



GREENBELT HOMES, INC.

HAMILTON PLACE, GREENBELT, MARYLAND 20770

Area Code (301) 474-4161 Fax (301) 474-4006



Manager's Memorandum

TO: GHI Board of Directors

CC: Audit Committee

FROM: Eldon Ralph, General Manager *Eldon Ralph*

DATE: April 11, 2023

SUBJECT: Amendment to the Manager's Memorandum for the **GHI SPECIAL OPEN** Board Meeting on April 13, 2023

Item 2a. is replaced as follows:

2a. Presentation of the 2022 Audit Report Prepared by an External Auditor (Attachments #1a-1b)

On January 5, 2023, the Board authorized the General Manager to sign a contract with Ed Kwiatkowski, CPA, LLC to conduct a full audit of the 2022 Consolidated Financial Statements for GHI and GDC and prepare Federal and State tax returns for the year ending December 31, 2022.

Mr. Kwiatkowski has submitted an audit report comprised of the following documents:

- Board Communication Letter (Attachment #1a).
- Financial Statements with Supplementary Information as of December 31, 2022. (Attachment #1b).

Mr. Kwiatkowski will present the Audit Report during the Board Meeting. Questions may be directed to Mr. Joseph Perry, GHI's Finance Director, prior to the meeting.

Suggested Motion: I move that the Board of Directors accept the 2022 Audit Report prepared by Ed Kwiatkowski, CPA, LLC that includes the Consolidated Financial Statements for Greenbelt Homes Inc. as of December 31, 2022.



Ed Kwiatkowski, CPA, LLC.
4 Cherry Bend Dr., Howell, NJ 07731
www.edkcpa.com

Item 2a. Attachment #1a

Ed@edkcpa.com
732-485-2889

April 10, 2023

To Those Charged with Governance
of Greenbelt Homes, Inc.

I have audited the financial statements of Greenbelt Homes, Inc. for the year ended December 31, 2022 and have issued my report thereon dated April 10, 2023. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated October 20, 2022. Professional standards also require that I communicate certain information related to my audit. Part I of this letter relays this required information. Part II details my comments and recommendations, all of which have been discussed with appropriate members of management that are intended to improve the internal control or result in other operating efficiencies. I will be pleased to discuss this letter as well as the comments in further detail at your convenience. I will review the status of these comments during our next audit engagement.

Part I – Communications of information as required by Professional Standards

Significant Audit Findings

Qualitative Aspects of Accounting Practices

The Board and management are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Association are described in Note 3 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2022. I noted no transactions entered into by the Association during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The Association did not have any sensitive accounting estimates that were an integral part of its financial statements for the year ended December 31, 2022.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with the Board or management in performing and completing my audit. I would like to thank the staff of your management company and the Board for their responsiveness and timely assistance during my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, it has been determined that the effects of the uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with the Board and/or Management

For purposes of this letter, a disagreement with the Board and/or management is a financial accounting, reporting or auditing matter, whether or not resolved to my satisfaction that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of the audit.

The Board and Management Representations

I have requested certain representations from the Board and management that are included in the management representation letter dated April 6, 2023.

The Board and Management Consultations with Other Independent Accountants

In some cases, the Board and management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Association's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, the professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Association's auditors. However, these discussions occurred in the normal course of my professional relationship and the responses were not a condition to my retention.

Required Supplementary Information

With respect to the supplementary information required by the Financial Accounting Standards Board, I applied certain limited procedures to the information, including inquiring of Board and/or management about their methods of preparing the information; comparing the information for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements; and obtaining certain representations from the Board and/or management, including about whether the required supplementary information is measured and presented in accordance with prescribed guidelines.

Supplementary Information Accompanying the Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period and the information is appropriate and complete in relation to the audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Part II - Comments and Recommendations

Review Insurance Coverage

The Cooperative should review, on an annual basis, the coverages, deductibles and insurance requirements to ensure adequate coverage for the Cooperative is in place.

Sales Tax Requirements

Management should review all invoices to ensure that Maryland state sales tax is being correctly charged by vendors. If the vendor should charge sales tax, but fails to do so, the Cooperative may be liable for use tax and may incur penalties.

Forms 1099

Management should review their unincorporated vendors to be sure that Form 1099's are issued if the payments made to the vendors in a calendar year aggregate to \$600 or more.

Reserve Study

Although this is already mentioned in the audit report, the most recent capital reserve study was performed in 2018, to abide by applicable local laws, the Cooperative should hire an engineer in 2023 to perform an update. The Board should consider updating the study to ensure that the replacement funding program is adequate to meet future needs and in order to prevent significant maintenance assessment increases and/or special assessments to fund the major repairs and replacements needed.

This information is intended solely for the use of the Board and management of Greenbelt Homes, Inc. and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Ed Kwiatkowski, CPA.

Ed Kwiatkowski, CPA.

GREENBELT HOMES, INC.

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022



**GREENBELT HOMES, INC.
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INDEPENDENT AUDITOR'S REPORT

To Those Charged with Governance and
Members of Greenbelt Homes, Inc.

Report on the Audit of the Financial Statements

Opinion

I have audited the accompanying financial statements of Greenbelt Homes, Inc. (the "Cooperative") which comprise the consolidated balance sheet as of December 31, 2022 and the related consolidated statement of income, and the consolidated statement of members' equity, and the consolidated statement of cash flows for the year then ended and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenbelt Homes, Inc. as of December 31, 2022 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Greenbelt Homes, Inc. and to meet other ethical responsibilities in accordance with the ethical requirements relevant to my audit. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of The Board and Management for the Financial Statements

The Board and Management are 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Greenbelt Homes, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit 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 Greenbelt Homes, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Greenbelt Homes, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Disclaimer of Opinion on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information on future major repairs and replacements on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of the Board and management regarding the methods of preparing the information and comparing the information for consistency with their responses to our inquiries, the basic financial statements and other knowledge we obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Ed Kwiatkowski, CPA

Howell, New Jersey
April 10, 2023

GREENBELT HOMES, INC.
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2022

ASSETS

Current Assets	
Cash and Cash Equivalents	\$ 709,495
Accounts Receivable - net	175,741
Inventory	186,898
Prepaid Expenses	53,860
Notes Receivable	<u>1,056</u>
Total Current Assets	1,127,050
Other Assets	
Notes Receivable, Less Current Portion	10,097
Homes for Sale	463,082
Accrued Interest Receivable	54,404
Investments	13,383,233
Property and Equipment, Net of Accumulated Depreciation	28,280,204
Investment in NCB	885,137
Deferred Taxes	<u>5,500</u>
Total Other Assets	43,081,657
Total Assets	<u>\$ 44,208,707</u>

LIABILITIES AND MEMBERS' EQUITY

Liabilities:	
Accounts Payable	\$ 167,316
Accrued Expenses	1,816,809
Deposits and Deferred Revenue	107,727
Prepaid Rents	<u>229,700</u>
Total Liabilities	2,321,552
Members' Equity	
Unreserved Operating Fund	1,693,530
Replacement Reserve Fund	7,379,819
Contingency Reserve Fund	1,296,473
Addition Maintenance Reserve Fund	1,291,072
Working Capital Fund	1,946,057
Property and Equipment Fund	<u>28,280,204</u>
Total Members' Equity	<u>41,887,155</u>
Total Liabilities and Members' Equity	<u>\$ 44,208,707</u>

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

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

REVENUES:	
Member Charges	\$ 13,034,242
Less: Contributions to Reserves	(2,550,954)
Apartment Rental Income	642,643
Garage Income	237,331
Contract Processing	172,747
Investment Income	207,182
Service Income	24,006
Other Income	31,488
Storage Fee Income	35,438
Optional Improvement Fees	<u>78,605</u>
 Total Revenues	 <u>11,912,728</u>
EXPENSES:	
Administrative	1,668,526
Insurance	555,350
Trash Removal	448,240
Routine Maintenance and Improvements	4,236,986
Real Estate Taxes	<u>4,886,765</u>
 Total Expenses Before State Income Tax and Depreciation	 <u>11,795,867</u>
 Net Income Before State Income Tax and Depreciation	 <u>116,861</u>
State Income Tax	1,585
Depreciation	<u>1,323,234</u>
 Net Income After State Income Tax and Depreciation	 <u>\$ (1,207,958)</u>

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

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENT OF MEMBERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Total</u>	<u>Unreserved Operating Fund</u>	<u>Replacement Reserve Fund</u>	<u>Contingency Reserve Fund</u>	<u>Addition Maintenance Reserve Fund</u>	<u>Crawlspace Remediation Fund</u>	<u>Asbestos Remediation Fund</u>	<u>Working Capital Fund</u>	<u>Property and Equipment Fund</u>
REVENUES:									
Member Charges	\$ 13,034,242	\$ 10,483,288	\$ 2,126,364	\$ -	\$ 204,590	\$ 160,000	\$ 60,000	\$ -	\$ -
Apartment Rental Income	642,643	642,643	-	-	-	-	-	-	-
Garage Income	237,331	237,331	-	-	-	-	-	-	-
Contract Processing	172,747	172,747	-	-	-	-	-	-	-
Investment Income	207,182	207,182	-	-	-	-	-	-	-
Service Income	24,006	24,006	-	-	-	-	-	-	-
Other Income	31,488	31,488	-	-	-	-	-	-	-
Storage Fee Income	35,438	35,438	-	-	-	-	-	-	-
Optional Improvement Fees	78,605	78,605	-	-	-	-	-	-	-
Total Revenues	14,463,682	11,912,728	2,126,364	-	204,590	160,000	60,000	-	-
EXPENSES:									
Administrative	1,668,526	1,668,526	-	-	-	-	-	-	-
Insurance	555,350	555,350	-	-	-	-	-	-	-
Trash Removal	448,240	448,240	-	-	-	-	-	-	-
Routine Maintenance and Improvements	4,236,986	4,236,986	-	-	-	-	-	-	-
Real Estate Taxes	4,886,765	4,886,765	-	-	-	-	-	-	-
Total Expenses Before State Income Tax and Depreciation	11,795,867	11,795,867	-	-	-	-	-	-	-
Net Income Before State Income Tax and Depreciation	2,667,815	116,861	2,126,364	-	204,590	160,000	60,000	-	-
State Income Tax	1,585	1,585	-	-	-	-	-	-	-
Depreciation	1,323,234	1,323,234	-	-	-	-	-	-	-
Net Income After State Income Tax and Depreciation	1,342,996	(1,207,958)	2,126,364	-	204,590	160,000	60,000	-	-
Members' Equity - Beginning of Year	40,493,849	3,832,234	5,800,679	569,406	1,154,136	-	-	1,895,747	27,241,647
Utilization of Reserves	-	1,933,259	(1,827,600)	-	(105,659)	-	-	-	-
Working Capital	50,310	-	-	-	-	-	-	50,310	-
Interest Income	-	(130,190)	111,730	-	18,460	-	-	-	-
Interfund Transfers	-	(2,733,815)	1,168,646	727,067	19,545	(160,000)	(60,000)	-	1,038,557
Members' Equity - End of Year	\$ 41,887,155	\$ 1,693,530	\$ 7,379,819	\$ 1,296,473	\$ 1,291,072	\$ -	\$ -	\$ 1,946,057	\$ 28,280,204

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

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES:

Net Loss	\$ (1,207,958)
Adjustments to reconcile net loss to net cash used in operating activities:	
Changes in assets and liabilities:	
(Increase) Decrease in:	
Accounts Receivable	36,307
Inventory	(80,149)
Prepaid Expenses	(32,234)
Notes Receivable	6,274
Deferred Taxes	10,500
Increase (Decrease) in:	
Accounts Payable	(175,280)
Accrued Expenses	1,080,196
Deposits and Deferred Revenue	(272,118)
Prepaid Rents	<u>218,313</u>
Net Cash Used In Operating Activities	<u>(416,149)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Accrued Interest Receivable	(43,680)
Homes for Sale	(279,335)
Purchases of Property and Equipment - net	(1,038,557)
Proceeds/Purchases of Investments - net	<u>(11,398,137)</u>
Net Cash Used in Investing Activities	<u>(12,759,709)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Members Additions to Working Capital - net	50,310
Members Capitalizations of Reserve Accounts	<u>2,550,954</u>
Net Cash Provided by Financing Activities	<u>2,601,264</u>
Net Decrease in Cash and Cash Equivalents	(10,574,594)
Cash and Cash Equivalents - Beginning of Year	<u>11,284,089</u>
Cash and Cash Equivalents - End of Year	<u>\$ 709,495</u>
Supplemental Cash Flow Information:	
Taxes Paid	<u>\$ -</u>
Interest Paid	<u>\$ -</u>

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

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 – Nature of Organization

Greenbelt Homes, Inc., (the “Cooperative”) is a non-stock cooperative housing corporation incorporated in Maryland in 1949. The purpose of the Cooperative is to own the property, to enter proprietary leases for the apartments and to provide community facilities, services, and benefits for the welfare of its members and the use of the community. The Cooperative consists of 1,600 members who entered into a mutual ownership contract with the Cooperative; this in turn entitles the member to occupy, as a principal residence, a dwelling unit in the buildings owned by the Cooperative. The Cooperative is located in Greenbelt, Maryland. Greenbelt Development Corporation, a wholly owned subsidiary of Greenbelt Homes, Inc. owns and operates 60 apartment units and 52 garage units, also located in Greenbelt, Maryland.

Note 2 – Date of Management’s Review

In preparing the financial statements, the Association has evaluated events and transactions for potential recognition or disclosure through April 10, 2023, the date that the financial statements were available to be issued.

Note 3 – Summary of Significant Accounting Policies

Basis of Consolidation

The financial statements include the accounts of Greenbelt Homes, Inc. (GHI) and its wholly owned subsidiary, Greenbelt Development Corporation (GDC). All material intra-entity transactions have been eliminated.

Member’s Equity

The Cooperative designates members’ equity into the following reserve funds:

Unreserved Operating Fund

This fund represents the portion of expendable funds that are available for the general operations of the Cooperative, which consists of the cumulative surplus from operations.

Replacement Reserve

The purpose of this fund is to accumulate funds over the lives of capital expenditures and major repairs and replacements which are part of the common elements and/or the Cooperative’s responsibility to replace so that sufficient amounts are available to pay for their eventual replacement.

Contingency Reserve

The purpose of this fund is to accumulate funds to account for unplanned major expenditures, unbudgeted expenses, and operating deficits.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 – Summary of Significant Accounting Policies (Continued)

Addition Maintenance Reserve

The purpose of this fund is to accumulate funds to account for major repair and maintenance expenditures associated specifically with structures added to members' homes. Amounts in this fund are derived from members who are part of the addition maintenance program.

Crawlspace Improvements

The purpose of this fund is to accumulate funds for the remediation of deteriorated crawlspaces in members' homes and was established in 2016. This fund was closed as of December 31, 2022 and contributions ceased.

Asbestos Remediation

The purpose of this fund is to accumulate funds for the removal of asbestos in members' homes and was established in 2017. This fund was closed as of December 31, 2022 and contributions ceased.

Working Capital Fund

In 1952 the Cooperative established a working capital requirement in the amount of 3% of the purchase price of each unit to provide sufficient financial resources to operate the Cooperative and meet acquisition costs.

In 1994 the board of directors reduced the working capital collected with the purchase of a unit to 1%. In 2010 the board of directors eliminated the collection of working capital. For purchases beginning April 1, 2015 the board of directors reinstated the collection of 1% of the purchase price of each unit as a contribution to the working capital fund.

Cash and Cash Equivalents

The Cooperative considers all highly liquid investments with an original maturity date of three months or less to be cash equivalents, which include cash held in bank deposit accounts, and money market funds.

Receivables

Members are subject to monthly operating charges to fund the Cooperative's operating expenses, future capital expenditures and major repairs and replacements. Accounts receivable consist of charges due from members (GHI) and rent and other charges due from tenants (GDC). GHI rarely writes off an account since any equity interest in a membership would be made available to make GHI whole. GDC tenant accounts receivable are secured by tenant security deposits, which may be applied to unpaid balances.

An allowance of \$13,330 for doubtful accounts was deemed necessary as of December 31, 2022, which relates solely to GDC.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 3 – Summary of Significant Accounting Policies (Continued)

Inventory

Inventory, which consists of items for repair and replacement of buildings and improvements, is valued at the lower of cost or net realizable value determined using the first-in, first-out (FIFO) method.

Property and Equipment

Purchases of property and equipment are recorded at cost. Depreciation is provided using the straight-line method over 5 to 35 years, the estimated useful lives of the assets.

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of certain assets and liabilities for financial and tax reporting. The deferred taxes represent the future tax return consequences of those differences, which will be taxable when the assets and liabilities are settled. The Cooperative files income tax returns in the U.S. federal jurisdiction and the state of Maryland jurisdiction.

Revenue Recognition

Member charges, as well as Home Improvement Program charges, are recognized when GHI member charges pertaining to their units are due. Apartment rental income is recognized when rent is due from GDC residents. Other revenues include garage rental income, contract processing fee, fees for service, and other charges to members and tenants. These other revenues are generally recognized when services are provided to members and tenants.

Members' Equity Transactions

Member capitalizations in the consolidated statements of members' equity reflect the members' contributions to the various reserve accounts. Transfers reflect the allocations among accounts that were approved by the board of the Cooperative.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Board 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 revenues and expenses during the reported period. Actual results could differ from those estimates.

Note 4 – Investments

Held-to-maturity securities, consisting of bonds, are recorded at amortized cost. The bonds have various maturity dates ranging from February 2023 through October 2027 and various interest rates ranging from 1.45% to 5.48%. The aggregate fair value of the bonds at December 31, 2022 was \$13,263,245.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 4 – Investments (Continued)

Available for sale marketable securities, consisting of corporate bond mutual funds, are recorded at fair value, with the change in fair value during the year excluded from earnings and recorded as a separate component of members' equity. The aggregate fair value of the bond fund at December 31, 2022 was \$143,824.

Note 5 – Accounts Receivable

Prior to January 1, 1999, the Cooperative performed rehabilitation projects that were funded by loans from the U.S. Department of Housing and Urban Development and National Cooperative Bank (NCB). Members who met predetermined qualifications were allowed to participate in the Rehabilitation Loan Deferral Program (RLDP) whereby they could defer the increases in monthly charges. Participants were required to be recertified annually. Simple interest is assessed at 3% on the unpaid principal balance. The entire balance consisting of principal and interest is due when participants terminate their memberships. The RLDP accounts receivable balance at December 31, 2022 was \$29,761.

The Cooperative's Board voted to discontinue the member deferral programs described above effective January 1, 1999. In November 2015, the Board started a new Fee Deferral Program to assist members below certain income levels to defer payments associated with their crawlspace improvements assessments through 2025. The interest rate of 4.5% compounds and resets every five years. The accounts receivable balance from this program at December 31, 2022 was \$6,963.

Note 6 – Property and Equipment

Property and equipment at December 31, 2022 consist of the following:

Land	\$ 26,573
Equipment	1,095,068
Building and Improvements	61,044,140
Vehicles and Operating Equipment	<u>725,722</u>
Total Property and Equipment	62,891,503
Less: Accumulated Depreciation	<u>34,611,299</u>
Property and Equipment, net	<u>\$ 28,280,204</u>

Depreciation expense for the year ended December 31, 2022 was \$1,323,234.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 7 – Investment in NCB

Under the terms of its former loan with NCB, the Cooperative was required to purchase stock in NCB which served as additional collateral for the mortgage. The stock is carried at the cost of the purchased shares. The investment in NCB has not been increased nor have dividends been recorded for any stock dividend received in 2022.

Note 8 – Future Major Repairs and Replacements

In 2018, GHI's Board hired DMA Inc. (a reserve advisor firm) to conduct a comprehensive study of the reserve funds that are required for future repairs and replacement of the common elements during 2018 to 2047. The study encompassed GHI's 1,600 main units and common areas. In accordance with the provisions of Maryland Code, Corporations and Associations section 5-6B-26.1, GHI will hire a reserve advisor firm in 2023 to update the 2018 reserve study. The Cooperative is funding for such major repairs and replacements over the estimated useful lives of the components based on the study's estimates of current replacement costs, considering amounts previously accumulated in the replacement fund. Actual expenditures, however, may materially vary from the estimated amounts. Therefore, amounts accumulated in the replacement fund may or may not be adequate to meet future needs.

Accordingly, the replacement reserve funding requirements of \$2,126,361 was assessed to members of the Cooperative in 2022 and these amounts were contributed to the replacement reserve in the year then ended. The Cooperative also added \$204,590 of budgeted funding into the addition maintenance reserve in 2022.

The table included in the unaudited Supplementary Information on Future Major Repairs and Replacements is based on the 2007 study.

Note 9 – Net Income of Business Components

The net income(loss) of the Cooperative's business components for 2022 was as follows:

Net Loss of GHI	
Excluding Net Income Derived from GDC	\$ (1,227,166)
Net Income of GDC	<u>19,208</u>
Net Loss:	<u>\$ (1,207,958)</u>

Note 10 – Income Taxes

The Cooperative files a consolidated federal income tax return Form 1120. GHI and GDC file separate income tax returns with the State of Maryland. GDC's net income is subject to taxation at the normal corporation rates.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 10 – Income Taxes (Continued)

The Cooperative's deferred tax asset at December 31, 2022 consisted of carryforward prepayments from December 31, 2021, less the income tax expense for GDC for 2022 in the amount of \$1,585, as reflected in the accompanying financial statements.

The Cooperative's federal net operating loss carryforwards totaled approximately \$3,847,000 at December 31, 2022. No allowance for deferred taxes exists related to this accumulated net operating loss carryforward, as the use of the net operating loss carryforward was deemed remote as of December 31, 2021.

Note 11 – Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2022 were as follows:

<u>Description</u>	Fair Value Measurements at December 31, 2022			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bonds and Mutual Funds	\$ 13,565,984	\$ -	\$ -	\$ 13,565,984
Total Assets at Fair Value	\$ 13,565,984	\$ -	\$ -	\$ 13,565,984

Fair values of bonds and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Note 12 – Retirement Plan

The Cooperative sponsors a 401(k)-retirement plan. All employees of the Cooperative who have completed one year of service and have attained age 21 are eligible to participate in the plan. Eligible employees may defer up to 90% of their compensation not to exceed IRS limitations. Employer contributions to the plan are based on a predetermined formula as set forth in the plan document. Pension expense for 2022 was \$87,034.

Note 13 – Concentrations of Credit Risk

Financial instruments which potentially subject the Cooperative to significant concentrations of credit risk consist principally of cash, cash equivalents, certificates of deposit, bonds, mutual funds, and accounts receivable.

The Cooperative maintains cash and cash equivalents with various financial institutions which limits exposure to any one financial institution. However, as of December 31, 2022 the total amount in one institution is uninsured by the FDIC by approximately \$536,000.

SUPPLEMENTARY INFORMATION

GREENBELT HOMES, INC.
SUPPLEMENTAL INFORMATION ON FUTURE
MAJOR REPAIRS AND REPLACEMENTS
DECEMBER 31, 2022
(UNAUDITED)

In 2018, GHI's Board hired DMA Inc. (a reserve advisor firm) to conduct a comprehensive study of the reserve funds that are required for future repairs and replacement of the common elements between 2018 and 2047. The study encompassed GHI's 1,600 main units and common areas. In accordance with the provisions of Maryland Code, Corporations and Associations section 5-6B-26.1, GHI will hire a reserve advisor firm in 2023 to update the 2018 reserve study. The following information is based on the 2018 reserve study report and represents significant information about the components of common property.

The following table is based upon the study and presents significant information about the components of common property.

BASED ON 2018 STUDY

<u>COMPONENTS</u>	<u>ESTIMATED REMAINING USEFUL LIVES (YEARS)</u>	<u>FRAME HOMES</u>	<u>MASONRY HOMES</u>	<u>LARGER HOMES</u>
HVAC, larger homes	20	\$ -	\$ -	\$ 356,850
Attached garage roofs & doors	35	-	284,615	-
Baseboard heaters	35	182,581	117,675	-
Ceiling heaters	25	345,434	201,476	-
Drainage systems, larger townhomes	40	-	-	244,394
Electrical systems	70 - 90	2,721,899	1,630,806	279,428
Porch stoops, frame	25	667,446	-	-
Entrance doors	35 - 40	443,995	245,016	92,249
Porch roofs, masonry	25	-	1,500,663	-
Roofs (main & porch), frame	25	2,294,725	-	-
Roofs, larger homes	25	-	-	196,108
Roofs, masonry	24 - 75	-	1,503,923	-
Siding (vinyl)	35 - 45	822,896	144,470	76,532
Sump pumps	20	97,962	-	-
Water heaters	15	1,339,947	778,993	39,265
Water supply and waste piping	90 - 95	7,440,000	8,686,675	-
Window sets	35 - 40	690,880	634,520	210,201
* Shared Components				
Administrative Building	15 - 40	220,027	128,432	6,423
Concrete Sidewalks	75	853,698	498,312	24,923
Parking Lots	25	776,733	453,387	22,675
Playground Renovations	25	111,250	64,938	3,248
Retaining Walls	19 - 100	157,254	91,791	4,591
Rental Garage Doors	25	111,753	65,231	3,263
Rental Garage Roofs	20	347,288	202,715	10,139
Underground Sewer Piping	75	1,782,767	1,040,618	52,045
Vehicles	20 - 25	1,035,585	604,481	30,233
		<u>\$ 22,444,120</u>	<u>\$ 18,878,737</u>	<u>\$ 1,652,567</u>
Replacement Reserve Fund Balance as of December 31, 2022				<u>\$ 7,379,819</u>

See independent auditor's report on the financial statements.