927	-
Elevator	20,590	18,918
Carpeting	13,308	15,650
Electrical	4,715	-
	<u>202,976</u>	<u>180,833</u>
Total maintenance expenses	<u>\$ 202,976</u>	<u>\$ 180,833</u>
Utilities		
Water	\$ 47,319	\$ 51,887
Electric	19,967	27,793
Natural gas	12,714	10,299
Trash collection	13,517	10,184
	<u>93,517</u>	<u>100,163</u>
Total utility expenses	<u>\$ 93,517</u>	<u>\$ 100,163</u>

Barclay Apartments Development Corporation

**Selected Line Item Detail
Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
Fringe benefits		
Contract managed benefits	\$ 14,622	\$ -
Workers compensation	594	19,253
Contract meal allowance	-	12
Contract other training	6,616	694
FICA - tenant services	<u>4,792</u>	<u>-</u>
Total fringe benefits	<u>\$ 26,624</u>	<u>\$ 19,959</u>
Other		
Mortgage insurance	\$ 37,308	\$ 38,804
Other taxes	3,183	3,470
Liability insurance	14,250	852
Water quality protection charge	1,569	1,569
Fire and hazard insurance	-	11,753
COVID-19 - Coronavirus expense	729	-
Real estate tax	12,279	12,138
Development corp. fee	16,505	109,000
Security services/contracts	32,885	5,797
Asset management fee	<u>15,658</u>	<u>85,930</u>
Total other expenses	<u>\$ 134,366</u>	<u>\$ 269,313</u>

See Independent Auditor's Report.

Barclay Apartments Development Corporation

**Cash Flow and Distribution
Year Ended June 30, 2020**

Net cash provided by operating activities	\$	209,660
Add:		
Replacement reserve releases		-
Less:		
Deposits into replacement reserve		(27,506)
Mortgage principal payments		<u>(302,732)</u>
Net cash flow available for HOC note payment	\$	<u><u>(120,578)</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 the 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 sheet as of June 30, 2020, and the related statements of operations, statements of changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon, January 22, 2021.

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 ("internal control") to determine 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. Accordingly, we do not express an opinion on the effectiveness of Barclay Apartments Development Corporation's internal control.

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 is a deficiency, or 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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control, that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Barclay Apartments Development Corporation's financial statements are free of 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 determination of financial statement amounts. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

CohnReznick LLP

Baltimore, Maryland
January 22, 2021



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