

Timberlawn Pomander Properties LLC

Financial Statements

**For the Years Ended
June 30, 2020 and 2019 (as Restated)**

Timberlawn Pomander Properties LLC

Table of Contents

For the Years Ended June 30, 2020 and 2019 (as Restated)

Independent Auditor's Report	1-2
Financial Statements	
Balance Sheets	3-4
Statements of Operations	5
Statements of Changes in Net Assets (Deficit)	6
Statements of Cash Flows	7-8
Notes to Financial Statements	9-15
Supplementary Information	
Independent Auditor's Report on Supplementary Information	16
Detail of Selected Balance Sheet Accounts	17
Detailed Statements of Operations	18-19



Independent Auditor's Report

To the Management of
Timberlawn Pomander Properties LLC
10400 Detrick Avenue
Kensington, MD 20895

Report on the Financial Statements

We have audited the accompanying financial statements of Timberlawn Pomander Properties LLC, which comprise the balance sheet as of June 30, 2020 and the related statements of operations, changes in net assets (deficit), and cash flows for the year 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditor's 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 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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet of Timberlawn Pomander Properties LLC as of June 30, 2020 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 of the financial statements, during the year ended June 30, 2020, Timberlawn Pomander Properties LLC adopted Financial Accounting Standards Board Update (ASU) No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to this matter.

Other Matters

The financial statements of Timberlawn Pomander Properties LLC as of June 30, 2019 were audited by other auditors whose report dated December 11, 2019, expressed an unmodified opinion on those statements. We audited the adjustments described in Note 10 that were applied to restate the 2019 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

SC+H attest services, P.C.

November 6, 2020
Sparks, Maryland

Timberlawn Pomander Properties LLC

Balance Sheets

As of June 30, 2020 and 2019 (as Restated)

	2020	2019
Assets		
Current assets		
Cash	\$ 2,070,414	\$ 1,858,132
Accounts receivable, net and other assets	<u>144,790</u>	<u>61,399</u>
Total unrestricted current assets	<u>2,215,204</u>	<u>1,919,531</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	867,010	1,671,423
Tenants' security deposits	<u>76,760</u>	<u>72,614</u>
Total restricted cash and cash equivalents for current liabilities	<u>943,770</u>	<u>1,744,037</u>
Property and equipment		
Construction in progress	-	573,294
Property and equipment, net of accumulated depreciation	<u>17,915,998</u>	<u>16,913,560</u>
Total property and equipment	<u>17,915,998</u>	<u>17,486,854</u>
Total assets	<u>\$ 21,074,972</u>	<u>\$ 21,150,422</u>

See independent auditor's report and notes to financial statements.

Timberlawn Pomander Properties LLC

Balance Sheets (Continued)

As of June 30, 2020 and 2019 (as Restated)

	2020	2019
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	\$ 109,339	\$ 46,814
Accrued interest payable	61,955	62,688
Interfund payable	1,897,537	1,713,968
Mortgage payable, current maturities	238,678	229,721
Total current liabilities	<u>2,307,509</u>	<u>2,053,191</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	<u>70,936</u>	<u>67,618</u>
Total current liabilities payable from restricted assets	<u>70,936</u>	<u>67,618</u>
Long-term liabilities		
Mortgage payable, net of current maturities and unamortized financing fees of \$371,667 - 2020 and \$381,667 - 2019	<u>18,796,063</u>	<u>19,024,741</u>
Total long-term liabilities	<u>18,796,063</u>	<u>19,024,741</u>
Total liabilities	<u>21,174,508</u>	<u>21,145,550</u>
Net assets (deficit)		
Investment in capital assets, net of related debt	(1,490,410)	(2,149,275)
Restricted net assets	872,834	1,676,419
Unrestricted net assets	<u>518,040</u>	<u>477,728</u>
Total net assets (deficit)	<u>(99,536)</u>	<u>4,872</u>
Total liabilities and net assets (deficit)	<u>\$ 21,074,972</u>	<u>\$ 21,150,422</u>

See independent auditor's report and notes to financial statements.

Timberlawn Pomander Properties LLC

Statements of Operations

For the Years Ended June 30, 2020 and 2019 (as Restated)

	2020	2019
Operating revenues		
Dwelling rental income	\$ 2,707,640	\$ 2,691,774
Other income	6,157	5,764
Total operating revenues	<u>2,713,797</u>	<u>2,697,538</u>
Operating expenses		
Administrative	325,913	367,032
Operating and maintenance	308,032	336,040
Depreciation	347,338	314,985
Utilities	188,288	175,134
Fringe benefits	58,030	76,153
Interest expense	757,521	766,169
Other	190,415	172,595
Bad debt expense	14,105	22,240
Total operating expenses	<u>2,189,642</u>	<u>2,230,348</u>
Operating income	<u>524,155</u>	<u>467,190</u>
Nonoperating revenues		
Interest revenue	2,320	3,340
Total nonoperating revenues	<u>2,320</u>	<u>3,340</u>
Net income	<u>\$ 526,475</u>	<u>\$ 470,530</u>

See independent auditor's report and notes to financial statements.

Timberlawn Pomander Properties LLC

Statements of Changes in Net Assets (Deficit)
For the Years Ended June 30, 2020 and 2019 (as Restated)

Balance, July 1, 2018	\$ (27,523)
Distributions to HOC general fund	(438,135)
Net income, June 30, 2019	<u>470,530</u>
Balance, June 30, 2019	4,872
Distributions to HOC general fund	(630,883)
Net income, June 30, 2020	<u>526,475</u>
Balance, June 30, 2020	<u><u>\$ (99,536)</u></u>

See independent auditor's report and notes to financial statements.

Timberlawn Pomander Properties LLC

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019 (as Restated)

	2020	2019
Cash flows from operating activities		
Net income	\$ 526,475	\$ 470,530
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	347,338	314,985
Amortization of financing fees	10,000	10,000
Bad debt expense	14,105	22,240
(Increase) decrease in operating assets:		
Accounts receivable, net and other assets	(97,496)	23,857
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	62,525	(67,855)
Accrued interest payable	(733)	(162,339)
Interfund payable	183,569	(2,811)
Tenants' security deposits	3,318	(8,071)
Net cash provided by operating activities	<u>1,049,101</u>	<u>600,536</u>
Cash flows from investing activities		
Construction costs paid	(776,482)	(32,623)
Acquisition of property and equipment	-	(10,649)
Net cash used in investing activities	<u>(776,482)</u>	<u>(43,272)</u>
Cash flows from financing activities		
Distributions to HOC general fund	(630,883)	(438,135)
Mortgage principal payments	(229,721)	(221,102)
Net cash used in financing activities	<u>(860,604)</u>	<u>(659,237)</u>
Net decrease in cash and restricted cash and cash equivalents	(587,985)	(101,973)
Cash and restricted cash and cash equivalents, beginning of year	<u>3,602,169</u>	<u>3,704,142</u>
Cash and restricted cash and cash equivalents, end of year	<u>\$ 3,014,184</u>	<u>\$ 3,602,169</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 748,254</u>	<u>\$ 918,508</u>

See independent auditor's report and notes to financial statements.

Timberlawn Pomander Properties LLC

Statements of Cash Flows (Continued)

For the Years Ended June 30, 2020 and 2019 (as Restated)

The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the balance sheets that sum to the total of the same such amounts presented in cash and restricted cash and cash equivalents, end of year, above:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,070,414	\$ 1,858,132
Restricted cash and cash equivalents	867,010	1,671,423
Tenants' security deposits	<u>76,760</u>	<u>72,614</u>
Total cash and cash equivalents and restricted cash, end of year	<u>\$ 3,014,184</u>	<u>\$ 3,602,169</u>

See independent auditor's report and notes to financial statements.

Timberlawn Pomander Properties LLC

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019 (as Restated)

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Timberlawn Pomander Properties LLC (the Company) was formed by the Housing Opportunities Commission of Montgomery County, Maryland (HOC) under the laws of the state of Maryland on February 8, 2017. The Company is a nonprofit company and is not authorized to issue stock. The Company was formed for the purpose of acquiring, owning, constructing, operating and providing multifamily housing in Montgomery County. The Company acquired 131 apartment units and townhomes to provide rental housing (the Properties). The Properties known as Timberlawn Crescent and Pomander Court are located in Montgomery County, Maryland.

Housing projects undertaken, financed, or assisted by the Company and the projects' related expenditures must be approved by HOC, a component unit of Montgomery County, Maryland. The Company is legally separate from HOC, but the Company's financial statements are included in the Opportunity Housing Fund of HOC as a blended component unit. The Company's directors must be commissioners of HOC and, therefore, HOC can significantly influence the programs, projects, activities of, and the level of service performed by the Company.

Method of Accounting

The Company's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents.

Rents Receivable and Bad Debts

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

Management periodically evaluates the need for an allowance for doubtful accounts by considering the Company'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 accounts receivable balances. Accounts receivable are considered past due after the tenth of the month in which they were due. Accounts receivable are considered uncollectible if they are outstanding over 90 days. Allowances as of June 30, 2020 and 2019 were \$20,269 and \$15,547, respectively.

Property and Equipment

Land, buildings and improvements are recorded at cost. Building, improvements, and miscellaneous fixed assets are depreciated over their estimated useful lives of 10 to 40 years using the straight-line method.

Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended June 30, 2020 and 2019.

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019 (as Restated)

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Construction in Progress

Construction of the Properties related to the rehabilitation of the 131-apartment units and townhomes to provide rental housing. Construction in progress was comprised of costs incurred but not yet placed in service for the rehabilitation of the Properties, which totaled \$0 and \$573,294 as of June 30, 2020 and 2019. Construction was completed and the building was placed in service during March 2020.

Net Assets

HOC, the Company's sole member, is required to report on a fund basis that categorize net assets as the following:

Investment in capital assets represents the total of property and equipment, net less mortgage payable.

Restricted net assets represents the sum of total restricted cash and cash equivalents and tenant security deposits less the tenant security deposit liability.

Unrestricted net assets represents the balance remaining after investment in capital assets and restricted net assets.

Interest

The Company has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Company is reporting loan fees related to its mortgage payable as a direct deduction from the principal balance of the mortgage and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 6 for more information.

Income Taxes

The Company is exempt from income taxes under Section 115 of the Internal Revenue Code, which excludes from gross income amounts earned by state and local governments.

Estimates

The preparation of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Revenue

Rental income is recognized as rents become due from residential tenants. Rental payments received in advance are deferred until earned. All leases between the Company and tenants of the properties are operating leases.

Advertising

The Company's policy is to expense advertising costs when incurred.

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019 (as Restated)

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

2) Accounting Pronouncements Adopted

The Company adopted ASU No. 2016-18 – *Statement of Cash Flows (Topic 230): Restricted Cash*, which reduced diversity in practice in the classification and presentation of changes in restricted cash on the statement of cash flows by including restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning of year and end of year total amounts shown on the statement of cash flows. The Company adopted the provisions under this ASU on July 1, 2019 on a retrospective basis which resulted in an increase in beginning of year and end of year cash and cash equivalents. Restricted cash was \$943,770 and \$1,744,037 as of June 30, 2020 and 2019, respectively, and therefore resulted in an increase in cash and restricted cash of \$943,770 and \$1,744,037 as presented on the statements of cash flows as of June 30, 2020 and 2019, respectively.

3) Concentration of Risk

The Company maintains its cash balances in several accounts at various financial institutions. At times, these balances may exceed the federal insured limits; however, the Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2020 and 2019.

4) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	2020	2019
Mortgage escrow deposits	\$ 22,229	\$ 22,229
Reserve for replacements	675,097	864,143
Mortgage loan reserve	169,684	167,435
Renovation escrow	-	617,616
	<u>\$ 867,010</u>	<u>\$ 1,671,423</u>

Mortgage Escrow Deposits

Pursuant to the terms of the mortgage note, the Company is required to make monthly deposits with the mortgagee for payment of mortgage insurance premium so that a sufficient amount is on deposit with the mortgagee when the actual payment of such expenses is due. The balance as June 30, 2020 and 2019 is \$22,229.

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2020 and 2019 (as Restated)

4) Restricted Cash and Cash Equivalents (Continued)

Reserve for Replacements

Pursuant to the regulatory agreement with HOC, the Company is required to maintain a replacement reserve escrow account with HOC as trustee. Disbursements for the purpose of maintenance, improvements or renovations of the Properties can not be made without prior consent of HOC. The replacement reserve account funds are pooled with other properties that are controlled by HOC and deposited with Montgomery County, Maryland. The balances as of June 30, 2020 and 2019 are \$675,097 and \$864,143, respectively.

Mortgage Loan Reserve

During loan closing, the Company was required to fund a mortgage loan reserve. The purpose of the reserve is to fund any debt service shortfalls that the Company may experience. The balances as of June 30, 2020 and 2019 are \$169,684 and \$167,435, respectively.

Renovation Escrow

The Company has deposited funds into an interest-bearing account known as the renovation escrow (Renovation Escrow). The Renovation Escrow will be used to fund capital improvements, major repairs and the rehabilitation of the Properties. The balances as of June 30, 2020 and 2019 are \$0 and \$617,616, respectively.

5) Property and Equipment

Property and equipment detail for the years ended June 30 was as follows:

	2020	2019
Land	\$ 4,921,100	\$ 4,921,100
Land improvements	486,732	-
Buildings	12,547,708	12,547,708
Building renovations	741,896	11,150
Miscellaneous fixed assets	142,946	10,648
	<hr/>	<hr/>
Total property and equipment	18,840,382	17,490,606
Less: accumulated depreciation	(924,384)	(577,046)
	<hr/>	<hr/>
Property and equipment, net	\$ 17,915,998	\$ 16,913,560

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 and 2019 (as Restated)

6) Long-Term Debt

Mortgage Payable

On August 30, 2017, the Company obtained a loan from HOC in the original amount of \$20,000,000. The mortgage is secured by a promissory note, deed of trust, security and assignment of rent agreements, and substantially all assets. Financing fees related to the mortgage were \$400,000 and are being amortized to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan. The loan provides for interest at a nominal rate of 3.831% per annum and an effective interest rate of 3.910% per annum. Principal and interest of \$81,498 are due monthly with the final balance of principal and accrued interest due October 1, 2057. The outstanding principal and accrued interest balances as of June 30, 2020 and 2019 are \$19,406,408 and \$61,955, respectively, for 2020 and \$19,636,129 and \$62,688, respectively, for 2019. Unamortized financing fees for the years ended June 30, 2020 and 2019 were \$371,667 and \$381,667, respectively. For the years ended June 30, 2020 and 2019, interest incurred on the mortgage was \$757,521 and \$766,169, respectively, including amortized financing fees of \$10,000 for each year.

Maturities of the mortgage payable are as follows:

2021	\$ 238,678
2022	247,984
2023	257,653
2024	267,698
2025	278,136
2026-2030	1,562,054
2031-2035	1,891,266
2036-2040	2,289,862
2041-2045	2,772,464
2046-2050	3,356,777
2051-2055	4,064,238
2056-2058	2,179,598
Total	<u>\$ 19,406,408</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$10,000.

7) Related Party Transactions

Interfund Payable

The Company has numerous transactions with HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Company have not been paid or collected as of year-end, interfund payables and receivables are recorded. The balance of the interfund payable as of June 30, 2020 and 2019 was \$1,897,537 and \$1,713,968 respectively.

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 and 2019 (as Restated)

7) Related Party Transactions (Continued)

Property Management Fee

The Company was required to pay a management fee to HOC for its management services of Pomander Court. Each year, the amount was approved by HOC based on the agency cost allocation model determined during the budgetary process. During the year ended June 30, 2019, management fees \$32,360 were incurred. During the year ended June 30, 2020, the Corporation entered into an Amended and Restated Property Assistance Agreement with Edgewood Management Corporation for management of the property and will therefore no longer pay a management fee to HOC.

Asset Management Fee

The Company was charged an asset management fee of \$140,240 and \$120,970, respectively, for the years ended June 30, 2020 and 2019, by HOC.

8) Contract Management Fee

The Company was obligated under the terms of a Property Management Agreement with Bozzuto Management Company for the management of Timberlawn Crescent. Under the terms of the original agreement, the Company was required to pay management fees equal to 4% of Adjusted Gross Income, as defined, and 6% of the cost of construction. The contract was extended on July 2, 2018 at a flat rate of \$79,746, annually. The agreement was terminated on March 31, 2020. During the years ended June 30, 2020 and 2019, management fees of \$66,455 and \$79,746, respectively, were incurred.

Effective April 1, 2020, the Company is obligated under the terms of a Property Management Agreement with Vantage Management, Inc. for the management of Timberlawn Crescent. Under the terms of the agreement, the Company is required to pay management fees of \$42 per month per occupied unit. In addition, HOC reserves the right to pay Vantage Management, Inc. an annual fee. Payment of the fee is in HOC's sole discretion and there is no guarantee Vanatage Management, Inc. will receive the annual fee in any given year. The annual fee will be based on target occupancy levels and rent actually received. The agreement is set to expire on March 31, 2022, with two renewal options of one year each at the discretion of the Company. During the year ended June 30, 2020, management fees of \$12,810 were incurred.

The Company is obligated under the terms of an Amended and Restated Property Assistance Agreement with Edgewood Management Corporation for the management of Pomander Court. The fee is calculated at a flat rate of \$28 per occupied unit per month. In addition, HOC reserves the right to pay Edgewood Management Corporation an annual fee. Payment of the fee is in HOC's sole discretion and there is no guarantee that Edgewood Management Corporation will receive the annual fee in any given year. The annual fee will be based on target occupancy levels and rent actually received. The agreement is set to expire on December 31, 2021. For the years ended June 30, 2020 and 2019, management fees of \$7,998 and \$6,904, respectively, were incurred.

9) Real Estate Taxes

HOC, on behalf of the Company, entered into a payment in lieu of taxes (PILOT) agreement on June 2, 2017 with Montgomery County, whereby the Montgomery County portion of the Properties' real estate tax is abated. The abatement will remain in effect unless terminated pursuant to Paragraph 5 of the PILOT agreement.

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2020 and 2019 (as Restated)

10) Prior Period Adjustment

The 2019 financial statements have been adjusted by \$82,773 to correct for misstatements related to overstatement of mortgage insurance and loan management fee expense. The effect of the adjustment was an increase of \$82,773 to net assets and net income for the year ended June 30, 2019.

	As previously reported 2019	As restated 2019
Balance sheet		
Accounts receivable, net and other assets	77,786	61,399
Interfund payable	1,813,128	1,713,968
Unrestricted net assets	394,955	477,728
Statement of operations		
Administrative	417,032	367,032
Other	205,368	172,595

11) Business Risk Factor

The Company could potentially be affected by natural disasters, public health crisis, such as pandemics and epidemics, or other events outside of their control, which could cause their business and operating results to suffer.

12) Subsequent Events

Management has evaluated events and transactions subsequent to the balance date for potential recognition or disclosure through the independent auditor's report date, the date the financial statements were available to be issued. There were no events that required recognition or disclosure in the financial statements

See independent auditor's report.



Independent Auditor's Report on Supplementary Information

We have audited the financial statements of Timberlawn Pomander Properties LLC as of and for the year ended June 30, 2020 and our report thereon dated November 6, 2020, expressed an unmodified opinion on those financial statements, which appears on pages one and two. The financial statements of Timberlawn Pomander Properties LLC as of June 30, 2019, were audited by other auditors whose report dated December 11, 2019, expressed an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules as of June 30, 2020 are presented for the purpose of additional analysis and are 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 information is fairly presented in all material respects in relation to the financial statements as a whole. The supplemental schedules as of June 30, 2019 were subjected to auditing procedures applied in the audit of the basic financial statements as of June 30, 2019 by other auditors, whose report on such information stated that it was fairly stated in all material respects in relation to the financial statements as of June 30, 2019.

SC&H Attest Services, P.C.

November 6, 2020
Sparks, Maryland

Timberlawn Pomander Properties LLC

Detail of Selected Balance Sheet Accounts
As of June 30, 2020 and 2019 (as Restated)

	2020	2019
Accounts receivable, net and other assets		
Allowance for doubtful accounts	\$ (20,269)	\$ (15,547)
Other resident fees receivable	638	325
Other receivables	(233)	675
Prepaid insurance	-	2,467
Prepaid other expense	-	804
Accounts receivable - subsidy	73,422	37,572
Rents receivable	91,232	35,103
	<u>\$ 144,790</u>	<u>\$ 61,399</u>
Total accounts receivable, net and other assets		
Accounts payable and accrued expenses		
Accrued annual leave	\$ 2,432	\$ 2,274
Accounts payable	9,612	13
Accrued salaries	5,227	14,999
Accrued utility payments	7,088	14,069
Clearing resident funds	762	-
Deferred revenue	-	535
Other accrued liabilities	70,229	8,343
Resident prepaid rents	13,989	6,581
	<u>\$ 109,339</u>	<u>\$ 46,814</u>
Total accounts payable and accrued expenses		

See independent auditor's report on supplementary information.

Timberlawn Pomander Properties LLC

Detailed Statements of Operations

For the Years Ended June 30, 2020 and 2019 (as Restated)

	2020	2019
Dwelling rental income		
Rent	\$ 2,764,613	\$ 2,714,945
Vacancies and concessions	(103,042)	(60,023)
Tenant charges	46,069	36,852
Total dwelling rental income	<u>\$ 2,707,640</u>	<u>\$ 2,691,774</u>
Other income		
Rental license	\$ 6,157	\$ 5,764
Total other income	<u>\$ 6,157</u>	<u>\$ 5,764</u>
Administrative expenses		
Advertising and marketing	\$ 32,425	\$ 32,199
Contract management fees	87,263	86,650
Licenses and fees	6,044	5,913
Management fees	-	32,360
Miscellaneous	10,057	5,377
Office supplies and expense	34,583	28,587
Professional fees	19,825	16,360
Rent	4,330	-
Resident services	3,587	7,493
Salaries	115,774	140,375
Security deposit interest expense	2,464	680
Telephone	7,231	8,511
Vehicle	2,330	2,527
Total administrative expenses	<u>\$ 325,913</u>	<u>\$ 367,032</u>
Operating and maintenance expenses		
Contracts	\$ 91,047	\$ 116,044
Exterminating	5,333	5,097
Grounds maintenance	43,087	36,644
HVAC repairs and maintenance	2,903	5,837
Janitorial	5,857	4,730
Salaries	113,939	135,425
Snow removal	12,916	9,923
Supplies and repairs	32,950	22,340
Total operating and maintenance expenses	<u>\$ 308,032</u>	<u>\$ 336,040</u>

See independent auditor's report on supplementary information.

Timberlawn Pomander Properties LLC

Detailed Statements of Operations (Continued)
For the Years Ended June 30, 2020 and 2019 (as Restated)

	2020	2019
Utilities expense		
Electricity	\$ 22,618	\$ 30,216
Gas	(119)	243
Trash removal	25,461	17,395
Water	140,328	127,280
Total utilities expense	<u>\$ 188,288</u>	<u>\$ 175,134</u>
Fringe benefits		
Accrued leave	\$ 158	\$ (174)
Contract managed benefits	46,009	61,830
Deferred contribution plan	1,630	1,756
Other fringe benefits	1,572	2,682
FICA	2,085	2,191
Health insurance	5,106	5,777
Other post employment benefits	705	1,249
Unemployment	125	82
Workers' compensation	640	760
Total fringe benefits	<u>\$ 58,030</u>	<u>\$ 76,153</u>
Other expenses		
Asset management fees	\$ 140,240	\$ 120,970
Insurance	23,694	13,297
Mortgage insurance	-	15,868
Security contracts	11,903	8,005
Taxes	7,735	7,609
Water quality protect charge (RFSA)	6,843	6,846
Total other expenses	<u>\$ 190,415</u>	<u>\$ 172,595</u>

See independent auditor's report on supplementary information.