

Wheaton Metro Development Corporation

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

June 30, 2018 and 2017

COHN  REZNICK
ACCOUNTING • TAX • ADVISORY

Wheaton Metro Development Corporation

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Independent Auditor's Report

To Management
Wheaton Metro Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Wheaton Metro Development Corporation, 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.

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. 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 Wheaton Metro Development Corporation as of June 30, 2018 and 2017, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The June 30, 2018 and 2017 accompanying supplementary information on pages 16 to 18 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 audits 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.

CohnReznick LLP

Baltimore, Maryland
October 15, 2018

Wheaton Metro Development Corporation

Balance Sheets June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
<u>Assets</u>		
Current assets		
Cash and cash equivalents	\$ 13,345	\$ 39,702
Advance to affiliate	1,669,494	1,668,016
Accounts receivable and other assets, net of allowance	<u>116,702</u>	<u>103,236</u>
Total current assets	<u>1,799,541</u>	<u>1,810,954</u>
Restricted cash and cash equivalents available for current liabilities		
Customer deposits	66,177	74,668
Restricted cash and cash equivalents	<u>455,653</u>	<u>486,975</u>
Total restricted cash and cash equivalents for current liabilities	<u>521,830</u>	<u>561,643</u>
Non-current assets		
Property and equipment, net of accumulated depreciation	27,529,572	28,462,461
Deferred charges, net of accumulated amortization	11,871	15,186
Prepaid expenses	<u>94,104</u>	<u>97,189</u>
Total non-current assets	<u>27,635,547</u>	<u>28,574,836</u>
Total assets	<u>\$ 29,956,918</u>	<u>\$ 30,947,433</u>

Wheaton Metro Development Corporation

Balance Sheets June 30, 2018 and 2017

Liabilities and Partners' Deficit

	<u>2018</u>	<u>2017</u>
Current liabilities		
Accounts payable and accrued liabilities	\$ 63,449	\$ 96,034
Mortgage payable - current	465,431	444,988
Accrued interest payable	<u>112,072</u>	<u>113,740</u>
Total current liabilities	<u>640,952</u>	<u>654,762</u>
Current liabilities payable from restricted cash and cash equivalents		
Customer deposit payable	<u>65,535</u>	<u>71,350</u>
Non-current liabilities		
Mortgage payable, net of unamortized debt issuance costs of \$647,520 and \$668,750 and net of current maturities	28,772,827	29,217,027
Loan payable to Montgomery County, MD	2,984,721	2,984,721
Loans payable to Housing Opportunities Commission of Montgomery County, MD	1,379,283	1,379,283
Developer fee payable	3,273,051	3,273,051
Accrued interest payable	<u>624,969</u>	<u>529,497</u>
Total non-current liabilities	<u>37,034,851</u>	<u>37,383,579</u>
Total liabilities	<u>37,741,338</u>	<u>38,109,691</u>
Total net assets	<u>(7,784,420)</u>	<u>(7,162,258)</u>
Total liabilities and net assets	<u><u>\$ 29,956,918</u></u>	<u><u>\$ 30,947,433</u></u>

See Notes to Financial Statements.

Wheaton Metro Development Corporation

Statements of Operations Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating revenue		
Dwelling rental	\$ 2,530,334	\$ 2,507,085
Other income	<u>10,139</u>	<u>10,660</u>
Total operating revenue	<u>2,540,473</u>	<u>2,517,745</u>
Operating expenses		
Administration	326,448	289,296
Maintenance	318,836	256,325
Bad debt	7,766	14,250
Depreciation and amortization	936,204	936,204
Utilities	55,975	57,085
Fringe benefits	60,145	57,875
Interest expense	1,473,900	1,516,390
Other	<u>255,460</u>	<u>239,367</u>
Total operating expenses	<u>3,434,734</u>	<u>3,366,792</u>
Operating loss	(894,261)	(849,047)
Nonoperating revenues		
Investment income	<u>4,264</u>	<u>1,656</u>
Net loss	<u>\$ (889,997)</u>	<u>\$ (847,391)</u>

See Notes to Financial Statements.

Wheaton Metro Development Corporation

**Statements of Changes in Net Assets
Years Ended June 30, 2018 and 2017**

Balance, July 1, 2016	\$ (6,314,867)
Net loss	<u>(847,391)</u>
Balance, June 30, 2017	(7,162,258)
Contributions	267,835
Net loss	<u>(889,997)</u>
Balance, June 30, 2018	<u><u>\$ (7,784,420)</u></u>

See Notes to Financial Statements.

Wheaton Metro Development Corporation

**Statements of Cash Flows
Years Ended June 30, 2018 and 2017**

	2018	2017
Cash flows from operating activities		
Net loss	\$ (889,997)	\$ (847,391)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	936,204	936,204
Amortization of debt issuance costs	21,230	44,102
(Increase) decrease in assets		
Accounts receivable and other assets	(10,381)	20,039
Increase (decrease) in liabilities		
Accounts payable and accrued liabilities	(32,585)	34,912
Accrued interest payable	93,804	93,877
Customer deposits payable, net	2,676	(3,298)
	120,951	278,445
Net cash provided by operating activities		
Cash flows from investing activities		
Increase in interfund receivable	(1,478)	(7,208)
Decrease in restricted cash and cash equivalents	31,322	545
	29,844	(6,663)
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Payments on mortgage payable	(444,987)	(425,443)
Contributions	267,835	-
	(177,152)	(425,443)
Net cash used in financing activities		
Net decrease in cash and cash equivalents	(26,357)	(153,661)
Cash and cash equivalents, beginning	39,702	193,363
Cash and cash equivalents, ending	\$ 13,345	\$ 39,702
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,358,866	\$ 1,375,325

See Notes to Financial Statements.

Wheaton Metro Development Corporation

Notes to Financial Statements June 30, 2018 and 2017

Note 1 - Organization

Wheaton Metro Development Corporation (the "Corporation") was formed as a non-stock corporation under the laws of the state of Maryland on October 1, 2003. The Corporation was formed for the purpose of operating a housing property consisting of 120 market-rate units, 2 retail units, and a parking garage for persons of low-and moderate income located in Wheaton, Maryland (the "Project").

On January 1, 2009, Wheaton Metro Limited Partnership (the "Partnership") assigned 120 market-rate units, 2 retail units and a parking garage, which is part of MetroPointe Apartments, to the Corporation. As part of the transfer, the Corporation was assigned the following assets: \$1,242,444 of accounts receivable and other assets; \$1,458,293 of interfund receivable; and \$36,242,125 of property and equipment. The Corporation assumed the following liabilities: \$33,380,000 of mortgage payable with (\$1,236,725) of unamortized debt issuance costs; \$2,984,721 of loan payable to Montgomery County; and \$3,814,866 of developer fee payable.

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. At both June 30, 2018 and 2017, the allowance was \$0.

Rental property

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

	Method	Estimated useful lives
Buildings and improvements	Straight-line	40 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

Wheaton Metro Development Corporation

Notes to Financial Statements June 30, 2018 and 2017

equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the year ended June 30, 2018.

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 an imputed interest rate on the related mortgage.

Deferred charges

Costs related to obtaining commercial tenants of \$30,640 are being amortized over the life of the leases, which ranged from 9-10 years. Amortization expense for the years ended June 30, 2018 and 2017 was \$3,315 and \$3,315, respectively. Accumulated amortization as of June 30, 2018 and 2017 was \$18,769 and \$15,454, respectively. Estimated amortization expense for each of the ensuing year through June 30, 2021 is \$3,315 and estimated amortization expense for the year ended June 30, 2022 is \$1,926.

Income taxes

The Corporation is a component unit of The Housing Opportunities Commission of Montgomery County, Maryland (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, 2018, returns for the tax years 2015 through 2017 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, 2018, there were no cash equivalents.

Wheaton Metro Development Corporation

Notes to Financial Statements June 30, 2018 and 2017

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 \$2,500 monthly in accordance with the Regulatory Agreement. As of June 30, 2018 and 2017, the balance in the reserve was \$137,418 and \$171,277, respectively.

Renovation reserve

The Corporation has an additional renovation reserve to be used to fund capital improvements or major repairs. As of June 30, 2018 and 2017, the balance in the reserve was \$244,107 and \$242,546, respectively.

Mortgage escrow

Under the agreements with the affiliate of the Commission, the Corporation is required to make monthly escrow deposits for mortgage insurance. As of June 30, 2018 and 2017, the escrow was \$74,128 and \$73,152, respectively.

Note 4 - Rental property

Property held by the Corporation at June 30, 2018 and 2017 consists of the following:

	<u>2018</u>	<u>2017</u>
Land	\$ 1,428,020	\$ 1,428,020
Buildings	33,560,986	33,560,986
Land improvements	1,292,638	1,292,638
Furniture and equipment	333,918	333,918
Leasehold improvements	68,784	68,784
Accumulated depreciation	<u>(9,154,774)</u>	<u>(8,221,885)</u>
	<u>\$ 27,529,572</u>	<u>\$ 28,462,461</u>

Note 5 - Mortgage payable

The Corporation assumed the obligations from the Partnership mortgage obtained for financing the construction of the Project in connection with the issuance, by an affiliate of the Commission, of Housing Development Bonds, 2006 Series A, in an aggregate amount not to exceed \$33,380,000. The loan converted to permanent financing in January 2009, at which time monthly payments of principal and interest in the amount of \$150,064 commenced. The loan bears interest at 4.50% and matures on January 1, 2049. The Project serves as collateral for the loan. As of June 30, 2018 and 2017, the mortgage payable was \$29,885,778 and \$30,330,765, respectively, and accrued interest was \$112,072 and \$113,740, respectively.

As discussed in Note 2, debt issuance costs, net of accumulated amortization, totaled \$647,520 and \$668,750 as of June 30, 2018 and 2017, respectively, and are related to the mortgage payable. Debt issuance costs on the above mortgage are being amortized using an imputed rate of 4.76%. For the years ended June 30, 2018 and 2017, amortization expense related to debt issuance costs

Wheaton Metro Development Corporation

Notes to Financial Statements June 30, 2018 and 2017

was \$21,230 and \$44,102, 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, 2018 and every five years thereafter are as follows:

2019	\$	465,431
2020		486,812
2021		509,176
2022		532,568
2023		557,034
2024-2028		3,193,358
2029-2033		3,997,432
2034-2038		5,003,969
2039-2043		6,263,947
2044-2048		7,841,183
2049		1,034,868
		<hr/>
	\$	<u>29,885,778</u>

Note 6 - Note payable to Montgomery County, MD

In 2009, the Corporation assumed the obligations of a note payable to Montgomery County, Maryland in the amount of \$2,984,721. The note is collateralized by the Project. Beginning March 31, 2016, the note bears interest at a rate of 1% per annum and annual payments of principal and interest are due in an amount equal to the lesser of 50% of debt service cash flow as defined in the loan note or the amount which when applied first to interest and then to principal will amortize the loan over its then remaining term. The loan matures on April 1, 2046. As of June 30, 2018 and 2017, the outstanding principal balance and accrued interest was \$2,984,721 and \$2,984,721 and \$67,157 and \$37,310, respectively. There was no cash flow available for debt service payment at June 30, 2018 and 2017.

Note 7 - Related party transactions

Loan payable to the Housing Opportunities Commission of Montgomery County, MD

The Corporation obtained financing from the Commission, an affiliate of the Corporation. The original amount of the loan was \$486,138 and total additional principal advances cannot exceed \$1,250,000. Total advances by the Commission were \$1,250,000 and the loan is collateralized by the Project. Annual payments of 50% of net cash flow, as defined in the deed of trust note, are due commencing on July 1, 2010. The loan bears interest at 5.25% per annum and matures on July 1, 2039. As of June 30, 2018 and 2017, the outstanding principal balance and accrued interest was \$1,250,000 and \$1,250,000 and \$557,812 and \$492,187, respectively. There was no cash flow available for debt service payment at June 30, 2018 and 2017.

In accordance with the commission resolution dated November 2, 2011, the Opportunity Housing Reserve Fund advanced \$129,283 to the Project to fund payment of debt issuance costs. The advance does not bear interest and is payable from available net cash flow in accordance with the commission resolution. As of June 30, 2018 and 2017, \$129,283, respectively, remains payable and there was no net cash flow available for repayment.

Wheaton Metro Development Corporation

Notes to Financial Statements June 30, 2018 and 2017

Developer fee payable

The Corporation entered into a development agreement with the Commission and Bozzuto Development Company, an unrelated party ("Developers") for services relating to the development of the Project. The Developers earned a developer fee of \$5,694,506. The developer fee is payable from available net cash flow in accordance with the development agreement. As of June 30, 2018 and 2017, \$3,273,051, respectively, remains payable, and there is no cash flow available for repayment.

Advances to affiliate

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, 2018 and 2017, \$1,669,494 and \$1,668,016, respectively, were due to the Corporation.

Asset management fee

Pursuant to Section 7 of the Asset Management Fee Agreement (the "Agreement"), 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. The Agreement expired December 31, 2010 and renews automatically without notice. For each of the years ended June 30, 2018 and 2017, asset management fees of \$8,680, respectively, were incurred and paid.

Note 8 - Property management fee

The Corporation has an agreement with Bozzuto Management Company, an unrelated party, to provide property management services, effective July 1, 2016 through July 1, 2018. The agreement provided for a fee of 3.5% of gross revenues per month. Management fees charged to operations under this agreement for the years ended June 30, 2018 and 2017 were \$88,789 and \$88,747, respectively.

Note 9 - Net assets

The Commission, the Corporation's principal investor, is required to report on a fund basis. The Corporation, therefore has reported net assets on a fund balance to conform to the Commission's presentation. This presentation does not conform with generally accepted accounting principles, but is not materially different. Below is a summary of the Corporation's net assets as of June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Investment in capital assets, net	\$ (9,993,261)	\$ (9,505,359)
Restricted net assets	456,295	490,293
Unrestricted net assets	<u>1,752,546</u>	<u>1,852,808</u>
	<u>\$ (7,784,420)</u>	<u>\$ (7,162,258)</u>

Wheaton Metro Development Corporation

Notes to Financial Statements June 30, 2018 and 2017

Note 10 - 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 11 - 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, who 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.

Note 12 - 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 October 15, 2018 (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

Wheaton Metro Development Corporation

**Selected Line Item Detail
Years Ended June 30, 2018 and 2017**

	2018	2017
Administration		
Marketing and lease-up	\$ 50,490	\$ 46,694
Contract administration salary	76,882	74,569
Contract bonus/commission	23,944	15,966
Contract management fee	88,789	88,747
Miscellaneous operating expenses	3,123	1,543
Postage	1,008	1,104
Printing/reproduction	2,962	3,722
Office supplies	1,021	1,848
Auditing services	19,900	1,580
Legal services	3,009	1,665
Other operating professional services	201	232
Credit check services	3,168	2,320
Telephone	15,003	16,412
Software	12,864	16,776
Rental license fees	10,657	4,965
Bank fees	1,179	757
Resident gifts	4,047	4,570
Miscellaneous program supplies	6,481	4,862
Security deposit interest	904	964
Cable charges	566	-
Resident service fees	250	-
	\$ 326,448	\$ 289,296
Maintenance		
Contract maintenance salary	\$ 124,471	\$ 117,443
Electrical supplies	5,063	6,073
Appliance supplies	2,810	2,621
Plumbing supplies	2,762	2,154
Employee uniforms	377	512
Cleaning and janitorial supplies	1,620	2,148
Windows and glass	2,476	1,570
Doors	1,665	428
Hardware supplies	1,378	276
Locks and keys	1,614	2,332
HVAC supplies	1,964	3,190
Flooring and carpeting	5,681	5,769
Paint and wall coverings	367	660
Miscellaneous supplies	189	613
Miscellaneous equipment	2,582	-
Kitchen and bath supplies	474	264
Appliance equipment	392	56
Plumbing contracts	2,766	870
Cleaning and janitorial contracts	21,860	21,652
Grounds and landscaping contracts	7,865	7,943
HVAC contracts	10,526	-
Paint and wall coverings contracts	25,541	18,590
Flooring and carpeting contracts	34,513	24,181
Elevator contracts	8,270	7,692

Wheaton Metro Development Corporation

**Selected Line Item Detail
Years Ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Exterminating contracts	4,808	2,935
Asphalt/concrete contracts	3,420	-
Snow removal contracts	1,514	-
Miscellaneous contracts	41,429	17,226
Doors capital	-	4,778
Electrical contracts	-	4,349
Plumbing contracts capital	439	-
	<u>318,836</u>	<u>256,325</u>
Total maintenance expenses	<u>\$ 318,836</u>	<u>\$ 256,325</u>
Utilities		
Water	\$ 1,837	\$ -
Electric	44,403	47,250
Trash collection	9,735	9,835
	<u>55,975</u>	<u>57,085</u>
Total utility expenses	<u>\$ 55,975</u>	<u>\$ 57,085</u>
Fringe benefits		
Contract managed benefits	\$ 58,215	\$ 54,816
Contract employee appreciation	1,575	2,883
Contract other training	355	176
	<u>60,145</u>	<u>57,875</u>
Total fringe benefits	<u>\$ 60,145</u>	<u>\$ 57,875</u>
Other		
Mortgage insurance	\$ 150,757	\$ 152,888
Other taxes	2,860	2,943
Property insurance	67,264	58,607
Water quality protection charge	2,543	2,292
Security contracts	23,356	13,957
Asset management fee	8,680	8,680
	<u>255,460</u>	<u>239,367</u>
Total other expenses	<u>\$ 255,460</u>	<u>\$ 239,367</u>

See Independent Auditor's Report.

Wheaton Metro Development Corporation

**Cash Flow and Distribution
Year Ended June 30, 2018**

Operating revenue	\$ 2,540,473
Additions (deductions)	
Change in accounts receivable	(13,541)
Change in prepaid rent	(32,448)
	<u>2,494,484</u>
Operating expenses	(3,434,734)
(Additions) Deductions	
Change in accounts payable	475
Change in prepaid expenses	3,160
Change in accrued expenses	(612)
Depreciation and amortization	936,204
Amortization of debt issuance costs	21,230
Required reserve deposits, net of approved withdrawals	36,249
Scheduled debt service	(465,431)
	<u>(2,903,459)</u>
Cash shortfall	<u>\$ (408,975)</u>
Order of distribution	
First - the lesser of 50% of remaining cash flow or amortizing principal and interest payment amount to the County Loan	\$ -
Second - 50% of the remaining cash flow to pay the HOC LOC	<u>-</u>
Total distributable cash flow	<u>\$ -</u>

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