



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

**FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

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

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

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**INDEPENDENT ACCOUNTANT'S
COMPILATION REPORT**

October 3, 2018

To the Commissioners
Housing Opportunities Commission
of Montgomery County, Maryland

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

The supplementary information on pages 12 and 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management. The supplementary information was subject to our compilation engagements. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any assurance on such information.

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

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

	2018	2017
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 918,683	\$ 704,614
Accounts receivable and other assets, net	22,184	27,131
Total Current Assets	940,867	731,745
RESTRICTED CASH AND CASH EQUIVALENTS:		
Restricted deposits and funded reserves	1,462,016	1,432,964
Tenant deposits	23,676	30,512
Total Restricted Cash and Cash Equivalents	1,485,692	1,463,476
NONCURRENT ASSETS:		
Property and equipment, net	11,223,669	11,433,894
Total Noncurrent Assets	11,223,669	11,433,894
TOTAL ASSETS	\$ 13,650,228	\$ 13,629,115

See accompanying notes and independent accountant's compilation report.

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

	2018	2017
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 72,805	\$ 43,828
Interest payable	31,602	32,299
Mortgage payable - current	158,374	149,669
Total Current Liabilities	262,781	225,796
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS:		
Tenant deposits payable	23,076	29,912
Total Current Liabilities Payable from Restricted Assets	23,076	29,912
NONCURRENT LIABILITIES:		
Mortgage payable - CBRE, net	6,610,296	6,757,940
Notes payable - HOC	2,752,183	2,752,183
Total Noncurrent Liabilities	9,362,479	9,510,123
TOTAL LIABILITIES	9,648,336	9,765,831
UNRESTRICTED NET ASSETS		
Total Net Assets	4,001,892	3,863,284
TOTAL LIABILITIES AND NET ASSETS	\$ 13,650,228	\$ 13,629,115

See accompanying notes and independent accountant's compilation report.

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

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Dwelling rental	\$ 1,708,269	\$ 1,680,280
Other revenue	11,358	9,930
TOTAL OPERATING REVENUES	<u>1,719,627</u>	<u>1,690,210</u>
OPERATING EXPENSES		
Administration	197,348	183,604
Maintenance	388,097	343,797
Depreciation	210,225	210,716
Utilities	164,632	166,813
Fringe benefits	25,561	35,088
Interest expense	399,177	407,443
Other expenses	190,843	210,186
Bad debt expense	9,859	10,037
TOTAL OPERATING EXPENSES	<u>1,585,742</u>	<u>1,567,684</u>
Net operating income	133,885	122,526
Investment income	4,723	1,085
Change in net assets	<u>\$ 138,608</u>	<u>\$ 123,611</u>

See accompanying notes and independent accountant's compilation report.

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

Net assets, June 30, 2016	\$ 3,739,673
Change in net assets	<u>123,611</u>
Net assets, June 30, 2017	3,863,284
Change in net assets	<u>138,608</u>
Net assets, June 30, 2018	<u><u>\$ 4,001,892</u></u>

See accompanying notes and accountant's compilation report.

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

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
CHANGE IN NET ASSETS	\$ 138,608	\$ 123,611
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	210,225	210,716
Amortization of mortgage issuance costs	10,731	10,731
Bad debt expense	9,859	10,037
Increase in accounts receivable and other assets	(4,912)	(22,879)
Decrease in tenant deposits	6,836	4,221
Increase (Decrease) in accounts payable and accrued liabilities	28,977	(2,929)
Decrease in interest payable	(697)	(659)
Decrease in tenant deposits payable	(6,836)	(4,321)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>392,791</u>	<u>328,528</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net deposits to restricted deposits and funded reserves	(29,052)	(17,994)
NET CASH USED BY INVESTING ACTIVITIES	<u>(29,052)</u>	<u>(17,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt	(149,670)	(141,444)
NET CASH USED BY FINANCING ACTIVITIES	<u>(149,670)</u>	<u>(141,444)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	214,069	169,090
CASH AND CASH EQUIVALENTS, BEGINNING	<u>704,614</u>	<u>535,524</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 918,683</u>	<u>\$ 704,614</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 389,143</u>	<u>\$ 397,371</u>

See accompanying notes and independent accountant's compilation report.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Glenmont Westerly Development Corporation ("the Corporation") was formed on November 20, 2012 under the laws of the State of Maryland for the purpose of acquiring and operating 102 garden apartment units ("the property") in Wheaton, Maryland. The purchase of the property was financed through the assumption of the existing debt to CBRE Multifamily Capital, Inc. on the property, two loans from the Housing Opportunities Commission of Montgomery County ("HOC"), and a capital contribution to the property by the HOC.

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

The property is managed by Avison Young.

Basis of Accounting

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

Property and Equipment

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

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$210,225 and \$210,716, respectively.

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

Cash and Cash Equivalents

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

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

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

Rental Income

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

Accounts Receivable

Accounts receivable are reported net of an allowance for doubtful accounts. An allowance for doubtful accounts is established for receivables that are 90 or more days past due. Unpaid balances remaining after the stated payment terms are considered past due. An allowance is established through a charge to income. Recoveries of previously charged-off accounts are recorded when received. At June 30, 2018 and 2017, allowance for doubtful accounts amounted to \$4,492 and \$8,394, respectively.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expense for the years ended June 30, 2018 and 2017 amounted to \$18,097 and \$21,473, respectively.

Income Taxes

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

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 2 RESTRICTED DEPOSITS AND FUNDED RESERVES

In accordance with the regulatory agreement with the sellers of the property, the loan agreement with CBRE Multifamily Capital, Inc., and capital contribution agreement with the HOC, the Corporation is required to maintain a replacement reserve escrow, a renovation escrow, an operating reserve escrow, and a mortgage escrow. These funds are restricted for uses approved by CBRE Multifamily Capital, Inc. and the HOC. The aggregate balance of these escrows totaled \$1,462,016 and \$1,432,964 as of June 30, 2018 and 2017, respectively.

NOTE 3 PROPERTY AND EQUIPMENT

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

	2018	2017
Land	\$ 4,038,158	\$ 4,038,158
Buildings and building renovations	8,350,439	8,350,439
Equipment	10,518	10,518
Total Capital Assets	12,399,115	12,399,115
Accumulated depreciation	(1,175,446)	(965,221)
	\$ 11,223,669	\$ 11,433,894

NOTE 4 MORTGAGE PAYABLE – CBRE MULTIFAMILY CAPITAL, INC.

The mortgage payable to CBRE Multifamily Capital, Inc. assumed by the Corporation is collateralized by a deed of trust on the property. Principal and interest is payable in monthly installments of \$44,901 and is due in full on November 1, 2019. The note accrues interest at the rate of 5.59 percent per annum. The outstanding balance as of June 30, 2018 and 2017 amounted to \$6,783,871 and \$6,933,541, respectively.

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

Year Ending June 30,	Principal
2019	\$ 158,374
2020	6,625,497
TOTAL	\$ 6,783,871

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

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

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

	<u>2018</u>	<u>2017</u>
Mortgage payable at face	\$ 6,783,871	\$ 6,933,541
Mortgage issuance costs	<u>(15,201)</u>	<u>(25,932)</u>
Mortgage payable, net	<u>\$ 6,768,670</u>	<u>\$ 6,907,609</u>
Mortgage payable, net (current)	\$ 158,374	\$ 149,669
Mortgage payable, net (long-term)	<u>6,610,296</u>	<u>6,757,940</u>
Mortgage payable, net	<u>\$ 6,768,670</u>	<u>\$ 6,907,609</u>

Mortgage issuance costs are being amortized to interest expense over the term of the debt. For 2018 and 2017, amortization expense was \$10,731.

NOTE 5 NOTES PAYABLE - HOC

The two notes payable to the HOC are not under executed note agreements. The notes are unsecured, do not accrue interest, and the repayment terms have not been specified. None of the principal balance is expected to be repaid in fiscal year 2019. The balance due on these two notes as of June 30, 2018 and 2017 was \$2,752,183.

NOTE 6 RELATED PARTY TRANSACTIONS

The HOC borrowed \$3,650,000 from Montgomery County through their HIF program. The loan proceeds were contributed to the Corporation under a contribution agreement for the acquisition of the property. Under the contribution agreement, the Corporation must operate the property so that for a period of no more than 36 months, beginning on the date of the contribution agreement, at least 50 units are leased or held available for lease to households with incomes at or below the low-income limit for Montgomery County as periodically updated by HUD. After the initial period, the Corporation must operate the property so that 30 of the units are leased or held available for lease to households with incomes at or below the low-income limit for Montgomery County as periodically updated by HUD.

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NOTE 6 RELATED PARTY TRANSACTIONS (cont'd)

The Corporation has entered into an asset management agreement with the HOC under which the Corporation agrees to pay the net cash flow (as defined in the agreement) to the HOC as fees for the HOC's services to the Corporation. Asset management fees paid to the HOC for the years ended June 30, 2018 and 2017 are for the amounts of \$109,830 and \$76,780, respectively.

As part of the approved budget, the Corporation was required to pay the HOC a development fee of \$61,439 and \$115,190 for the years ended June 30, 2018 and 2017, respectively.

Also see Note 5 for the note payable to the HOC.

NOTE 7 NET ASSETS

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

	2018	2017
Net investment in capital assets	\$ 1,687,615	\$ 1,748,170
Restricted net position	1,462,616	1,433,564
Unrestricted net position	851,661	681,550
	\$ 4,001,892	\$ 3,863,284

NOTE 8 SUBSEQUENT EVENTS

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

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

	<u>2018</u>	<u>2017</u>
ADMINISTRATION		
Accounting services	\$ 6,390	\$ 6,150
Advertising	18,097	21,473
Bank fees	94	86
Cable charges	719	832
Contract administrative salaries	85,570	71,880
Contract management fee	52,642	50,354
Credit check services	5,122	4,600
Decorations	204	866
Food and beverages	1,600	615
Information Management Services	837	-
Legal services	4,868	6,441
Local mileage and travel	-	329
Local phone bill	5,476	5,132
Miscellaneous operating expenses	5,624	3,733
Miscellaneous program supplies	2,616	2,329
Office equipment rent	4,398	3,326
Office supplies	-	1,251
Other operating professional services	320	1,238
Paper, pads, etc.	1,815	-
Postage	61	84
Printing/reproduction	637	2,576
Security deposit interest	258	309
Total Administration	<u>\$ 197,348</u>	<u>\$ 183,604</u>
FRINGE BENEFITS		
Contract employee appreciation	\$ 1,543	\$ 840
Contract housing allowance	1,753	1,753
Contract managed benefits	21,304	29,599
Contract other training	961	2,896
Total Fringe Benefits	<u>\$ 25,561</u>	<u>\$ 35,088</u>
OTHER EXPENSES		
Asset management fee expense	\$ 109,830	\$ 76,780
Development fee	61,439	115,190
Fire and hazard insurance	2,530	2,500
Liability insurance	7,446	6,535
Other taxes	-	82
Security system	3,431	3,300
Solid waste tax	2,032	2,031
Water quality protect charge (RFSA)	4,135	3,768
Total Other Expenses	<u>\$ 190,843</u>	<u>\$ 210,186</u>

See independent accountant's compilation report.

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

	<u>2018</u>	<u>2017</u>
<u>MAINTENANCE</u>		
Appliance equipment	\$ 13,730	\$ 8,426
Appliance supplies	5,222	3,717
Cleaning and janitorial contracts	30,312	22,833
Cleaning and janitorial supplies	801	280
Contracted maintenance salary	54,129	67,175
Doors	350	12,005
Electrical contracts	2,025	4,842
Electrical supplies	11,654	7,592
Employee uniforms	542	1,305
Exterminating contracts	21,155	14,570
Flooring and carpeting contracts	44,494	46,665
Grounds and landscaping contracts	31,100	16,260
Grounds and landscaping supplies	1,693	472
Hardware supplies	4,350	5,918
Health and safety materials	540	876
HVAC contracts	8,620	7,695
HVAC equipment	742	-
HVAC supplies	2,991	5,437
Kitchen and bath supplies	8,440	9,420
Locks and keys	1,364	794
Miscellaneous contracts	32,076	41,035
Miscellaneous supplies	1,841	391
Paint and wallcoverings	1,071	860
Paint/wallcoverings interior contracts	50,262	30,351
Plumbing contracts	17,529	12,978
Plumbing supplies	7,940	6,331
Roofing and gutter contracts	12,893	3,112
Snow removal contracts	15,533	7,329
Tools	358	308
Windows and glass	4,340	4,820
Total Maintenance	<u>\$ 388,097</u>	<u>\$ 343,797</u>
 <u>UTILITIES</u>		
Electric	\$ 18,676	\$ 20,727
Natural gas	64,897	56,933
Trash collection	19,520	18,011
Trash collection - bulk	3,106	3,786
Water	58,433	67,356
Total Utilities	<u>\$ 164,632</u>	<u>\$ 166,813</u>

See independent accountant's compilation report.