

**BARCLAY APARTMENTS DEVELOPMENT CORPORATION
(A RESIDENTIAL RENTAL APARTMENT COMPLEX
OWNED BY THE HOUSING OPPORTUNITIES
COMMISSION OF MONTGOMERY
COUNTY, MARYLAND)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2018 AND 2017

**BARCLAY APARTMENTS DEVELOPMENT CORPORATION
(A RESIDENTIAL RENTAL APARTMENT COMPLEX
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

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

INDEPENDENT AUDITORS' REPORT

To the Commissioners and Board of Directors
Barclay Apartments Development Corporation
Montgomery County, Maryland

Report on the Financial Statements

We have audited the accompanying statements of financial position of Barclay Apartments Development Corporation (a residential rental apartment complex owned by the Housing Opportunities Commission of Montgomery County, Maryland) as of June 30, 2018 and 2017, and the related statements of activities, changes in net assets (deficit), 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 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.

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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, 2018 and 2017, and the changes in its net assets (deficit) 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 17 through 22 is presented for the 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 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 September 18, 2018 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, grants agreements and other matters. The purpose of that report is 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 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.



Vienna, Virginia
September 18, 2018

**BARCLAY APARTMENTS DEVELOPMENT CORPORATION
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STATEMENTS OF FINANCIAL POSITION

JUNE 30,

ASSETS

	2018	2017
CURRENT ASSETS		
Unrestricted current assets		
Cash and cash equivalents	\$ 229,439	\$ 238,443
Interfund receivable (payable)	1,138,858	1,173,588
Accounts receivable, net and other assets	28,628	18,123
Total unrestricted current assets	1,396,925	1,430,154
Restricted assets available for current liabilities		
Restricted cash and cash equivalents	457,182	447,127
Customer deposits - tenant security deposits	57,971	57,715
Total restricted assets available for current liabilities	515,153	504,842
 Total Current Assets	 1,912,078	 1,934,996
 NON-CURRENT ASSETS		
Property and equipment, net of depreciation	6,419,757	6,736,738
Deferred charge, net of amortization	145,448	153,417
Total non-current assets	6,565,205	6,890,155
 TOTAL ASSETS	 \$ 8,477,283	 \$ 8,825,151

See notes to financial statement

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
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STATEMENTS OF FINANCIAL POSITION - CONTINUED

JUNE 30,

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Unrestricted current liabilities		
Accounts payable and accrued liabilities	\$ 72,414	\$ 25,991
Accrued interest payable	29,538	30,564
Mortgage note payable-current	289,580	276,999
Total unrestricted current liabilities	391,532	333,554
Current liabilities payable from restricted assets		
Customer deposit payable - tenant security deposits	49,239	55,991
Total current liabilities payable from restricted assets	49,239	55,991
Total Current Liabilities	440,771	389,545
NON-CURRENT LIABILITIES		
Mortgage note payable, net of current maturities	7,675,698	7,965,278
Less: Debt issuance costs	(223,515)	(241,649)
Notes payable - HOC	2,432,247	2,456,565
Total non-current liabilities	9,884,430	10,180,194
Total liabilities	10,325,201	10,569,739
NET ASSETS (DEFICIT)		
Investment in capital assets net of related debt	(3,977,768)	(3,962,104)
Restricted net assets	465,914	448,851
Unrestricted surplus	1,663,936	1,768,665
Total net assets (deficit)	(1,847,918)	(1,744,588)
TOTAL LIABILITIES AND NET ASSETS	\$ 8,477,283	\$ 8,825,151

See notes to financial statement

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
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STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2018	2017
Operating revenue:		
Dwelling rental	\$ 1,267,584	\$ 1,278,539
Other income	23,193	23,211
	1,290,777	1,301,750
Operating expenses:		
Administration	115,015	131,587
Maintenance	195,480	182,146
Depreciation	390,865	390,865
Utilities	88,697	97,766
Fringe benefits	19,151	22,583
Interest	386,253	398,433
Other	189,336	149,324
Bad debts	14,688	6,568
	1,399,485	1,379,272
Net operating loss	(108,708)	(77,522)
Investment income (expense)	5,378	(235)
Change in net deficit	\$ (103,330)	\$ (77,757)

See notes to financial statements

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
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STATEMENTS OF CHANGES IN NET ASSETS (DEFICIT)

FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	Paid in Capital	Accumulated Loss	Total
Balance, June 30, 2016	\$ 676,320	\$ (2,343,151)	\$ (1,666,831)
Change in net deficit	-	(77,757)	(77,757)
Balance, June 30, 2017	676,320	(2,420,908)	(1,744,588)
Change in net deficit	-	(103,330)	(103,330)
Balance, June 30, 2018	<u>\$ 676,320</u>	<u>\$ (2,524,238)</u>	<u>\$ (1,847,918)</u>

	Investment in Capital Assets Net of Related Debt	Restricted Net Assets	Unrestricted Surplus	Total
Balance, June 30, 2016	\$ (3,858,039)	\$ 438,171	\$ 1,753,037	\$ (1,666,831)
Change in net deficit	(104,065)	10,680	15,628	(77,757)
Balance, June 30, 2017	(3,962,104)	448,851	1,768,665	(1,744,588)
Change in net deficit	(15,664)	17,063	(104,729)	(103,330)
Balance, June 30, 2018	<u>\$ (3,977,768)</u>	<u>\$ 465,914</u>	<u>\$ 1,663,936</u>	<u>\$ (1,847,918)</u>

See notes to financial statements

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2018	2017
Cash flows from operating activities:		
Change in net deficit	\$ (103,330)	(77,757)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	390,864	390,864
Amortization-debt issuance costs	18,134	18,235
Negative arbitrage	7,970	7,970
(Increase) decrease in accounts receivable and other current assets	(10,505)	1,602
(Decrease) increase customer deposits account - net	(7,008)	767
Increase (decrease) in accounts payable and accrued liabilities	46,423	(5,563)
Decrease in accrued interest payable	(1,026)	(984)
Net cash provided by operating activities	341,522	335,134
Cash flows from investing activities:		
Net change in replacement reserve and mortgage escrow	(9,554)	(11,350)
Increase in construction in progress	(73,884)	(21,836)
Net cash used in investing activities	(83,438)	(33,186)
Cash flows from financing activities:		
Mortgage principal payments	(276,999)	(264,964)
Note payable	(24,318)	-
Net change in interfund (payable) receivable	34,730	18,930
Net cash used in financing activities	(266,587)	(246,034)
Net (decrease) increase in cash and cash equivalents	(8,503)	55,914
Cash and cash equivalents, beginning	356,518	300,604
Cash and cash equivalents, ending	\$ 348,015	\$ 356,518
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ 361,259	\$ 373,757

See notes to financial statements

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. ORGANIZATION

Barclay Apartments Development Corporation (the Corporation) was incorporated under the laws of the State of Maryland on July 20, 2004 as a not-for-profit non-stock corporation for the purpose of acquiring and leasing 77 condominium units located in Bethesda, Maryland. The units are subject to a ground lease held by Montgomery County, Maryland. On September 1, 2007 the Corporation completed the purchase of the 77 condominium units from an affiliated entity, Barclay One Associates Limited Partnership.

On September 1, 2007, the Corporation assumed the permanent financing under the FHA's risk sharing program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of accounting and presentation

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

b) Rental income

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

c) Allowance for doubtful accounts

An allowance for doubtful accounts has been established by the Corporation. All tenant receivables that are ninety or more days past due are charged to this account. The allowance for doubtful accounts for the years ended June 30, 2018 and 2017 were \$8,645 and \$0, respectively.

d) Debt issuance costs, deferred charge and amortization

Mortgage financing and associated fees and cost of issuance of debt, referred to as debt issuance costs, net of amortization are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of the 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. Accumulated amortization relating to debt issuance costs for the years ended June 30, 2018 and 2017 was \$211,674 and \$193,540, respectively. The amount of amortization expense included as

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Debt issuance costs, deferred charge and amortization (continued)

interest expense was \$18,133 in June 30, 2018 and \$ 18,234 in June 30, 2017.

Deferred charge consists of negative arbitrage charged to mortgage interest expense on the straight line method over the term of the mortgage. Interest expense was charged for both years ended June 30, 2018 and 2017, in the amount of \$7,970.

e) Income taxes

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

f) Property, equipment and depreciation

Property and equipment, including major improvements, replacements and betterments are capitalized and stated at cost. The assets are depreciated using the estimated useful lives of the respective assets, ranging from 5 to 27.5 years, on a straight-line basis. Cost of maintenance and repairs are charged to expense when incurred. For income tax purposes, accelerated lives and methods are used.

g) Cash and cash equivalents

Cash and cash equivalents include demand deposits and money market funds with original maturities of 90 days or less.

h) Restricted cash and cash equivalents

Under the regulatory agreement, the Corporation is required to set aside amounts for the replacement of property and other project expenditures approved by HOC. Written approval is required from HOC for any disbursements from these funds. Monthly required deposits to the replacement reserve of \$1,900 were made in accordance with the regulatory agreement and the leasehold deed of trust notes. The mortgage escrow deposit account is maintained to pay mortgage insurance as required by the regulatory agreement. At June 30, 2018 and 2017, the replacement reserve was \$256,823 and \$248,393 and the mortgage escrow was \$81,783 and \$80,659, respectively.

i) Use of estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in The United States of America requires management to make estimates and assumptions

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Use of estimates (continued)

that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

j) Advertising costs

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

k) Subsequent events

Subsequent events have been evaluated through September 28, 2018, which is the date the financial statements were available to be issued.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	2018	2017
Building	\$10,327,035	\$10,327,035
Site improvements	230,040	230,040
Miscellaneous fixed assets	261,310	261,310
Construction in progress:	95,720	21,836
Total at cost	10,914,105	10,840,221
Less: accumulated depreciation	(4,494,348)	(4,103,483)
Total property and equipment, net	\$6,419,757	\$6,736,738

4. MORTGAGE PAYABLE

The mortgage note for \$10,557,738 was assumed 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 note bears interest at a fixed rate of 4.45% per annum with monthly principal and interest payments of \$53,181.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

4. MORTGAGE PAYABLE (CONTINUED)

The Regulatory Agreement jointly covers both Barclay One Associates Limited Partnership's and the Corporation's (both own all the units in the apartment complex). The mortgage note held by each entity provides that default by either entity on their respective mortgage note is deemed a default of both notes.

The Corporation's mortgage note matures on September 1, 2036. The liability under the deed of trust note is limited to the underlying value of the real estate.

There are two Interfund relationships; the first is between the Housing Opportunities Commission, of Montgomery County, Maryland and Barclay Apartments Development Corporation and the second is between Barclay Apartments Development Corporation and Barclay One Associates Limited Partnership.

Aggregate maturities of the mortgage payable for the five years following June 30, 2018 and thereafter are as follows:

2019	289,580
2020	302,732
2021	316,482
2022	330,856
2023	345,883
2024-2028	1,979,826
2029-2033	2,472,173
2034-2037	1,927,746
	<u>\$7,965,278</u>

5. NOTE PAYABLE

Note Payable to the Housing Opportunities Commission of Montgomery County (\$2,738,606)

The Corporation assumed upon the purchase of the 77 condominium units the Amended and Restated Promissory Note in the original amount of \$2,738,606. This note is without interest and is non-recourse. It is secured by a second leasehold deed of trust, security agreement and assignment of rents on 77 condominium rental units. At the close of each fiscal year payments shall be made out of the net cash flow as defined in the agreement. The note payable balance as of June 30, 2018 and 2017 was \$2,432,247 and \$2,456,565.

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NOTES TO FINANCIAL STATEMENTS.

6. RELATED PARTY TRANSACTIONS

A Development Corp fee was charged by the Housing Opportunities Commission of Montgomery County, Maryland for the years ended June 30, 2018 and 2017 in the amount of \$18,763 and \$4,680 respectively.

The Housing Opportunities Commission Corporation of Montgomery County, Maryland charged an Asset Management fee for the years ended June 30, 2018 and 2017, was in the amount of \$81,830 and \$57,210, respectively.

7. MANAGEMENT FEES AND CONTRACT

The Corporation has a management agreement with Edgewood Management Corporation in which it receives a management fee in the amount of \$36 per residential unit per month and additional \$4 per unit for frontline accounting activities and bookkeeping fees. The agreement was extended through November 30, 2017. Effective January 1 2018 CAPREIT Residential Management LLC was awarded the management contract for a period of two (2) years with two (2) one (1) year renewal options. Their compensation monthly is three (3) percent of the monthly Adjusted Gross Receipts as defined in Article VIII of the management agreement. CAPREIT can also earned a six (6) percent construction fee based on the cost of construction and an five (5) percent performance incentive fee. For the years ended June 30, 2018 and 2017, management fees charged to operations were \$36,741 and \$36,845, respectively.

8. GROUND LEASE

The lessor of the ground lease is Montgomery County, Maryland. On September 1, 2007 Barclay One Associates Limited Partnership, the leasee, partially assigned the ground lease 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 \$1.00 per year payable annually beginning September 30, 1999 (the commencement date) by the complex which includes Barclay Apartments Development Corporation and Barclay One Associates Limited Partnership and also provides that the premises 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 terminates on December 31, 2082.

9. CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Barclay Apartment Development Corporation is included with the Housing Opportunity Commission of Montgomery County, Maryland as part of the public funds, and are fully collateralized with securities by the Federal Reserve System.

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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

10. REAL PROPERTY TAXES

The Corporation has entered into a Payment in Lieu of Taxes (P.I.L.O.T.) 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 conditions of the PILOT agreement.

SUPPLEMENTARY INFORMATION

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
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DETAILED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30,

	2018	2017
Interfund receivable (payable)		
Intercompany receivable - Advances to Barclay One Assoc. L.P.	96,636	96,636
Due to 105-000 AP bank account	(38,654)	(6,596,145)
Due to 105-000 MA bank account	1,080,876	7,673,097
Interfund receivable (payable)	1,138,858	1,173,588
Accounts receivable and other assets		
Maryland state receivable	14	-
Accounts receivable - government	86	-
Other receivables	1,087	-
Allowance from doubtful accounts	(8,645)	-
Tenant receivables	21,606	4,189
Prepaid expenses	409	-
Prepaid insurance	10,727	10,477
Prepaid mortgage insurance	3,344	3,457
Accounts receivable and other assets	28,628	18,123
Restricted assets available for current liabilities		
Replacement reserve	256,823	248,393
Renovation escrow	118,576	118,075
Mortgage escrow fund	81,783	80,659
Restricted assets available for current liabilities	457,182	447,127
Property & equipment		
Buildings	10,327,035	10,327,035
Site improvements	230,040	230,040
Miscellaneous fixed assets	261,310	261,310
Construction in progress	95,720	21,836
Accumulated depreciation - buildings, site improvements, miscellaneous fixed asset	(4,494,348)	(4,103,483)
Property & equipment , net of depreciation	6,419,757	6,736,738

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DETAILED STATEMENTS OF FINANCIAL POSITION-CONTINUED
FOR YEAR ENDED JUNE 30,

	2018	2017
Accounts payable and accrued liabilities		
Accounts payable - others	\$ 10,418	\$ 4,485
Accrued salaries	766	1,861
Clearing residents refund	4,634	4,590
Residential rent prepaid	4,092	4,813
Accrued utilities	4,532	3,742
Accrued audit fee	47,972	6,500
Accounts payable and accrued liabilities	72,414	25,991
 Tenant security deposits payable		
Security deposit payable	44,243	47,057
Security deposit interest payable	4,996	8,934
Current liabilities payable from restricted assets	49,239	55,991

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SUPPLEMENTARY INFORMATION - CONTINUED

DISTRIBUTION OF NET CASH FLOW

FOR THE YEAR ENDED JUNE 30, 2018

Net cash provided by operating activities	\$ 341,522
Add:	
Replacement reserve releases	14,370
Less:	
Deposits into replacement reseve	(22,800)
Mortgage Principal Payments	<u>(276,999)</u>
Net cash flow available for HOC note payment	<u><u>\$ 56,093</u></u>

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
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DETAILED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
REVENUES		
DWELLING RENTAL		
Rent: current residents	\$ 1,262,388	\$ 1,259,455
Rent: subsidies	42,883	42,821
Concessions	(7,907)	(17,008)
Vacancy loss	(59,453)	(61,684)
Other rent fees	1,905	6,496
Late fees/NSF	2,919	3,396
Laundry income	6,771	8,726
Non dwelling rent	18,078	36,337
Total dwelling rental	<u>1,267,584</u>	<u>1,278,539</u>
TOTAL OPERATING REVENUE	<u>1,290,777</u>	<u>1,301,750</u>
OPERATING EXPENSES		
ADMINISTRATION		
Office salaries	46,235	52,046
Auditing fees	7,610	7,500
Contract management fee	36,741	36,845
Miscellaneous operating expenses	3,904	2,772
Postage	175	321
Other office supplies	1,840	2,765
Printing/reproduction	1,274	1,423
Food & beverages	218	148
Local mileage and travel	22	-
Non-local mileage and travel	336	-
Legal services- general	903	1,491
Cable charges	547	-
Advertising	5,121	5,876
Public relation services	56	33
Credit check services	302	-
Monitoring fee	-	2,430
Computer software	1,775	3,160
Computer equipment	23	-
Internet access charges	266	-
Local phone bill	6,808	8,098
Rental license fee	-	6,473
Bank fees	204	206
Resident service fees	655	-
Total administration	<u>115,015</u>	<u>131,587</u>

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
(A RESIDENTIAL RENTAL APARTMENT COMPLEX
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)

DETAILED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED JUNE 30,

	2018	2017
MAINTENANCE		
Contract maintenance/janitor salary	38,729	42,827
Kitchen & bath supplies	160	-
Electrical supplies	760	177
Appliance supplies	663	221
Plumbing supplies	2,536	598
Employee uniforms	1,421	3,294
Cleaning and janitorial supplies	507	147
Grounds and landscaping supplies	249	-
Locks, keys	51	-
Windows and glass	675	-
Roofing materials	381	-
Hardware supplies	1,505	7,548
HVAC supplies	398	577
Paint and wallcoverings	69	185
Miscellaneous supplies	106	-
Electrical contracts	204	502
Plumbing contracts	1,904	1,221
Cleaning and janitorial contracts	34,798	20,707
Grounds and landscaping contracts	5,283	5,590
Flooring and carpeting	300	-
Appliance equipment	280	-
HVAC contracts	2,847	7,243
Flooring and carpeting contracts	819	3,189
Paint/wallcoverings int. contracts	21,759	42,723
Elevator contracts	19,974	17,641
Exterminating contracts	1,594	1,350
Snow removal contracts	2,996	5,385
Miscellaneous contracts	1,808	772
Kitchen and bath supplies - capital	1,621	1,416
Grounds/landscaping supp - capital	3,741	1,791
Appliance contracts	1,109	-
Windows and glass - capital	-	244
Flooring and carpeting - capital	38,701	12,011
HVAC equipment - capital	1,361	-
Appliance equipment - capital	4,148	2,693
Paint/wallcoverings - capital	910	-
Miscellaneous equipment - capital	328	1,695
Miscellaneous equipment	108	399
Plumbing equipment - capital	677	-
Total maintenance	195,480	182,146

BARCLAY APARTMENTS DEVELOPMENT CORPORATION
(A RESIDENTIAL RENTAL APARTMENT COMPLEX
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)

DETAILED STATEMENTS OF ACTIVITIES - CONTINUED
FOR THE YEARS ENDED JUNE 30,

	2018	2017
UTILITIES		
Water bill	39,222	49,603
Electric bill	27,380	25,916
Natural gas	12,335	11,026
Heating oil	142	-
Trash collection	5,987	8,290
Trash collection - bulk	3,631	2,931
Total Utilities	88,697	97,766
FRINGE BENEFITS		
Contract managed benefits	18,693	21,530
Contract other training	458	1,053
Total fringe benefits	19,151	22,583
INTEREST EXPENSES		
Interest payments - general	360,150	372,228
Amortization of debt insurance costs	18,133	18,235
Negative arbitrage	7,970	7,970
Total interest expenses	386,253	398,433
OTHER EXPENSES		
Security contracts	10,546	8,238
Fire & hazard insurance	20,345	19,587
Liability insurance	1,278	1,300
Real estate taxes	11,254	10,741
Ground rent	2	2
Other taxes	1,985	2,819
Solid waste tax	1,534	1,718
Water quality protection charge (RFSA)	1,569	1,430
Asset management fee	81,830	57,210
Development corp fee	18,763	4,680
Mortgage insurance	40,230	41,599
Total other expenses	189,336	149,324

INDEPDEPENDENT AUDITORS 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 Commissioners and Board of Directors
Barclay Apartments Development Corporation
Montgomery County, Maryland

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 statement of financial position as of June 30, 2018, and related statements of activities, changes in net assets (deficit), and cash flows for the year then ended, and the related notes to the financial statements, and have issued our reports thereon dated September 28, 2018.

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 would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. 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 Corporation'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 Corporation's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Kazuhiko, Bollhoff & Alden, P.C." The signature is written in a cursive, flowing style.

Vienna, Virginia
September 18, 2018

**BARCLAY APARTMENTS DEVELOPMENT CORPORATION
HUD PROJECT NO.: 000-98044**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2018**

<u>Finding</u>	<u>Questioned Cost</u>
None	N/A