

**BROOKSIDE GLEN  
LIMITED PARTNERSHIP**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 AND 2019

**BROOKSIDE GLEN LIMITED PARTNERSHIP**

JUNE 30, 2020 AND 2019

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KOZAK, POLLEKOFF & GOLDMAN, P.C.  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

To the Partners  
Brookside Glen Limited Partnership

### Report on the Financial Statements

We have audited the accompanying financial statements of Brookside Glen Limited Partnership, which comprise the balance sheets as of June 30, 2020 and 2019, and the related statements of operations, changes in partners' equity, and cash flows for the years 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.

### Auditors' 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 audit 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 auditors' 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 Brookside Glen Limited Partnership as of June 30, 2020 and 2019, 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.

## **Other Matters**

### **Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 19 to 23 is presented for the purposes of additional analysis as required by management 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 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 accompanying supplementary information shown on pages 19 to 23 is fairly stated, in all material respects, in relation to the financial statements as a whole.



Vienna, Virginia  
September 29, 2020  
Audit Principal: Gerald A. Goldman

Taxpayer Identification Number:  
EIN: 54-1639552

**BROOKSIDE GLEN LIMITED PARTNERSHIP**

**BALANCE SHEETS  
AS OF JUNE 30,**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 617,908	\$ 508,952
Accounts receivable and other assets	<u>119,925</u>	<u>176,286</u>
Total current assets	<u>737,833</u>	<u>685,238</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	976,276	895,089
Tenant security deposits	<u>59,889</u>	<u>56,871</u>
Total restricted cash and cash equivalents for current liabilities	<u>1,036,165</u>	<u>951,960</u>
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net of depreciation	6,474,752	6,814,440
Deferred charges, net of accumulated amortization	<u>54,209</u>	<u>58,379</u>
Total non-current assets	<u>6,528,961</u>	<u>6,872,819</u>
<b>TOTAL ASSETS</b>	<u>\$ 8,302,959</u>	<u>\$ 8,510,017</u>

See notes to financial statement

**BROOKSIDE GLEN LIMITED PARTNERSHIP**

**BALANCE SHEETS - CONTINUED  
AS OF JUNE 30,**

**LIABILITIES AND PARTNERS' EQUITY**

	<u>2020</u>	<u>2019</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 94,204	\$ 75,544
Interfund payable	213,369	213,930
Accrued interest payable	21,180	19,098
Loans payable to Montgomery County - current	22,221	18,528
Mortgage notes and loans payable - current	244,200	233,125
Total current liabilities	<u>595,174</u>	<u>560,225</u>
 Current liabilities payable from restricted assets		
Tenant security deposits payable	58,748	56,238
Total current liabilities payable from restricted assets	<u>58,748</u>	<u>56,238</u>
 <b>NON-CURRENT LIABILITIES</b>		
Mortgage notes and loans payable - non-current	5,261,381	5,505,581
Less: Debt Issuance Costs	(61,445)	(66,172)
Loan payable to Montgomery County - non-current	584,868	603,956
Total non-current liabilities	<u>5,784,804</u>	<u>6,043,365</u>
 Total liabilities	<u>6,438,726</u>	<u>6,659,828</u>
 <b>PARTNERS' EQUITY</b>	<u>1,864,233</u>	<u>1,850,189</u>
 <b>TOTAL LIABILITIES AND PARTNERS' EQUITY</b>	<u><u>\$ 8,302,959</u></u>	<u><u>\$ 8,510,017</u></u>

See notes to financial statement

## BROOKSIDE GLEN LIMITED PARTNERSHIP

### STATEMENTS OF OPERATIONS FOR THE YEARS ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Operating revenue:		
Dwelling rental	\$ 1,511,408	\$ 1,558,785
Management fees and other income	<u>5,668</u>	<u>5,476</u>
Total operating revenues	<u>1,517,076</u>	<u>1,564,261</u>
Operating expenses:		
Administration	236,958	184,832
Maintenance	334,569	240,197
Depreciation and amortization	343,858	354,983
Utilities	162,164	133,963
Fringe benefits	32,661	65,511
Interest expense	228,166	239,331
Other	148,900	146,734
Bad debt	<u>22,434</u>	<u>50,982</u>
Total operating expenses	<u>1,509,710</u>	<u>1,416,533</u>
Operating income	7,366	147,728
Nonoperating revenue:		
Investment income	<u>6,678</u>	<u>12,210</u>
Net income	<u>\$ 14,044</u>	<u>\$ 159,938</u>

See notes to financial statement

**BROOKSIDE GLEN LIMITED PARTNERSHIP**

**STATEMENTS OF CHANGES IN PARTNERS' EQUITY  
FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
Partners' equity, beginning of year	\$ 1,850,189	\$ 1,690,251
Net income for the year	<u>14,044</u>	<u>159,938</u>
Partners' equity, end of year	<u>\$ 1,864,233</u>	<u>\$ 1,850,189</u>

See notes to financial statement



**BROOKSIDE GLEN LIMITED PARTNERSHIP**

STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Net income	\$ 14,044	\$ 159,938
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	343,858	354,983
Debt issuance costs amortization	4,727	4,727
(Increase) decrease in current assets		
Accounts receivable and other assets	5,879	(54,398)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	18,660	34,981
Interest payable	2,082	(908)
Tenant security deposits (net)	2,510	(1,077)
Net cash provided by operating activities	<u>391,760</u>	<u>498,246</u>
Cash flows from financing activities		
Principal payments on mortgage notes and loans payable	(248,520)	(240,530)
Change in interfund payable	(561)	(1,516)
Prepaid expenses	50,482	(50,042)
Net cash used in financing activities	<u>(198,599)</u>	<u>(292,088)</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	193,161	206,158
Cash, cash equivalents and restricted cash, beginning of year	<u>1,460,912</u>	<u>1,254,754</u>
Cash, cash equivalents and restricted cash, ending of year	<u>\$ 1,654,073</u>	<u>\$ 1,460,912</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid during the year for interest	<u>\$ 220,972</u>	<u>\$ 235,123</u>
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	<u>2019</u>	<u>2018(Restated)</u>
Cash and cash equivalents	\$ 617,908	\$ 508,952
Tenant security deposits	59,889	56,871
Operating reserve	367,327	323,993
Replacement reserve	580,811	541,469
Mortgage escrow fund	28,138	29,627
Total cash, cash equivalents and restricted cash	<u>\$ 1,654,073</u>	<u>\$ 1,460,912</u>

See notes to financial statements

# **BROOKSIDE GLEN LIMITED PARTNERSHIP**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2020 AND 2019**

### **1. ORGANIZATION**

Brookside Glen Limited Partnership (the Partnership) was established in June, 2003 as a Maryland limited partnership for the purpose of acquiring and operating a 90 unit apartment community (the Project) consisting of 84 townhome units and 6 flats located in Wheaton, Maryland. The Partnership's ownership is comprised of the Housing Opportunities Commission of Montgomery County, Maryland ("HOC") and Brookside Glen Apartments Development Corporation ("Brookside").

### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **a.) Basis of accounting and presentation**

The Partnership'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.

#### **b.) Rental income**

All leases between the partnership and tenants of the property are operating leases. Rental income is recognized as rental charges become due and is reported net of rental concessions and allowance for uncollectible accounts. Rental concessions provided to tenants during the year ended June 30, 2020 and 2019 was \$1,637 and \$5,183, respectively. Rental payments received in advance are reported as a liability – accounts payable and accrued liabilities until earned.

#### **c.) Depreciation**

Rental properties are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of assets - 40 years for buildings and 10 years for building improvements and equipment.

#### **d.) Impairment of long-lived assets**

The Partnership reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to managements' estimate of the undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition of the asset. If the long-lived asset is considered to be impaired, the impairment loss to be recognized is measured at the amount by which the carrying amount of the assets exceeds the estimated fair value as determined from an appraisal, discounted cash flow analysis or other valuation techniques. No impairment loss has been recognized during the years ended June 30, 2020 and 2019.

## **BROOKSIDE GLEN LIMITED PARTNERSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2020 AND 2019

#### **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

e.) Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax position in order to qualify as a pass-through entity. These financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure.

The Partnership is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. As of June 30, 2020, tax years for the years 2017 through 2019 are open for examination by taxing authorities.

f.) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g.) Fair value of financial instruments

The Partnership's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and mortgage payable. Receivables are reported at their net realizable value, which approximates fair value. All other financial instruments are stated at cost, which approximates fair value.

h.) Rent Receivables and Bad Debts

Rent receivables are reported net of bad debts. Tenant receivables that are ninety (90) or more days past due are written off as bad debts. At June 30, 2020 and 2019, \$22,434 and \$50,982, respectively, was charged to bad debts for accounts ninety (90) or more days past due.

i.) Deferred Charges and Amortization

Deferred charges consists of costs incurred related to the titling and recording of the Partnership property. These costs are being amortized on the straight line method over 30 years. As of June 30, 2020 and 2019, the accumulated amortization was \$66,718 and \$62,548, respectively and the amortization expense for the years ended June 30, 2020 and 2019 was \$4,170, per year.

## BROOKSIDE GLEN LIMITED PARTNERSHIP

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### j.) Debt Issuance Costs and Amortization

Debt issuance costs, net of amortization, are reported as a direct deduction from the face amount of the mortgage note payable to which such costs relate. Amortization of debt issuance costs 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 debt issuance costs for the years ended June 30, 2020 and 2019 was \$80,355 and \$75,628, respectively. The amount of amortization expense included as interest expense was \$4,727 for both years.

#### 3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 and June 30, 2019 included:

	2020	2019
Land	\$ 2,266,800	\$ 2,266,800
Buildings	7,817,284	7,817,284
Building renovation	2,807,714	2,807,714
Site improvement	27,256	27,256
Fixed building equipment	36,124	36,124
Miscellaneous fixed assets	70,717	70,717
	<u>13,025,895</u>	<u>13,025,895</u>
Less: Accumulated depreciation	(6,551,143)	(6,211,455)
	<u>\$ 6,474,752</u>	<u>\$ 6,814,440</u>

In 2009, the Partnership commenced a five-year renovation project involving replacement of the systems and components of all 90 units. The renovation project was fully financed by cash flow from operations and accumulated reserves. The completed renovation project cost approximately \$1.9 million. The Maryland Department of Housing and Community Development ("*DHCD*") approved the renovation plan in its entirety and waived the spending ceiling for purchases related to the renovation effort. In February 2014, DHCD approved the extension of the completion date of the renovation plan from June 30, 2014 to December 31, 2014. During the year ended June 30, 2015, the remaining 5 units were completely renovated or a total of 90 units completed at June 30, 2015. The Partnership expended \$2,183,473 for the renovation project at June 30, 2015. In 2016 an additional \$13,148 was expended for the completion of the clubhouse.

**BROOKSIDE GLEN LIMITED PARTNERSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

**4. NOTES PAYABLE**

The Partnership's long-term debt is comprised of the following:

	2020	2019
Housing Opportunities Commission of Montgomery County, MD		
Deed of trust note bearing interest at 4.65% per annum and payable in 360 monthly installments of \$36,559.	\$ 4,293,875	\$ 4,527,000
Montgomery County, Maryland		
Deed of trust note bearing interest at 3% per annum and payable in 420 monthly installments of principal and interest of \$3,079.	607,089	622,484
Department of Housing and Community Development		
Non-interest bearing deed of trust note; principal will remain unpaid in perpetuity unless the Partnership defaults on the terms of the Regulatory Agreement.	1,211,706	1,211,706
Total	6,112,670	6,361,190
Less: current portion	266,421	251,653
Long-term liabilities	\$ 5,846,249	\$ 6,109,537

**Note Payable - Housing Opportunities Commission of Montgomery County, MD**

The Deed of Trust Note, in the original amount of \$7,090,000, is held by HOC and is payable in monthly installments of \$36,559 including interest at 4.65%. The note is secured by a first Deed of Trust, Security Agreement and Assignment of Rents on and related to the Project. It is also subject to the terms and conditions of a Regulatory Agreement which stipulates certain controls on the occupancy of the Project. The loan was financed from tax exempt Multifamily Housing Development Bonds, 2003 Series A issued by HOC.

As of June 30, 2020 and 2019, the outstanding principal balance on this note was \$4,293,875 and \$4,527,000, respectively. Interest expense was \$205,064 and \$215,228 for the years ended June 30, 2020 and 2019, respectively.

**BROOKSIDE GLEN LIMITED PARTNERSHIP**

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

**4. NOTES PAYABLE (CONTINUED)**

Minimum remaining loan principal payments on this note, as of June 30, 2020 are as follows:

Year ending June 30,	
2021	\$ 244,200
2022	255,800
2023	267,952
2024	280,680
2025	294,014
2026-2030	1,693,321
2031-2033	1,257,908
Total	<u>4,293,875</u>
Less: current portion	<u>(244,200)</u>
Long-term portion	<u>\$ 4,049,675</u>

**Note Payable - Montgomery County, Maryland**

On June 20, 2003, the Partnership assumed HOC's obligations under a loan agreement with Montgomery County, Maryland. The original amount of the loan to HOC was \$800,000. Proceeds from the loan were used to partially finance the acquisition and construction costs of the Project. The loan is evidenced by a note and is secured by a Deed of Trust, Security Agreement and Assignment of Rents. It is also subject to the terms and conditions of a Regulatory Agreement executed between HOC and Montgomery County, Maryland dated June 23, 1994.

The loan is subject to a Regulatory Agreement that requires the Partnership to initially make available fifteen (15) units for occupancy by low-income tenants (HOME tenants) and to the extent that Net Cash Flow, as defined in the Agreement, is positive for any fiscal year, to use such funds to subsidize as many as ten (10) additional HOME units (Added HOME Units) up to a maximum of twenty-five (25) units. The Partnership reported positive Net Cash Flow for each fiscal year ended June 30, 2003 through June 30, 2008. As of June 30, 2016, twenty five (25) of the units in the Project were designated as HOME units.

According to the Regulatory Agreement, the Partnership is required to begin accruing interest on the note at a rate of 3% per annum, sixty (60) days after the completion of the first fiscal year in which the Net Cash Flow from the Project supports all the ten (10) Added HOME Units (the Achievement Date). Starting on the 1st day of the month after the Achievement Date, and on the 1st day of each month after that date, the Partnership is required to pay principal and interest in equal monthly installments. The loan will be amortized over a thirty (30) year term. Notwithstanding any other provision of this note, the entire unpaid principal balance together with any accrued and unpaid interest will be due in full on

## BROOKSIDE GLEN LIMITED PARTNERSHIP

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

#### 4. NOTES PAYABLE (CONTINUED)

##### Note Payable - Montgomery County, Maryland (Continued)

the expiration of the thirty (30) year term. As of June 30, 2020 and 2019, the outstanding principal balance on this loan was \$607,089 and \$622,484, respectively. Interest expense was \$18,375 and \$19,459 for the years ended June 30, 2020 and 2019, respectively.

Minimum remaining loan principal payments on this note, as of June 30, 2020 are as follows:

Year ending June 30,	
2021	\$ 22,221
2022	19,669
2023	20,267
2024	20,883
2025	21,518
2026-2030	117,817
2031-2035	136,858
2036-2040	158,977
2041-2043	88,878
Total	<u>607,089</u>
Less: current portion	<u>(22,221)</u>
Long-term portion	<u>\$ 584,868</u>

##### Note Payable - Department of Housing and Community Development

On June 20, 2003, the Partnership assumed HOC's obligations under a loan agreement with the Department of Housing and Community Development of the State of Maryland (DHCD). The original amount of the loan to HOC was \$1,300,000. Proceeds from the loan were used to partially finance the acquisition and construction costs of the Project. The unpaid balance on the loan on June 20, 2003, the date that the Partnership assumed the debt, was \$1,211,706. The loan is evidenced by a Deed of Trust Note and is secured by a subordinated Deed of Trust, Security Agreement and Assignment of Rents on and related to the Project. In connection with the assumption of this loan, the Partnership also assumed the terms and conditions of a Regulatory Agreement that was executed between HOC and DHCD dated May 24, 1994. The loan is non-interest bearing and will remain unpaid in perpetuity, provided the project complies with income guidelines that are stipulated in the Regulatory Agreement. If the project defaults, the Partnership will be required to pay the \$1,211,706 plus accrued interest of 6.5% simple interest per annum. The unpaid balance on this loan as of June 30, 2020 and 2019 was \$1,211,706.

## BROOKSIDE GLEN LIMITED PARTNERSHIP

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

#### 5. RELATED PARTY TRANSACTIONS

##### Management Services

HOC provides asset management services to the partnership including investment of funds, procurement, contracting, and other services necessary for the operation of its property. During the years ended June 30, 2020 and 2019, the Partnership paid HOC \$96,350 and \$101,750, respectively, for asset management services. HOC's fees are based on its direct, incremental cost of providing the services to the Partnership. As such, the results of operations of the Partnership could be materially different if such costs were charged on another basis or if the Partnership was a stand-alone entity.

##### Interfund Payable

HOC advances funds to pay for certain operating expenses of the Partnership. The Partnership owed HOC \$213,370 on June 30, 2020 and \$213,930 on June 30, 2019 for services provided and funds advanced by HOC.

#### 6. RESERVE FOR REPLACEMENTS

The Regulatory Agreement related to the \$7,090,000 Deed of Trust Note, requires the Partnership to maintain a Reserve for Replacement account, with an initial deposit of \$3,000 and fixed monthly deposits (contributions) thereafter. The Agreement stipulates that the monthly contributions to the replacement reserve would be increased by 2.5% on each August 1 - the Anniversary Date of the loan. The monthly contribution at June 30, 2020 and 2019 was \$8,530 and \$8,124 respectively. An additional \$267,101 was deposited into this account for the fiscal year 2018 budget. The balance in this account at June 30, 2020 and at June 30, 2019, inclusive of interest earned were \$580,811 and \$541,469, respectively as follows:

	2020	2019
Beginning balance	\$ 541,469	\$ 474,790
Annual deposits	102,360	97,488
Fund transfer	-	-
Withdrawals	(72,420)	(40,942)
Interest income	9,402	10,133
Balance, June 30,	<u>\$ 580,811</u>	<u>\$ 541,469</u>

During fiscal year 2020, \$72,420 was released from this account for payment to cover the cost of appliances, carpeting, flooring and building repairs.



## BROOKSIDE GLEN LIMITED PARTNERSHIP

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

#### 7. OPERATING RESERVES

The Regulatory Agreement related to the \$1,211,706 Deed of Trust Note, requires the Partnership to maintain a Project Reserve Fund with monthly deposits of \$1,354 to a reserve account established for that purpose. Surplus cash was recalculated during fiscal year 2017 and a deposit in the amount of \$91,355 was deposited into the operating reserve account. The Agreement further requires the Partnership to deposit to the Project Reserve Account any cash remaining at the end of an annual fiscal period. Such deposits are required to be made within ninety days after the end of each fiscal period. No deposits were made to the Project Reserve Fund from inception of the loan through June 30, 2007. In 2009, DHCD waived all deposit requirements through June 30, 2007 and established the funded reserve requirements as of June 30, 2007 at \$376,852. The balance in the Project Reserve Fund account at June 30, 2020 and June 30, 2019, inclusive of interest earned were \$367,327 and \$323,993, respectively as follows:

	2020	2019
Beginning balance	\$ 323,993	\$ 304,041
Monthly deposits	13,540	17,604
Annual deposit – surplus cash	28,378	-
Interest income	1,416	2,348
Withdrawals for building improvement	-	-
Balance, June 30,	<u>\$ 367,327</u>	<u>\$ 323,993</u>

#### 8. MORTGAGE ESCROW

The Regulatory Agreement related to the \$7,090,000 Deed of Trust Note, requires the Partnership to maintain a Mortgage Escrow account for the payment of mortgage insurance. The annual contribution at June 30, 2020 was \$20,422 and at June 30, 2019 was \$19,807. The balance in the Mortgage Escrow account at June 30, 2020 and June 30, 2019, inclusive of interest earned were \$28,138 and \$29,627, respectively as follows:

	2020	2019
Beginning balance	\$ 29,627	\$ 29,534
Monthly deposits	20,422	19,807
Interest Income	-	3,342
Withdrawals	(21,911)	(23,056)
Balance, June 30,	<u>\$ 28,138</u>	<u>\$ 29,627</u>

## **BROOKSIDE GLEN LIMITED PARTNERSHIP**

### **NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2020 AND 2019

#### **9. MANAGEMENT AGREEMENT**

The Partnership has entered into a marketing and management services agreement (“Agreement”) with Avison Young to manage the apartment complex. The Agreement was effective August 1, 2016 and is for a period of one (1) year with the option to renew for two (2) successive periods of twelve (12) months each. The compensation to Avison Young for management services is \$41.00 per unit per month or \$3,690. Property management fees paid for the year ended June 30, 2019 was \$45,725.

Effective July 1, 2019, the Partnership entered into a management service agreement for a two (2) year period ending June 30, 2021 with Edgewood Management Corporation. The compensation to Edgewood Management Company is \$40.00 per occupied unit per month up to a maximum of \$3,600 per month for 100% occupancy.

#### **10. COMMITMENT AND CONTINGENCIES**

The Partnership has agreed to occupancy requirements under regulatory agreements with the Maryland Department of Housing and Community Development (“DHCD”) and Montgomery County, Maryland.

The occupancy requirements under the regulatory agreements require that 45 units (25 Home units) and 20 (PRHP units) to very low income persons or families whose income is equal to or less than 50% of the median income for the Washington Metropolitan Statistical Area.

#### **11. OTHER CONDITIONS**

Early in 2020, an outbreak of a novel strain of the 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 Partnership’s financial position, results of operations, and cash flows. While the Partnership have not seen a significant impact on occupancy resulting from the COVID-19 outbreak as of the date of this report, if the outbreak continues to cause weakness in local economies that could cause a negative impact on occupancy levels and/or increase in bad debts and other financial concerns.

Montgomery County, Maryland has provided for a “Deferment Period” on the county housing loan (see Note 4) through December 31, 2020. The Partnership deferred two loan payments at June 30, 2020.

#### **12. NEW ACCOUNTING PRONOUNCEMENT**

In November 2016, the FASB issued ASU 2016-18, Statement of Cash Flows (Topic230) Restricted Cash. This guidance requires that the statement of cash flows reconcile the change during the period in

## BROOKSIDE GLEN LIMITED PARTNERSHIP

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2020 AND 2019

#### 12. NEW ACCOUNTING PRONOUNCEMENT (CONTINUED)

the total cash, cash equivalents, and restricted cash reserves. As a result, the restricted cash reserves will be included with cash and cash equivalents when reconciling the beginning-of-period and the end-of-period total amounts presented in the statement of cash flows. The Partnership adopted the guidance July 1, 2019, applied its provision retrospectively. The adoption of ASU 2016-18 did not have a material impact on the Partnership's financial statements.

#### 13. CUSTODIAL CREDIT RISK

Cash balances as of June 30, 2020 at the various financial institutions that exceeded \$250,000 were entirely insured and collateralized with either U.S. treasuries or other securities held by institution's agent in HOC's name.

#### 14. SUBSEQUENT EVENTS

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued, September 29, 2020.

#### 15. SURPLUS CASH

The computation of **Surplus Cash** for the Project Reserve Fund for the year ended June 30, 2020 is as follows:

<b>Cash on hand</b>		
Cash- Operating	\$ 617,908	
Cash- Tenant security deposits	59,889	
Total Cash on hand		\$ 677,797
<b>Current obligations</b>		
Accrued mortgage interest payable	21,180	
DHCD Reserve fund deposit	1,354	
Accounts payable - Trade	50,603	
Accounts payable - Entity	213,369	
Estimated property insurance premium	17,434	
Estimated mortgage insurance premium	20,711	
Estimated water bills	137,073	
Estimated other taxes	5,650	
HOC reserve for replacements	72,415	
Tenant security deposit liability	58,748	
Total required payments		598,537
<b>Surplus Cash, as Defined</b>		<u>\$ 79,260</u>

***SUPPLEMENTAL INFORMATION***

**BROOKSIDE GLEN LIMITED PARTNERSHIP**  
**DETAILED BALANCE SHEETS**  
**FOR YEAR ENDED JUNE 30,**

	2020	2019
<b>Accounts receivable and other assets</b>		
Maryland State receivable	8,826	6,741
Insurance claims receivable	-	35,278
Other receivables	(5,138)	-
Tenant receivables	102,247	59,960
Other resident fees receivable	-	10,829
Ex resident workorder receivable	-	-
Allowance for doubtful accounts	(30,919)	(31,913)
Prepaid expenses	-	50,042
Prepaid other expense	43,083	43,471
Prepaid mortgage insurance	1,826	1,878
Accounts receivable and other assets	119,925	176,286
<b>Restricted cash and cash equivalents for current liabilities</b>		
Operating reserve cash - restricted	367,327	323,993
Replacement reserve - restricted	580,811	541,469
Mortgage escrow fund	28,138	29,627
Restricted cash and cash equivalents for current liabilities	976,276	895,089
<b>Property &amp; equipment</b>		
Land	2,266,800	2,266,800
Buildings	7,817,284	7,817,284
Building renovations	2,807,714	2,807,714
Fixed building equipment - dwelling	36,124	36,124
Miscellaneous fixed assets	70,717	70,717
Site improvement	27,256	27,256
Accumulated depreciation	(6,551,143)	(6,211,455)
Property & equipment , net of depreciation	6,474,752	6,814,440
<b>Deferred charges</b>		
Deferred title	125,097	125,097
Accumulated amortization	(70,888)	(66,718)
Deferred charges, net	54,209	58,379

**BROOKSIDE GLEN LIMITED PARTNERSHIP**  
**DETAILED BALANCE SHEETS CONTINUED**  
**FOR YEAR ENDED JUNE 30,**

	2020	2019
<b>Accounts payable and accrued liabilities</b>		
Accounts payable - others	\$ 6,281	\$ -
Accounts payable - vendors	\$ 1,602	\$ 220
Clearing resident refunds	1,890	462
Accrued salaries	5,044	-
Residential rent prepaid	37,320	66,599
Accrued expenses	41,956	6,433
Accrued other	111	1,830
Accounts payable and accrued liabilities	94,204	75,544
 <b>Mortgage notes and loan payable</b>		
Note payable - state - long term	1,211,706	1,211,706
Mortgage payable - long term	4,049,675	4,293,875
Less: Debt Issuance Costs	(61,445)	(66,173)
Mortgage notes and loan payable	5,199,936	5,439,408
 <b>Loans payable to Montgomery County</b>		
Notes payable - county - long term	584,868	603,956
	584,868	603,956

**BROOKSIDE GLEN LIMITED PARTNERSHIP**  
**DETAILED STATEMENT OF OPERATIONS**  
**FOR THE YEARS ENDED JUNE 30,**

	2020	2019
<b>REVENUE</b>		
DWELLING RENTAL		
Rent: current residents	\$ 1,382,043	\$ 1,428,561
Rent: subsidies	218,735	166,539
Subsidy suspense-HUD	-	-
Concessions	(1,637)	(5,183)
Vacancy loss	(98,337)	(60,604)
Other rent fees	2,383	17,739
Sales/Svs to residents	-	-
Ex-Resident work-orders	-	-
Late fees/NSF	8,221	11,733
Total dwelling rental	1,511,408	1,558,785
 <b>MANAGEMENT FEES &amp; OTHER INCOME</b>		
Parking income	620	-
User fees	443	768
Miscellaneous income	375	-
Transfer between funds - rental license	4,230	4,708
Total management fees & other income	5,668	5,476
 <b>TOTAL OPERATING REVENUE</b>		
	1,517,076	1,564,261
 <b>OPERATING EXPENSES</b>		
<b>ADMINISTRATION</b>		
Temporary agency - administrative	40,511	-
Office salaries	58,927	80,658
Auditing fees	8,900	9,050
Contract management fee	41,280	45,725
Miscellaneous operating expenses	37,099	1,576
Postage	652	167
Printing/reproduction	3,562	309
Paper pads	-	912
Other office supplies	7,589	-
Food and beverage	718	963
Professional associations dues	162	-
Local mileage and travel	4	91
Legal services- general	3,607	7,882
Information management services	-	1,057
Advertising	12,666	15,523
Marketing/Public relations services	599	-
Credit check services	-	1,152
Office equipment rent	(453)	2,527
Local phone bill	4,931	7,545
Computer software	10,228	-
Cable charges	1,282	2,219
Rental license	4,230	3,960
Other license, fees, and permits	-	120
Bank fees	337	-
Resident service fees	127	-
Resident gifts	-	1,696
Miscellaneous program supplies	-	1,700
Total administration	236,958	184,832

**BROOKSIDE GLEN LIMITED PARTNERSHIP**  
**DETAILED STATEMENTS OF OPERATIONS CONTINUED**  
**FOR THE YEARS ENDED JUNE 30,**

	2020	2019
MAINTENANCE		
Contract maintenance/janitor salary	86,103	71,749
Kitchen and Bath supplies	-	4,890
Electrical supplies	6,238	4,658
Appliance supplies	1,203	5,535
Plumbing supplies	3,510	8,252
Employee uniforms	2,129	529
Grounds and landscaping supplies	377	1,010
Cleaning and janitorial supplies	4,368	3,107
Health and Safety Materials	-	1,566
Locks keys	-	545
Windows and glass	-	2,862
Hardware supplies	2,516	3,227
HVAC supplies	909	2,123
Flooring and carpeting	-	590
Painting and wallcoverings	1,354	-
Miscellaneous supplies	1,491	62
Tools	-	1,402
Electrical contracts	2,272	3,913
Plumbing contracts	10,028	-
Cleaning and janitorial contracts	7,879	2,530
Grounds and landscaping contracts	22,456	21,616
Windows and glass contracts	-	-
Roofing and gutter contracts	-	6,200
HVAC contracts	4,359	1,265
Flooring and carpeting contracts	-	4,288
Paint/wallcoverings int. contracts	17,420	22,523
Paint/wallcoverings ext. contracts	-	690
Exterminating contracts	3,829	4,230
Snow removal contracts	7,086	16,369
Miscellaneous contracts	8,154	5,796
HVAC equipment - capital	-	216
Grounds/landscape supplies - capital	83	-
Windows and glass - capital	1,662	-
Doors - capital	2,700	-
Flooring and carpeting - capital	24,216	-
Plumbing equipment - capital	73,992	4,427
Appliance equipment - capital	38,235	13,451
Tools - capital	-	839
Plumbing contracts-capital	-	2,213
Windows and glass - capital	-	-
Flooring/carpet contracts- capital	-	17,524
Miscellaneous contracts - capital	-	-
Total maintenance	<u>334,569</u>	<u>240,197</u>



**BROOKSIDE GLEN LIMITED PARTNERSHIP**  
**DETAILED STATEMENTS OF OPERATIONS CONTINUED**  
**FOR THE YEARS ENDED JUNE 30,**

	<u>2020</u>	<u>2019</u>
<b>UTILITIES</b>		
Water bill	137,073	105,847
Electric bill	9,392	14,122
Natural gas	5,344	2,788
Trash collection	7,851	7,500
Trash collection - bulk	2,504	3,706
Total Utilities	<u>162,164</u>	<u>133,963</u>
<b>FRINGE BENEFITS</b>		
Contract managed benefits	31,765	62,889
Contract employee appreciation	-	2,098
Contract other training	896	524
Total fringe benefits	<u>32,661</u>	<u>65,511</u>
<b>INTEREST EXPENSES</b>		
Interest payments - general	205,064	215,677
Debt insurance costs -amortization	4,727	4,727
Interest payments - Montgomery Co.	18,375	18,927
Total interest expenses	<u>228,166</u>	<u>239,331</u>
<b>OTHER EXPENSES</b>		
Security contracts	6,124	9,170
Fire & hazard insurance	11,111	6,990
Liability insurance	6,323	-
COVID 19- Coronavirus expense	1,379	-
Other taxes	300	300
Solid waste tax	1,829	1,813
Front foot benefit charge	-	-
Water quality protect charge	3,521	3,521
Asset management fee	96,350	101,750
Mortgage insurance	21,963	23,190
Total other expenses	<u>148,900</u>	<u>146,734</u>