

**BROOKSIDE GLEN
LIMITED PARTNERSHIP**

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2019 AND 2018

BROOKSIDE GLEN LIMITED PARTNERSHIP

JUNE 30, 2019 AND 2018

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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, 2019 and 2018, 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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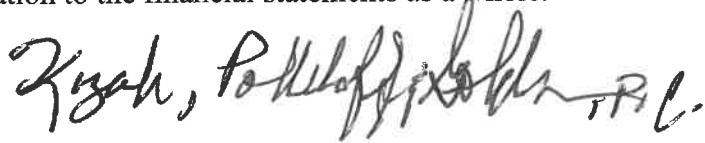
Opinion

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, 2019 and 2018, 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 30, 2019
Audit Principal: Gerald A. Goldman

Taxpayer Identification Number:
EIN: 54-1639552

BROOKSIDE GLEN LIMITED PARTNERSHIP

**BALANCE SHEETS
AS OF JUNE 30,**

ASSETS

	<u>2019</u>	<u>2018</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 508,952	\$ 388,939
Accounts receivable and other assets	<u>176,286</u>	<u>71,847</u>
Total current assets	<u>685,238</u>	<u>460,786</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	895,089	808,365
Tenant security deposits	<u>56,871</u>	<u>57,450</u>
Total restricted cash and cash equivalents for current liabilities	<u>951,960</u>	<u>865,815</u>
NON-CURRENT ASSETS		
Property and equipment, net of depreciation	6,814,440	7,165,253
Deferred charges, net of accumulated amortization	<u>58,379</u>	<u>62,549</u>
Total non-current assets	<u>6,872,819</u>	<u>7,227,802</u>
TOTAL ASSETS	<u><u>\$ 8,510,017</u></u>	<u><u>\$ 8,554,403</u></u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

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

LIABILITIES AND PARTNERS' EQUITY

	<u>2019</u>	<u>2018</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 75,544	\$ 40,563
Interfund payable	213,930	215,446
Accrued interest payable	19,098	20,006
Loans payable to Montgomery County - current	18,528	17,981
Mortgage notes and loans payable - current	233,125	222,553
Total current liabilities	<u>560,225</u>	<u>516,549</u>
 Current liabilities payable from restricted assets		
Tenant security deposits payable	56,238	57,316
Total current liabilities payable from restricted assets	<u>56,238</u>	<u>57,316</u>
 NON-CURRENT LIABILITIES		
Mortgage notes and loans payable - non-current	5,505,581	5,738,706
Less: Debt Issuance Costs	(66,172)	(70,899)
Loan payable to Montgomery County - non-current	603,956	622,480
Total non-current liabilities	<u>6,043,365</u>	<u>6,290,287</u>
 Total liabilities	<u>6,659,828</u>	<u>6,864,152</u>
 PARTNERS' EQUITY	<u>1,850,189</u>	<u>1,690,251</u>
 TOTAL LIABILITIES AND PARTNERS' EQUITY	<u>\$ 8,510,017</u>	<u>\$ 8,554,403</u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

STATEMENTS OF OPERATIONS FOR THE YEARS ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Operating revenue:		
Dwelling rental	\$ 1,558,785	\$ 1,560,395
Management fees and other income	5,476	4,916
	<u>1,564,261</u>	<u>1,565,311</u>
Total operating revenues		
Operating expenses:		
Administration	184,832	179,408
Maintenance	240,197	338,512
Depreciation and amortization	354,983	362,661
Utilities	133,963	128,216
Fringe benefits	65,511	38,405
Interest expense	239,331	249,995
Other	146,734	158,593
Bad debt	50,982	7,916
	<u>1,416,533</u>	<u>1,463,706</u>
Total operating expenses		
Operating income	147,728	101,605
Nonoperating revenue:		
Investment income	12,210	3,826
	<u>12,210</u>	<u>3,826</u>
Net income	<u>\$ 159,938</u>	<u>\$ 105,431</u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

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

	<u>2019</u>	<u>2018</u>
Partners' equity, beginning of year	\$ 1,690,251	\$ 1,584,820
Net income for the year	<u>159,938</u>	<u>105,431</u>
Partners' equity, end of year	<u>\$ 1,850,189</u>	<u>\$ 1,690,251</u>

See notes to financial statement

BROOKSIDE GLEN LIMITED PARTNERSHIP

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30,

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Net income	\$ 159,938	\$ 105,431
Adjustment to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	354,983	362,661
Debt issuance costs amortization	4,727	4,727
(Increase) decrease in current assets		
Accounts receivable and other assets	(54,398)	8,780
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	34,981	12,063
Interest payable	(908)	(867)
Tenant security deposits (net)	(498)	491
Net cash provided by operating activities	<u>498,825</u>	<u>493,286</u>
Cash flows from investing activities:		
Building modernization	-	(55,831)
Change in reserve for replacement	(66,679)	(287,021)
Change in operating reserve	(19,952)	(107,910)
Change in mortgage insurance premium escrow	(93)	(89)
Net cash used in investing activities	<u>(86,724)</u>	<u>(450,851)</u>
Cash flows from financing activities		
Principal payments on mortgage notes and loans payable	(240,530)	(229,904)
Change in interfund payable	(1,516)	(240)
Prepaid expenses	(50,042)	-
Net cash used in financing activities	<u>(292,088)</u>	<u>(230,144)</u>
Net (decrease) increase in cash and cash equivalents	120,013	(187,709)
Cash and cash equivalents, beginning of year	<u>388,939</u>	<u>576,648</u>
Cash and cash equivalents, ending of year	<u>\$ 508,952</u>	<u>\$ 388,939</u>
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 235,123</u>	<u>\$ 246,134</u>

See notes to financial statements

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

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, 2019 and 2018 was \$5,183 and \$1,964, 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, 2019 and 2018.

BROOKSIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

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, 2016 through 2018 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, 2019 and 2018, \$50,982 and \$7,916, 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, 2019 and 2018, the accumulated amortization was \$66,718 and \$62,548, respectively and the amortization expense for the years ended June 30, 2019 and 2018 was \$4,170, per year.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

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 \$75,628 and \$70,901, 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, 2019 and June 30, 2018 included:

	2019	2018
Land	\$ 2,266,800	\$ 2,266,800
Buildings	7,817,284	7,817,284
Building renovation	2,807,714	2,807,714
Site improvement	27,256	27,256
Fixed building equipment	36,124	36,124
Miscellaneous fixed assets	70,717	70,717
	<u>13,025,895</u>	<u>13,025,895</u>
Less: Accumulated depreciation	(6,211,455)	(5,860,642)
	<u>\$ 6,814,440</u>	<u>\$ 7,165,253</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, 2019 AND 2018

4. NOTES PAYABLE

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

	<u>2019</u>	<u>2018</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.	\$ 4,527,000	\$ 4,749,553
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.	622,484	640,461
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.	<u>1,211,706</u>	<u>1,211,706</u>
Total	<u>6,361,190</u>	<u>6,601,720</u>
Less: current portion	<u>251,653</u>	<u>240,534</u>
Long-term liabilities	<u>\$ 6,109,537</u>	<u>\$ 6,361,186</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, 2019 and 2018, the outstanding principal balance on this note was \$4,527,000 and \$4,749,553, respectively. Interest expense was \$215,288 and \$225,420 for the years ended June 30, 2019 and 2018, respectively.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

4. NOTES PAYABLE (CONTINUED)

Minimum remaining loan principal payments on this note, as of June 30, 2019 are as follows:

Year ending June 30,	
2020	\$ 233,125
2021	244,200
2022	255,800
2023	267,952
2024	280,680
2025-2029	1,987,335
2030-2033	1,257,908
Total	<u>4,527,000</u>
Less: current portion	<u>(233,125)</u>
Long-term portion	<u>\$ 4,293,875</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, 2019 AND 2018

4. NOTES PAYABLE (CONTINUED)

Note Payable - Montgomery County, Maryland (Continued)

the expiration of the thirty (30) year term. As of June 30, 2019 and 2018, the outstanding principal balance on this loan was \$622,484 and \$640,438, respectively. Interest expense was \$19,459 and \$18,927 for the years ended June 30, 2019 and 2018, respectively.

Minimum remaining loan principal payments on this note, as of June 30, 2019 are as follows:

Year ending June 30,	
2020	\$ 18,528
2021	19,088
2022	19,669
2023	20,267
2024	20,883
2025-2029	114,339
2030-2034	132,818
2035-2039	154,284
2040-2043	122,608
Total	<u>622,484</u>
Less: current portion	<u>(18,528)</u>
Long-term portion	<u>\$ 603,956</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, 2019 and 2018 was \$1,211,706.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

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, 2019 and 2018, the Partnership paid HOC \$101,750 and \$96,910, 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 \$213,930 on June 30, 2019 and \$215,466 on June 30, 2018 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, 2019 and 2018 was \$8,124 and \$7,926 respectively. An additional \$267,101 was deposited into this account for the fiscal year 2018 budget. The balance in this account at June 30, 2019 and at June 30, 2018, inclusive of interest earned were \$541,469 and \$474,790, respectively as follows:

	2019	2018
Beginning balance	\$ 474,790	\$ 187,769
Annual deposits	97,488	362,213
Fund transfer	-	-
Withdrawals	(40,942)	(78,117)
Interest income	10,133	2,925
Balance, June 30,	<u>\$ 541,469</u>	<u>\$ 474,790</u>

During fiscal year 2019, \$40,942 was released from this account for payment to cover the cost of appliances, carpeting, flooring and building repairs.

BROOKSIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

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, 2019 and June 30, 2018, inclusive of interest earned were \$323,993 and \$304,041, respectively as follows:

	2019	2018
Beginning balance	\$ 304,041	\$ 196,131
Monthly deposits	17,604	14,896
Annual deposit – surplus cash	-	91,355
Interest income	2,348	1,659
Withdrawals for building improvement	-	-
Balance, June 30,	<u>\$ 323,993</u>	<u>\$ 304,041</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, 2019 was \$19,807 and at June 30, 2018 was \$24,239. The balance in the Mortgage Escrow account at June 30, 2019 and June 30, 2018, inclusive of interest earned were \$29,627 and \$29,534, respectively as follows:

	2019	2018
Beginning balance	\$ 29,534	\$ 29,445
Monthly deposits	19,807	24,239
Interest Income	3,342	-
Withdrawals	(23,056)	(24,150)
Balance, June 30,	<u>\$ 29,627</u>	<u>\$ 29,534</u>

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

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, 2019 and 2018 were \$45,725 and \$44,280 respectively.

Effective July 1, 2019, the Partnership entered into a management service agreement with Edgewood Management Corporation.

10. CUSTODIAL CREDIT RISK

Cash balances as of June 30, 2019 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 30, 2019.

BROOSKIDE GLEN LIMITED PARTNERSHIP

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2019 AND 2018

12. SURPLUS CASH

The computation of **Surplus Cash** for the Project Reserve Fund for the year ended June 30, 2019 is as follows:

Cash on hand		
Cash- Operating	\$ 508,952	
Cash- Tenant security deposits	56,871	
Total Cash on hand		\$ 565,823
Current obligations		
Accrued mortgage interest payable	19,098	
DHCD Reserve fund deposit	1,354	
Accounts payable - Trade	8,945	
Accounts payable - Entity	213,930	
Estimated property insurance premium	6,990	
Estimated mortgage insurance premium	21,911	
Estimated water bills	105,857	
Estimated other taxes	5,634	
HOC reserve for replacements	97,488	
Tenant security deposit liability	56,238	
Total required payments		537,455
Surplus Cash, as Defined		<u>\$ 28,378</u>

SUPPLEMENTAL INFORMATION

BROOKSIDE GLEN LIMITED PARTNERSHIP

DETAILED BALANCE SHEETS

FOR YEAR ENDED JUNE 30,

	2019	2018
Accounts receivable and other assets		
A/R other government	6,741	6,477
Insurance claims receivable	35,278	9,891
Other receivables	-	11,456
Tenant receivables	59,960	4,746
Other resident fees receivable	10,829	6,786
Ex resident workorder receivable	-	90
Allowance for doubtful accounts	(31,913)	(13,471)
Prepaid expenses	50,042	-
Prepaid other expense	43,471	43,860
Prepaid mortgage insurance	1,878	2,012
Accounts receivable and other assets	<u>176,286</u>	<u>71,847</u>
Restricted cash and cash equivalents for current liabilities		
Operating reserve cash - restricted	323,993	304,041
Replacement reserve - restricted	541,469	474,790
Mortgage escrow fund	29,627	29,534
Restricted cash and cash equivalents for current liabilities	<u>895,089</u>	<u>808,365</u>
Property & equipment		
Land	2,266,800	2,266,800
Buildings	7,817,284	7,817,284
Building renovations	2,807,714	2,807,714
Fixed building equipment - dwelling	36,124	36,124
Miscellaneous fixed assets	70,717	70,717
Site improvement	27,256	27,256
Accumulated depreciation	(6,211,455)	(5,860,642)
Property & equipment , net of depreciation	<u>6,814,440</u>	<u>7,165,253</u>
Deferred charges		
Deferred title	125,097	125,097
Accumulated amortization	(66,718)	(62,548)
Deferred charges, net	<u>58,379</u>	<u>62,549</u>

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

	2019	2018
Accounts payable and accrued liabilities		
Accounts payable - vendors	\$ 220	\$ (26)
Accounts payable - other	462	9,248
Accrued salaries	-	11,118
Residential rent prepaid	66,599	4,787
Accrued expenses	6,433	5,916
Accrued other	1,830	9,520
Accounts payable and accrued liabilities	75,544	40,563
 Mortgage notes and loan payable		
Note payable - state - long term	1,211,706	1,211,706
Mortgage payable - long term	4,293,875	4,527,000
Less: Debt Issuance Costs	(66,172)	(70,899)
Mortgage notes and loan payable	5,439,409	5,667,807
 Loans payable to Montgomery County		
Notes payable - county - long term	603,956	622,480
	603,956	622,480

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

	2019	2018
REVENUE		
DWELLING RENTAL		
Rent: current residents	\$ 1,428,561	\$ 1,431,250
Rent: subsidies	166,539	151,067
Subsidy suspense-HUD	-	-
Concessions	(5,183)	(1,964)
Vacancy loss	(60,604)	(40,670)
Other rent fees	17,739	11,637
Sales/Svs to residents	-	77
Ex-Resident work-orders	-	-
Late fees/NSF	11,733	8,998
Total dwelling rental	1,558,785	1,560,395
MANAGEMENT FEES & OTHER INCOME		
User fees	768	955
Miscellaneous income	-	1
Transfer between funds - rental license	4,708	3,960
Total management fees & other income	5,476	4,916
TOTAL OPERATING REVENUE	1,564,261	1,565,311
OPERATING EXPENSES		
ADMINISTRATION		
Office salaries	80,658	81,480
Contract bonus/commissions	-	-
Auditing fees	9,050	8,810
Contract management fee	45,725	44,280
Miscellaneous operating expenses	1,576	2,828
Postage	167	204
Printing/reproduction	309	149
Paper pads	912	989
Food and beverage	963	1,068
Magazine and newspaper subscription	-	53
Local mileage and travel	91	-
Legal services- general	7,882	4,527
Information management services	1,057	-
Other operating professional services	-	498
Advertising	15,523	9,740
Credit check services	1,152	1,322
Office equipment rent	2,527	2,555
Furniture /Misc equip rental	-	-
Local phone bill	7,545	7,914
Cellular phone charges	-	420
Computer software	-	1,009
Cable charges	2,219	2,223
Rental license	3,960	3,690
Resident gifts	1,696	1,977
Decorations	-	23
Other office supplies	-	171
Other license, fees, and permits	120	1,188
Miscellaneous program supplies	1,700	2,290
Total administration	184,832	179,408

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

	2019	2018
MAINTENANCE		
Contract maintenance/janitor salary	71,749	84,931
Kitchen and Bath supplies	4,890	105
Electrical supplies	4,658	4,349
Appliance supplies	5,535	4,334
Plumbing supplies	8,252	5,081
Employee uniforms	529	85
Grounds and landscaping supplies	1,010	69
Cleaning and janitorial supplies	3,107	1,853
Health and Safety Materials	1,566	2,322
Locks keys	545	91
Windows and glass	2,862	8,631
Hardware supplies	3,227	2,953
HVAC supplies	2,123	1,105
Flooring and carpeting	590	-
Miscellaneous supplies	62	752
Tools	1,402	59
Electrical contracts	3,913	9,170
Plumbing contracts	-	26,003
Cleaning and janitorial contracts	2,530	4,202
Grounds and landscaping contracts	21,616	32,150
Windows and glass contracts	-	1,071
Roofing and gutter contracts	6,200	5,690
HVAC contracts	1,265	4,081
Flooring and carpeting contracts	4,288	5,627
Paint/wallcoverings int. contracts	22,523	29,864
Paint/wallcoverings ext. contracts	690	-
Exterminating contracts	4,230	4,985
Snow removal contracts	16,369	26,137
Miscellaneous contracts	5,796	27,449
HVAC equipment - capital	216	-
Plumbing equipment - capital	4,427	-
Appliance equipment - capital	13,451	6,491
Tools - capital	839	1,107
Plumbing contracts-capital	2,213	8,136
Windows and glass - capital	-	10,457
Flooring/carpet contracts- capital	17,524	19,172
Miscellaneous contracts - capital	-	-
Total maintenance	<u>240,197</u>	<u>338,512</u>

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

	2019	2018
UTILITIES		
Water bill	105,847	98,779
Electric bill	14,122	15,097
Natural gas	2,788	3,532
Trash collection	7,500	7,500
Trash collection - bulk	3,706	3,308
Total Utilities	133,963	128,216
FRINGE BENEFITS		
Contract managed benefits	62,889	35,985
Contract employee appreciation	2,098	1,677
Contract other training	524	743
Total fringe benefits	65,511	38,405
INTEREST EXPENSES		
Interest payments - general	215,677	225,809
Debt insurance costs -amortization	4,727	4,727
Interest payments - Montgomery Co.	18,927	19,459
Total interest expenses	239,331	249,995
OTHER EXPENSES		
Security contracts	9,170	7,526
Security system	-	22
Fire & hazard insurance	6,990	9,290
Other taxes	300	300
Solid waste tax	1,813	1,793
Front foot benefit charge	-	14,994
Water quality protect charge	3,521	3,521
Asset management fee	101,750	96,910
Mortgage insurance	23,190	24,237
Total other expenses	146,734	158,593