

Timberlawn Pomander Properties LLC

Financial Statements

**For the Years Ended
June 30, 2019 and 2018 (as Restated)**

Timberlawn Pomander Properties LLC

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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, 2019 and the related statement 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 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 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, 2019 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.

Other Matters

The financial statements of Timberlawn Pomander Properties LLC as of June 30, 2018, were audited by other auditors whose report dated November 14, 2018, expressed an unmodified opinion on those statements.

We also audited the adjustments described in Note 8 that were applied to restate the 2018 financial statements. In our opinion, such adjustments are appropriate and have been properly applied.

Hertzbach & Company, P.A.

Owings Mills, Maryland
December 11, 2019

Timberlawn Pomander Properties LLC

Balance Sheets

As of June 30, 2019 and 2018 (as Restated)

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash	\$ 1,858,132	\$ 1,947,233
Accounts receivable, net and other assets	<u>77,786</u>	<u>107,496</u>
Total unrestricted current assets	<u>1,935,918</u>	<u>2,054,729</u>
Restricted assets cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	1,671,423	1,678,311
Tenants' security deposits	<u>72,614</u>	<u>78,598</u>
Total restricted cash and cash equivalents for current liabilities	<u>1,744,037</u>	<u>1,756,909</u>
Property and equipment		
Construction in progress	573,294	540,671
Property and equipment, net of accumulated depreciation	<u>16,913,560</u>	<u>17,217,896</u>
Total property and equipment	<u>17,486,854</u>	<u>17,758,567</u>
Total assets	<u>\$ 21,166,809</u>	<u>\$ 21,570,205</u>

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

Timberlawn Pomander Properties LLC

Balance Sheets (Continued)

As of June 30, 2019 and 2018 (as Restated)

	<u>2019</u>	<u>2018</u>
Liabilities and Net Assets (Deficit)		
Current liabilities		
Accounts payable and accrued expenses	\$ 46,814	\$ 114,669
Accrued interest payable	62,688	225,027
Interfund payable	1,813,128	1,716,779
Mortgage payable, current maturities	<u>229,721</u>	<u>221,101</u>
Total current liabilities	<u>2,152,351</u>	<u>2,277,576</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	<u>67,618</u>	<u>75,689</u>
Total current liabilities payable from restricted assets	<u>67,618</u>	<u>75,689</u>
Long-term liabilities		
Mortgage payable, net of current maturities and unamortized financing fees of \$381,667 - 2019 and \$391,666 - 2018	<u>19,024,741</u>	<u>19,244,463</u>
Total long-term liabilities	<u>19,024,741</u>	<u>19,244,463</u>
Total liabilities	<u>21,244,710</u>	<u>21,597,728</u>
Net assets (deficit)		
Investment in capital assets, net of related debt	(2,149,275)	(2,098,664)
Restricted net assets	1,676,419	1,681,220
Unrestricted net assets	<u>394,955</u>	<u>389,921</u>
Total net assets (deficit)	<u>(77,901)</u>	<u>(27,523)</u>
Total liabilities and net assets (deficit)	<u>\$ 21,166,809</u>	<u>\$ 21,570,205</u>

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

Timberlawn Pomander Properties LLC

Statements of Operations

For the Years Ended June 30, 2019 and 2018 (as Restated)

	<u>2019</u>	<u>2018</u>
Operating revenues		
Dwelling rental income	\$ 2,691,774	\$ 2,112,069
Other income	<u>5,764</u>	<u>4,708</u>
Total operating revenues	<u>2,697,538</u>	<u>2,116,777</u>
Operating expenses		
Administrative	417,032	367,597
Operating and maintenance	336,040	235,339
Depreciation	314,985	262,061
Utilities	175,134	118,020
Fringe benefits	76,153	59,937
Interest expense	766,169	644,791
Other	205,368	449,504
Bad debt expense	<u>22,240</u>	<u>8,408</u>
Total operating expenses	<u>2,313,121</u>	<u>2,145,657</u>
Operating income	<u>384,417</u>	<u>28,880</u>
Nonoperating revenues (expenses)		
Interest revenue (expense)	<u>3,340</u>	<u>1,357</u>
Total nonoperating revenues (expenses)	<u>3,340</u>	<u>1,357</u>
Net income	<u>\$ 387,757</u>	<u>\$ (27,523)</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, 2019 and 2018 (as Restated)

Balance, July 1, 2017	\$ -
Net income, June 30, 2018	<u>(27,523)</u>
Balance, June 30, 2018	(27,523)
Distributions to HOC general fund	(438,135)
Net income, June 30, 2019	<u>387,757</u>
Balance, June 30, 2019	<u><u>\$ (77,901)</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, 2019 and 2018 (as Restated)

	2019	2018
Cash flows from operating activities		
Net income	\$ 387,757	\$ (27,523)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	314,985	262,061
Amortization of financing fees	10,000	8,334
Bad debt expense	22,240	8,408
(Increase) decrease in operating assets:		
Accounts receivable, net and other assets	7,470	(115,904)
Tenants' security deposits	5,984	(78,598)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(67,855)	114,669
Accrued interest payable	(162,339)	225,027
Interfund payable	96,349	1,716,779
Tenants' security deposits	(8,071)	75,689
Net cash provided by operating activities	<u>606,520</u>	<u>2,188,942</u>
Cash flows from investing activities		
Deposits to replacement reserve	(56,120)	(855,754)
Withdrawals from replacement reserve	38,743	8,988
Deposits to renovation escrow	-	(1,204,846)
Withdrawals from renovation escrow	27,490	559,740
Deposits to mortgage escrow	-	(22,229)
Deposits to mortgage reserve	(3,225)	(164,210)
Construction costs paid	(32,623)	(540,671)
Acquisition of property and equipment	<u>(10,649)</u>	<u>(17,479,957)</u>
Net cash used in investing activities	<u>(36,384)</u>	<u>(19,698,939)</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, 2019 and 2018 (as Restated)

	<u>2019</u>	<u>2018</u>
Cash flows from financing activities		
Financing fees paid	\$ -	\$ (400,000)
Distributions to HOC general fund	(438,135)	-
Mortgage principal payments	(221,102)	(142,770)
Proceeds from mortgage payable	-	20,000,000
	<u>(659,237)</u>	<u>19,457,230</u>
Net cash provided by (used in) financing activities		
Net increase (decrease) in cash	(89,101)	1,947,233
Cash, beginning of year	<u>1,947,233</u>	<u>-</u>
Cash, end of year	<u>\$ 1,858,132</u>	<u>\$ 1,947,233</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 918,508</u>	<u>\$ 411,430</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, 2019 and 2018 (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. 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 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, 2019 and 2018 were \$15,547 and \$4,646, respectively.

Property and Equipment

Land, buildings and improvements are recorded at cost. Building and improvements 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, 2019 and 2018.

See independent auditor's report.

Timberlawn Pomander Properties LLC

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

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

Construction in Progress

Ongoing construction of the Properties relate 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 \$573,294 and \$540,671 as of June 30, 2019 and 2018, respectively.

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 balances of the mortgage and is reporting amortization of the loan fees as interest expense on the mortgage payable. See Note 5 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 rentals 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, 2019 and 2018 (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) 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, 2019 and 2018.

3) Restricted Cash and Cash Equivalents

Restricted funds are comprised of the following at June 30:

	2019	2018
Mortgage escrow deposits	\$ 22,229	\$ 22,229
Reserve for replacements	864,143	846,766
Mortgage loan reserve	167,435	164,210
Renovation escrow	617,616	645,106
	<u>\$ 1,671,423</u>	<u>\$ 1,678,311</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, 2019 and 2018 is \$22,229.

Replacement Reserve

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, 2019 and 2018 are \$864,143 and \$846,766, 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, 2019 and 2018 are \$167,435 and \$164,210, respectively.

See independent auditor's report.

Timberlawn Pomander Properties LLC

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

3) Restricted Cash and Cash Equivalents (Continued)

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, 2019 and 2018 are \$617,616 and \$645,106, respectively.

4) Property and Equipment

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

	2019	2018
Land	\$ 4,921,100	\$ 4,921,100
Buildings	12,547,708	12,547,707
Building renovations	11,150	11,150
Miscellaneous fixed assets	10,648	-
	<hr/>	<hr/>
Total property and equipment	17,490,606	17,479,957
Less: accumulated depreciation	(577,046)	(262,061)
	<hr/>	<hr/>
Property and equipment, net	<u>\$ 16,913,560</u>	<u>\$ 17,217,896</u>

5) Related Party Transactions

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, 2019 and 2018 are \$19,636,129 and \$62,688, respectively, for 2019 and \$19,857,230 and \$225,027, respectively, for 2018. Unamortized financing fees for the years ended June 30, 2019 and 2018 were \$381,667 and \$391,666, respectively. For the years ended June 30, 2019 and 2018, interest incurred on the mortgage was \$766,169 and \$644,791, respectively, including amortized financing fees of \$10,000 and \$8,334, respectively.

See independent auditor's report.

Timberlawn Pomander Properties LLC

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

5) Related Party Transactions (Continued)

Mortgage Payable (Continued)

Maturities of the mortgage payable are as follows:

2020	\$	229,721
2021		238,678
2022		247,984
2023		257,653
2024		267,698
2025-2029		1,503,435
2030-2034		1,820,293
2035-2039		2,203,931
2040-2044		2,668,422
2045-2049		3,230,808
2050-2054		3,911,720
2055-2058		3,055,786
Total	\$	<u>19,636,129</u>

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

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, 2019 and 2018 was \$1,813,128 and \$1,716,779, respectively.

Property Management Fee

The Company is required to pay a management fee to HOC for its management services of Pomander Court. 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 \$32,360 and \$25,683, respectively, were incurred and are included interfund payable on the accompanying balance sheets.

Loan Management Fee

The Company is obligated under the terms of a Regulatory Agreement with HOC to pay an annual fee of \$50,000 to HOC in connection with administering compliance with the Company's occupancy requirements. During the years ended June 30, 2019 and 2018, \$50,000 and \$0, respectively, were incurred and \$50,000 and \$0, respectively, remain payable and are included in interfund payable on the accompanying balance sheets.

Asset Management Fee

The Company was charged an asset management fee of \$120,970 and \$115,210, respectively, for the years ended June 30, 2019 and 2018, by HOC.

See independent auditor's report.

Timberlawn Pomander Properties LLC

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

5) Related Party Transactions (Continued)

Development Corporation Fee

The Company 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 \$0 and \$220,679, respectively, were incurred.

6) Property Management Fee

The company is obligated under the terms of a Property Management Agreement with Bozzuto Management Company for the management of Timberlawn Crescent. Under the terms of the agreement, the Company is required to pay management fees equal to 4% of Adjusted Gross Income, as defined, and 6% of the cost of construction. During the years ended June 30, 2019 and 2018, management fees of \$79,746 and \$66,455, respectively, were incurred.

7) 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.

8) Construction Contract

The Company entered into a construction contract with Bozzuto Construction Company in the amount of \$627,921 including change orders in the amount of \$30,138. As of June 30, 2019 and 2018, approximately 90% and 85%, respectively, of the construction was completed. As of June 30, 2019 and 2018 there were no construction costs payable.

9) Prior Period Adjustment

The 2018 financial statements have been adjusted by \$43,475 to correct for misstatements related to underaccrual of interest expense and misclassification of distributions as development corporation fee. The effect of the adjustment was a decrease of \$177,204 to net assets for the year ended June 30, 2018. The restatement caused net income to increase by \$43,475 for the year ended June 30, 2018.

	As previously reported 2018	As restated 2018
Balance Sheet		
Accrued interest payable	47,823	225,027
Total net assets	149,681	(27,523)
Statement of Operations		
Interest expense	467,587	644,791

See independent auditor's report.

Timberlawn Pomander Properties LLC

Notes to Financial Statements (Continued)

For the Years Ended June 30, 2019 and 2018 (as Restated)

10) 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, 2019, and our report thereon dated December 11, 2019, 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, 2018, were audited by other auditors whose report dated November 14, 2018, expressed an unmodified opinion on those 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, 2019 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, 2018 were subjected to auditing procedures applied in the audit of the basic financial statements as of June 30, 2018 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, 2018.

Hertzbach & Company, P.A.

Owings Mills, Maryland
December 11, 2019

Timberlawn Pomander Properties LLC

Detail of Selected Balance Sheet Accounts
As of June 30, 2019 and 2018 (as Restated)

	<u>2019</u>	<u>2018</u>
Accounts receivable, net and other assets		
Rents receivable	\$ 35,103	\$ 59,214
Accounts receivable - subsidy	37,572	9,173
Allowance for doubtful accounts	(15,547)	(4,647)
Other resident fees receivable	325	5,336
Insurance claims receivable	-	25,792
Other receivables	675	4,294
Prepaid insurance	2,467	-
Prepaid mortgage insurance	16,387	8,334
Prepaid other expense	804	-
	<u>77,786</u>	<u>107,496</u>
Total accounts receivable, net and other assets	<u>\$ 77,786</u>	<u>\$ 107,496</u>
Accounts payable and accrued expenses		
Accrued annual leave	\$ 2,274	\$ 2,448
Accounts payable	13	58,588
Accrued salaries	14,999	9,288
Accrued utility payments	14,069	8,722
Other accrued liabilities	8,343	15,398
Resident prepaid rents	6,581	19,155
Deferred revenue	535	1,070
	<u>46,814</u>	<u>114,669</u>
Total accounts payable and accrued expenses	<u>\$ 46,814</u>	<u>\$ 114,669</u>

See independent auditor's report on supplementary information.

Timberlawn Pomander Properties LLC

Detailed Statements of Operations

For the Years Ended June 30, 2019 and 2018 (as Restated)

	2019	2018
Dwelling rental income		
Rent	\$ 2,714,945	\$ 2,170,544
Vacancies and concessions	(60,023)	(85,037)
Tenant charges	36,852	26,562
Total dwelling rental income	<u>\$ 2,691,774</u>	<u>\$ 2,112,069</u>
Other income		
Rental license	\$ 5,764	\$ 4,708
Total other income	<u>\$ 5,764</u>	<u>\$ 4,708</u>
Administrative expenses		
Advertising and marketing	\$ 32,199	\$ 38,887
Loan management fees	50,000	-
Management fees	32,360	25,683
Contract management fees	79,746	66,455
Miscellaneous	16,273	73,962
Salaries	147,279	110,818
Office supplies and expense	25,334	21,897
Professional fees	16,360	15,116
Licenses	5,764	4,708
Telephone	8,511	6,949
Vehicle	2,527	1,747
Security deposit interest expense	679	1,375
Total administrative expenses	<u>\$ 417,032</u>	<u>\$ 367,597</u>
Operating and maintenance expenses		
Contracts	\$ 116,044	\$ 53,177
Exterminating	5,097	6,574
Grounds maintenance	36,644	38,837
HVAC repairs and maintenance	5,837	480
Janitorial	4,730	4,864
Salaries	135,425	101,718
Snow removal	9,923	14,156
Supplies and repairs	22,340	15,533
Total operating and maintenance expenses	<u>\$ 336,040</u>	<u>\$ 235,339</u>

See independent auditor's report on supplementary information.

Timberlawn Pomander Properties LLC

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

	2019	2018
Utilities expense		
Gas and electric	\$ 30,460	\$ 22,146
Trash removal	17,394	11,300
Water	127,280	84,574
Total utilities expense	<u>\$ 175,134</u>	<u>\$ 118,020</u>
Fringe benefits		
Accrued leave	\$ (174)	\$ -
Contract managed benefits	61,830	52,254
Contract employee appreciation	2,072	2,842
Contract other training	610	480
FICA	2,191	507
Health insurance	5,777	1,349
Other post employment benefits	1,249	1,520
Unemployment	82	-
Workers' compensation	760	566
Deferred contribution plan	1,756	419
Total fringe benefits	<u>\$ 76,153</u>	<u>\$ 59,937</u>
Other expenses		
Asset management fees	\$ 120,970	\$ 115,210
Development corporation fee	-	220,679
Financing expense	-	32,151
Insurance	61,938	55,373
Security contracts	8,005	11,323
Taxes	7,609	7,925
Water quality protect charge (RFSA)	6,846	6,843
Total other expenses	<u>\$ 205,368</u>	<u>\$ 449,504</u>

See independent auditor's report on supplementary information.