

**RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTIAL RENTAL APARTMENT
COMPLEXES OWNED BY THE HOUSING
OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2021 AND 2020

**RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTAL RENTAL APARTMENT COMPLEXES
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

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INDEPENDENT AUDITORS' REPORT

To the Commissioners and Board of Directors
RAD 6 Development Corporation
Montgomery County, Maryland

Report on the Audit of the Financial Statements

Opinion

We have audited financial statements of RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland), which comprise the financial position as of June 30, 2021, and the related statements of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland), as of June 30, 2021 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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. Our responsibility under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of this report. We are required to be independent of RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland), and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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; and for 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. In preparing

the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities of Montgomery County, Maryland)'s ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- Exercise professional judgement and maintain profession skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland)'s internal control. According, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland)'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Matters

Prior Period Financial Statements

The financial statements of RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland), as of and for the

year ended June 30, 2020, were audited by other auditors, whose report dated December 15, 2020 expressed an unmodified opinion on those statements.

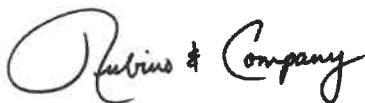
Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 18 to 23 is presented for purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 18 to 23 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 January 3, 2022 on our consideration of RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland)'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of RAD 6 Development Corporation (six residential rental apartment complexes owned by the Housing Opportunities Commission of Montgomery County, Maryland)'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering RAD 6 Development Corporation (a residential rental apartment complex owned by the Housing Opportunities Commission of Montgomery County, Maryland)'s internal control over financial reporting and compliance.



Vienna, Virginia

January 3, 2022

Audit Principal: Gerald A. Goldman

EIN: 52-1186096

**RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTIAL RENTAL APARTMENT COMPLEXES
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
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STATEMENTS OF FINANCIAL POSITION

JUNE 30,

ASSETS

	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash	\$ 200	\$ 200
Accounts receivable, net and other assets	<u>2,453,324</u>	<u>3,911,885</u>
Total current assets	<u>2,453,524</u>	<u>3,912,085</u>
RESTRICTED CASH AND CASH EQUIVALENTS AVAILABLE FOR CURRENT LIABILITIES		
Customer deposits - tenant security deposits	114,101	114,070
Restricted cash and cash equivalents	<u>989,002</u>	<u>1,089,362</u>
Total restricted cash and cash equivalents for current liabilities	<u>1,103,103</u>	<u>1,203,432</u>
NON-CURRENT ASSETS		
Property and equipment, net of depreciation	<u>26,457,496</u>	<u>27,281,798</u>
TOTAL ASSETS	<u>\$ 30,014,123</u>	<u>\$ 32,397,315</u>

See notes to financial statements

**RAD 6 DEVELOPMENT CORPORATION
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STATEMENTS OF FINANCIAL POSITION - Continued

JUNE 30,

LIABILITIES AND NET ASSETS

	2021	2020
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 220,890	\$ 228,969
Accrued interest payable	74,483	76,170
Interfund payable	4,741,074	5,915,342
Mortgage note payable-current	511,600	490,960
Total current liabilities	5,548,047	6,711,441
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS		
Customer deposit payable - tenant security deposits	101,981	99,328
NON-CURRENT LIABILITIES		
Mortgage note payable, net of current maturities	21,156,088	21,667,688
Less debt issuance costs	(292,724)	(304,512)
Mortgage note payable, net of current maturities and debt issuance costs	20,863,364	21,363,176
Total liabilities	26,513,392	28,173,945
NET ASSETS		
Investment in capital assets net of related debt	4,715,325	5,123,150
Restricted net assets	1,001,142	1,104,104
Unrestricted net assets	(2,215,736)	(2,003,884)
Total net assets	3,500,731	4,223,370
TOTAL LIABILITIES AND NET ASSETS	\$ 30,014,123	\$ 32,397,315

See notes to financial statements

RAD 6 DEVELOPMENT CORPORATION
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STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2021	2020
OPERATING REVENUES		
Dwelling rental	\$ 3,660,251	\$ 3,400,451
Other income	356,913	149,171
Total operating revenues	4,017,164	3,549,622
OPERATING EXPENSES		
Administration	534,079	533,018
Maintenance	943,503	952,202
Depreciation	825,146	825,146
Utilities	451,475	324,002
Fringe benefits	301,595	296,095
Interest	941,219	961,094
Other	565,540	499,819
Bad debts	175,344	53,195
Total operating expenses	4,737,901	4,444,571
Net operating loss	(720,737)	(894,949)
Investment income	(1,902)	2,886
Change in net assets	\$ (722,639)	\$ (892,063)

See notes to financial statements

**RAD 6 DEVELOPMENT CORPORATION
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**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	Investment in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total Net Assets
Balances - June 30, 2019	\$ 5,488,675	\$ 1,070,012	\$ (1,443,254)	\$ 5,115,433
Changes in net assets	(365,525)	34,092	(560,630)	(892,063)
Balances - June 30, 2020	5,123,150	1,104,104	(2,003,884)	4,223,370
Changes in net assets	(407,825)	(102,962)	(211,852)	(722,639)
Balances - June 30, 2021	<u>\$ 4,715,325</u>	<u>\$ 1,001,142</u>	<u>\$ (2,215,736)</u>	<u>\$ 3,500,731</u>

See notes to financial statements

RAD 6 DEVELOPMENT CORPORATION
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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2021	(restated) 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (722,639)	\$ (892,063)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	825,146	825,146
Amortization of debt issuance costs	11,788	11,788
Disposition of buildings and improvements	(845)	
Effects of changes in operating assets and liabilities		
Accounts receivable and other assets	1,458,561	(1,489,986)
Interfund payable	(1,174,268)	2,248,029
Customer deposits payable	10,324	(674)
Prepaid rent	(27,021)	37,833
Accounts payable and accrued liabilities	31,538	72,559
Interest payable	(1,687)	(1,620)
Net cash provided by operating activities	<u>410,897</u>	<u>811,012</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Improvements and additions to rental property	-	(231,501)
Net cash used in investing activities	<u>-</u>	<u>(231,501)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Principal payments on mortgage note	(490,960)	(923,299)
Net cash used in financing activities	<u>(490,960)</u>	<u>(923,299)</u>
Net increase (decrease) in cash	(80,063)	(343,788)
Cash , cash equivalents and restricted cash, beginning	<u>782,568</u>	<u>1,126,356</u>
Cash , cash equivalents and restricted cash, ending	<u>\$ 702,505</u>	<u>\$ 782,568</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 931,118</u>	<u>\$ 969,933</u>
Cash	\$ 200	\$ 200
Restricted cash and cash equivalents		
Customer deposits	114,070	113,293
Replacement reserve	960,326	703,573
Renovation escrow	-	206,530
Mortgage escrow fund	129,036	135,620
	<u>\$ 1,203,632</u>	<u>\$ 1,159,216</u>

See notes to financial statements

**RAD 6 DEVELOPMENT CORPORATION
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1. ORGANIZATION

RAD 6 Development Corporation (the "Corporation") was incorporated under the laws of the State of Maryland on June 10, 2014 as a not-for-profit non-stock corporation for the purpose of acquiring, rehabilitating, operating, maintaining and leasing 268 apartment units to be operated as a housing project for persons of eligible income under the Annotated Code of Maryland. The housing projects consists of six multifamily housing facilities known as Ken-Gar Apartments (19 units), Towne Centre Place (49 units), Parkway Woods (24 units), Washington Square (50 units), Sandy Spring Meadow (55 units) and Seneca Ridge (71 units). The units are located in various areas of Montgomery County, Maryland. These units were acquired from the public housing stock of the Housing Opportunities Commission of Montgomery County, Maryland ("HOC") through the Rental Assistance Demonstration program ("RAD") issued by HUD.

Housing projects undertaken, financed, or assisted by the Corporation and the projects related expenditures must be approved by the Corporation's Board of Directors. 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 projects, programs, activities and services performed by the Corporation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Method of Accounting

The Corporation prepares its financial statements on the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred. The accounting policies conform to accounting principles generally accepted in the United States of America.

b) 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 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.

c) Accounts Receivable

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Accounts Receivable (continued)

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 account receivable balances. Accounts receivable are considered uncollectible if they are outstanding over 90 days.

The allowance for doubtful accounts as of June 30, 2021 and 2020 was \$208,237 and \$104,985, respectively.

d) Intercompany 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 had not been paid or collected as of year-end, interfund payables and receivables are recorded.

e) 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 \$11,576 are to be made in accordance with the regulatory agreement and the leasehold deed of trust notes. An initial funding of \$300,000 into the replacement reserve has been made in accordance with the regulatory agreement. At June 30, 2021 and 2020 the balance in the replacement reserve was \$870,484 and \$960,326, respectively.

f) Property, equipment and depreciation

Land, building 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 40 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Property, equipment and depreciation (continued)

The Corporation is in the process of rehabilitating the apartment facilities. The hard and soft costs associated with the rehabilitation are reflected in construction in progress. The construction in progress will be transferred to building and improvements when completed and placed in service.

The Corporation reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

g) Debt issuance costs and amortization

Debt issuance costs, net of amortization, are reported as a direct deduction from the face amount of the mortgage note 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 straight-line method which approximates the effective yield method. The amortization period is over the term of the related mortgage note payable.

For both years ended June 30, 2021 and 2020, \$11,788 of amortization expense was recorded as a component of interest expense in the statements of activities. Accumulated amortization at June 30, 2021 and 2020 was \$60,903 and \$49,115, respectively.

h) Revenue Recognition

The financial statements are reported in accordance with accounting principles generally accepted in the United States of America. Dwelling rental revenue is recognized in the month the apartment units are provided to residential tenants, pursuant to lease agreements. Dwelling rental revenue consists of amounts paid by tenants.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) 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 as a component unit of The Housing Opportunities Commission of Montgomery County, Maryland. 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. The federal income tax returns for 2018, 2019, and 2020 remain subject to examination.

j) Risks and Uncertainties

The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of Federal, state and local regulatory agencies, including, but not limited to, the U.S. Department of Housing and Urban Development (HUD). Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little or inadequate funding to pay for the related cost, including the additional administrative burden, if any, to comply with a change.

k) Cash and cash equivalents

Cash and cash equivalents include demand deposits and money market funds with original maturities of 90 days or less. At times the Corporation's cash and cash equivalents balance with financial institutions may exceed federally insurable limits. The Corporation mitigates this risk by depositing funds with major financial institutions. The Company has not experienced any losses on its cash deposits.

l) Advertising costs

The Corporation's policy is to expense advertising costs when incurred. Advertising costs were \$523 and \$1,836 for the years ended June 30, 2021 and 2020, respectively, and is included in administration expense in the statements of activities.

**RAD 6 DEVELOPMENT CORPORATION
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Subsequent Events

The Corporation has evaluated subsequent events through January 3, 2022, which is 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.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2021 and 2020:

	2021	2020
Land	\$ 3,348,715	\$ 3,348,715
Buildings and improvements	27,402,236	27,401,391
Site improvements	15,886	15,886
Total at cost	30,766,837	30,765,992
Less: accumulated depreciation	(4,309,341)	(3,484,194)
Total property and equipment, net	\$ 26,457,496	\$ 27,281,798

For the both years ended June 30, 2021 and 2020, the Corporation recognized depreciation expense of \$825,146.

4. MORTGAGE PAYABLE

The Corporation entered into a mortgage payable with HOC's Multifamily fund in December 2014. The mortgage loan is provided from Multifamily Housing Development Bonds 2014 Series A issued by HOC to provide funding for the rehabilitation and permanent financing of the 6 multifamily rental facilities. The original note amount is for \$24,000,000. The note bears a fixed interest rate of 4.125% per annum and matures on March 1, 2046. The note was interest only through March 30, 2016. Principal and interest monthly payments of \$116,316 commenced on April 1, 2016.

The liability under the deed of trust note is limited to the underlying value of the real estate and assignment of rents.

The mortgage payable is insured by FHA pursuant to a risk sharing agreement.

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4. MORTGAGE PAYABLE (CONTINUED)

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

2022	511,600
2023	533,107
2024	555,518
2025	578,871
2026	603,206
2027-2031	3,418,408
2032-2036	4,199,945
2037-2041	5,160,161
2042-2046	6,106,872
	<u>\$21,667,688</u>

5. RELATED PARTY TRANSACTIONS

The Housing Opportunities Commission Corporation of Montgomery County, Maryland charged Asset Management fee of \$260,550 and \$254,900 for the periods ended June 30, 2021 and 2020, respectively.

The Interfund relationship between the Housing Opportunities Commission, of Montgomery County, Maryland and RAD 6 Development Corporation at June 30, 2021 and 2020 was a payable of \$4,741,074 and \$5,915,342, respectively.

On December 1, 2014, the Corporation acquired the six residential apartment facilities from HOC's public housing for the net book value of \$11,281,371. The purchase price is comprised of two elements, a capital reimbursement of \$7,448,947 to seller and a capital contribution in the amount of \$3,832,424. The additional transfer of \$324,856 was after closing which made a net capital contribution of \$3,504,568. No capital contributions were made in 2021 and 2020.

6. REAL PROPERTY TAXES

The Corporation has entered into an agreement with Montgomery County, Maryland, to make a payment in lieu of taxes (PILOT).

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7. CONTINGENCY

The regulatory agreement requires the rental units are to be leased to eligible low income families as required per the Rental Assistance Demonstration (RAD) for Conversion of Public Housing to Project-Based Section 8 Program by the Department of Housing and Urban Development (HUD).

8. PROPERTY ASSISTANCE CONTRACT FEE

The Housing Opportunities Commission has entered into a property assistance contract with Edgewood Management Company to provide assistance in managing five of the ten HUBs containing HOC managed properties. Edgewood Management Company in that capacity provides marketing, leasing, tenant issues, oversight of the daily maintenance issues and other operational concerns. The allocated overhead charges for the assisted properties was reduced by one-half of the difference between the amount calculated for a typical multifamily contract managed property and the amount calculated for a typical multifamily HOC managed property.

The amount charged to administrative expense in the statement of activities for June 30, 2021 and 2020 was \$87,388 and \$28,560, respectively.

9. ADOPTION OF ACCOUNTING PRONOUNCEMENT

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, Statement of Cash Flows (Topic 230), Restricted Cash. This guidance requires that the statement of cash flows reconcile the change during the period in the total cash, cash equivalents, and restricted cash reserves. As a result, the restricted cash reserves will be included with cash and cash equivalents when reconciling the beginning-of-period and the end-of-period to amounts presented in the statement of cash flows. The Organization adopted the guidance July 1, 2019, and applied its provisions retrospectively. The adoption of ASU No. 2016-18 did not have a material impact on the Organization's financial statements.

10. OTHER CONDITIONS

In early 2020, an outbreak of a novel strain of the coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to overall decline in economic activity which could result in a loss of lease revenue or other material adverse effects to the Organization's financial position results of operations, and cash flows. The Organization is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. These financial statements do not include any adjustments that might result due to this pandemic except for expenses for cleaning and supplies.

SUPPLEMENTARY INFORMATION

RAD 6 DEVELOPMENT CORPORATION
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SUPPLEMENTARY INFORMATION

SCHEDULES OF SELECTED LINE ITEMS

FOR THE YEARS ENDED JUNE 30,

	2021	2020
ACCOUNTS RECEIVABLE AND OTHER ASSETS		
Tenant receivables, net	\$ (75,271)	\$ (118,157)
Accounts receivable HUD	1,719,886	3,225,908
Ex resident rent receivable	824	824
Other receivable	862	-
Prepaid expenses	652,813	679,100
Prepaid mortgage insurance	90,000	60,000
Deferred revenue	64,210	64,210
	\$ 2,453,324	\$ 3,911,885
RESTRICTED CASH AND CASH EQUIVALENTS		
Mortgage escrow fund	\$ 118,518	\$ 129,036
Replacement reserve	870,484	960,326
	\$ 989,002	\$ 1,089,362
NON-CURRENT ASSETS		
Property and equipment, net of depreciation:		
Land	\$ 3,348,715	\$ 3,348,715
Buildings and improvements	27,402,236	27,401,391
Site improvements	15,886	15,886
	30,766,837	30,765,992
Less: accumulated depreciation	(4,309,341)	(3,484,194)
	\$ 26,457,496	\$ 27,281,798
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		
Accounts payable - vendors	\$ 57,353	\$ 55,549
Accounts payable - other	12,596	-
Accounts payable -contracts	129	-
Accrued salaries and benefits	54,726	59,581
Accrued utilities	27,809	13,965
Clearing resident refunds	5,610	5,610
Non-interest bearing deposit	300	300
Insurance payable	(8,645)	-
Accrued expense - other	42,813	38,744
Prepaid rent	28,199	55,220
	\$ 220,890	\$ 228,969

RAD 6 DEVELOPMENT CORPORATION
(A RESIDENTIAL RENTAL APARTMENT COMPLEX
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)

DETAILED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2021	2020
REVENUES		
DWELLING RENTAL		
Rent: current residents	\$ 1,614,741	\$ 1,636,181
Rent: subsidies	2,266,991	2,095,152
Rent: tenant repayment	4,026	1,247
Concessions	(11,343)	(33,154)
Vacancy loss	(135,054)	(234,995)
Other rent fees	1,569	3,886
Rent: retroactive	5,053	5,053
Rent: voucher loss	1,944	1,507
Voucher loss	(1,944)	(1,507)
Expense Recovery Charge	-	-
Laundry income	520	1,274
Sales/services to residents	2,106	5,130
Late fees/NSF	5	4,212
Utility allowances	(90,282)	(84,128)
Ex-resident work-orders	1,919	593
Total dwelling rental	3,660,251	3,400,451
MANAGEMENT FEES & OTHER INCOME		
Fraud recovery income	957	-
User fees	127	(426)
Miscellaneous income	40,587	2,795
Transfer between funds - rental license	12,596	12,596
Transfer between funds	302,646	134,206
Total management fees & other income	356,913	149,171
OPERATING EXPENSES		
ADMINISTRATION		
Contract administrative salaries	180,469	205,785
Temp pool	-	1,110
Property assistance contract fee	87,388	78,118
Auditing fees	10,390	11,180
Miscellaneous operating expenses	8,723	35,468
Other office supplies	783	3,488
Printing/reproduction	895	1,327
Paper, pads, etc	288	440
Food & beverages	2,727	1,025
Professional association dues	713	-
Postage	42	2
Other operating professional	3,622	345
Other operating service contracts	242	-
Advertising	523	1,836
Marketing/publication related services	8,293	4,397
Credit check services	1,006	2,227
Criminal record check services	192	696
Furniture and misc equipment rental	-	-

**RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTIAL RENTAL APARTMENT COMPLEXES
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

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

	2021	2020
ADMINISTRATION - CONTINUED		
Computer equipment	-	118
Computer software	-	17
Rental license fees	12,601	12,596
Local mileage and travel	956	481
ICC tolls	-	-
Gasoline	2,790	4,450
Vehicle repairs and maintenance	6,134	4,910
Legal services- general	4,183	8,209
Legal services- counsel	3,135	180
Legal services- litigation	1,462	-
Temporary agency fees - administrative	640	5,032
Temporary agency fees	86,555	57,535
Temporary agency fees - tenant services	8,759	72
Office equipment rent	3,188	3,497
Contractor expenses	-	-
Local phone bill	24,340	21,006
Cellular phone charges	1,316	950
Cable charges	-	188
Online information services	11,347	10,517
Vehicle lease/rent	14,742	13,831
Management fee expense	102	-
Salaries - tenant services	45,533	41,685
Resident participation	-	275
Case Management	-	25
Total administration	534,079	533,018
MAINTENANCE		
Salary - maintenance	326,696	280,261
Overtime/on-call	31,881	32,170
Premium pay	2,030	2,075
Temp pool - maintenace	-	-
Temp agency - maintenance	26,239	6,067
Kitchen and bath supplies	99	428
Electrical supplies	11,960	9,560
Appliance supplies	2,166	2,541
Plumbing supplies	10,766	7,037
Employee uniforms	10,869	6,670
Cleaning and janitorial supplies	2,798	5,400
Grounds and landscaping supplies	3,829	1,688
Health and safety materials	489	780
Locks and keys	666	1,492
Windows and glass	2,455	2,386
Doors	644	169
Roofing materials	233	208
Floors and carpeting	4,101	1,020
Miscellaneous supplies	4,791	30,143
Electrical equipment	-	55
Plumbing equipment	694	220
Hardware supplies	5,279	2,755
HVAC supplies	2,710	3,564

RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTIAL RENTAL APARTMENT COMPLEXES
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MONTGOMERY COUNTY, MARYLAND)

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

	2021	2020
MAINTENANCE - CONTINUED		
Paint and wallcoverings	6,980	18,288
HVAC equipment	4,098	4,458
Appliance equipment	40,475	5,612
Tools	4,210	3,310
Maintenance equipment	-	10,625
Discount	(14)	(1)
Equipment rent	-	450
Appliance contracts	97	1,445
Miscellaneous equipment	75	624
Electrical contracts	1,913	9,758
Plumbing contracts	20,772	16,025
Cleaning and janitorial contracts	9,010	38,795
Grounds and landscaping contracts	71,354	92,534
Windows and glass contracts	1,285	(64)
Roofing and gutter contracts	5,075	10,440
HVAC contracts	1,700	514
Flooring and carpeting contracts	16,228	22,187
Paint/wallcoverings int. contracts	39,301	48,208
Paint/wallcoverings ext contracts	2,045	1,565
Exterminating contracts	40,440	39,977
Snow removal contracts	62,610	17,741
Fencing contracts	2,235	2,700
Asphalt and concrete contracts	375	3,000
Miscellaneous contracts	6,955	15,492
Kithchen and bath supplies - capital	1,833	6,241
Electrical supplies - capital	948	3,750
Appliance supplies - capital	149	101
Plumbing supplies - capital	457	1,393
Cleaning/janitorial supplies - capital	343	84
Locks and keys - capital	156	1,029
Windows and glass - capital	297	860
Doors -capital	894	203
HVAC supplies - capital	3,853	660
Hardware supplies - capital	594	1,116
Plumbing equipment - capital	875	-
Miscellaneous supplies - capital	152	811
Electrical equipment - capital	-	-
Flooring and carpeting - capital	24,022	29,458
Painting and wallcoverings - capital	450	-
Appliance equipment - capital	26,284	49,731
Miscellaneous contracts - capital	-	312
Electrical contracts - capital	4,804	2,265
Appliance contracts - capital	275	-
HVAC equipment - capital	11,087	17
Plumbing contracts - capital	26,007	2,912
Employee uniforms - capital	59	-
Cleaning/janitorial contracts - capital	-	1,203
Grounds/landscaping - capital	2,850	34,100
Windows/glass contracts - capital	615	1,050
Roofing/gutter contracts - capital	5,499	3,707
HVAC contracts - capital	5,222	1,901

RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTIAL RENTAL APARTMENT COMPLEXES
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MONTGOMERY COUNTY, MARYLAND)

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

	2021	2020
MAINTENANCE - CONTINUED		
Flooring/carpet contracts - capital	27,519	35,950
Paint/wallcoverings int. contracts - capital	8,262	614
Exterminating contracts - capital	55	295
Snow removal contracts - capital	1,188	-
Fencing contracts - capital	140	-
Miscellaneous contracts - capital	-	12,067
Total maintenance	943,503	952,202
UTILITIES		
Water bill	304,933	172,086
Electric bill	110,891	110,455
Natural gas	12,057	10,067
Trash collection	20,956	28,848
Trash collection - bulk	2,638	2,546
Total Utilities	451,475	324,002
FRINGE BENEFITS		
Accrued leave	3,994	8,468
FICA	-	85
Workers compensation	1,260	-
Health insurance	1,208	-
Employee other training	102	-
Other post employment benefits	-	-
Contract managed benefits	49,798	49,242
Pension expense	89,393	99,357
OPEB expense (GASB 75)	(22,736)	(6,266)
Training program	245	1,514
FICA tenant services	3,285	3,021
Unemployment tenant services	163	196
Workers compensation tenant services	1,240	1,220
Health insurance - tenant services	5,524	5,305
Deferred contribution plan tenant services	2,888	2,234
Other post employment benefits - tenant services	-	1,350
FICA maintenance	27,073	23,651
Unemployment - maintenance	1,452	1,180
Workers compensation - maintenance	10,860	7,538
Health insurance - maintenance	104,400	72,321
Deferred contribution plan - maintenance	21,234	17,594
Other post employment benefits - maintenance	212	8,085
Total fringe benefits	301,595	296,095
INTEREST EXPENSES		
Interest payments - general	929,431	949,306
Amortization of debt insurance costs	11,788	11,788
Total interest expenses	941,219	961,094
OTHER EXPENSES		
Security contracts	935	2,622
Security system	216	325
Insurance reserve	8,460	-
Fire & hazard insurance	34,258	26,265
Environmental insurance	630	-

**RAD 6 DEVELOPMENT CORPORATION
(SIX RESIDENTIAL RENTAL APARTMENT COMPLEXES
OWNED BY THE HOUSING OPPORTUNITIES COMMISSION OF
MONTGOMERY COUNTY, MARYLAND)**

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

	<u>2021</u>	<u>2020</u>
OTHER EXPENSES - CONTINUED		
Equipment insurance	-	20,738
Liability insurance	32,666	-
Vehicle insurance	2,615	8,155
COVID-19 - coronavirus expenses	8,607	3,122
Real estate taxes	4,200	3,817
Solid waste tax	62,403	59,875
Asset management fees	260,550	254,900
Mortgage insurance	<u>150,000</u>	<u>120,000</u>
Total other expenses	<u>565,540</u>	<u>499,819</u>
 NON-OPERATING REVENUE (EXPENSE)		
Interest income - security deposit	31	777
Security deposit interest expense	(1,943)	(1,519)
Investment interest income - non operating	10	3,628
Total non-operating revenue (expense)	<u>(1,902)</u>	<u>2,886</u>

**INDEPENDENT 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
RAD 6 Development Corporation
Montgomery County, Maryland

We have audited, 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, the financial statements of RAD 6 Development Corporation which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered RAD 6 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 RAD 6 Development Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of RAD 6 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those in charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

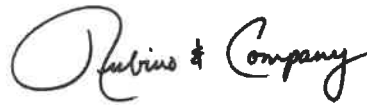
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether RAD 6 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 cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned above the typed name and date.

Vienna, Virginia
January 3, 2022

**RAD 6 DEVELOPMENT CORPORATION
HUD PROJECT NO.: 000-98068
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2021**

Finding

Questioned Cost

None

N/A