

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

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2022 AND 2021**

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

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## **INDEPENDENT AUDITOR'S 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, 2022 and 2021, and the related statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements 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, 2022 and 2021, 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.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") 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.

### ***Auditor's 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 auditor's 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 audit.
- 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 audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

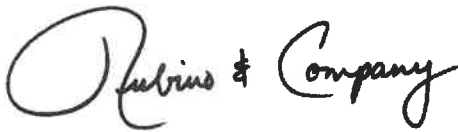
### ***Supplementary Information***

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 23, 2023 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 23, 2023  
Audit Principal: Gerald A. Goldman

EIN: 52-1186096

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STATEMENTS OF FINANCIAL POSITION

JUNE 30,

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 200	\$ 200
Accounts receivable, net and other assets	<u>1,862,987</u>	<u>2,453,324</u>
Total current assets	<u>1,863,187</u>	<u>2,453,524</u>
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>		
<b>AVAILABLE FOR CURRENT LIABILITIES</b>		
Customer deposits - tenant security deposits	114,153	114,101
Restricted cash and cash equivalents	<u>970,170</u>	<u>989,002</u>
Total restricted cash and cash equivalents for current liabilities	<u>1,084,323</u>	<u>1,103,103</u>
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net of depreciation	<u>25,631,504</u>	<u>26,457,496</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 28,579,014</u></u>	<u><u>\$ 30,014,123</u></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**

	2022	2021
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 271,220	\$ 220,890
Accrued interest payable	72,724	74,483
Interfund payable	4,589,230	4,741,074
Mortgage note payable-current	533,107	511,600
Total current liabilities	5,466,281	5,548,047
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS</b>		
Customer deposit payable - tenant security deposits	95,565	101,981
<b>NON-CURRENT LIABILITIES</b>		
Mortgage note payable, net of current maturities	20,622,981	21,156,088
Less debt issuance costs	(280,937)	(292,724)
Mortgage note payable, net of current maturities and debt issuance costs	20,342,044	20,863,364
Total liabilities	25,903,890	26,513,392
<b>NET ASSETS</b>		
Investment in capital assets net of related debt	4,402,692	4,715,325
Restricted net assets	988,758	1,001,142
Unrestricted net assets	(2,716,326)	(2,215,736)
Total net assets	2,675,124	3,500,731
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 28,579,014	\$ 30,014,123

See notes to financial statements

**RAD 6 DEVELOPMENT CORPORATION**  
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STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED JUNE 30,

	2022	2021
<b>OPERATING REVENUES</b>		
Dwelling rental	\$ 3,635,973	\$ 3,660,251
Other income	282,594	356,913
Total operating revenues	3,918,567	4,017,164
<b>OPERATING EXPENSES</b>		
Administration	462,374	534,079
Maintenance	1,183,438	943,503
Depreciation	825,146	825,146
Utilities	353,289	451,475
Fringe benefits	237,366	301,595
Interest	920,509	941,219
Other	654,221	565,540
Bad debts	106,673	175,344
Total operating expenses	4,743,016	4,737,901
Net operating loss	(824,449)	(720,737)
Investment income	(1,158)	(1,902)
Change in net assets	\$ (825,607)	\$ (722,639)

See notes to financial statements



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STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<b>Investment in Capital Assets, Net of Related Debt</b>	<b>Restricted Net Assets</b>	<b>Unrestricted Net Assets</b>	<b>Total Net Assets</b>
<b>Balances - June 30, 2020</b>	\$ 5,123,150	\$ 1,104,104	\$ (2,003,884)	\$ 4,223,370
Changes in net assets	(407,825)	(102,962)	(211,852)	(722,639)
<b>Balances - June 30, 2021</b>	4,715,325	1,001,142	(2,215,736)	3,500,731
Changes in net assets	(312,633)	(12,384)	(500,590)	(825,607)
<b>Balances - June 30, 2022</b>	<u>\$ 4,402,692</u>	<u>\$ 988,758</u>	<u>\$ (2,716,326)</u>	<u>\$ 2,675,124</u>

See notes to financial statements

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STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30,

	2022	(restated) 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (825,607)	\$ (722,639)
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	(845)
Effects of changes in operating assets and liabilities		
Accounts receivable and other assets	590,337	1,458,561
Interfund payable	(151,844)	(1,174,268)
Customer deposits payable	(6,416)	2,653
Prepaid rent	16,779	(27,021)
Accounts payable and accrued liabilities	33,551	18,943
Interest payable	(1,759)	(1,687)
Net cash provided by operating activities	<u>492,820</u>	<u>390,631</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Principal payments on mortgage note	<u>(511,600)</u>	<u>(490,960)</u>
Net cash used in financing activities	<u>(511,600)</u>	<u>(490,960)</u>
Net increase (decrease) in cash	(18,780)	(100,329)
Cash, cash equivalents and restricted cash, beginning	<u>1,103,303</u>	<u>1,203,632</u>
Cash, cash equivalents and restricted cash, ending	<u>\$ 1,084,523</u>	<u>\$ 1,103,303</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 910,480</u>	<u>\$ 931,118</u>
Cash	\$ 200	\$ 200
Restricted cash and cash equivalents		
Customer deposits	114,153	114,101
Replacement reserve	864,594	870,484
Renovation escrow	-	-
Mortgage escrow fund	<u>105,576</u>	<u>118,518</u>
	<u>\$ 1,084,523</u>	<u>\$ 1,103,303</u>

See notes to financial statements

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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. Tenant receivables are considered uncollectible if they are outstanding over 90 days.

The allowance for doubtful accounts as of June 30, 2022 and 2021 was \$286,387 and \$208,237, 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, 2022 and 2021 the balance in the replacement reserve was \$864,594 and \$870,484, 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, 2022 and 2021, \$11,788 of amortization expense was recorded as a component of interest expense in the statements of activities. Accumulated amortization at June 30, 2022 and 2021 was \$72,690 and \$60,903, 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 2019, 2020, and 2021 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 \$150 and \$523 for the years ended June 30, 2022 and 2021, respectively, and is included in administration expense in the statements of activities.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

m) Subsequent Events

The Corporation has evaluated subsequent events through January 23, 2023, 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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,348,715	\$ 3,348,715
Buildings and improvements	27,40,391	27,402,236
Site improvements	15,886	15,886
Total at cost	<u>30,765,992</u>	<u>30,766,837</u>
Less: accumulated depreciation	<u>(5,134,488)</u>	<u>(4,309,341)</u>
<b>Total property and equipment, net</b>	<u>\$ 25,631,504</u>	<u>\$ 26,457,496</u>

For the both years ended June 30, 2022 and 2021, 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, 2022 and thereafter are as follows:

2023	533,107
2024	555,518
2025	578,871
2026	603,206
2027	628,565
2028-2032	3,562,114
2033-2037	4,376,506
2038-2042	5,377,088
2043-2046	4,941,113
	\$21,156,088

**5. RELATED PARTY TRANSACTIONS**

The Housing Opportunities Commission Corporation of Montgomery County, Maryland charged Asset Management fee of \$260,550 for both years ended June 30, 2022 and 2021.

The Interfund relationship between the Housing Opportunities Commission, of Montgomery County, Maryland and RAD 6 Development Corporation at June 30, 2022 and 2021 was a payable of \$4,589,230 and \$4,741,074, 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 2022 and 2021.

**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, 2022 and 2021 was \$70,772 and \$87,388, respectively.

**9. 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,

	2022	2021
<b>ACCOUNTS RECEIVABLE AND OTHER ASSETS</b>		
Tenant receivables, net	\$ 172,780	\$ (75,271)
Accounts receivable HUD	907,882	1,719,886
Ex resident rent receivable	824	824
Other receivable	766	862
Prepaid expenses	626,525	652,813
Prepaid mortgage insurance	90,000	90,000
Deferred revenue	64,210	64,210
	\$ 1,862,987	\$ 2,453,324
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>		
Mortgage escrow fund	\$ 105,576	\$ 118,518
Replacement reserve	864,594	870,484
	\$ 970,170	\$ 989,002
<b>NON-CURRENT ASSETS</b>		
Property and equipment, net of depreciation:		
Land	\$ 3,348,715	\$ 3,348,715
Buildings and improvements	27,401,391	27,402,236
Site improvements	15,886	15,886
	30,765,992	30,766,837
Less: accumulated depreciation	(5,134,488)	(4,309,341)
	\$ 25,631,504	\$ 26,457,496
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>		
Accounts payable - vendors	\$ 84,963	\$ 57,353
Accounts payable - other	-	12,596
Accounts payable -contracts	-	129
Accrued salaries and benefits	75,397	54,726
Accrued utilities	23,289	27,809
Clearing resident refunds	5,610	5,610
Non-interest bearing deposit	300	300
Insurance payable	-	(8,645)
Accrued expense - other	36,683	42,813
Prepaid rent	44,978	28,199
	\$ 271,220	\$ 220,890

**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,

	2022	2021
<b>REVENUES</b>		
<b>DWELLING RENTAL</b>		
Rent: current residents	\$ 1,721,456	\$ 1,614,741
Rent: subsidies	2,261,542	2,266,991
Rent: tenant repayment	5,597	4,026
Concessions	(7,590)	(11,343)
Vacancy loss	(247,875)	(135,054)
Other rent fees	(2,741)	1,569
Rent: retroactive	5,053	5,053
Rent: voucher loss	1,944	1,944
Voucher loss	(1,944)	(1,944)
Expense Recovery Charge	-	-
Laundry income	-	520
Sales/services to residents	14,114	2,106
Late fees/NSF	(54)	5
Utility allowances	(114,629)	(90,282)
Ex-resident work-orders	1,100	1,919
Total dwelling rental	3,635,973	3,660,251
<b>MANAGEMENT FEES &amp; OTHER INCOME</b>		
Fraud recovery income	125	957
User fees	(127)	127
Miscellaneous income	-	40,587
Transfer between funds - rental license	12,596	12,596
Transfer between funds	270,000	302,646
Total management fees & other income	282,594	356,913
<b>OPERATING EXPENSES</b>		
<b>ADMINISTRATION</b>		
Office model expense	12,386	-
Contract administrative salaries	200,204	180,469
Contract office salaries	10,975	-
Property assistance contract fee	70,772	87,388
Auditing fees	10,150	10,390
Miscellaneous operating expenses	12,210	8,723
Other office supplies	10,568	783
Printing/reproduction	1,224	895
Paper, pads, etc	-	288
Food & beverages	80	2,727
Professional association dues	564	713
Postage	3	42
Other operating professional	642	3,622
Other operating service contracts	-	242
Advertising	150	523
Marketing/publication related services	2,972	8,293
Credit check services	565	1,006
Criminal record check services	61	192
Furniture and misc equipment rental	32,445	-

**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,

	2022	2021
ADMINISTRATION - CONTINUED		
Computer equipment	944	-
Rental license fees	12,596	12,601
Local mileage and travel	367	956
ICC tolls	80	-
Gasoline	7,068	2,790
Vehicle repairs and maintenance	5,303	6,134
Legal services- general	437	4,183
Legal services- counsel	35	3,135
Legal services- litigation	-	1,462
Temporary agency fees - administrative	26	640
Temporary agency fees	16,315	86,555
Temporary agency fees - tenant services	-	8,759
Office equipment rent	2,455	3,188
Contractor expenses	2,100	-
Local phone bill	24,941	24,340
Cellular phone charges	-	1,316
Online information services	10,152	11,347
Vehicle lease/rent	13,273	14,742
Management fee expense	-	102
Monitoring fee	780	-
Salaries - tenant services	(540)	45,533
Other awards - tenant services	71	-
Total administration	462,374	534,079
MAINTENANCE		
Salary - maintenance	418,953	326,696
Overtime/on-call	51,964	31,881
Premium pay	2,115	2,030
Temp pool - maintenace	-	-
Temp agency - maintenance	6,859	26,239
Kitchen and bath supplies	-	99
Electrical supplies	13,970	11,960
Appliance supplies	1,199	2,166
Plumbing supplies	10,820	10,766
Employee uniforms	6,172	10,869
Cleaning and janitorial supplies	6,943	2,798
Grounds and landscaping supplies	5,795	3,829
Health and safety materials	-	489
Locks and keys	276	666
Windows and glass	2,769	2,455
Doors	895	644
Roofing materials	-	233
Floors and carpeting	12,077	4,101
Miscellaneous supplies	3,867	4,791
Electrical equipment	3,663	-
Plumbing equipment	2,075	694
Hardware supplies	4,449	5,279
HVAC supplies	11,322	2,710

**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,

	2022	2021
MAINTENANCE - CONTINUED		
Paint and wallcoverings	12,759	6,980
HVAC equipment	5,919	4,098
Appliance equipment	600	40,475
Tools	3,436	4,210
Maintenance equipment	-	-
Discount	(147)	(14)
Equipment rent	-	-
Appliance contracts	-	97
Miscellaneous equipment	2,229	75
Electrical contracts	2,449	1,913
Plumbing contracts	47,391	20,772
Cleaning and janitorial contracts	26,652	9,010
Grounds and landscaping contracts	119,408	71,354
Windows and glass contacts	1,405	1,285
Roofing and gutter contracts	15,581	5,075
HVAC contracts	13,287	1,700
Flooring and carpeting contracts	32,604	16,228
Paint/wallcoverings int. contracts	99,258	39,301
Paint/wallcoverings ext contracts	5,755	2,045
Exterminating contracts	19,343	40,440
Snow removal contracts	23,725	62,610
Fencing contracts	-	2,235
Asphalt and concrete contracts	3,964	375
Miscellaneous contracts	3,669	6,955
Kithchen and bath supplies - capital	942	1,833
Electrical supplies - capital	1,731	948
Appliance supplies - capital	350	149
Plumbing supplies - capital	592	457
Cleaning/janitorial supplies - capital	-	343
Grounds/landscaping supplies - capital	13,827	-
Locks and keys - capital	-	156
Windows and glass - capital	199	297
Doors -capital	98	894
HVAC supplies - capital	-	3,853
Hardware supplies - capital	924	594
Plumbing equipment - capital	6,850	875
Miscellaneous supplies - capital	591	152
Flooring and carpeting - capital	25,476	24,022
Painting and wallcoverings - capital	-	450
Appliance equipment - capital	73,820	26,284
Miscellaneous contracts - capital	-	-
Electrical contracts - capital	5,600	4,804
Appliance contracts - capital	-	275
HVAC equipment - capital	32	11,087
Plumbing contracts - capital	-	26,007
Employee uniforms - capital	2	59
Cleaning/janitorial contracts - capital	350	-
Grounds/landscaping - capital	-	2,850
Windows/glass contracts - capital	590	615
Roofing/gutter contracts - capital	4,800	5,499
HVAC contracts - capital	19,543	5,222

**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,

	2022	2021
<b>MAINTENANCE - CONTINUED</b>		
Flooring/carpet contracts - capital	12,581	27,519
Paint/wallcoverings int. contracts - capital	-	8,262
Exterminating contracts - capital	70	55
Snow removal contracts - capital	-	1,188
Fencing contracts - capital	-	140
Security system - capital	9,000	-
Total maintenance	1,183,438	943,503
<b>UTILITIES</b>		
Water bill	212,512	304,933
Electric bill	95,976	110,891
Natural gas	15,243	12,057
Trash collection	28,882	20,956
Trash collection - bulk	676	2,638
Total Utilities	353,289	451,475
<b>FRINGE BENEFITS</b>		
Accrued leave	3,242	3,994
FICA	-	-
Workers compensation	414	1,260
Health insurance	(21)	1,208
Employee other training	-	102
Other post employment benefits	-	-
Contract managed benefits	40,594	49,798
Pension expense	23,445	89,393
OPEB expense (GASB 75)	(42,256)	(22,736)
Training program	-	245
FICA tenant services	(39)	3,285
Unemployment tenant services	167	163
Workers compensation tenant services	-	1,240
Health insurance - tenant services	(56)	5,524
Deferred contribution plan tenant services	(37)	2,888
Other post employment benefits - tenant services	-	-
FICA maintenance	33,450	27,073
Unemployment - maintenance	5,356	1,452
Workers compensation - maintenance	11,330	10,860
Health insurance - maintenance	130,124	104,400
Deferred contribution plan - maintenance	27,373	21,234
Other post employment benefits - maintenance	4,280	212
Total fringe benefits	237,366	301,595
<b>INTEREST EXPENSES</b>		
Interest payments - general	908,721	929,431
Amortization of debt insurance costs	11,788	11,788
Total interest expenses	920,509	941,219
<b>OTHER EXPENSES</b>		
Security contracts	1,494	935
Security system	3,000	216
Insurance reserve	7,860	8,460
Fire & hazard insurance	30,709	34,258
Environmental insurance	1,891	630

**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,

	2022	2021
<b>OTHER EXPENSES - CONTINUED</b>		
Liability insurance	47,028	32,666
Vehicle insurance	2,030	2,615
COVID-19 - coronavirus expenses	2,209	8,607
Real estate taxes	4,204	4,200
Solid waste tax	68,457	62,403
Asset management fees	260,550	260,550
Mortgage insurance	224,789	150,000
Total other expenses	654,221	565,540
 <b>NON-OPERATING REVENUE (EXPENSE)</b>		
Interest income - security deposit	52	31
Security deposit interest expense	(1,254)	(1,943)
Investment interest income - non operating	44	10
Total non-operating revenue (expense)	(1,158)	(1,902)



**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, 2022, 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 23, 2023.

**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.

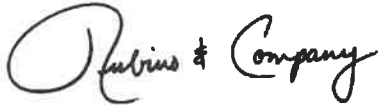
**Report on Compliance and Other Matters**

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 23, 2023

**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, 2022**

**Finding**

**Questioned Cost**

None

N/A