



**GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING
OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2018 AND 2017
(See Independent Accountant's Compilation Report)**

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)

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**INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

October 3, 2018

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland

Management is responsible for the accompanying financial statements of the Glenmont Crossing Development Corporation (a nonprofit corporation and a component unit of the Housing Opportunities Commission of Montgomery County, Maryland), which comprise the balance sheets as of June 30, 2018 and 2017, 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 in accordance with accounting principles generally accepted in the United States of America. We have performed compilation engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The supplementary information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagements. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
BALANCE SHEETS
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 976,000	\$ 843,605
Accounts receivable and other assets, net	12,526	22,147
Total Current Assets	988,526	865,752
RESTRICTED CASH AND CASH EQUIVALENTS:		
Restricted deposits and funded reserves	727,517	748,661
Tenant deposits	31,077	31,798
Total Restricted Cash and Cash Equivalents	758,594	780,459
NONCURRENT ASSETS:		
Property and equipment, net	14,238,468	14,538,250
Total Noncurrent Assets	14,238,468	14,538,250
TOTAL ASSETS	\$ 15,985,588	\$ 16,184,461

See accompanying notes and independent accountant's compilation report.

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
BALANCE SHEETS
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 73,193	\$ 36,889
Intercompany payable	-	186
Interest payable	47,991	49,049
Mortgage payable - CBRE - current	206,312	194,971
Note payable - CBRE - current	44,845	42,983
Total Current Liabilities	<u>372,341</u>	<u>324,078</u>
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Tenant deposits payable	<u>30,477</u>	<u>31,198</u>
Total Current Liabilities Payable from Restricted Assets	<u>30,477</u>	<u>31,198</u>
NONCURRENT LIABILITIES:		
Mortgage payable - CBRE, net	8,605,818	8,794,414
Note payable - CBRE	1,909,630	1,954,475
Note payable - HOC	2,023,400	2,023,400
Total Noncurrent Liabilities	<u>12,538,848</u>	<u>12,772,289</u>
TOTAL LIABILITIES	<u>12,941,666</u>	<u>13,127,565</u>
UNRESTRICTED NET ASSETS	<u>3,043,922</u>	<u>3,056,896</u>
Total Net Assets	<u>3,043,922</u>	<u>3,056,896</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,985,588</u>	<u>\$ 16,184,461</u>

See accompanying notes and independent accountant's compilation report.

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUE		
Dwelling rental	\$ 2,018,079	\$ 1,977,952
Other revenue	8,037	11,960
TOTAL OPERATING REVENUE	<u>2,026,116</u>	<u>1,989,912</u>
OPERATING EXPENSES		
Administration	199,125	185,817
Maintenance	503,526	359,084
Depreciation	299,782	300,564
Utilities	251,408	231,653
Fringe benefits	24,232	36,656
Interest expense	607,618	620,180
Other expenses	123,177	129,905
Bad debt expense	32,228	202
TOTAL OPERATING EXPENSES	<u>2,041,096</u>	<u>1,864,061</u>
Net operating (loss) income	(14,980)	125,851
Investment income	2,006	673
Change in net assets	<u>\$ (12,974)</u>	<u>\$ 126,524</u>

See accompanying notes and independent accountant's compilation report.

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

Net assets, June 30, 2016	\$ 2,930,372
Change in net assets	<u>126,524</u>
Net assets, June 30, 2017	3,056,896
Change in net assets	<u>(12,974)</u>
Net assets, June 30, 2018	<u><u>\$ 3,043,922</u></u>

See accompanying notes and independent accountant's compilation report.

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ (12,974)	\$ 126,524
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	299,782	300,564
Amortization of mortgage issuance costs	17,716	17,716
Bad debt expense	32,228	202
Increase in accounts receivable and other assets	(22,607)	(7,227)
Decrease (Increase) in tenant deposits held in trust	721	(1,012)
Increase (Decrease) in accounts payable and accrued liabilities	36,304	(613)
(Decrease) Increase in payable to HOC	(186)	186
Decrease in interest payable	(1,058)	(1,003)
(Decrease) Increase in tenant deposits payable	(721)	912
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>349,205</u>	<u>436,249</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net withdrawals from (deposits to) restricted deposits and funded reserves	21,144	(21,375)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>21,144</u>	<u>(21,375)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(237,954)	(225,446)
NET CASH USED BY FINANCING ACTIVITIES	<u>(237,954)</u>	<u>(225,446)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	132,395	189,428
CASH AND CASH EQUIVALENTS, BEGINNING	<u>843,605</u>	<u>654,177</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 976,000</u>	<u>\$ 843,605</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 590,960</u>	<u>\$ 603,467</u>

See accompanying notes and independent accountant's compilation report.

GLENMONT CROSSING DEVELOPMENT CORPORATION
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OF MONTGOMERY COUNTY, MARYLAND)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(See Independent Accountant's Compilation Report)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Glenmont Crossing Development Corporation ("the Corporation") was formed on October 9, 2012 under the laws of the State of Maryland for the purpose of acquiring and operating 97 townhouse units ("the property") in Wheaton, Maryland. The purchase of the property was financed through the assumption of the existing debt to CBRE Multifamily Capital, Inc. on the property, a new loan from CBRE Multifamily Capital, Inc., a loan from the Housing Opportunities Commission of Montgomery County ("HOC") to the Corporation, and a capital contribution to the Corporation by the HOC.

The Corporation is a nonprofit corporation and is not authorized to issue stock. The Corporation's Board of Directors must be commissioners of the HOC and, therefore, the HOC can significantly influence the programs, projects, activities of, and the level of service performed by the Corporation.

The property is managed by Avison Young.

Basis of Accounting

The Corporation prepares its financial statements on the accrual basis of accounting.

Property and Equipment

Property and equipment is carried at cost. Depreciation of the property and equipment is calculated on the straight-line method based on the estimated useful lives of the property and equipment, which is forty years for the building and seven to ten years for the building renovations and equipment.

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$299,782 and \$300,564, respectively.

The Corporation's policy is to capitalize property and equipment expenditures of \$5,000 or more.

Expenditures for maintenance and repairs necessary to maintain the real estate in efficient operating condition are charged to operations. Expenditures which increase the useful lives of the assets are capitalized.

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NOTES TO FINANCIAL STATEMENTS
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(See Independent Accountant's Compilation Report)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Rental Income

Rental income is recognized as rental charges are due. Rental payments received in advance are reported as a liability, prepaid revenue, until earned.

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. An allowance for doubtful accounts is established for receivables that are 90 or more days past due. Unpaid balances remaining after the stated payment terms are considered past due. An allowance is established through a charge to income. Recoveries of previously charged-off accounts are recorded when received. Allowance for doubtful accounts at June 30, 2018 and 2017 amounted to \$5,362 and \$2,521, respectively.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2018 and 2017 amounted to \$15,309 and \$19,745, respectively.

Income Taxes

In accordance with the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") Section 740 regarding accounting for uncertainty in income taxes, the Corporation is required to recognize the financial statement effects of a tax position if it is more likely than not that the position will not be sustained upon examination. The Corporation has no uncertain tax positions that qualify for recognition in the financial statements.

Since tax matters are subject to some degree of uncertainty, there can be no assurance that the Corporation's tax returns will not be challenged by the taxing authorities and that the Corporation will not be subject to additional tax penalties and interest as a result of such challenge. The Corporation's tax returns for 2015, 2016, and 2017 remain open for federal income tax examination for three years from the date of filing.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(See Independent Accountant's Compilation Report)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Use of Estimates in the Preparation of Financial Statements

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

NOTE 2 RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the regulatory agreement with the sellers of the property, the loan agreement with CBRE Multifamily Capital, Inc., and capital contribution agreement with the HOC, the Corporation is required to maintain a replacement reserve escrow, a renovation escrow, an operating reserve escrow, and a mortgage escrow. These funds are restricted for uses approved by CBRE Multifamily Capital, Inc. and the HOC. The aggregate balance of these escrows totaled \$727,517 and \$748,661 as of June 30, 2018 and 2017, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

As of June 30, 2018 and 2017, property and equipment consisted of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 4,072,421	\$ 4,072,421
Buildings and building renovations	11,823,554	11,823,554
Equipment	13,059	13,059
Total Capital Assets	<u>15,909,034</u>	<u>15,909,034</u>
Accumulated depreciation	<u>(1,670,566)</u>	<u>(1,370,784)</u>
	<u>\$ 14,238,468</u>	<u>\$ 14,538,250</u>

NOTE 4 MORTGAGE PAYABLE – CBRE MULTIFAMILY CAPITAL, INC.

The mortgage payable to CBRE Multifamily Capital, Inc. assumed by the Corporation is collateralized by a deed of trust on the property. Principal and interest is payable in monthly installments of \$58,492 and is due in full on November 1, 2019. The note accrues interest at the rate

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NOTE 4 MORTGAGE PAYABLE – CBRE MULTIFAMILY CAPITAL, INC. (cont'd)

of 5.59 percent per annum. The outstanding balance as of June 30, 2018 and 2017 was \$8,837,232 and \$9,032,203, respectively.

Annual maturities of the mortgage payable for the next two years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 206,312
2020	<u>8,630,920</u>
TOTAL	<u>\$ 8,837,232</u>

As of June 30, 2018 and 2017, mortgage payable, net consisted of the following:

	<u>2018</u>	<u>2017</u>
Mortgage payable at face	\$ 8,837,232	\$ 9,032,203
Mortgage issuance costs	<u>(25,102)</u>	<u>(42,818)</u>
Mortgage payable, net	<u>\$ 8,812,130</u>	<u>\$ 8,989,385</u>
Mortgage payable, net (current)	\$ 206,312	\$ 194,971
Mortgage payable, net (long-term)	<u>8,605,818</u>	<u>8,794,414</u>
Mortgage payable, net	<u>\$ 8,812,130</u>	<u>\$ 8,989,385</u>

Mortgage issuance costs are being amortized to interest expense over the term of the debt. For 2018 and 2017, amortization expense for debt issuance cost was \$17,716.

NOTE 5 NOTE PAYABLE – CBRE MULTIFAMILY CAPITAL, INC.

The unsecured note payable to CBRE Multifamily Capital, Inc. requires monthly principal and interest installments of \$10,584 and is due in full on November 1, 2019. The note bears interest at the rate of 4.19 percent per annum. The outstanding balance as of June 30, 2018 and 2017 was \$1,954,475 and \$1,997,458, respectively.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018 AND 2017
(See Independent Accountant's Compilation Report)

NOTE 5 NOTE PAYABLE – CBRE MULTIFAMILY CAPITAL, INC. (cont'd)

Annual maturities of the note payable for the next two years are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2019	\$ 44,845
2020	<u>1,909,630</u>
TOTAL	<u>\$ 1,954,475</u>

NOTE 6 NOTE PAYABLE – HOC

The note payable to the HOC is not under an executed note agreement. The note is unsecured, does not accrue interest, and the repayment terms have not been specified. None of the principal balance is expected to be repaid in fiscal year 2018. The balance due as of June 30, 2018 and 2017 was \$2,023,400.

NOTE 7 RELATED PARTY TRANSACTIONS

The HOC borrowed \$2,850,000 from Montgomery County through their CDBG program. The loan proceeds were contributed to the Corporation under a contribution agreement for the acquisition of the property. Under the contribution agreement, the Corporation must operate the property so that for a period of no more than 36 months, beginning on the date of the contribution agreement of April 2013, at least 50 units are leased or held available for lease to households with incomes at or below the CDBG low-income limit for Montgomery County as periodically updated by HUD.

After the initial period, the Corporation must operate the property so that 30 of the units are leased or held available for lease to households with incomes at or below the CDBG low income limit for Montgomery County as periodically updated by HUD.

The Corporation has entered into an asset management agreement with the HOC under which the Corporation agrees to pay the net cash flow (as defined in the agreement) to the HOC as fees for the HOC's services to the Corporation. Asset management fees paid to the HOC for the years ended June 30, 2018 and 2017 amounted to \$104,450 and \$73,020, respectively.

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NOTES TO FINANCIAL STATEMENTS
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 (See Independent Accountant's Compilation Report)

NOTE 7 **RELATED PARTY TRANSACTIONS** (cont'd)

As part of the approved budget, the Corporation was required to pay the HOC a development fee of \$0 and \$39,700 for the years ended June 30, 2018 and 2017, respectively.

Also see Note 6 for the note payable to the HOC.

NOTE 8 **NET ASSETS**

The HOC follows the reporting requirements of the Governmental Accounting Standards Board ("GASB") and reclassifies the net assets of the Corporation as follows:

	2018	2017
Net investment in capital assets	\$ 1,423,364	\$ 1,485,192
Restricted net position	728,117	749,261
Unrestricted net position	892,441	822,443
	\$ 3,043,922	\$ 3,056,896

NOTE 9 **SUBSEQUENT EVENTS**

The Corporation has evaluated all subsequent events through October 3, 2018, the date the financial statements were available to be issued.

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
OF MONTGOMERY COUNTY, MARYLAND)
SELECTED LINE ITEM DETAIL
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>ADMINISTRATION</u>		
Accounting services	\$ 6,330	\$ 6,080
Advertising	15,309	19,745
Bank fees	94	87
Cable charges	689	673
Contract administrative salaries	81,365	66,939
Contract management fee	61,762	60,422
Credit check services	4,872	4,339
Decorations	191	824
Food and beverages	1,584	582
Information management services	627	-
Legal services	5,839	6,826
Local mileage and travel	-	336
Local phone	5,151	4,869
Miscellaneous operating expenses	5,661	3,544
Miscellaneous program supplies	2,764	2,231
Office equipment rent	4,066	3,086
Office supplies	-	1,190
Other operating professional services	305	1,147
Paper, pads, etc.	1,720	-
Postage	82	99
Printing/reproduction	603	2,451
Security deposit interest	111	347
Total Administration	<u>\$ 199,125</u>	<u>\$ 185,817</u>
 <u>FRINGE BENEFITS</u>		
Contract employee appreciation	\$ 1,396	\$ 800
Contract housing allowance	1,667	1,668
Contract managed benefits	20,256	31,434
Contract other training	913	2,754
Total Fringe Benefits	<u>\$ 24,232</u>	<u>\$ 36,656</u>
 <u>OTHER EXPENSES</u>		
Asset management fee expense	\$ 104,450	\$ 73,020
Development fee	-	39,700
Fire and hazard insurance	2,530	2,500
Liability insurance	7,305	6,410
Security system	1,363	1,240
Solid waste tax	1,930	1,932
Water quality protect charge (RFSA)	5,599	5,103
Total Other Expenses	<u>\$ 123,177</u>	<u>\$ 129,905</u>

See independent accountant's compilation report.

GLENMONT CROSSING DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE HOUSING OPPORTUNITIES COMMISSION
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SELECTED LINE ITEM DETAIL
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>MAINTENANCE</u>		
Appliance equipment	\$ 23,437	\$ 8,020
Appliance supplies	6,188	3,775
Asphalt/concrete contracts	5,270	3,220
Cleaning and janitorial contracts	23,255	22,616
Cleaning and janitorial supplies	706	276
Computer equipment	-	1,417
Contracted labor	51,254	61,902
Doors	5,932	1,326
Electrical contracts	2,775	793
Electrical supplies	7,277	6,312
Employee uniforms	515	1,241
Exterminating contracts	30,392	12,100
Flooring and carpeting contracts	71,768	56,348
Grounds and landscaping contracts	27,460	15,467
Grounds and landscaping supplies	1,552	540
Grounds/landscaping supplies	-	2,995
Hardware supplies	3,143	6,943
Health and safety materials	570	-
HVAC contracts	9,055	1,945
HVAC equipment	742	-
HVAC supplies	2,439	4,809
Kitchen and bath supplies	14,019	22,457
Locks and keys	808	144
Miscellaneous contracts	43,580	55,643
Miscellaneous equipment	-	381
Miscellaneous supplies	3,606	-
Paint and wallcoverings	844	2,127
Paint/wallcoverings interior contracts	80,426	41,833
Plumbing contracts	33,544	7,774
Plumbing supplies	8,018	4,264
Roofing and gutter contracts	26,518	1,438
Snow removal contracts	15,196	6,972
Tools	308	195
Windows and glass	2,929	3,811
Total Maintenance	<u>\$ 503,526</u>	<u>\$ 359,084</u>
 <u>UTILITIES</u>		
Electric	\$ 16,116	\$ 14,357
Natural gas	86,398	74,284
Trash collection	18,558	17,132
Trash collection - bulk	2,953	4,040
Water	127,383	121,840
Total Utilities	<u>\$ 251,408</u>	<u>\$ 231,653</u>

See independent accountant's compilation report.