

**ALEXANDER HOUSE  
DEVELOPMENT CORPORATION**

---

**FINANCIAL STATEMENTS  
Years Ended June 30, 2018 and 2017  
AND  
INDEPENDENT AUDITORS' REPORT**

## TABLE OF CONTENTS

DESCRIPTION	PAGE
Independent Auditors' Reports	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statement of Changes in Net Assets	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 13
Supplemental Information	
Detailed Statement of Activities	15-18
Statements of Cash Flows Computation	19
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Alexander House Development Corporation,  
Housing Opportunities Commission of Montgomery County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alexander House (the Corporation), which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statement of activities, 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 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 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 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 financial position of Alexander House Development Corporation as of June 30, 2018 and 2017, and the changes in its net deficit and its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matter – Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of cash flows computation is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018 on our consideration of internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alexander House Development Corporation's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned above the date and location text.

October 29, 2018  
Bethesda, Maryland

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2018 and 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,089,258	\$ 1,129,533
Accounts receivable and other assets, net	74,049	66,262
Interest receivable	<u>1,107,869</u>	<u>325,844</u>
Total current assets	<u>2,271,176</u>	<u>1,521,639</u>
Restricted cash and equivalents	848,784	807,895
Customer deposits	<u>45,053</u>	<u>46,953</u>
Total deposits held in trust - funded	893,837	854,848
Property & equipment, net of depreciation	26,107,780	13,433,541
Notes receivable	<u>14,218,641</u>	<u>14,218,641</u>
Total long term assets	<u>40,326,421</u>	<u>27,652,182</u>
Total assets	<u>\$ 43,491,434</u>	<u>\$ 30,028,669</u>

**LIABILITIES AND NET ASSETS**

Accounts payable and accrued liabilities	3,199,338	1,940,571
Accrued interest payable	174,459	-
Interfund payable	987,921	957,703
Loan payable to Montgomery County - current	<u>-</u>	<u>67,381</u>
Total current liabilities	<u>4,361,718</u>	<u>2,965,655</u>
Customer deposit payable	<u>33,984</u>	<u>46,354</u>
Total current liabilities payable from restricted assets	<u>33,984</u>	<u>46,354</u>
Loans payable to Montgomery County - non-current	-	134,762
Mortgage payable - net of Unamortized Issuance Costs	27,983,999	15,714,557
Deferred revenue	<u>3,113</u>	<u>4,666</u>
Total non-current liabilities	<u>27,987,112</u>	<u>15,853,985</u>
Total liabilities	<u>32,382,814</u>	<u>18,865,994</u>
Net investment in capital assets	(2,736,828)	(3,721,053)
Restricted net position	859,853	808,494
Unrestricted net position	<u>12,985,595</u>	<u>14,075,234</u>
Total net assets	<u>11,108,620</u>	<u>11,162,675</u>
Total liabilities and net assets	<u>\$ 43,491,434</u>	<u>\$ 30,028,669</u>

The accompanying notes are an integral part of these financial statements.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**Years ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Operating revenue		
Dwelling rental	\$ 1,849,271	3,733,995
Management fees and other income	<u>12,809</u>	<u>27,810</u>
Total operating revenues	<u>1,862,080</u>	<u>3,761,805</u>
 Operating expenses		
Administrative	352,982	449,094
Maintenance	512,700	519,452
Depreciation	419,076	587,990
Utilities	280,218	316,451
Fringe benefits	38,225	59,651
Interest expense	377,287	518,013
Other	681,119	1,236,162
Bad debt expense	<u>42,913</u>	<u>26,511</u>
Total operating expenses	<u>2,704,520</u>	<u>3,713,324</u>
Operating income	(842,440)	48,481
 Non-operating revenue (expenses)		
Interest income	788,385	329,894
Investment gain	<u>-</u>	<u>20,138,869</u>
Total non-operating revenue (expense)	<u>788,385</u>	<u>20,468,763</u>
 Change in net assets	 <u>\$ (54,055)</u>	 <u>\$ 20,517,244</u>

The accompanying notes are an integral part of these financial statements.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**STATEMENT OF CHANGES IN NET POSITION**  
**Years ended June 30, 2018 and 2017**

	<u>Contributed capital</u>	<u>Retained Earnings (deficit)</u>	<u>Total equity</u>
<b>Balance, July 1, 2016</b>	\$ 834,077	\$ (6,513,005)	\$ (5,678,928)
Distribution	-	(3,675,641)	(3,675,641)
Net income	<u>-</u>	<u>20,517,244</u>	<u>20,517,244</u>
<b>Balance, June 30, 2017</b>	834,077	10,328,598	11,162,675
Distributions	-	-	-
Net income	<u>-</u>	<u>(54,055)</u>	<u>(54,055)</u>
<b>Balance, June 30, 2018</b>	<u>\$ 834,077</u>	<u>10,274,543</u>	<u>\$ 11,108,620</u>

The accompanying notes are an integral part of these financial statements.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**Years ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Change in deficit	\$ (54,055)	\$ 20,517,244
Reconciling adjustments:		
Depreciation	419,076	587,990
Amortization of debt issuance cost	377,287	243,491
Changes in operating assets and liabilities		
Accounts receivable and other assets	(7,787)	(37,134)
Accrued interest receivable	(782,025)	(325,844)
Deposits Held in Trust - Funded	(51,358)	(247,140)
Accounts payable and accrued expense	1,258,767	1,751,536
Accrued interest payable	174,459	(33,119)
Interfund payable	30,218	66,579
Deferred revenue	(1,553)	(1,554)
Net cash provided by operating activities	<u>1,363,029</u>	<u>22,522,049</u>
Cash flows from investing activities		
Purchase of fixed assets	(13,093,316)	(3,796,248)
Disposal of fixed assets	-	5,832,614
Issuance of Notes Receivable, net	<u>-</u>	<u>(14,218,641)</u>
Net cash used by investing activities	<u>(13,093,316)</u>	<u>(12,182,275)</u>
Cash flows from financing activities		
Transfer to OH bond fund	-	(3,675,640)
Loans payable to Montgomery County, net	(202,143)	(700,000)
OHDF principal payments	-	(67,381)
Notes payable - HOC, net	-	(831,147)
Mortgage payable, net	<u>11,892,155</u>	<u>(5,066,086)</u>
Net cash used by financing activities	<u>11,690,012</u>	<u>(10,340,254)</u>
Net decrease in cash and cash equivalents	(40,275)	(480)
Cash and cash equivalents, beginning of year	<u>1,129,533</u>	<u>1,130,013</u>
Cash and cash equivalents, end of year	<u>\$ 1,089,258</u>	<u>\$ 1,129,533</u>
Interest paid, net of capitalized interest of \$588,191	<u>\$ 791,019</u>	<u>\$ 551,132</u>

The accompanying notes are an integral part of these financial statements.



**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**1. Organization**

Alexander House Development Corporation (the Corporation) was formed on November 6, 1996 as a non-stock corporation under the laws of the State of Maryland for the purpose of acquiring a 311-unit apartment complex to provide rental housing for the elderly and disabled, some of which are low and moderate-income families. The Corporation began operations in January 1997. The contributed capital to establish the Corporation was all paid in by the Housing Opportunities Commission of Montgomery County, Maryland (HOC).

On January 31, 2017, the Corporation sold 122 units to Alexander Housing LP for \$27,757,128. The Corporation's dwelling units are located in Montgomery County, Maryland which constitutes a concentration of credit risk. The Corporation's collateral for rents receivable is one month's rent held as a security deposit.

**2. Summary of Significant Accounting Policies**

Rental property and equipment

Rental property and equipment, including major improvements, replacements and betterments are capitalized and stated at cost. The assets are depreciated using the estimated useful lives of the respective assets, ranging from 3 to 40 years, on a straight-line basis for financial statement purposes. For income tax purposes, accelerated lives and methods are used.

Deferred charges

Under ASC-835, Interest, as issued by the Financial Accounting Standards Board (FASB), the deferred charges are recorded as a reduction of the related debt balance and the amortization of the charges is included in interest expense.

Amortization included in interest expense for these loan and mortgage financing fees for the years ended June 30, 2018 and 2017 are \$377,287 and \$243,491, respectively, and accumulated amortization is \$565,930 and \$188,643, respectively.

Cash and cash equivalents

Short-term liquid investments (including securities purchased under agreements to resell) with original maturities of less than three months are considered to be cash equivalents.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**2. Summary of Significant Accounting Policies (continued)**

Rental income

Rental income is recognized as rental payments become due. Rental payments received in advance are deferred until earned. All leases between the corporation and tenants of the property are operating leases.

Income taxes

The Corporation excludes its income from income taxes in accordance with the Internal Revenue Code Section 115. Therefore, no income tax provision has been recorded.

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

Federal and state tax authorities generally have the right to examine and audit the previous three years of tax returns filed. Any interest or penalties assessed to the Corporation are recorded in operating expenses. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Off-balance sheet risk

The Corporation extends unsecured credit to its tenants for its rental units. Accordingly, the risk exists that the ability to collect amounts due from tenants could be affected if tenants become insolvent.

Use of estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**2. Summary of Significant Accounting Policies (continued)**

Subsequent Events

Management has evaluated subsequent events through October 29, 2018, which is the date the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provide evidence about conditions that existed at the statement of position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of position date, but disclosures of such events, if any, are included in the accompanying notes.

**3. Pooled Investments**

As of both June 30, 2018 and 2017, the Corporation has \$69,217 of the replacement fund cash in a pooled fund with other properties that are controlled by HOC and are deposited with the Montgomery County Government.

**4. Accounts Receivable – Tenants**

Tenant receivables are reported at the amount management expects to collect. The Corporation maintains an allowance for bad debts for tenant balances outstanding in excess of 90 days. As of June 30, 2018 and 2017, the allowance for bad debts was \$60,220 and \$16,649, respectively.

**5. Restricted Cash and Equivalents**

Restricted cash is held in escrow to be used for replacement of property with the approval of HOC. Below is the activity related to the replacement reserve accounts during fiscal years:

	<u>2018</u>	<u>2017</u>
Balance - beginning of year	\$ 481,883	\$ 452,138
Replacement reserve yearly contribution	3,926	114,366
Replacement reserve reimbursements	(7,144)	(85,942)
Interest earned	5,093	1,321
Balance - end of year	<u>\$ 483,758</u>	<u>\$ 481,883</u>

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**5. Restricted Cash and Equivalents (continued)**

The Corporation is required to maintain a Renovation Escrow Fund under the terms of the note agreement entered into as part of the sale and renovation of the property. Below is the activity related to the renovation escrow account during the fiscal year:

Balance - beginning of year	\$ 217,318
Renovation escrow contribution	11,267,675
Renovation escrow reimbursements	<u>(11,228,661)</u>
Balance - end of year	<u><u>\$ 256,332</u></u>

The Corporation is required to fund an escrow account in connection with the mortgage to pay for mortgage Insurance. There was no activity related to the mortgage escrow account during fiscal year 2018, which had a balance at June 30, 2018 and 2017 of \$108,694.

Balance - June 30, 2017	\$ 108,694
MIP activity	<u>-</u>
Balance - June 30, 2018	<u><u>\$ 108,694</u></u>

**6. Note Receivable \$14,218,641**

On January 31, 2017, the Corporation entered into a note agreement with Alexander House Apartments LP, a related party, in the amount of \$14,218,641. Under the terms of the agreement, the note bears interest of 5.5% per annum compounded annually and matures on December 31, 2059. The note is to be paid from cash flows of the partnership. As of June 30, 2018, and 2017, the principal balance was \$14,218,641 and accrued interest receivable was \$1,107,869 and \$325,844, respectively.

**7. Mortgage and Notes Payable**

In October 1999, the Company entered into a note with the Opportunity I-Housing Development Fund (OHDF) to retire the land loan secured from Bruce D. Levenson and Edwin I. Peskowitz (the Levenson and Peskowitz Note). The original amount of \$1,347,620 is being repaid to the fund annually at \$67,381 for 20 years and bears no interest. As of June 30, 2018 and 2017, the balance was \$0 and \$202,143, respectively.

Effective October 22, 2014, HOC prepaid the outstanding balance of the mortgage totaling \$20,271,302 to Alexander House Development Corporation from PNC Line of Credit. The Corporation paid the monthly interest of the line of credit and repaid HOC upon settlement of refinancing.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**7. Mortgage and Notes Payable (continued)**

On January 8, 2016, the Commission approved a Refinancing Plan to engage BB&T as the lender on a \$20,592,000 tax-exempt loan to the Corporation. The loan provides a two-year term maturing on January 1, 2018. The loan accrues interest at a rate of 1.93% with accrued interest payable quarterly. Effective January 1, 2017, the Corporation prepaid the outstanding balance of the loan totaling \$20,592,000 from the sale of a portion of the property and financing through Citibank.

**Construction Funding Agreement \$48,788,075**

On January 1, 2017, the Corporation entered into a loan agreement with HOC through a funding loan originated with Citibank for the renovation. The loan matures on February 1, 2020 with interest established under the terms of the funding agreement. The agreement has a prepayment date of August 1, 2019 but has an option to extend the mandatory prepayment date to the earlier of the required closing date of the permanent loan under HOC's commitment or the maturity date.

Interest expense was \$0 and \$274,522, respectively, during the year ended June 30, 2018 and 2017. The outstanding balance as of June 30, 2018 and 2017 was \$28,844,606 and \$16,952,941, respectively. For the year ended June 30, 2018, \$377,287 of interest was expensed and \$588,191 was capitalized.

Aggregate maturities required on notes payable, other than those with payments that are contingent upon cash flow results, at June 30, 2018 are as follows:

		HOC		
	\$	<u>Funding</u>	<u>OHDF</u>	<u>Total</u>
Year ending June 30, 2019	\$	-	\$ -	\$ -
2020		28,844,606	-	28,844,606
2021		-	-	-
2022		-	-	-
		<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
		28,844,606	-	28,844,606
Less: Deferred Charges		860,607	-	860,607
		<hr style="width: 100%;"/>		<hr style="width: 100%;"/>
	\$	<u>27,983,999</u>	<u>\$ -</u>	<u>\$ 27,983,999</u>

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**8. Commitments and Contingencies**

On August 1, 2011, the Company entered into a management agreement with Avison Young. The agreement was renewed at the conclusion of the forty-eight months following the execution of the agreement renewed for two successive periods of twenty-four months each. Management fees during the year ended June 30, 2018 and 2017 were \$120,464 and \$139,782, respectively.

**9. Related Party Transactions**

From time to time HOC pays expenses related to the operation of the Corporation and is reimbursed. At June 30, 2018 and 2017, the Corporation owes HOC \$987,921 and \$957,703, respectively, for such payments and has a liability recorded in that amount.

During the years ended June 30, 2018 and 2017 in accordance with an agreement, profits, after all cash flow payments are made, which amount is distributed to HOC, as asset management fees. Asset management fees were \$197,040 and \$185,930 for 2018 and 2017, respectively.

A Development Corporation Fee is paid to the Housing Opportunities Commission of Montgomery County, Maryland and for the year ended June 30, 2018 and 2017 the amounts were \$342,541 and \$893,795, respectively.

**10. Real Estate Taxes**

HOC negotiated with the State of Maryland an exemption from real estate taxes for the Corporation. Therefore, no provision for real estate taxes has been made.

**11. Reclassifications**

Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation. The reclassifications did not affect net position or changes therein.

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**Years Ended June 30, 2018 and 2017**

---

**12. Property and Equipment**

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

	<u>2018</u>	<u>2017</u>
Land	\$ 991,336	\$ 991,336
Buildings and building renovations	16,724,509	16,724,509
Construction in progress	17,780,455	4,687,139
Miscellaneous fixed assets	<u>729,512</u>	<u>729,512</u>
Subtotal	36,225,812	23,132,496
Less: accumulated depreciation	<u>(10,118,032)</u>	<u>(9,698,955)</u>
Total	<u>\$ 26,107,780</u>	<u>\$ 13,433,541</u>

**SUPPLEMENTAL INFORMATION**



**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**DETAILED STATEMENT OF ACTIVITIES**  
**June 30, 2018**

---

<b>DWELLING RENTAL INCOME</b>	
Rent: current residents	\$ 3,648,767
Rent: subsidies	37,428
Concessions	(26,265)
Vacancy loss	(1,896,306)
Parking income	77,396
Other rent fees	5,448
Late fees/NSF	<u>2,803</u>
<b>TOTAL DWELLING RENTAL INCOME</b>	<b>\$ 1,849,271</b>
 <b>MANAGEMENT FEES &amp; OTHER INCOME</b>	
User fees	\$ 1,555
Transfer btw funds-rental license	8,210
Miscellaneous income	<u>3,044</u>
<b>TOTAL MANAGEMENT FEES &amp; OTHER INCOME</b>	<b>\$ 12,809</b>
 <b>TOTAL OPERATING REVENUE</b>	 <b><u><u>\$ 1,862,080</u></u></b>
 <b>ADMINISTRATIVE EXPENSES</b>	
Contract admin salary	\$ 113,624
Contract admin/commissions	13,400
Accrued leave	21
Auditing services	12,855
Contract management fee	120,464
Misc operating expenses	5,270
Postage	28
Printing/reproduction	1,261
Paper pads etc	999
Food & beverages	4,281
Local mileage and travel	40
Legal services-general	948
Marketing & public relations	342
Information management services	692
Other operating professional services	181
Other office supplies	2,993
Advertising	45,342
Credit check services	2,673
Internet access charge	194
Resident gifts	81

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**DETAILED STATEMENT OF ACTIVITIES**  
**June 30, 2018**

---

**ADMINISTRATIVE EXPENSES - continued**

Office equipment rent	\$	4,623
Furniture and misc equipment rental		824
Local phone bill		8,747
Cellular phone charges		104
Computer software		862
Cable charges		1,386
Rental license fees		8,210
Bank fees		177
Misc program supplies		2,360
<b>TOTAL ADMINISTRATIVE EXPENSES</b>	<b>\$</b>	<b><u>352,982</u></b>

**MAINTENANCE**

Salary-maintenance	\$	17,459
Cntrct maint/jan salary		133,494
Kitchen and bath supplies		124
Electrical supplies		3,027
Appliance supplies		33
Plumbing supplies		3,344
Employee uniforms		671
Cleaning and janitorial supplies		1,897
Grounds and landscaping supplies		211
Health and safety materials		1,741
Locks keys		1,095
Windows and glass		349
Doors		2,417
Hardware supplies		318
HVAC supplies		5,300
Paint and wallcoverings		2,758
Tools		267
Flooring and carpeting		505
Electrical contracts		1,219
Plumbing contracts		14,010
Cleaning and janitorial contracts		61,389
Grounds and landscaping contracts		9,729
Hvac contracts		30,806
Flooring and carpeting contracts		2,834
Paint/wallcoverings int. contracts		17,281

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**DETAILED STATEMENT OF ACTIVITIES**  
**June 30, 2018**

---

**MAINTENANCE - continued**

Elevator contracts	\$	57,397
Exterminating contracts		4,732
Plumbing equipment-capital		72,223
Miscellaneous contracts		54,860
Doors-capital		(3,926)
Miscellaneous supplies		687
Electrical equipment		916
Plumbing equipment		160
Health and safety materials-capital		4,216
Locks, keys-capital		29
Tools-capital		1,231
Plumbing contracts-capital		350
Elevator contracts-capital		1,787
Miscellaneous contracts-capital		809
Hvac equipment-capital		2,572
Appliance equipment-capital		1,322
Flooring/carpet contracts-capital		1,057
<b>TOTAL MAINTENANCE EXPENSES</b>	<b>\$</b>	<b><u>512,700</u></b>

**UTILITIES**

Water bill	\$	49,690
Electric bill		188,008
Natural gas		19,917
Trash collection		18,967
Trash collection - bulk		3,636
<b>TOTAL UTILITIES EXPENSE</b>	<b>\$</b>	<b><u>280,218</u></b>

**FRINGE BENEFITS**

Contract managed benefits	\$	37,302
Contract employee appreciation		57
Contract other training		866
<b>TOTAL FRINGE BENEFITS</b>	<b>\$</b>	<b><u>38,225</u></b>

**INTEREST**

Amortized deferred charges	\$	377,287
<b>TOTAL INTEREST EXPENSE</b>	<b>\$</b>	<b><u>377,287</u></b>

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**DETAILED STATEMENT OF ACTIVITIES**  
**June 30, 2018**

---

<b>OTHER EXPENSES</b>	
Security contracts	\$ 76,512
Security system	264
Fire & hazard insurance	54,252
Solid waste tax	10,510
Asset management fee expense - non-federal	197,040
Development corp. fee - budget	<u>342,541</u>
<b>TOTAL OTHER EXPENSES</b>	<b><u>681,119</u></b>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>\$ 2,242,531</u></b>

**ALEXANDER HOUSE DEVELOPMENT CORPORATION**  
**STATEMENTS OF NET CASH FLOWS COMPUTATION**  
**Years ended June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Net profit (loss)	\$ (54,055)	\$ 20,191,400
Depreciation	796,363	831,481
Interest income - non-operating	(788,385)	(325,844)
Gain on sale of assets - non-operating	<u>-</u>	<u>(20,138,509)</u>
Net income before debt service and replacement reserve	<u>(46,077)</u>	<u>558,528</u>
Debt service and replacement reserve		
Replacement reserve deposit	(21,890)	(114,366)
Mortgage principal payments	-	(700,000)
Transfer to OH bond fund	-	(675,003)
OHDF principal payments	<u>(202,143)</u>	<u>(67,381)</u>
Total	<u>(224,033)</u>	<u>(1,556,750)</u>
<b>NET CASH FLOW (DEFICIENCY)</b>	<u><u>\$ (270,110)</u></u>	<u><u>\$ (998,222)</u></u>

**Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Alexander House Development Corporation,  
Housing Opportunities Commission of Montgomery County

We have audited the financial statements of Alexander House Development Corporation as of and for the year ended June 30, 2018 and have issued our report thereon dated October 29, 2018. We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Project's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

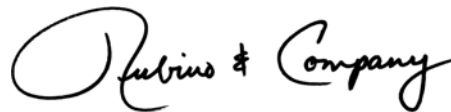
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Project's internal control or on compliance. This report is intended solely for the information and use of the audit committee, management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Rubins & Company". The signature is written in black ink and is positioned to the right of the date and location text.

October 29, 2018  
Bethesda, Maryland