

**BROOKSIDE GLEN
LIMITED PARTNERSHIP**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2018 AND 2017

BROOKSIDE GLEN LIMITED PARTNERSHIP

JUNE 30, 2018 AND 2017

CONTENTS

	PAGE NO.
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
BALANCE SHEETS	3-4
STATEMENTS OF OPERATIONS	5
STATEMENTS OF PARTNERS' EQUITY	6
STATEMENTS OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8-17
SUPPLEMENTAL INFORMATION	
DETAILED BALANCE SHEETS	19-20
DETAILED STATEMENTS OF OPERATIONS	21-23



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

INDEPENDENT AUDITORS' REPORT

To the Partners
Brookside Glen Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Brookside Glen Limited Partnership, which comprise the balance sheets as of June 30, 2018 and 2017, and the related statements of operations, changes in partners' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brookside Glen Limited Partnership 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.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 19 to 23 is presented for the purposes of additional analysis as required by management and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information shown on pages 19 to 23 is fairly stated, in all material respects, in relation to the financial statements as a whole.



Vienna, Virginia
September 4, 2018
Audit Principal: Gerald A. Goldman

Taxpayer Identification Number:
EIN: 54-1639552

BROOKSIDE GLEN LIMITED PARTNERSHIP

**BALANCE SHEETS
AS OF JUNE 30,**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 388,939	\$ 576,648
Accounts receivable and other assets	71,847	80,628
Total current assets	<u>460,786</u>	<u>657,276</u>
 Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	808,365	413,345
Tenant security deposits	57,450	58,792
Total restricted cash and cash equivalents for current liabilities	<u>865,815</u>	<u>472,137</u>
 NON-CURRENT ASSETS		
Property and equipment, net of depreciation	7,165,253	7,467,913
Deferred charges, net of accumulated amortization	62,549	66,719
Total non-current assets	<u>7,227,802</u>	<u>7,534,632</u>
 TOTAL ASSETS	<u><u>\$ 8,554,403</u></u>	<u><u>\$ 8,664,045</u></u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

**BALANCE SHEETS - CONTINUED
AS OF JUNE 30,**

LIABILITIES AND PARTNERS' EQUITY

	<u>2018</u>	<u>2017</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 40,563	\$ 28,500
Interfund payable	215,446	215,686
Accrued interest payable	20,006	20,873
Loans payable to Montgomery County - current	17,981	17,447
Mortgage notes and loans payable - current	222,553	212,460
Total current liabilities	<u>516,549</u>	<u>494,966</u>
 Current liabilities payable from restricted assets		
Tenant security deposits payable	<u>57,316</u>	<u>58,168</u>
Total current liabilities payable from restricted assets	<u>57,316</u>	<u>58,168</u>
 NON-CURRENT LIABILITIES		
Mortgage notes and loans payable - non-current	5,738,706	5,961,259
Less: Debt Issuance Costs	(70,899)	(75,626)
Loan payable to Montgomery County - non-current	<u>622,480</u>	<u>640,458</u>
Total non-current liabilities	<u>6,290,287</u>	<u>6,526,091</u>
 Total liabilities	<u>6,864,152</u>	<u>7,079,225</u>
 PARTNERS' EQUITY	<u>1,690,251</u>	<u>1,584,820</u>
 TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 8,554,403</u>	<u>\$ 8,664,045</u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
Operating revenue:		
Dwelling rental	\$ 1,560,395	\$ 1,531,135
Management fees and other income	4,916	4,610
	<u>1,565,311</u>	<u>1,535,745</u>
Total operating revenues		
	<u>1,565,311</u>	<u>1,535,745</u>
Operating expenses:		
Administration	179,408	178,316
Maintenance	338,512	290,555
Depreciation and amortization	362,661	362,030
Utilities	128,216	104,709
Fringe benefits	38,405	38,240
Interest expense	249,995	260,179
Other	158,593	125,787
Bad debt	7,916	14,857
	<u>1,463,706</u>	<u>1,374,673</u>
Total operating expenses		
	<u>1,463,706</u>	<u>1,374,673</u>
Operating income	101,605	161,072
Nonoperating revenue:		
Investment income	3,826	840
	<u>3,826</u>	<u>840</u>
Net income	<u>\$ 105,431</u>	<u>\$ 161,912</u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

**STATEMENTS OF CHANGES IN PARTNERS' EQUITY
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
Partners' equity, beginning of year	\$ 1,584,820	\$ 1,422,908
Net income for the year	<u>105,431</u>	<u>161,912</u>
Partners' equity, end of year	<u><u>\$ 1,690,251</u></u>	<u><u>\$ 1,584,820</u></u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Net income	\$ 105,431	\$ 161,912
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	362,661	362,030
Debt issuance costs amortization	4,727	4,727
(Increase) decrease in current assets		
Accounts receivable and other assets	8,780	(2,168)
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	12,063	49
Interest payable	(867)	(828)
Tenant security deposits (net)	491	4,590
Net cash provided by operating activities	<u>493,286</u>	<u>530,312</u>
Cash flows from investing activities:		
Building modernization	(55,831)	-
Change in reserve for replacement	(287,021)	14,654
Change in operating reserve	(107,910)	(16,980)
Change in mortgage insurance premium escrow	(89)	(85)
Net cash used in investing activities	<u>(450,851)</u>	<u>(2,411)</u>
Cash flows from financing activities		
Principal payments on mortgage notes and loans payable	(229,904)	(219,757)
Change in interfund payable	(240)	(228)
Net cash used in financing activities	<u>(230,144)</u>	<u>(219,985)</u>
Net (decrease) increase in cash and cash equivalents	(187,709)	307,916
Cash and cash equivalents, beginning of year	<u>576,648</u>	<u>268,732</u>
Cash and cash equivalents, ending of year	<u>\$ 388,939</u>	<u>\$ 576,648</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 246,134</u>	<u>\$ 256,280</u>

See notes to financial statements

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

1. ORGANIZATION

Brookside Glen Limited Partnership (the Partnership) was established in June, 2003 as a limited partnership for the purpose of acquiring and operating a 90 unit apartment community (the Project) consisting of 84 townhome units and 6 flats located in Wheaton, Maryland. The Partnership's ownership is comprised of the Housing Opportunities Commission of Montgomery County, Maryland ("HOC") and Brookside Glen Apartments Development Corporation ("Brookside").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a.) Basis of accounting and presentation

The Partnership's financial statements are prepared on the accrual basis of accounting. Accordingly, revenue is recognized when earned, and expenses are recorded when incurred in accordance with accounting principles generally accepted in the United States of America.

b.) Rental income

All leases between the partnership and tenants of the property are operating leases. Rental income is recognized as rental charges become due and is reported net of rental concessions and allowance for uncollectible accounts. Rental concessions provided to tenants during the year ended June 30, 2018 and 2017 was \$1,964 and \$0, respectively. Rental payments received in advance are reported as a liability – accounts payable and accrued liabilities until earned.

c.) Depreciation

Rental properties are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of assets - 40 years for buildings and 10 years for building improvements and equipment.

d.) Impairment of long-lived assets

The Partnership reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of such assets may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to managements' estimate of the undiscounted cash flows expected to be generated and any estimated proceeds from the eventual disposition of the asset. If the long-lived asset is considered to be impaired, the impairment loss to be recognized is measured at the amount by which the carrying amount of the assets exceeds the estimated fair value as determined from an appraisal, discounted cash flow analysis or other valuation techniques. No impairment loss has been recognized during the years ended June 30, 2018 and 2017.

BROOKSIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e.) Income taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its partners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a partnership. Accordingly, the Partnership is not required to take any tax position in order to qualify as a pass-through entity. These financial statements do not reflect a provision for income taxes and the Partnership has no other tax positions which must be considered for disclosure.

The Partnership is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any tax periods. At a minimum, the June 30, 2015 through 2017 tax years are open for examination by taxing authorities.

f.) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

g.) Fair value of financial instruments

The Partnership's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and mortgage payable. Receivables are reported at their net realizable value, which approximates fair value. All other financial instruments are stated at cost, which approximates fair value.

h.) Rent Receivables and Bad Debts

Rent receivables are reported net of bad debts. Tenant receivables that are ninety (90) or more days past due are written off as bad debts. At June 30, 2018 and 2017, \$7,916 and \$14,857, respectively, was charged to bad debts for accounts ninety (90) or more days past due.

i.) Deferred Charges and Amortization

Deferred charges consists of costs incurred related to the titling and recording of the Partnership property. These costs are being amortized on the straight line method over 30 years. As of June 30, 2018 and 2017, the accumulated amortization was 62,548 and 58,379, respectively and the amortization expense for the years ended June 30, 2018 and 2017 was \$4,170, per year.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j.) 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 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 over the term of the related mortgage note payable. Accumulated amortization relating to debt issuance costs for the years ended June 30, 2018 and 2017 was \$70,901 and \$66,174, respectively. The amount of amortization expense included as interest expense was \$4,727 for both years.

3. PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and June 30, 2017 included:

	2018	2017
Land	\$ 2,266,800	\$ 2,266,800
Buildings	7,817,284	7,817,284
Building renovation	2,807,714	2,785,539
Site improvement	27,256	-
Fixed building equipment	36,124	29,724
Miscellaneous fixed assets	70,717	70,717
	<u>13,025,895</u>	<u>12,970,064</u>
Less: Accumulated depreciation	<u>(5,860,642)</u>	<u>(5,502,151)</u>
	<u>\$ 7,165,253</u>	<u>\$ 7,467,913</u>

In 2009, the Partnership commenced a five-year renovation project involving replacement of the systems and components of all 90 units. The renovation project was fully financed by cash flow from operations and accumulated reserves. The completed renovation project cost approximately \$1.9 million. The Maryland Department of Housing and Community Development ("*DHCD*") approved the renovation plan in its entirety and waived the spending ceiling for purchases related to the renovation effort. In February 2014, DHCD approved the extension of the completion date of the renovation plan from June 30, 2014 to December 31, 2014. During the year ended June 30, 2015, the remaining 5 units were completely renovated or a total of 90 units completed at June 30, 2015. The Partnership expended \$2,183,473 for the renovation project at June 30, 2015. In 2016 an additional \$13,148 was expended for the completion of the clubhouse.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

4. NOTES PAYABLE

The Partnership's long-term debt is comprised of the following:

	<u>2018</u>	<u>2017</u>
Housing Opportunities Commission of Montgomery County, MD		
Deed of trust note bearing interest at 4.65% per annum and payable in 360 monthly installments of \$36,559.	\$ 4,749,553	\$ 4,962,013
Montgomery County, Maryland		
Deed of trust note bearing interest at 3% per annum and payable in 420 monthly installments of principal and interest of \$3,079.	640,461	657,905
Department of Housing and Community Development		
Non-interest bearing deed of trust note; principal will remain unpaid in perpetuity unless the Partnership defaults on the terms of the Regulatory Agreement.	1,211,706	1,211,706
Total	<u>6,601,720</u>	<u>6,831,624</u>
Less: current portion	<u>240,534</u>	<u>229,907</u>
Long-term liabilities	<u>\$ 6,361,186</u>	<u>\$ 6,601,717</u>

Note Payable - Housing Opportunities Commission of Montgomery County, MD

The Deed of Trust Note, in the original amount of \$7,090,000, is held by HOC and is payable in monthly installments of \$36,559 including interest at 4.65%. The note is secured by a first Deed of Trust, Security Agreement and Assignment of Rents on and related to the Project. It is also subject to the terms and conditions of a Regulatory Agreement which stipulates certain controls on the occupancy of the Project. The loan was financed from tax exempt Multifamily Housing Development Bonds, 2003 Series A issued by HOC.

As of June 30, 2018 and 2017, the outstanding principal balance on this note was \$4,749,553 and \$4,962,013, respectively. Interest expense was \$225,420 and \$235,093 for the years ended June 30, 2018 and 2017, respectively.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

4. NOTES PAYABLE (CONTINUED)

Minimum remaining loan principal payments on this note, as of June 30, 2018 are as follows:

Year ending June 30,	
2019	\$ 222,553
2020	233,125
2021	244,200
2022	255,800
2023	267,952
2024-2028	1,543,221
2029-2033	1,982,702
Total	<u>4,749,553</u>
Less: current portion	<u>(222,553)</u>
Long-term portion	<u>\$ 4,527,000</u>

Note Payable - Montgomery County, Maryland

On June 20, 2003, the Partnership assumed HOC's obligations under a loan agreement with Montgomery County, Maryland. The original amount of the loan to HOC was \$800,000. Proceeds from the loan were used to partially finance the acquisition and construction costs of the Project. The loan is evidenced by a note and is secured by a Deed of Trust, Security Agreement and Assignment of Rents. It is also subject to the terms and conditions of a Regulatory Agreement executed between HOC and Montgomery County, Maryland dated June 23, 1994.

The loan is subject to a Regulatory Agreement that requires the Partnership to initially make available fifteen (15) units for occupancy by low-income tenants (HOME tenants) and to the extent that Net Cash Flow, as defined in the Agreement, is positive for any fiscal year, to use such funds to subsidize as many as ten (10) additional HOME units (Added HOME Units) up to a maximum of twenty-five (25) units. The Partnership reported positive Net Cash Flow for each fiscal year ended June 30, 2003 through June 30, 2008. As of June 30, 2016, twenty five (25) of the units in the Project were designated as HOME units.

According to the Regulatory Agreement, the Partnership is required to begin accruing interest on the note at a rate of 3% per annum, sixty (60) days after the completion of the first fiscal year in which the Net Cash Flow from the Project supports all the ten (10) Added HOME Units (the Achievement Date). Starting on the 1st day of the month after the Achievement Date, and on the 1st day of each month after that date, the Partnership is required to pay principal and interest in equal monthly installments. The loan will be amortized over a thirty (30) year term. Notwithstanding any other provision of this note, the entire unpaid principal balance together with any accrued and unpaid interest will be due in full on

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

4. NOTES PAYABLE (CONTINUED)

Note Payable - Montgomery County, Maryland (Continued)

the expiration of the thirty (30) year term. As of June 30, 2018 and 2017, the outstanding principal balance on this loan was \$640,458 and \$657,905, respectively. Interest expense was \$19,459 and \$19,971 for the years ended June 30, 2018 and 2017, respectively.

Minimum remaining loan principal payments on this note, as of June 30, 2018 are as follows:

Year ending June 30,	
2019	\$ 17,978
2020	18,525
2021	19,088
2022	19,669
2023	20,267
2024-2028	110,964
2029-2033	128,898
2034-2038	149,730
2039-2043	155,339
Total	<u>640,458</u>
Less: current portion	<u>(17,978)</u>
Long-term portion	<u>\$ 622,480</u>

Note Payable - Department of Housing and Community Development

On June 20, 2003, the Partnership assumed HOC's obligations under a loan agreement with the Department of Housing and Community Development of the State of Maryland (DHCD). The original amount of the loan to HOC was \$1,300,000. Proceeds from the loan were used to partially finance the acquisition and construction costs of the Project. The unpaid balance on the loan on June 20, 2003, the date that the Partnership assumed the debt, was \$1,211,706. The loan is evidenced by a Deed of Trust Note and is secured by a subordinated Deed of Trust, Security Agreement and Assignment of Rents on and related to the Project. In connection with the assumption of this loan, the Partnership also assumed the terms and conditions of a Regulatory Agreement that was executed between HOC and DHCD dated May 24, 1994. The loan is non-interest bearing and will remain unpaid in perpetuity, provided the project complies with income guidelines that are stipulated in the Regulatory Agreement. If the project defaults, the Partnership will be required to pay the \$1,211,706 plus accrued interest of 6.5% simple interest per annum. The unpaid balance on this loan as of June 30, 2018 and 2017 was \$1,211,706.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

5. RELATED PARTY TRANSACTIONS

Management Services

HOC provides asset management services to the partnership including investment of funds, procurement, contracting, and other services necessary for the operation of its property. During the years ended June 30, 2018 and 2017, the Partnership paid HOC \$96,910 and \$67,750, respectively, for asset management services. HOC's fees are based on its direct, incremental cost of providing the services to the Partnership. As such, the results of operations of the Partnership could be materially different if such costs were charged on another basis or if the Partnership was a stand-alone entity.

Interfund Payable

HOC advances funds to pay for certain operating expenses of the Partnership. The Partnership owed HOC \$215,446 on June 30, 2018 and \$215,686 on June 30, 2017 for services provided and funds advanced by HOC.

6. RESERVE FOR REPLACEMENTS

The Regulatory Agreement related to the \$7,090,000 Deed of Trust Note, requires the Partnership to maintain a Reserve for Replacement account, with an initial deposit of \$3,000 and fixed monthly deposits (contributions) thereafter. The Agreement stipulates that the monthly contributions to the replacement reserve would be increased by 2.5% on each August 1 - the Anniversary Date of the loan. The monthly contribution at June 30, 2018 and 2017 was \$7,926 and \$7,548 respectively. An additional \$267,101 was deposited into this account for the fiscal year 2018 budget. The balance in this account at June 30, 2018 and at June 30, 2017, inclusive of interest earned were \$474,790 and \$187,769, respectively as follows:

	2018	2017
Beginning balance	\$ 187,769	\$ 202,423
Annual deposits	362,213	90,576
Fund transfer	-	-
Withdrawals	(78,117)	(105,821)
Interest income	2,925	591
Balance, June 30,	<u>\$ 474,790</u>	<u>\$ 187,769</u>

During fiscal year 2018, \$78,117 was released from this account for payment to cover the cost of appliances, carpeting, flooring and building repairs.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

7. OPERATING RESERVES

The Regulatory Agreement related to the \$1,211,706 Deed of Trust Note, requires the Partnership to maintain a Project Reserve Fund with monthly deposits of \$1,354 to a reserve account established for that purpose. Surplus cash was recalculated during fiscal year 2017 and a deposit in the amount of \$91,355 was deposited into the operating reserve account. The Agreement further requires the Partnership to deposit to the Project Reserve Account any cash remaining at the end of an annual fiscal period. Such deposits are required to be made within ninety days after the end of each fiscal period. No deposits were made to the Project Reserve Fund from inception of the loan through June 30, 2007. In 2009, DHCD waived all deposit requirements through June 30, 2007 and established the funded reserve requirements as of June 30, 2007 at \$376,852. The balance in the Project Reserve Fund account at June 30, 2018 and June 30, 2017, inclusive of interest earned were \$304,041 and \$196,131, respectively as follows:

	2018	2017
Beginning balance	\$ 196,131	\$ 179,151
Monthly deposits	14,896	16,250
Annual deposit – surplus cash	91,355	-
Interest income	1,659	730
Withdrawals for building improvement	-	-
Balance, June 30,	<u>\$ 304,041</u>	<u>\$ 196,131</u>

8. MORTGAGE ESCROW

The Regulatory Agreement related to the \$7,090,000 Deed of Trust Note, requires the Partnership to maintain a Mortgage Escrow account for the payment of mortgage insurance. The annual contribution at June 30, 2018 was \$24,239 and at June 30, 2017 was \$25,279. The balance in the Mortgage Escrow account at June 30, 2018 and June 30, 2017, inclusive of interest earned were \$29,534 and \$29,445, respectively as follows:

	2018	2017
Beginning balance	\$ 29,445	\$ 29,360
Monthly deposits	24,239	25,279
Fund transfers	-	-
Withdrawals	<u>(24,150)</u>	<u>(25,194)</u>
Balance, June 30,	<u>\$ 29,534</u>	<u>\$ 29,445</u>

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

9. MANAGEMENT AGREEMENT

The Partnership has entered into a marketing and management services agreement (“Agreement”) with Avison Young to manage the apartment complex. The Agreement was effective August 1, 2016 and is for a period of one (1) year with the option to renew for two (2) successive periods of twelve (12) months each. The compensation to Avison Young for management services is \$41.00 per unit per month or \$3,690. Property management fees paid for the years ended June 30, 2018 and 2017 were \$44,280 and \$46,348 respectively.

10. CUSTODIAL CREDIT RISK

Cash balances as of June 30, 2018 were entirely insured and collateralized with securities held by HOC’s agent in HOC’s name.

11. SUBSEQUENT EVENTS

In preparing these financial statements, the Partnership has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued, September 4, 2018.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2018 AND 2017

12. SURPLUS CASH

The computation of **Surplus Cash** for the Project Reserve Fund for the year ended June 30, 2018 is as follows:

Cash on hand		
Cash- Operating	\$ 388,939	
Cash- Tenant security deposits	57,450	
Total Cash on hand		\$ 446,389
Current obligations		
Accrued mortgage interest payable	20,006	
DHCD Reserve fund deposit	1,354	
Accounts payable - Trade	35,776	
Accounts payable - Entity	215,446	
Estimated property insurance premium	9,290	
Estimated mortgage insurance premium	23,056	
Estimated water bills	98,779	
Estimated other taxes	5,634	
HOC reserve for replacements	95,112	
Tenant security deposit liability	57,316	
Total required payments		561,769
Surplus Cash, as Defined		<u>\$ (115,380)</u>

SUPPLEMENTAL INFORMATION

BROOKSIDE GLEN LIMITED PARTNERSHIP
DETAILED BALANCE SHEETS
FOR YEAR ENDED JUNE 30,

	2018	2017
Accounts receivable and other assets		
A/R other government	6,477	17,594
Insurance claims receivable	9,891	12,413
Other receivable	11,456	11,650
Tenant receivables	4,746	(12,767)
Other resident fees receivable	6,786	6,578
Ex resident workorder receivable	90	90
Allowance for doubtful accounts	(13,471)	(5,555)
Prepaid expenses	-	4,277
Prepaid other expense	43,860	44,248
Prepaid mortgage insurance	2,012	2,100
	71,847	80,628
Restricted cash and cash equivalents for current liabilities		
Operating reserve cash - restricted	304,041	196,131
Replacement reserve - restricted	474,790	187,769
Mortgage escrow fund	29,534	29,445
	808,365	413,345
Property & equipment		
Land	2,266,800	2,266,800
Buildings	7,817,284	7,817,284
Building renovations	2,807,714	2,785,539
Fixed building equipment - dwelling	36,124	29,724
Miscellaneous fixed assets	70,717	70,717
Site improvement	27,256	-
Accumulated depreciation	(5,860,642)	(5,502,151)
	7,165,253	7,467,913
Deferred charges		
Deferred title	125,097	125,097
Accumulated amortization	(62,548)	(58,378)
	62,549	66,719

BROOKSIDE GLEN LIMITED PARTNERSHIP
DETAILED BALANCE SHEETS CONTINUED
FOR YEAR ENDED JUNE 30,

	2018	2017
Accounts payable and accrued liabilities		
Accounts payable - vendors	\$ (26)	\$ (26)
Accounts payable - other	9,248	-
Accrued salaries	11,118	10,707
Residential rent prepaid	4,787	6,738
Accrued expenses	5,916	4,841
Accrued other	9,520	6,240
Accounts payable and accrued liabilities	40,563	28,500
 Mortgage notes and loan payable		
Note payable - state - long term	1,211,706	1,211,706
Mortgage payable - long term	4,527,000	4,749,553
Less: Debt Issuance Costs	(70,899)	(75,626)
Mortgage notes and loan payable	5,667,807	5,885,633
 Loans payable to Montgomery county		
Notes payable - county - long term	622,480	640,458

BROOKSIDE GLEN LIMITED PARTNERSHIP
DETAILED STATEMENT OF OPERATIONS
FOR THE YEARS ENDED JUNE 30,

	2018	2017
REVENUE		
DWELLING RENTAL		
Rent: current residents	\$ 1,431,250	\$ 1,440,399
Rent: subsidies	151,067	133,386
Subsidy suspense-HUD	-	(518)
Concessions	(1,964)	-
Vacancy loss	(40,670)	(65,375)
Other rent fees	11,637	15,683
Sales/Svs to residents	77	20
Ex-Resident work-orders	-	90
Late fees/NSF	8,998	7,450
Total dwelling rental	1,560,395	1,531,135
MANAGEMENT FEES & OTHER INCOME		
User fees	955	850
Miscellaneous income	1	102
Transfer between funds - rental license	3,960	3,658
Total management fees & other income	4,916	4,610
TOTAL OPERATING REVENUE	1,565,311	1,535,745
OPERATING EXPENSES		
ADMINISTRATION		
Office salaries	81,480	79,266
Contract bonus/commissions	-	4,095
Auditing fees	8,810	8,720
Contract management fee	44,280	46,348
Miscellaneous operating expenses	2,828	1,693
Postage	204	317
Printing/reproduction	149	872
Paper pads	989	1,180
Food and beverage	1,068	828
Magazine and newspaper subscription	53	-
Local mileage and travel	-	130
Legal services- general	4,527	4,048
Other operating professional services	498	-
Advertising	9,740	9,565
Credit check services	1,322	1,047
Office equipment rent	2,555	2,371
Furniture /Misc equip rental	-	191
Local phone bill	7,914	7,558
Cellular phone charges	420	1,045
Computer software	1,009	1,862
Cable charges	2,223	2,050
Rental license	3,690	3,690
Bank fees	-	15
Case management	-	500
Resident gifts	1,977	852
Decorations	23	-
Other office supplies	171	-
Other license, fees, and permits	1,188	-
Miscellaneous program supplies	2,290	73
Total administration	179,408	178,316

BROOKSIDE GLEN LIMITED PARTNERSHIP
DETAILED STATEMENTS OF OPERATIONS CONTINUED
FOR THE YEARS ENDED JUNE 30,

	2018	2017
MAINTENANCE		
Salary Maintenance	-	237
Contract maintenance/janitor salary	84,931	85,927
Kitchen and Bath supplies capital	105	-
Overtime/ on-call	-	3,698
Electrical supplies	4,349	4,097
Appliance supplies	4,334	6,056
Plumbing supplies	5,081	7,353
Employee uniforms	85	1,383
Grounds and landscaping supplies	69	-
Cleaning and janitorial supplies	1,853	1,870
Health and Safety Materials	2,322	1,194
Locks keys	91	1,186
Doors	-	750
Windows and glass	8,631	7,878
Hardware supplies	2,953	1,409
HVAC supplies	1,105	3,927
Flooring and carpeting	-	159
Paint/wallcoverings int. contracts	-	637
Miscellaneous supplies	752	359
HVAC equipment	-	280
Tools	59	280
Electrical contracts	9,170	7,321
Appliance contracts	-	789
Plumbing contracts	26,003	8,190
Cleaning and janitorial contracts	4,202	3,548
Grounds and landscaping contracts	32,150	14,568
Windows and glass contracts	1,071	-
Roofing and gutter contracts	5,690	880
HVAC contracts	4,081	7,262
Flooring and carpeting contracts	5,627	4,740
Paint/wallcoverings int. contracts	29,864	25,748
Exterminating contracts	4,985	5,184
Snow removal contracts	26,137	5,375
Miscellaneous contracts	27,449	12,151
Computer equipment -Capital	-	875
Kitchen and Bath supplies capital	-	4,332
Electrical equipment capital	-	522
HVAC equipment - capital	-	1,714
Appliance equipment - capital	6,491	12,537
Tools - capital	1,107	-
Plumbing contracts-capital	8,136	19,580
Windows and glass - capital	10,457	-
Flooring/carpet contracts- capital	19,172	24,072
Miscellaneous contracts - capital	-	2,487
Total maintenance	<u>338,512</u>	<u>290,555</u>

BROOKSIDE GLEN LIMITED PARTNERSHIP
DETAILED STATEMENTS OF OPERATIONS CONTINUED
FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>
UTILITIES		
Water bill	98,779	78,754
Electric bill	15,097	12,092
Natural gas	3,532	3,093
Trash collection	7,500	7,500
Trash collection - bulk	3,308	3,270
Total Utilities	<u>128,216</u>	<u>104,709</u>
FRINGE BENEFITS		
Contract managed benefits	35,985	37,305
Contract employee appreciation	1,677	745
Contract other training	743	190
Total fringe benefits	<u>38,405</u>	<u>38,240</u>
INTEREST EXPENSES		
Interest payments - general	225,809	235,481
Debt insurance costs -amortization	4,727	4,727
Interest payments - Montgomery Co.	19,459	19,971
Total interest expenses	<u>249,995</u>	<u>260,179</u>
OTHER EXPENSES		
Security contracts	7,526	4,535
Security system	22	-
Fire & hazard insurance	9,290	7,930
Other taxes	300	300
Solid waste tax	1,793	1,793
Front foot benefit charge	14,994	14,994
Water quality protect charge	3,521	3,209
Asset management fee	96,910	67,750
Mortgage insurance	24,237	25,276
Total other expenses	<u>158,593</u>	<u>125,787</u>