

Oaks at Four Corners Development Corporation

Financial Statements

**For The Years Ended
June 30, 2021 And 2020**

Oaks at Four Corners Development Corporation

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Independent Auditor's Report

To the Board of Commissioners
Oaks at Four Corners Development Corporation
10400 Detrick Avenue
Kensington, MD 20895

Report on the Financial Statements

We have audited the accompanying financial statements of Oaks at Four Corners 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. 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 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 Oaks at Four Corners 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.

SC+H attest services, P.C.

Sparks, Maryland
October 7, 2021

Oaks at Four Corners Development Corporation

Balance Sheets

As of June 30, 2021 and 2020

	2021	2020
Assets		
Unrestricted current assets		
Cash and cash equivalents	\$ 321,091	\$ 102,224
Accounts receivable, net and other assets	17,365	16,525
Total unrestricted current assets	<u>338,456</u>	<u>118,749</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	474,196	568,794
Tenants' security deposits	127,174	125,116
Total restricted cash and cash equivalents for current liabilities	<u>601,370</u>	<u>693,910</u>
Property and equipment		
Property and equipment, net of accumulated depreciation	<u>2,538,645</u>	<u>2,734,621</u>
Total assets	<u>\$ 3,478,471</u>	<u>\$ 3,547,280</u>

See independent auditor's report and notes to financial statements.

Oaks at Four Corners Development Corporation

Balance Sheets (Continued)
As of June 30, 2021 and 2020

	2021	2020
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 65,593	\$ 85,798
Accrued interest payable	6,512	7,509
Interfund payable	8,155	2,358
First mortgage, current maturities	203,132	190,761
Note payable, current maturities	219,139	-
Total current liabilities	<u>502,531</u>	<u>286,426</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	<u>126,373</u>	<u>122,822</u>
Total current liabilities payable from restricted assets	<u>126,373</u>	<u>122,822</u>
Long-term liabilities		
First mortgage, net of current maturities and unamortized financing fees of \$11,621 - 2021 and \$14,204 - 2020	1,009,366	1,209,915
Note payable, net of current maturities	<u>1,361,575</u>	<u>1,580,714</u>
Total long-term liabilities	<u>2,370,941</u>	<u>2,790,629</u>
Total liabilities	<u>2,999,845</u>	<u>3,199,877</u>
Contingency (Note 10)		
Net assets		
Investment in capital assets, net of related debt	(266,188)	(260,973)
Restricted net assets	474,997	571,088
Unrestricted net assets	<u>269,817</u>	<u>37,288</u>
Total net assets	<u>478,626</u>	<u>347,403</u>
Total liabilities and net assets	<u>\$ 3,478,471</u>	<u>\$ 3,547,280</u>

See independent auditor's report and notes to financial statements.

Oaks at Four Corners Development Corporation

Statements of Operations
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues		
Dwelling rental income	\$ 1,415,579	\$ 1,400,662
Other income	<u>7,174</u>	<u>7,062</u>
Total operating revenues	<u>1,422,753</u>	<u>1,407,724</u>
Operating expenses		
Administrative	256,240	262,126
Operating and maintenance	369,701	461,509
Depreciation	195,976	195,577
Utilities	97,635	90,936
Fringe benefits	91,737	83,718
Interest expense	85,279	96,957
Other	186,453	183,889
Bad debt expense	<u>6,958</u>	<u>4,151</u>
Total operating expenses	<u>1,289,979</u>	<u>1,378,863</u>
Operating income	<u>132,774</u>	<u>28,861</u>
Nonoperating revenue (expense)		
Interest revenue (expense)	<u>(1,551)</u>	<u>5,668</u>
Total nonoperating revenue (expense)	<u>(1,551)</u>	<u>5,668</u>
Net income	<u>\$ 131,223</u>	<u>\$ 34,529</u>

See independent auditor's report and notes to financial statements.

Oaks at Four Corners Development Corporation

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

Balance - July 1, 2019	\$ 312,874
Net income - June 30, 2020	<u>34,529</u>
Balance - June 30, 2020	347,403
Net income - June 30, 2021	<u>131,223</u>
Balance - June 30, 2021	<u>\$ 478,626</u>

See independent auditor's report and notes to financial statements.

Oaks at Four Corners Development Corporation

Statements of Cash Flows

For the Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net income	\$ 131,223	\$ 34,529
Adjustments to reconcile net income to net cash, cash equivalents and restricted cash provided by operating activities:		
Depreciation	195,976	195,577
Amortization of financing fees	2,583	2,583
Bad debt expense	6,958	4,151
(Increase) decrease in operating assets:		
Accounts receivable, net and other assets	(7,798)	18,538
Interfund receivable	-	9,915
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(20,205)	7,472
Accrued interest payable	(997)	(935)
Interfund payable	5,797	2,358
Deferred revenue	-	(600)
Tenants' security deposits	3,551	2,598
Net cash, cash equivalents and restricted cash provided by operating activities	<u>317,088</u>	<u>276,186</u>
Cash flows from investing activities		
Acquisition of property and equipment	<u>-</u>	<u>(70,699)</u>
Net cash, cash equivalents and restricted cash used in investing activities	<u>-</u>	<u>(70,699)</u>
Cash flows from financing activities		
Mortgage principal payments	<u>(190,761)</u>	<u>(179,143)</u>
Net cash, cash equivalents and restricted cash used in financing activities	<u>(190,761)</u>	<u>(179,143)</u>
Net increase in cash, cash equivalents and restricted cash	126,327	26,344
Cash, cash equivalents and restricted cash, beginning of year	<u>796,134</u>	<u>769,790</u>
Cash, cash equivalents and restricted cash, end of year	<u>\$ 922,461</u>	<u>\$ 796,134</u>

See independent auditor's report and notes to financial statements.

Oaks at Four Corners Development Corporation

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2021 and 2020

Supplemental disclosure of cash flow information

Cash paid during the year for interest	<u>\$ 83,693</u>	<u>\$ 95,309</u>
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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 presented in cash, cash equivalents and restricted cash, end of year, above:

Cash and cash equivalents	\$ 321,091	\$ 102,224
Restricted cash and cash equivalents	474,196	568,794
Tenants' security deposits	<u>127,174</u>	<u>125,116</u>
Total cash, cash equivalents and restricted cash, end of year	<u>\$ 922,461</u>	<u>\$ 796,134</u>

See independent auditor's report and notes to financial statements.

Oaks at Four Corners Development Corporation

Notes to Financial Statements

For the Years Ended June 30, 2021 and 2020

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Oaks at Four Corners Development Corporation (the Corporation) is a nonprofit, nonstock corporation formed in the State of Maryland on August 21, 1996, to acquire, develop and manage a 120-unit moderately priced housing property (the Project). The units are located in Silver Spring, Montgomery County, Maryland.

Housing projects undertaken, financed, or assisted by the Corporation and the projects' related expenditures must be approved by the Housing Opportunities Commission of Montgomery County, Maryland, (a component unit of Montgomery County, Maryland) (HOC). The Corporation is legally separate from HOC, but the Corporation's financial statements are included in the Opportunity Housing Fund of HOC as a blended component unit. The Corporation's directors must be commissioners of HOC and, therefore, HOC can significantly influence the programs, projects, activities of, and the level of service performed by the Corporation.

Method of Accounting

The Corporation's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

Rents Receivable and Bad Debts

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts.

Management periodically evaluates the need for an allowance for doubtful accounts by considering the Corporation's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due after the tenth of the month in which they were due. Accounts receivable are considered uncollectible if they are outstanding over 90 days. The allowances as of June 30, 2021 and 2020 were \$215 and \$301, respectively.

Property and Equipment

Land, buildings and improvements are recorded at cost. Building and improvements are depreciated over their estimated useful lives of 5 to 40 years using the straight-line method.

Impairment of Long-Lived Assets

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended June 30, 2021 and 2020.

See independent auditor's report.

Oaks at Four Corners Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Net Assets

HOC, the Corporation's principal investor, is required to report on a fund basis and categorize net assets as the following:

Investment in capital assets represents the total of property and equipment, net less mortgage payable.

Restricted net assets represent the sum of total restricted cash and cash equivalents and tenant security deposits less the tenant security deposit liability.

Unrestricted net assets represent the balance remaining after investment in capital assets and restricted net assets.

Interest

The Corporation has adopted the FASB ASC Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Corporation is reporting loan fees related to its mortgage payable as a direct deduction from the principal balances of the mortgage, and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 5 for more information.

Income Taxes

The Corporation is exempt from income taxes under Section 115 of the Internal Revenue Code, which excludes from gross income amounts earned by state and local governments.

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.

Rental Revenue

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

Advertising

The Corporation's policy is to expense advertising costs when incurred and totals as of June 30, 2021 and 2020 \$1,075 and \$840, respectively.

Reclassification

Reclassifications have been made to the prior year balances to conform to current year presentation.

See independent auditor's report.

Oaks at Four Corners Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

2) Concentration of 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.

3) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	<u>2021</u>	<u>2020</u>
Mortgage escrow deposits	\$ 11,694	\$ 11,453
Replacement reserve	<u>462,502</u>	<u>557,341</u>
	<u>\$ 474,196</u>	<u>\$ 568,794</u>

Mortgage Escrow Deposits

Pursuant to the terms of the mortgage note, the Corporation is required to make monthly deposits with the mortgagee for payment of mortgage insurance premium so that a sufficient amount is on deposit with the mortgagee when the actual payment of such expenses is due.

The activity of these funds for the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Balance, beginning of year	\$ 11,453	\$ 11,229
Withdrawals	(7,246)	(7,263)
Deposits	<u>7,487</u>	<u>7,487</u>
Balance, end of year	<u>\$ 11,694</u>	<u>\$ 11,453</u>

See independent auditor's report.

Oaks at Four Corners Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

3) Restricted Cash and Cash Equivalents (Continued)

Replacement Reserve

Pursuant to the regulatory agreement with HUD, the Corporation is required to maintain a replacement reserve escrow account with HOC as trustee. The replacement reserve is set aside for future maintenance of the property.

Details of the replacement reserve account during the years ended June 30 were as follows:

	2021	2020
Balance, beginning of year	\$ 557,341	\$ 486,286
Monthly deposits*	171,996	171,996
Reserve releases	(266,866)	(108,260)
Interest earned	31	7,319
Balance, end of year	<u>\$ 462,502</u>	<u>\$ 557,341</u>

*In July 2011, the Corporation began contributing monthly payments of \$2,792 to the replacement reserve. Annually the monthly payment is scheduled to increase by 2.5%, and may be modified as needed by HOC. However, HOC reviews the capital needs of the Corporation on an annual basis and approves an annual deposit amount based on those needs. Monthly deposits for the years ended June 30, 2021 and 2020 were \$14,333 for each year.

4) Property and Equipment

Property and equipment detail for the years ended June 30 was as follows:

	2021	2020
Buildings	\$ 6,950,447	\$ 6,950,447
Furniture and equipment	174,890	174,890
Site improvements	176,646	176,646
Total property and equipment	7,301,983	7,301,983
Less: accumulated depreciation	4,763,338	4,567,362
Property and equipment, net	<u>\$ 2,538,645</u>	<u>\$ 2,734,621</u>

See independent auditor's report.

Oaks at Four Corners Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

5) Long-Term Debt

Mortgage Payable

The Corporation is obligated to repay a mortgage to HOC. On September 3, 1996, the Corporation assumed the HUD regulatory agreement from HOC in conjunction with execution of a mortgage loan from HOC for \$3,695,000. The note is secured by a promissory note, deed of trust, security and assignment of rent agreements, and substantially all assets. Financing fees related to the mortgage were \$73,900 and are being amortized to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan. Beginning October 1, 1996, principal and interest payments of \$22,871 are due monthly until maturity on September 1, 2026. The loan provides for interest at a nominal rate of 6.30% per annum and an effective interest rate of 6.41% per annum. The outstanding principal and accrued interest balances as of June 30, 2021 and 2020 are \$1,224,119 and \$6,512, respectively, for 2021 and \$1,414,880 and \$7,509, respectively, for 2020. Unamortized financing fees as of June 30, 2021 and 2020 were \$11,621 and \$14,204, respectively. For the years ended June 30, 2021 and 2020, interest incurred on the mortgage was \$85,279 and \$96,957, respectively, including amortized financing fees of \$2,583 for each of the years.

Maturities of the mortgage payable are as follows:

2022	\$	203,132
2023		216,305
2024		230,333
2025		245,270
2026		261,176
Thereafter		<u>67,903</u>
Total	\$	<u>1,224,119</u>

Estimated financing fees being amortized to interest expense for the next five years are \$2,583 for 2022 through 2025 and \$1,289 for 2026. The liability of the Corporation under the mortgages is limited to the underlying value of the real estate collateral and an assignment of rents, plus other amounts deposited with the lender.

Note Payable

The Corporation assumed a note payable, deed of trust security agreement, and regulatory agreement with Montgomery County, Maryland. The original amount of the note is \$2,349,725 and is non-interest bearing. There were no financing fees incurred on the note. An annual payment of principal is due on July 1 and is paid from the Net Cash Flow from the property, as defined. The note matures on the termination of the ground lease on December 31, 2035. As of June 30, 2021 and 2020 the outstanding principal balance was \$1,580,714.

6) Real Estate Taxes

The Corporation has entered into a Payment In Lieu Of Taxes (PILOT) agreement for the 120 units whereby a portion of Montgomery County real estate tax and special area taxes are abated.

See independent auditor's report.

Oaks at Four Corners Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

7) Property Management Fee

The Project is managed by Edgewood Management Corporation pursuant to a management agreement. The fee was calculated at a flat rate of \$36 per unit per month, or \$51,840 annually with an incentive bonus of \$2 per unit per month when the property is operating at or above 96.5% occupancy, per the monthly compliance report. Effective August 1, 2019, the fee is calculated at a flat rate of \$40 per occupied unit per month. In addition, HOC reserves the right to pay Edgewood Management Corporation an annual fee. Payment of the annual fee is in HOC's sole discretion and there is no guarantee that Edgewood Management Corporation will receive the annual fee in any given year. The annual fee will be based on target occupancy levels and rent actually received. The agreement expires on July 31, 2022, with a renewal option of one year remaining at the discretion of the Corporation. For the years ended June 30, 2021 and 2020, management fees of \$56,280 and \$56,120, respectively, were incurred.

8) Related Party Transactions

Interfund Receivable and Payable

The Corporation has numerous transactions with HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Corporation has not been paid or collected as of year-end, interfund payables and receivables are recorded. The balance of the interfund payable as of June 30, 2021 and 2020 was \$8,155 and \$2,358 respectively.

Ground Lease

The Corporation assumed a ground lease from HOC which was entered into with Montgomery County, Maryland. The ground lease provides for a rent payment of \$100 per year payable due on the anniversary date of the agreement and provides that the premises be used solely for housing the elderly and handicapped. The ground lease terminates on December 31, 2035.

Asset Management Fee

The Corporation was charged an asset management fee of \$128,390 and \$129,405, respectively, for the years ended June 30, 2021 and 2020, by HOC.

9) Housing Assistance Payment Contract

Effective July 1, 2015, the Corporation has entered into a Rent Supplement Agreement with HOC to provide a rental supplement for income eligible families. The agreement will continue until terminated by mutual consent of the parties. Tenant assistance payments for the years ended June 30, 2021 and 2020 were \$138,702 and \$108,882, respectively.

See independent auditor's report.

Oaks at Four Corners Development Corporation

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2021 and 2020

10) Business Risk Factor

In December 2019, a novel strain of coronavirus (COVID-19) was reported in Wuhan, China. The World Health Organization has declared COVID-19 to constitute a Public Health Emergency of International Concern. In March 2020, COVID-19 began to spread throughout the United States. Efforts to contain COVID-19, including restrictions mandated by U.S. Federal and various state and local governments has caused numerous businesses to close or modify their operations in an effort to prevent COVID-19 from spreading more rapidly. Because of the size and duration of this pandemic, the direct and indirect consequences of COVID-19 are not yet known and may not emerge for some time. The future impact of the pandemic is highly uncertain and cannot be predicted, but it could have a material adverse impact on the future results of operations and financial position of the Corporation.

11) Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the independent auditor's report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements.

See independent auditor's report.



Independent Auditor's Report on Supplementary Information

We have audited the financial statements of Oaks at Four Corner Development Corporation as of and for the years ended June 30, 2021 and 2020 and our report thereon dated October 7, 2021 expressed an unmodified opinion on those financial statements, which appears on pages one and two. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules are presented for the purpose of additional analysis and are 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 presented in all material respects in relation to the financial statements as a whole.

SC&H attest services, P.C.

Sparks, Maryland
October 7, 2021

Oaks at Four Corners Development Corporation

Detail of Selected Balance Sheet Accounts

As of June 30, 2021 and 2020

	2021	2020
Accounts receivable, net and other assets		
Rents receivable	\$ 8,432	\$ 10,702
Allowance for doubtful accounts	(215)	(301)
Prepaid insurance	1,257	841
Prepaid mortgage insurance	1,580	1,816
Insurance claims receivable	4,708	-
Subsidy receivable	1,603	3,467
	<u>17,365</u>	<u>16,525</u>
Total accounts receivable, net and other assets	\$ <u>17,365</u>	\$ <u>16,525</u>
Accounts payable and accrued expenses		
Accounts payable	\$ 26,948	\$ 48,179
Accrued salaries	8,481	7,990
Accrued utility payments	3,562	4,158
Clearing resident refunds	14,325	13,940
Other accrued liabilities	71	222
Resident prepaid rents	12,206	11,309
	<u>65,593</u>	<u>85,798</u>
Total accounts payable and accrued expenses	\$ <u>65,593</u>	\$ <u>85,798</u>

See independent auditor's report on supplementary information.

Oaks at Four Corners Development Corporation

Detailed Statements of Operations
For the Years Ended June 30, 2021 and 2020

	2021	2020
Dwelling rental income		
Rent	\$ 1,435,217	\$ 1,424,767
Vacancies and concessions	(37,061)	(39,214)
Tenant charges	9,223	6,694
Laundry income	8,200	8,415
Total dwelling rental income	<u>\$ 1,415,579</u>	<u>\$ 1,400,662</u>
Other income		
User fees	\$ 778	\$ 1,347
Miscellaneous	756	75
Rental license	5,640	5,640
Total other income	<u>\$ 7,174</u>	<u>\$ 7,062</u>
Administrative expenses		
Advertising and marketing	\$ 1,075	\$ 840
Contract management fees	56,280	56,120
Licenses and fees	5,964	6,082
Miscellaneous	1,790	29,639
Office supplies and expense	15,773	15,589
Professional fees	11,202	12,876
Resident services	51,651	53,136
Salaries	101,546	78,558
Telephone	10,959	9,286
Total administrative expenses	<u>\$ 256,240</u>	<u>\$ 262,126</u>

See independent auditor's report on supplementary information.

Oaks at Four Corners Development Corporation

Detailed Statements of Operations (Continued)
For the Years Ended June 30, 2021 and 2020

	2021	2020
Operating and maintenance expenses		
Contracts	\$ 106,625	\$ 181,234
Exterminating	4,860	8,280
Grounds maintenance	20,307	49,141
HVAC repairs and maintenance	10,902	8,168
Janitorial	13,675	15,630
Salaries	138,468	138,697
Snow removal	3,766	475
Supplies and repairs	71,098	59,884
Total operating and maintenance expenses	<u>\$ 369,701</u>	<u>\$ 461,509</u>
Utilities expense		
Electricity	\$ 38,068	\$ 39,452
Gas	4,455	4,879
Trash removal	11,125	11,284
Water	43,987	35,321
Total utilities expense	<u>\$ 97,635</u>	<u>\$ 90,936</u>
Fringe benefits		
Contract managed benefits	\$ 75,723	\$ 65,983
Other fringe benefits	16,014	17,735
Total fringe benefits	<u>\$ 91,737</u>	<u>\$ 83,718</u>
Other expenses		
Asset management fees	\$ 128,390	\$ 129,405
Insurance	33,935	26,156
Mortgage insurance	6,557	7,486
Security contracts	11,452	15,119
Taxes	6,119	5,723
Total other expenses	<u>\$ 186,453</u>	<u>\$ 183,889</u>

See independent auditor's report on supplementary information.

Oaks at Four Corners Development Corporation

Distribution of Net Cash Flow
For the Years Ended June 30, 2021 and 2020

Calculation of NCF per terms of Montgomery County loan agreement:

	<u>2021</u>	<u>2020</u>
Net cash provided by operating activities	\$ 317,088	\$ 276,186
Add: Replacement reserve releases	266,866	108,260
Less: Purchase of building and equipment	-	(70,699)
Deposits to replacement reserve	(171,996)	(171,996)
Net deposits to tenants' security deposits	(2,058)	(2,711)
Mortgage principal payments	(190,761)	(179,143)
Cash flow available for Montgomery County note payment	<u>\$ 219,139</u>	<u>\$ (40,103)</u>

See independent auditor's report on supplementary information.