

# **Magruder's Discovery Development Corporation**

## **Financial Statements**

**For the Years Ended  
June 30, 2019 and 2018**

# Magruder's Discovery Development Corporation

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## Independent Auditor's Report

To the Board of Commissioners  
Magruder's Discovery Development Corporation  
10400 Detrick Avenue  
Kensington, MD 20895

### Report on the Financial Statements

We have audited the accompanying financial statements of Magruder's Discovery Development Corporation, which comprise the balance sheets as of June 30, 2019 and 2018, and the related statements of operations, changes in net assets (deficit), 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.

### Auditor's 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. Those standards require that we plan and perform the audits 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purposes 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 financial position of Magruder's Discovery Development Corporation 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.

*Hertzbach & Company, P.A.*

Owings Mills, Maryland  
December 2, 2019

# Magruder's Discovery Development Corporation

## Balance Sheets

As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 400	\$ 400
Interfund receivable	113,044	159,396
Accounts receivable, net and other assets	<u>112,170</u>	<u>174,825</u>
Total unrestricted current assets	<u>225,614</u>	<u>334,621</u>
<b>Restricted cash and cash equivalents for current liabilities</b>		
Restricted cash and cash equivalents	445,119	471,208
Tenants' security deposits	<u>71,268</u>	<u>70,479</u>
Total restricted cash and cash equivalents for current liabilities	<u>516,387</u>	<u>541,687</u>
<b>Property and equipment</b>		
Property and equipment, net of accumulated depreciation	<u>5,435,122</u>	<u>5,754,267</u>
<b>Deferred charges</b>		
Negative arbitrage	<u>142,716</u>	<u>149,208</u>
Total assets	<u>\$ 6,319,839</u>	<u>\$ 6,779,783</u>

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

# Magruder's Discovery Development Corporation

Balance Sheets (Continued)  
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Liabilities and Net Assets (Deficit)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 88,669	\$ 79,328
Accrued interest payable	55,015	56,122
Mortgage payable - current	<u>221,282</u>	<u>207,599</u>
Total current liabilities	<u>364,966</u>	<u>343,049</u>
<b>Current liabilities payable from restricted assets</b>		
Tenants' security deposits	<u>70,954</u>	<u>69,778</u>
Total current liabilities payable from restricted assets	<u>70,954</u>	<u>69,778</u>
<b>Long-term liabilities</b>		
First mortgage, net of current maturities and unamortized financing fees of \$184,927 - 2019 and \$193,333 - 2018	<u>9,909,046</u>	<u>10,121,922</u>
Total long-term liabilities	<u>9,909,046</u>	<u>10,121,922</u>
Total liabilities	<u>10,344,966</u>	<u>10,534,749</u>
<b>Net assets (deficit)</b>		
Investment in capital assets, net of related debt	(4,880,133)	(4,768,587)
Restricted net assets	445,433	471,909
Unrestricted net assets	<u>409,573</u>	<u>541,712</u>
Total net assets (deficit)	<u>(4,025,127)</u>	<u>(3,754,966)</u>
Total liabilities and net assets (deficit)	<u>\$ 6,319,839</u>	<u>\$ 6,779,783</u>

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

# Magruder's Discovery Development Corporation

Statements of Operations  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating revenues</b>		
Dwelling rental income	\$ 2,273,939	\$ 2,304,589
Other income	44,935	130,971
Total operating revenues	<u>2,318,874</u>	<u>2,435,560</u>
<b>Operating expenses</b>		
Administrative	250,253	255,045
Operating and maintenance	281,513	277,247
Depreciation	344,605	400,240
Utilities	114,609	125,620
Fringe benefits	86,121	328,024
Interest expense	681,234	694,140
Other	758,695	838,189
Bad debt expense	72,283	-
Total operating expenses	<u>2,589,313</u>	<u>2,918,505</u>
Operating loss	<u>(270,439)</u>	<u>(482,945)</u>
<b>Nonoperating revenue (expenses)</b>		
Interest revenue (expense)	<u>278</u>	<u>(626)</u>
Total nonoperating revenue (expenses)	<u>278</u>	<u>(626)</u>
Net loss	<u>\$ (270,161)</u>	<u>\$ (483,571)</u>

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

# Magruder's Discovery Development Corporation

Statements of Changes in Net Assets (Deficit)  
For the Years Ended June 30, 2019 and 2018

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Balance, July 1, 2017	\$ (3,271,395)
Net loss - June 30, 2018	<u>(483,571)</u>
Balance, June 30, 2018	(3,754,966)
Net loss - June 30, 2019	<u>(270,161)</u>
Balance, June 30, 2019	<u>\$ (4,025,127)</u>

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



# Magruder's Discovery Development Corporation

Statements of Cash Flows  
For the Years Ended June 30, 2019 and 2018

	2019	2018
<b>Cash flows from operating activities</b>		
Net loss	\$ (270,161)	\$ (483,571)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	344,605	400,240
Amortization of financing fees	8,406	8,406
Amortization of negative arbitrage	6,492	6,492
(Increase) decrease in operating assets:		
Accounts receivable, net and other assets	62,655	(86,021)
Interfund receivable	46,352	354,733
Tenants' security deposits	(789)	(2,396)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	9,341	10,754
Accrued interest payable	(1,107)	(1,039)
Tenants' security deposits	1,176	1,548
Net cash provided by operating activities	<u>206,970</u>	<u>209,146</u>
<b>Cash flows from investing activities</b>		
Withdrawals from reserve for replacements	68,319	26,092
Deposits to reserve for replacements	(39,816)	(38,843)
Deposits to mortgage escrows	(52,855)	(54,012)
Withdrawals from mortgage escrows	50,983	52,597
Deposits to renovation escrow fund	(542)	(217)
Acquisition of property and equipment	<u>(25,460)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>629</u>	<u>(14,383)</u>
<b>Cash flows from financing activities</b>		
Mortgage principal payments	<u>(207,599)</u>	<u>(194,763)</u>
Net cash used in financing activities	<u>(207,599)</u>	<u>(194,763)</u>
<b>Net increase in cash</b>	-	-
Cash, beginning of year	<u>400</u>	<u>400</u>
Cash, end of year	<u>\$ 400</u>	<u>\$ 400</u>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	<u>\$ 667,443</u>	<u>\$ 680,281</u>

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

# Magruder's Discovery Development Corporation

Notes to Financial Statements  
For the Years Ended June 30, 2019 and 2018

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## 1) Nature of Business and Summary of Significant Accounting Policies

### *Nature of Business*

Magruder's Discovery Development Corporation (the Corporation) is a nonprofit, nonstock corporation formed in the State of Maryland on August 19, 2008 to acquire, own and operate 134 apartment units to be operated as a housing project for rental to persons of eligible income under the Annotated Code of Maryland (the Project). The Corporation provides residential housing to low income families and receives federal rent subsidies under a Section 8 Housing Assistance Payments Contract with the U.S. Department of Housing and Urban Development (HUD). The units are located in Bethesda, Maryland. Operations began on June 17, 2010.

Housing projects undertaken, financed, or assisted by the Corporation and the projects' related expenditures must be approved by the Housing Opportunities Commission of Montgomery County, Maryland, (a component unit of Montgomery County, Maryland) (HOC). 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 programs, projects, activities of, and the level of service performed by the Corporation.

### *Method of Accounting*

The Corporation'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 Corporation considers all highly liquid investments with a maturity of three months or less at the date of acquisition to be cash equivalents. There were no cash equivalents as of June 30, 2019 and 2018.

### *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 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 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, 2019 and 2018 were \$72,283 and \$0, respectively.

### *Property and Equipment*

Land, buildings and improvements are recorded at cost. Building and improvements are depreciated over their estimated useful lives of 5 to 40 years using the straight-line method.

### *Impairment of Long-lived Assets*

The Corporation 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, 2019 and 2018.

*See independent auditor's report.*

# Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)  
For the Years Ended June 30, 2019 and 2018

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

### *Interfund Receivable*

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 has not been paid or collected as of year-end, interfund payables and receivables are recorded. In addition, the Corporation is allocated costs from the HOC defined benefit pension plan and other post-employment benefit plan (OPEB) which includes retiree health insurance. The Corporation is allocated a net liability composed of a share of the related plan assets, liabilities, deferred outflows, and deferred inflows. Pension and OPEB expense are based on HOC management's calculation of costs related to employees of HOC that perform activities related to the Corporation. The components of the OPEB pension liability allocated to the Corporation and included in interfund receivable are \$114,722 of deferred outflows, \$98,514 of deferred inflows, and \$269,781 of net pension and OPEB liability as of June 30, 2019. The balance of interfund receivable as of June 30, 2019 and 2018, is \$113,044 and \$159,396, respectively.

### *Net Assets*

HOC, the Corporation's principal investor, is required to report on a fund basis and 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 Corporation 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 statement of financial position 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 Corporation is reporting loan fees related to its mortgages payable as a direct deduction from the principal balances of the mortgages, and is reporting amortization of the loan fees as interest expense on the mortgages payable. See Note 6 for more information.

### *Income Taxes*

The Corporation 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.

*See independent auditor's report.*

# Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)  
For the Years Ended June 30, 2019 and 2018

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

### *Rental Revenue*

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

### *Advertising*

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

## 2) Concentration of Risk

The Corporation maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. Additionally, the Corporation is included with the Housing Opportunities Commission of Montgomery County, Maryland (the "Commission") as part of the agency funds, and was entirely insured or collateralized with securities held by the Commission's agent in the Commission's name.

## 3) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	<u>2019</u>	<u>2018</u>
Mortgage escrow deposits	\$ 14,094	\$ 12,222
Reserve for replacements	381,212	409,715
Renovation escrow	<u>49,813</u>	<u>49,271</u>
	<u>\$ 445,119</u>	<u>\$ 471,208</u>

Pursuant to the regulatory agreement with HUD, the Corporation is required to maintain a replacement reserve escrow account with HOC as trustee. The replacement reserve is set aside for future maintenance of the property. Details of the reserve for replacement account during the years ended June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 409,715	\$ 396,964
Monthly deposits*	39,816	38,843
Reserve releases	<u>(68,319)</u>	<u>(26,092)</u>
Balance end of year	<u>\$ 381,212</u>	<u>\$ 409,715</u>

\*In July 2011, the Corporation began contributing monthly payments of \$2,792 to the replacement reserve. Annually the monthly payment is scheduled to increase by 2.5%, and may be modified as needed by HOC. Monthly deposits for the years 2019 and 2018 were \$3,318 and \$3,237, respectively.

*See independent auditor's report.*

# Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)  
For the Years Ended June 30, 2019 and 2018

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## 4) Property and Equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 691,363	\$ 691,363
Buildings and improvements	11,168,016	11,142,556
Machinery and equipment	<u>1,303,954</u>	<u>1,303,954</u>
Total property and equipment	13,163,333	13,137,873
Less: accumulated depreciation	<u>7,728,211</u>	<u>7,383,606</u>
Property and equipment, net	<u>\$ 5,435,122</u>	<u>\$ 5,754,267</u>

## 5) Negative Arbitrage

HOC issued bonds to provide the financing for the Corporation's rehabilitation. Because HOC earned less in interest revenue from the Corporation's loan during the construction than it paid to the HOC bondholders, negative arbitrage occurred. Negative arbitrage occurs when investments acquired with the bond proceeds earn less interest than is due to the bondholders.

During the year ended June 30, 2011, the Corporation paid \$194,637 to HOC as charge for the incurred negative arbitrage, representing the difference between the interest HOC earns on its loan to the Corporation and the interest HOC pays to the bondholders over the life of the loan. The Corporation is amortizing the amount over the 30-year term of the loan. For the years ended June 30, 2019 and 2018, \$6,492 of the negative arbitrage was amortized and charged to interest expense. The balance of the negative arbitrage is included in the accompanying statements of financial position under deferred charges.

## 6) Long-term Debt

### *Mortgage Payable*

The Corporation is obligated to repay a mortgage to HOC. On June 14, 2010, the Corporation assumed the HUD regulatory agreement from HOC in conjunction with execution of a mortgage loan from HOC for \$11,780,518. The note 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 \$252,173 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.

*See independent auditor's report.*

# Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)  
For the Years Ended June 30, 2019 and 2018

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## 6) Long-term Debt (Continued)

### *Mortgage Payable (Continued)*

The loan provides for interest at a nominal rate of 6.40% per annum and an effective interest rate of 6.51% per annum, to accrue until maturity, with the final balance of principal and accrued interest due June 1, 2041. Starting July 1, 2011, the Corporation began monthly principal and interest payments of \$73,688. On July 1, 2014, the Corporation executed an Amended and Restated Deed of Trust Note with HOC, which reduced the total available principal balance from \$11,780,518 to \$11,657,791. As of July 1, 2014, the note amendment revised the monthly principal and interest payments to \$72,920, which will continue through maturity, June 1, 2041. The outstanding principal and accrued interest balances as of June 30, 2019 and 2018 are \$10,315,255 and \$55,015, respectively, for 2019 and \$10,522,854 and \$56,122, respectively, for 2018. Unamortized financing fees for the years ended June 30, 2019 and 2018 were \$184,927 and \$193,333, respectively. Interest expense incurred during the years ended June 30, 2019 and 2018 was \$681,234 and \$694,140, respectively, including amortized financing fees and negative arbitrage of \$8,406 each year.

Maturities of the mortgage payable are as follows:

2020	\$	221,282
2021		235,867
2022		251,413
2023		267,984
2024		285,647
2025-2029		1,736,723
2030-2034		2,389,658
2035-2039		3,288,067
2040-2041		1,638,614
Total	\$	<u>10,315,255</u>

Estimated financing fees being amortized to interest expense for each of the next five years are \$8,406.

The liability of the Corporation under the mortgages is limited to the underlying value of the real estate collateral and an assignment of rents, plus other amounts deposited with the lender.

## 7) Real Estate Taxes

The Corporation has an agreement with Montgomery County, Maryland, to make a payment in lieu of taxes (PILOT). During the year ended June 30, 2010, the Corporation applied for and received an exemption from the state property tax under a similar PILOT agreement.

*See independent auditor's report.*

# Magruder's Discovery Development Corporation

Notes to Financial Statements (Continued)  
For the Years Ended June 30, 2019 and 2018

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## 8) Related Party Transactions

### *Property Management Fee*

The Corporation is required to pay a management fee to HOC as determined by HOC. Each year, the amount is approved by HOC based on the agency cost allocation model determined during the budgetary process. During the years ended June 30, 2019 and 2018, management fees of \$90,050 were incurred each year.

### *Development Corporation Fee*

The Corporation pays an annual fee to HOC in the amount as approved by the HOC Commissioners. The fee is assessed at the end of the fiscal year based on the performance of the property during the fiscal year. For the years ended June 30, 2019 and 2018, development corporation fees of \$684,885 and \$762,339, respectively, were incurred.

## 9) Housing Assistance Payment Contract

Effective June 17, 2010, the Corporation assumed from HOC the Assignment, Assumption and Amendment Agreement of the Section 8 Housing Assistance Payment Contract. The agreement was renewed on December 1, 2017 and is renewable annually. Tenant assistance payments for the years ended June 30, 2019 and 2018 were \$1,550,157 and \$1,538,030, respectively.

## 10) Subsequent Events

Management has evaluated events and transactions subsequent to the balance sheet 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 Magruder's Discovery Development Corporation as of and for the years ended June 30, 2019 and 2018 and our report thereon dated December 2, 2019, expressed an unmodified opinion on those financial statements, which appears on pages one and two. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules 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.

*Hertzbach & Company, P.A.*

Owings Mills, Maryland  
December 2, 2019



# Magruder's Discovery Development Corporation

Detail of Selected Balance Sheet Accounts  
As of June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Accounts receivable, net and other assets</b>		
Accounts receivable - subsidy	\$ 134,546	\$ 119,495
Allowance for doubtful accounts	(72,283)	-
Other resident fees receivable	344	282
Prepaid mortgage insurance	50,983	52,058
Rents receivable	(1,410)	3,000
Technology fee receivable	(10)	(10)
	<u>\$ 112,170</u>	<u>\$ 174,825</u>
<b>Accounts payable and accrued expenses</b>		
Accrued annual leave	\$ 12,925	\$ 13,960
Accounts payable	17,297	18,147
Accrued utility payments	16,111	4,885
Clearing resident refunds	5,026	5,026
Resident prepaid rents	18,338	18,338
Subsidy prepaid rents	18,972	18,972
	<u>\$ 88,669</u>	<u>\$ 79,328</u>

*See independent auditor's report on supplementary information.*

# Magruder's Discovery Development Corporation

Detailed Statements of Operations  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Dwelling rental income</b>		
Rent	\$ 2,328,834	\$ 2,295,925
Vacancies and concessions	(75,745)	(10,777)
Tenant charges	2,470	2,823
Laundry income	18,380	16,618
Total dwelling rental income	<u>\$ 2,273,939</u>	<u>\$ 2,304,589</u>
<b>Other income</b>		
Miscellaneous	\$ 39,039	\$ 125,075
Rental license	5,896	5,896
Total other income	<u>\$ 44,935</u>	<u>\$ 130,971</u>
<b>Administrative expenses</b>		
Advertising and marketing	\$ -	\$ 10
Management fees	90,050	90,050
Miscellaneous	2,816	1,130
Salaries	112,461	111,798
Office supplies and expense	9,190	11,891
Professional fees	13,812	13,506
Rent	1,165	1,092
Licenses	6,006	6,138
Telephone	5,595	3,545
Vehicle	9,158	15,885
Total administrative expenses	<u>\$ 250,253</u>	<u>\$ 255,045</u>

*See independent auditor's report on supplementary information.*

# Magruder's Discovery Development Corporation

Detailed Statements of Operations (Continued)  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Operating and maintenance expenses</b>		
Contracts	\$ 24,413	\$ 29,657
Exterminating	10,698	3,151
Grounds maintenance	23,742	23,535
HVAC repairs and maintenance	8,389	6,406
Janitorial	4,127	3,434
Salaries	121,931	114,350
Supplies and repairs	88,213	96,714
Total operating and maintenance expenses	<u>\$ 281,513</u>	<u>\$ 277,247</u>
<b>Utilities expense</b>		
Gas and electric	\$ 33,762	\$ 43,816
Trash removal	11,417	10,276
Water	69,430	71,528
Utilities expense	<u>\$ 114,609</u>	<u>\$ 125,620</u>
<b>Fringe expenses</b>		
Accrued leave	\$ (1,036)	\$ 1,760
Deferred contribution plan	11,313	12,431
FICA	12,698	13,804
Health insurance	42,997	49,485
Other post employment benefits	14,591	245,396
Unemployment	478	618
Workers' compensation	5,080	4,530
Total fringe expenses	<u>\$ 86,121</u>	<u>\$ 328,024</u>
<b>Other expenses</b>		
Development corporation fee	\$ 684,885	\$ 762,339
Insurance	67,036	68,896
Security contracts	-	180
Taxes	2,152	2,152
Water quality protect charge (RFSA)	4,622	4,622
Total other expenses	<u>\$ 758,695</u>	<u>\$ 838,189</u>

See independent auditor's report on supplementary information.