

Barclay Apartments Development Corporation

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

June 30, 2021 and 2020

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 sheets as of June 30, 2021 and 2020, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of Barclay Apartments Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Barclay Apartments Development Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Barclay Apartments Development Corporation's internal control over financial reporting and compliance.



Baltimore, Maryland
November 15, 2021

Barclay Apartments Development Corporation

Balance Sheets June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 8,933	\$ 102,070
Accounts receivable and other assets, net of allowance	104,747	86,950
Total current assets	<u>113,680</u>	<u>189,020</u>
Restricted cash and cash equivalents		
Customer deposits	58,391	58,375
Restricted cash and cash equivalents	481,247	458,435
Total restricted cash and cash equivalents	<u>539,638</u>	<u>516,810</u>
Noncurrent assets		
Rental property, net of accumulated depreciation	5,258,580	5,648,574
Prepaid and other assets	121,538	129,508
Advance to affiliates	936,304	1,154,863
Total noncurrent assets	<u>6,316,422</u>	<u>6,932,945</u>
Total assets	<u>\$ 6,969,740</u>	<u>\$ 7,638,775</u>

Barclay Apartments Development Corporation

**Balance Sheets
June 30, 2021 and 2020**

Liabilities and Net Assets

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 100,680	\$ 136,743
Mortgage payable - current	<u>330,856</u>	<u>316,482</u>
Total current liabilities	<u>431,536</u>	<u>453,225</u>
Current liabilities payable from restricted cash and cash equivalents		
Customer deposits payable	<u>51,893</u>	<u>58,144</u>
Noncurrent liabilities		
Mortgage payable, net of unamortized debt issuance costs of \$176,585 and \$191,060 and net of current maturities	6,549,043	6,865,424
Loans payable	2,460,919	2,460,919
Accrued interest payable	<u>26,168</u>	<u>27,341</u>
Total noncurrent liabilities	<u>9,036,130</u>	<u>9,353,684</u>
Total liabilities	9,519,559	9,865,053
Total net assets	<u>(2,549,819)</u>	<u>(2,226,278)</u>
Total liabilities and net assets	<u>\$ 6,969,740</u>	<u>\$ 7,638,775</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Operations Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenue		
Dwelling rental	\$ 1,097,941	\$ 1,174,679
Commercial rental	38,238	34,617
Other income	18,076	17,798
	<u>1,154,255</u>	<u>1,227,094</u>
Total operating revenue		
	<u>1,154,255</u>	<u>1,227,094</u>
Operating expenses		
Administration	132,944	149,277
Maintenance	273,571	202,976
Bad debt	52,289	62,232
Depreciation and amortization	392,116	392,142
Utilities	109,088	93,517
Fringe benefits	14,041	26,624
Interest expense	342,965	356,766
Other	160,835	134,366
	<u>1,477,849</u>	<u>1,417,900</u>
Total operating expenses		
	<u>1,477,849</u>	<u>1,417,900</u>
Operating loss	(323,594)	(190,806)
Nonoperating revenues		
Investment income	53	2,079
	<u>53</u>	<u>2,079</u>
Net loss	<u>\$ (323,541)</u>	<u>\$ (188,727)</u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

**Statements of Changes in Net Assets
Years Ended June 30, 2021 and 2020**

Balance, July 1, 2019	\$ (2,037,551)
Net loss	<u>(188,727)</u>
Balance, June 30, 2020	(2,226,278)
Net loss	<u>(323,541)</u>
Balance, June 30, 2021	<u><u>\$ (2,549,819)</u></u>

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net loss	\$ (323,541)	\$ (188,727)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	392,116	392,142
Amortization of debt issuance costs	14,475	14,475
(Increase) decrease in assets		
Accounts receivable and other assets	(17,797)	(20,092)
Prepaid and other assets	7,970	7,970
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(36,063)	(1,866)
Accrued interest payable	(1,173)	(1,123)
Customer deposits payable	(6,251)	6,881
Net cash provided by operating activities	29,736	209,660
Cash flows from investing activities		
Increase in mortgage escrow	(447)	(1,315)
Purchases of property and equipment	(2,122)	(17,408)
Decrease in advance to affiliate	218,559	71,867
Net cash provided by investing activities	215,990	53,144
Cash flows from financing activities		
Payments on mortgage payable	(316,482)	(302,732)
Net cash used in financing activities	(316,482)	(302,732)
Net decrease in cash, cash equivalents, and restricted cash	(70,756)	(39,928)
Cash, cash equivalents, and restricted cash, beginning	534,212	574,140
Cash, cash equivalents, and restricted cash, end	\$ 463,456	\$ 534,212
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 329,663	\$ 343,414

See Notes to Financial Statements.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020, the allowance was \$126,997 and \$74,712, respectively.

Rental property

Rental property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives by use of the straight-line method for financial reporting purposes. For income tax purposes, accelerated lives and methods are used:

	<u>Method</u>	<u>Estimated useful lives</u>
Buildings and improvements	Straight-line	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 years ended June 30, 2021 and 2020.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

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 2018 through 2020 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, 2021 and 2020, there were no cash equivalents.

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, 2021 and 2020, the balance in the reserve was \$274,449 and \$252,117, 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, 2021 and 2020, the balance in the reserve was \$121,683 and \$121,650, respectively.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020, the balance in the escrow was \$85,115 and \$84,668, respectively.

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>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 8,933	\$ 102,070
Customer deposits - funded security deposits	58,391	58,375
Renovation reserve	121,683	121,650
Replacement reserve	<u>274,449</u>	<u>252,117</u>
Total cash, cash equivalents, and restricted cash shown in statements of cash flows	<u>\$ 463,456</u>	<u>\$ 534,212</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 reserves.

Note 5 - Rental property

Property held by the Corporation at June 30, 2021 and 2020 consists of the following:

	<u>2021</u>	<u>2020</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	103,380	101,258
Accumulated depreciation	<u>(5,669,578)</u>	<u>(5,277,462)</u>
	<u>\$ 5,258,580</u>	<u>\$ 5,648,574</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, 2021 and 2020, the outstanding principal balance and accrued interest was \$7,056,484 and \$26,168 and \$7,372,966 and \$27,341, respectively.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

As discussed in Note 2, debt issuance costs, net of accumulated amortization, totaled \$176,585 and \$191,060 as of June 30, 2021 and 2020, respectively, and are related to the mortgage payable. Debt issuance costs on the above mortgage are being amortized using an imputed rate of 4.81%. For the years ended June 30, 2021 and 2020, amortization expense related to debt issuance costs was \$14,475 and \$14,475, respectively, and is included in interest expense in the statements of operations.

Aggregate maturities of the mortgage payable for the five years following June 30, 2021 and every five years thereafter are as follows:

2022	\$	330,856
2023		345,883
2024		361,593
2025		378,016
2026		395,195
2027-2031		2,038,850
2032-2036		3,047,723
2037		158,368
		<hr/>
	\$	<u>7,056,484</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, 2021 and 2020, 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, 2021 and 2020, development corporation fees of \$0 and \$16,505, respectively, were incurred and are included in other expenses on the statements of operations.

Advance to affiliates

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, 2021 and 2020, the Corporation determined no valuation allowance was necessary. As of June 30, 2021 and 2020, \$936,304 and \$1,154,863, respectively, were due to the Corporation.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020, asset management fees of \$81,310 and \$15,658, respectively, were incurred and are included in other expenses on the statements of operations.

Shared expenses

The Corporation shares certain operating costs with affiliated projects within its geographical region. As of June 30, 2021 and 2020, 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 could 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, 2022. The agreement provides for compensation of \$41 per occupied unit per month. For the years ended June 30, 2021 and 2020, management fees were \$34,743 and \$34,772, respectively.

Note 10 - Net assets (deficit)

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 (deficit) as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Investment in capital assets, net	\$ (4,258,823)	\$ (4,185,311)
Restricted net assets	487,745	458,666
Unrestricted net assets	<u>1,221,259</u>	<u>1,500,367</u>
	<u>\$ (2,549,819)</u>	<u>\$ (2,226,278)</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

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

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 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. Effective July 2, 2021, the entity obtained approval from the Maryland Department of Assessments and Taxation to be exempt from real estate taxes.

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 the remainder of the lease:

2022	\$	39,023
2023		39,505
2024		<u>16,461</u>
	\$	<u>94,989</u>

For the year ended June 30, 2021, the Corporation's rent receipts required under the lease terms were \$38,238.

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 - Financial dependency

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which contemplates continuation of the Corporation as a going concern. The Corporation has operating expenses and debt service in excess of operating income in recent years. If sufficient cash flow from operations cannot be attained, the Corporation will continue to be financially dependent on the Commission, which has agreed to continue funding deficits as needed. The Commission has committed to fund any shortfall in operating cash flow as necessary for a period no less than one year following the issuance of these financial statements.

Barclay Apartments Development Corporation

Notes to Financial Statements June 30, 2021 and 2020

Note 16 - 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 17 - 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 November 15, 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

Supplementary Information

**Selected Line Item Detail
Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Administration		
Administrative salaries	\$ 53,866	\$ 84,807
Contract management fee	34,743	34,772
Office supplies and expense	2,034	4,420
Training and travel	969	-
Telephone	7,326	7,559
Computer supplies and expense	1,948	4,739
Other rent expense	398	5
Miscellaneous administrative expenses	8,697	5,276
Advertising and newspaper	10,854	3,878
Auditing services	10,875	590
Legal services	1,153	583
Cable	81	2,316
Bank fees	-	332
	<u> </u>	<u> </u>
Total administration expenses	<u>\$ 132,944</u>	<u>\$ 149,277</u>
Maintenance		
Maintenance salaries	\$ 47,073	\$ 29,800
Exterminating	8,371	5,873
Grounds	21,867	11,191
Supplies	17,432	30,220
HVAC expense	30,420	3,281
Painting, decorating, and cleaning	70,882	45,348
Repairs and maintenance - other than contracts	33,434	31,723
Miscellaneous maintenance expenses	182	6,927
Elevator	29,153	20,590
Carpeting	13,823	13,308
Electrical	934	4,715
	<u> </u>	<u> </u>
Total maintenance expenses	<u>\$ 273,571</u>	<u>\$ 202,976</u>
Utilities		
Water	\$ 65,309	\$ 47,319
Electric	23,670	19,967
Natural gas	2,283	12,714
Trash collection	17,826	13,517
	<u> </u>	<u> </u>
Total utility expenses	<u>\$ 109,088</u>	<u>\$ 93,517</u>

Barclay Apartments Development Corporation

Supplementary Information

Selected Line Item Detail Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Fringe benefits		
Contract managed benefits	\$ 12,485	\$ 14,622
Workers compensation	1,556	594
Contract other training	-	6,616
FICA - tenant services	-	4,792
	<u> </u>	<u> </u>
Total fringe benefits	<u>\$ 14,041</u>	<u>\$ 26,624</u>
Other		
Mortgage insurance	\$ 35,759	\$ 37,308
Other taxes	3,220	3,183
Liability insurance	11,903	14,250
Water quality protection charge	1,620	1,569
Fire and hazard insurance	9,657	-
COVID-19 - Coronavirus expense	6,050	729
Real estate tax	-	12,279
Development corp. fee	-	16,505
Security services/contracts	11,316	32,885
Asset management fee	81,310	15,658
	<u> </u>	<u> </u>
Total other expenses	<u>\$ 160,835</u>	<u>\$ 134,366</u>

See Independent Auditor's Report.

Barclay Apartments Development Corporation

Supplementary Information

**Cash Flow and Distribution
Year Ended June 30, 2021**

Net cash provided by operating activities	\$	29,736
Add:		
Replacement reserve releases		8,068
Less:		
Deposits into replacement reserve		(30,400)
Mortgage principal payments		<u>(316,482)</u>
Net cash flow available for HOC note payment	\$	<u><u>(309,078)</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 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 sheets as of June 30, 2021 and 2020, and the related statements of operations, changes in net assets and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 15, 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") as a basis for designing 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 from 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 financial statements. 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
November 15, 2021



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