



# ANNUAL REPORT

## 2015-2016



Historical Legacy – Quality Homes – Diversity – Opportunities for Community

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# 2015/2016 Annual Report

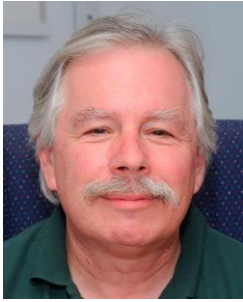
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**GHI Mission Statement** *(on back cover)*

# President's Report for 2015



Greetings to all members of Greenbelt Homes, Inc. from Steve Skolnik, President of GHI's Board of Directors. I am pleased to tell you that, although our housing cooperative will face many challenges and lots of work in the coming years, the state of the coop is one of health and strength. As a community of member-owners, we have all of the resources we need to move GHI forward and to make our homes more efficient, attractive, livable and marketable into the future. I am happy to report that our homes continue to increase in value, from a low point in 2011; sales in 2015 were brisk, and 2016 is shaping up to be a good year as well for GHI home sales.

In this report I will outline some of the important work that occurred in GHI this year; also we'll look forward to what's coming in the next few years.

## **Pilot Program**

Eight years back, the Buildings Committee conducted a membership-wide survey about heating, comfort, and energy efficiency in our homes; from this survey we learned that a large number of members expressed strong dissatisfaction in these areas. The survey results led to the committee developing a program with these goals:

- *reduce overall energy consumption and costs in the dwelling units;*
- *improve member comfort and "livability";*
- *emphasize use of sustainable, environmentally friendly energy sources, technologies, and products where economically feasible;*
- *reduce overall life cycle costs, including preventive and corrective maintenance, for heating, cooling and domestic hot water systems;*
- *minimize disruption to households as improvements are being made; and*
- *implement the program while maintaining the unique and historic character of the GHI homes.*

The Pilot Program we started six years ago, now virtually complete, has paid generous dividends in terms of data, information, experience, and learning the coop has gathered; our Buildings Committee and Board of Directors have incorporated Pilot Program learning to formulate our Homes Improvement Program (H.I.P.) A few things we've learned include:

- Some frame home crawlspaces are in worse shape than we thought, and many sump pumps have failed over the years. Crawls need to be visited/inspected more often than GHI has been doing. Staff conducted a 100% inspection program, identifying a number of issues and repairing or replacing many sump pumps.
- Application of spray foam insulating sealant in crawlspaces and attics may be problematic, potentially posing a health hazard to members. The Board decided to eliminate this material from the H.I.P.
- Installing exterior insulation and vinyl siding on block homes results in greater comfort and energy savings; this improvement 'pays for itself' in reduced energy bills. However, some members object to the dramatic change in appearance of the block homes, preferring the 'iconic' and 'historic' look of painted concrete block. Also, insulating block homes from the inside is neither practical nor cost effective.
- In frame homes, adding insulation to exterior walls results in greater comfort in the homes and lower power bills, however the improvement does not 'pay for itself' in energy savings over a reasonable time period.

- Adding insulation to frame and brick home attics results in greater comfort in the homes, however the improvement does not 'pay for itself' in energy savings over a reasonable time period.
- Electric baseboard heaters are capable of heating GHI homes adequately, if properly sized and operated, and kept reasonably clean.
- Ductless 'mini-split' heat pumps work well in GHI homes, however in very cold weather may need to be supplemented with existing baseboard heaters.

Our building science consultants, Homes Improvement Research Labs (H.I.R.L.), completed the collection of temperature and humidity data in the (28) pilot homes at the end of the 2014/15 heating season, and submitted their final report. The Buildings Committee is currently drafting a final report on the overall Pilot Program. (Members are urged to read other reports that have been issued as work progressed; these are available at <http://ghi.coop/content/pilot-program>.)

Based on information developed by the Buildings Committee's outstanding task force on crawlspaces, the Board of Directors adopted a plan to test a 'partially-conditioned crawlspace' solution in two frame rows, as well as to improve two masonry row crawlspaces; this work was contracted and completed; staff is now monitoring temperature and humidity to test the effectiveness of the selected methods and materials for a complete year, to assure that this design works well for our frame homes.

### **Homes Improvement Program (H.I.P.)**

This five-year program, now fully underway, has two main components: work items already funded through our Replacement Reserves Program, and work items that need additional funding. As I write this report, contractors are preparing to start work on the '2016 cohort' of (326) homes, the first group to be completed. Here is a summary of the H.I.P. work:

#### **I. Community-wide work items**

- A. Work funded under Replacement Reserves Program includes replacing windows, entry doors, electric baseboard heaters, and frame home vinyl siding
- B. Work requiring additional funding will be in our crawlspaces
  - i. Frame Homes: Crawlspace conversion to sealed, partially-conditioned spaces (pending examination of data and approval of test buildings)
  - ii. Masonry Homes: Crawlspace sealing, insulation and other repairs/upgrades

#### **II. Member-selected, optional work items (paid for by individual members)**

- A. Members are free to select optional items for their individual homes.
- B. Members will pay for full cost of selected optional items
  - i. GHI had hoped to be able to help members finance optional improvements through direct loans, however the Board was advised by legal counsel that this would require special licensing that GHI does not possess.
    1. Member can pay in full after installation; or
    2. Member can secure a bank loan through one of three (3) lenders GHI has identified.
- C. A list of the approved optional improvements is included on the GHI website at <http://ghi.coop/sites/default/files/attachments/H%20I%20P%20%20LIST%20OF%20OPTIONAL%20IMPROVEMENTS%204-13-15.pdf>

Lots more information about H.I.P. is available on the ghi.coop website at <http://ghi.coop/content/homes-improvement-program> .

### **Asbestos discovered in masonry home crawlspaces**

It was discovered by staff and reported to the Board of Directors that some asbestos materials, the removal of which was contracted and paid for in 1985, were in fact not removed as per

the specifications, but were left (hidden) in crawlspace alcoves beneath some masonry building porch slabs. The presence of the asbestos materials, portions of the pipe and boiler insulation from when the buildings were constructed, went undetected for so many years because the alcoves are sealed from view by insulation foam board.

The General Manager recommended, and the Board approved notifying local, state, and federal authorities about the presence of the hazardous material; subsequently the Board approved hiring a certified Industrial Hygienist to sample air in representative crawlspaces and member units. All tests were negative, which is to say that asbestos fibers were not found to be present in the air (it is these fibers being breathed and lodging in the lungs that causes the health concerns).

The Industrial Hygiene firm has been further contracted to develop specifications for two possible solutions: GHI can choose to encapsulate and protect the asbestos, developing a safety maintenance program, or GHI can choose to have the asbestos removed entirely (a more costly, but permanent solution). Once specifications for these options have been prepared, the Board will solicit bids from licensed asbestos firms, and will face the decision of how to proceed in the best long-range interest of our cooperative.

GHI is pursuing the unlikely possibility that the owner(s) of the 1985 contractor, long out of business, can be tracked down and made to accept responsibility for the egregious and illegal behavior of hiding rather than removing the asbestos. Staff also recognizes the failure of GHI to properly inspect the contractor's work at the time. No members of the 1980's maintenance staff are still employed by GHI, or have been for many years.

#### **Other Board of Directors Major Activities in 2015/16**

In addition to working on the Pilot Program and H.I.P. planning, some of the work undertaken by your Board of Directors includes the following:

- Approved (71) new memberships
- Conducted strategic planning / visioning work sessions
- Conducted City Council / GHI stakeholders work session to discuss matters of common interest
- Adopted policy to re-establish collection of refundable working capital, effective March 31, 2015
- Approved sale of membership rights to 10-A Crescent Rd. to City of Greenbelt, for incorporation and use as part of the Greenbelt Museum
- Held weekly planning meetings with General Manager, President and Vice-President
- Held town hall meetings (and follow-up activities)
- Authorized hiring of H.I.P. Director and project management staff
- Contacted state legislators to express cooperative's interests in proposed laws
- Convened Member Complaint Panels, Informal and Formal Hearings
- Established Legislative and Government Affairs Committee (LGAC)
- Directed Buildings Committee to recommend a policy on stormwater/groundwater management
- Established Buildings Committee's subcommittee on Sustainability Issues
- Established *ad hoc* Parking Regulations Task Force
- Considered and approved 2016 Budget of \$11,910,100.
- Executed program to install state-required upgraded smoke detectors in all GHI units and GDC apartments

- Approved program to install carbon monoxide (CO) detectors where and as required by Prince George's County
- Approved installation of solar photovoltaic energy system on the roof of a member's home
- Accepted recommendations of *ad hoc* Bylaws Committee for three changes (to be considered by membership at May 2016 membership meeting)

### **Committees and Their Contributions**

Member volunteers serving on GHI's many committees do much of the work needed to keep our unique housing cooperative running smoothly. I want to express tremendous praise and appreciation for those who give their valuable time and astonishing expertise for the benefit of us all. Our committees, and a few of the tasks they have accomplished in 2014, include the following:

- Architectural Review Committee
  - Designed and implemented kitchen and bathroom renovation contests
  - Reviewed members' exception requests
  - Reviewed policies on:
    - privacy screens
    - door color palette
    - wall materials to patch at removed through-wall A/C units
    - invasive plants in yards
    - tree removal by members
    - planting lists in Member Handbook
- Buildings Committee
  - Continued monitoring work on Pilot Program; drafting final report
  - Created task force to recommend policy on stormwater/groundwater management
  - Created subcommittee on sustainability issues
- Communications Committee
  - Reviewed and updated media policy
  - Developed / published monthly *Communicator*
  - Developed visual program for town hall meetings
- *ad hoc* Committee on Historic Preservation
  - drafted and submitted report on importance of and how to preserve historically significant features of GHI homes
- Companion Animals
  - Continued Spay/neuter partnership program with City
- Finance
  - Reviewed and recommended updates to member delinquency policy and procedures
  - Drafted, reviewed and recommended financing options for H.I.P. work items
- Investment
  - Studied bond investment opportunities, made investments consistent with GHI's policy and future expenditure needs
- Marketing Committee
  - Created and published marketing videos
  - Planned and conducted community-wide open houses

- Member Outreach
  - Continued interest in 'living small' and 'tiny house' programs
- Woodlands
  - Coordinated annual survey of GHI woodlands
  - Oversaw Forest Conservation Management Agreement plan for GHI woodlands
  - Reviewed tree and planting issues in GHI common areas
- Yard Lines
  - Continued to study and present for Board certification yard lines plat drawings

If you've read this far, I hope you've gained an appreciation for the work our Board of Directors, committees, and staff do to keep GHI healthy and vibrant. Serving as President, I continue to learn about many aspects of cooperative living, and gain a better understanding of all that goes into keeping our 'ship' afloat and on course for a bright cooperative future.

Respectfully submitted,  
Steve Skolnik  
President, Greenbelt Homes, Inc.







## General Manager's 2015 Report

Every year presents new challenges and opportunities and the past year was no exception. In general, it was a good year with many notable accomplishments. I am happy to share this report with you, which highlights some of our major activities and accomplishments:

### ***Homes Improvement Program***

Since 2008, the Board, Buildings Committee, Finance Committee, Staff, and the Homes Innovation Research Labs (H.I.R.L) have been engaged in a thorough and collaborative process to determine the scope of a Homes Improvement Program (HIP). We are very excited that the HIP will begin this year with the installation of new windows, doors, siding, baseboard heaters and optional improvements (selected by members) within approximately 1/5<sup>th</sup> of the homes.

Tom Sporney, the former Director of Technical Services was appointed to lead a new department to administer the HIP and two project managers were hired to assist him. The HIP staff developed a spreadsheet for members to record their preferences for exterior doors and siding colors and choices for optional improvements. They inspected 326 units and 106 additions and prepared specifications for the work to be done during 2016. Staff assisted the Board to organize and conduct four HIP informational membership meetings.

With H.I.R.L's assistance, staff prepared a Request for Proposal, obtained bids and hired a contractor to undertake crawlspace improvements in two frame and two masonry buildings, without the use of spray foam insulation. In-house maintenance staff installed performance monitors for sump pumps and exhaust fans in the crawlspaces for the frame buildings. Crawlspace improvements to frame and masonry buildings are scheduled to begin in 2017.

### ***Human Resource Management***

GHI currently has 43 full-time employees. Last year, seven new employees were hired and eight employees left the cooperative. With the retirement of Kenny Grimes (Fee-for-service coordinator) and resignation of Matt Berres (Maintenance Director) in 2014, retirements of Brenda Lewis (Human Resources Director) and Bill James (Accounting Manager) in 2015, and reassignment of Tom Sporney (Director of Technical Services) to lead the HIP department in 2015, it was quite challenging to recruit employees who were the right fit for GHI to fill the vacancies that were created.

Much emphasis was placed on developing our employees during the past year. We hired a facilitator to conduct a seminar for employees to motivate them to give their best efforts on the job and our Human Resources Manager facilitated a customer service seminar. I initiated a coach's camp for the senior staff and we held 12 sessions to review major policies and procedures.

Senior staff prepared an action plan in October 2014 which guided staff operations throughout 2015. Each department head and I met weekly to discuss operational issues and the senior staff met bi-weekly to discuss strategic issues. Department heads also met weekly with their staff to plan work schedules and review accomplishments.

Performance evaluations by supervisors and self-assessments by employees are done annually to review accomplishments, discuss areas for improvement and to establish goals and employee development needs. Employees receive merit increases, based on their evaluations.

### ***Member Services***

A summary of major activities that were performed by Member Services Department staff is as follows:

- Investigation of neighbor complaints 20
- Investigation of animal complaints 12
- Parking Issues 42
- Interior Inspections 17 units (45 inspections)
- Rentals of garages /storage spaces 47
- Investigation and termination of unauthorized rental of homes 4

Staff referred five cases to the Board of Directors for complaint hearings to resolve grievances that could not be settled at our level.

The Director, Member Services has compiled a list of fifteen 15 units where clutter/hoarding issues were discovered in the past. She inspects the units every six months to enable the members of those units to correct deficiencies that are observed and prevent a relapse to the previous hoarding conditions.

Member Services' staff completed the first part of a codification project to electronically file Board motions in a shared drive of our computer network pertaining to exceptions to rules and regulations and policies approved from 2010 to 2015; making it easier to retrieve this information in the future. The staff is continuing to codify motions that were passed prior to 2010. All Mutual Ownership Contracts (MOCS) were scanned into our computer network and we have begun scanning addenda to the MOCS pertaining to additions on the Addition Maintenance Program.

Staff reviewed six rental permit requests from members. Three requests were forwarded to the Board for consideration and three members withdrew their requests. The Board approved two requests and denied one. At the end of 2015, there were nine units being rented with approved permits.

The GHI e-newsletter has become an impactful news medium that provides members current and meaningful information. It is currently sent to over 1100 subscribers.

To facilitate the sale of 80 units, staff undertook 91 re-sales inspections, and conducted monthly pre-purchase orientation meetings.

### ***Financial Management***

The Board of Directors, Finance Committee, and management staff developed the 2016 budget, which included new items for the Homes Improvement Program such as replacement of windows, doors, siding and baseboard heaters (financed from the replacement reserve and addition maintenance funds), crawlspace improvements (funded by new member contributions) and optional

improvements (paid for by the members who select to have them installed). Though real estate taxes (which are nearly 1/3 of the whole budget) jumped this year by an average of over 7%, and despite the expenses of commencing the Homes Improvement Program, the average overall increase in the budget was less than the rise in taxes.

Staff submitted a report to the Board regarding the pros and cons of restoring a working capital collection policy that it had suspended in 2010; the Board subsequently reinstated the policy.

Management staff developed a Request for Proposal for GHI's 2016 Property and Business Owner's Insurance Policy and obtained bids from 3 insurance brokers. The Board accepted our recommendation to hire USI Insurance Inc. as the new broker as well as insurance carriers that USI specified for the property, commercial liability, automobile, director and officers' liability and workers' compensation insurance policies. The total insurance premiums are \$107,000 lower than the budgeted amount for 2016, due in part to no major insurance claims being filed in 2014 and 2015.

### ***Maintenance and Technical Services***

The maintenance department completed 11,061 work orders. Staff completed the replacements (begun in 2014) of 50% of the sump pumps in the crawlspaces of frame buildings and sealed all steam tunnels with mortar to prevent the ingress of animals.

An amount of \$168,494 was spent to replace defective underground utility pipes. Failures were due to root penetration of pipe joints and ruptures due to soil pressures. We estimate that 60 % of the underground sewer piping and 10% of the storm drain piping installed during 1935-42 have been replaced so far.

During heavy rainstorms the existing drainage systems at some locations often cannot handle the sudden and intense runoff from streets and parking lots adequately, and water flowing downhill collects in yards and at building foundations. Some members inadvertently fill-in or block yard swales resulting in drainage problems. Last year, staff surveyed all of our 1600 units to record drainage deficiencies. Some of the deficiencies have been remedied by maintenance staff. The worst situations have been prioritized and last year new underground drainage systems were installed at six sites for a cost of \$60,095. GHI has spent approximately \$700,000 since 1998 installing new underground drainage systems which have helped to significantly reduce flooding problems in yards and crawlspaces.

A contractor was hired to convert an abandoned boiler room at 10 Court Southway to four storage units at a cost of \$22,000, with an estimated payback period of 4.5 years. Members have purchased 13 of the original 18 boiler rooms attached to frame units. GHI has converted 4 such boiler rooms to storage units, all of which are currently being rented. There is one remaining boiler room at 14 Court Ridge that has yet to be addressed.

As a risk control measure, staff recommended and the Board approved hiring a consulting arborist to proactively inspect trees in woodland areas near to homes and in common areas for defects. The Board also approved the purchase of a snow removal tractor that has helped us tremendously to remove snow from sidewalks in common areas on a timelier basis.

Fee-for-service staff prepared bid specifications and contractors were hired to undertake pre-sale repairs to seven units that were assigned to GHI; three units have been sold.

The Technical Services staff received 154 permit requests from members and approved 117 permits. One hundred yard line inspections were done in support of the work that was done by the yard line committee. At present, 1,405 units have certified yard plats.

**Conclusion**

In December 2014, GHI's previous insurance broker who had served GHI for approximately 20 years, informed the Board of Directors that GHI's management of its operations was among the finest that he had experienced among his clientele of property owners and management companies serving approximately 20,000 residential units in the District of Columbia, Maryland and Virginia. Working together, the Board of Directors, committee volunteers, members and staff have achieved this high standard. I am happy to continue working with you as we strive to maintain our position as one of the finest housing cooperatives in America.

Sincerely,



Eldon Ralph, General Manager



# 2016 Annual Audit Committee Report

The Audit Committee is composed of three members who serve a one-year term. The 2015-2016 Committee began the term with two members. Subsequently one member left and two members were selected from volunteers for the remaining term. Our duties are to monitor the operations of GHI, as described in Article VII Section 2 of the GHI bylaws.

To carry out this charge, the members of the Audit Committee attend all regular and special meetings of the Board of Directors of GHI and the Greenbelt Development Corporation (GDC), key committee meetings, and all executive sessions of the Board of Directors. During its meetings, the Board of Directors deliberated openly and in a manner consistent with the Bylaws.

To ensure the Co-op is functioning properly and efficiently, the Audit Committee has access to GHI's financial records, attorney proceedings, and auditor statements. This is an essential oversight function. The Committee has an annual budget of \$1,000, which was drawn upon once, to consult with GHI's retained attorney about a Bylaws interpretation.

The Audit Committee welcomes input from GHI members and can be contacted via email (see the GHI website for contact information). The Committee was approached by members for a variety of reasons during the 2015-16 term and responded to each request. Member suggestions related to the scope of the Homes Improvement Program (HIP), proper handling of the eviction process when necessary, and the occasional intervention with staff or the Board to obtain information or improve communication.

The previous year's Audit Committee also passed along a number of suggestions and concerns regarding access by the membership to the preparatory materials distributed for each general session of the Board of Directors. This year's committee expanded on these suggestions and re-submitted them to the Board.

Not surprisingly, the HIP engaged the energies of staff and the Board of Directors at many meetings, with members often in attendance to express their opinions and concerns. As the first implementation of a long planning process begins in 2016, oversight will continue to be critically important, as will sound fiscal management while this major investment in the long-term health of the Co-op is underway.

For the sixth year in a row, GHI retained Wegner CPAs to perform a professional audit of the 2015 financial statements for GHI and GDC. Findings were not provided to the Audit Committee by the deadline for this report, but they will be available in advance of the Annual Meeting of the Co-op membership. The Audit Committee exercised its supervisory responsibility over the audit by meeting several times with Wegner CPAs and providing a series of questions to focus Wegner's review.

## *Committee Members*

*Paul Kapfer Leeann Irwin Kandis Wyatt*



# Treasurer's Report 2015/2016

## Financial Condition

The 2015 GHI Summary Income Statement is included with this report. There are notes to the variances from the 2015 Budget of 3% and \$10,000. Details of each budgeted line item are included in the 2015 Budget booklet that is available to all members at the GHI Administration Office. The overall financial condition of GHI is healthy which is important considering the Homes Improvement Program is beginning this year. Actual receipts exceeded actual expenses, excluding Depreciation of Members Units.

## 2016 Budget:

The 2016 Budget of \$11,910,400, adopted on December 3, 2015 with member fee increases averaging 6.1% for frame homes and 4.9% for larger homes and increases averaging 7.2% for masonry homes. The variation between home groups was because of differences in real estate taxes and specific items for each of the three home groups including crawlspace improvements.

## Real Estate Taxes:

Real estate taxes are based on the actual Prince George's County invoice for each home. In September, members were notified of a reconciliation adjustment, which occurred at the end of the year. That reconciliation adjusted the amount paid by the member for the year to their actual cost. The Finance department completed reconciliations for each unit in November and applied those adjustments directly to member accounts in December. Those who paid too much during the year had a credit and therefore, paid less in December while those who did not pay enough to cover the actual real estate taxes of their particular unit had to pay more in December.

## Home Sales:

In 2015, eighty homes were sold compared to eighty-nine in 2014. First quarter activity in 2016 is similar to activity during the same time last year. We hope that sales will increase during the warmer months.

## Future Activity:

The Homes Improvement Program has begun and the planned improvements to make our community more energy efficient and sustainable are taking place. The discovery of contained asbestos in the crawlspaces creates a significant decision for the Board of Directors which will impact the budget. It is important to keep in mind GHI has a contingency fund which is just over \$900,000 for situations such as this. The cooperative is well prepared to address major expenditures by utilizing this fund.



Chuck Hess, 2015/2016 Treasurer

Greenbelt Homes, Inc.  
Income Statement Summary  
For the Period Ending 12/31/2015

	Year-To-Date <u>Actuals</u>	Year-To-Date <u>Budgets</u>	Y-T-D Dollar <u>Variance</u>	Y-T-D % <u>Variance</u>
<b><u>RECEIPTS</u></b>				
Member charges	\$ 9,284,378	\$ 9,231,311	\$ 53,067	0.6%
	<u>9,284,378</u>	<u>9,231,311</u>	<u>53,067</u>	<u>0.6%</u>
Service income	452,167	456,050	(3,883)	-0.9%
Other income	(A) 609,385	566,265	43,120	7.6%
	<u>1,061,552</u>	<u>1,022,315</u>	<u>39,237</u>	<u>3.8%</u>
Total receipts	<u>10,345,930</u>	<u>10,253,626</u>	<u>92,304</u>	<u>0.9%</u>
<b><u>EXPENSES:</u></b>				
Real estate taxes	3,283,036	3,249,797	33,239	1.0%
Trash collection	440,070	439,802	268	0.1%
Insurance	(B) 496,439	561,900	(65,461)	-11.6%
Admin/BOD/Comm/Mbr	1,270,391	1,303,790	(33,399)	-2.6%
Maintenance operations	3,064,732	3,069,940	(5,208)	-0.2%
Transfer to reserves	1,628,400	1,628,397	3	0.0%
Total expenses	<u>10,183,068</u>	<u>10,253,626</u>	<u>(70,558)</u>	<u>-0.7%</u>
Receipts over (under) expenses	<u>\$ 162,862</u>	<u>\$ -</u>	<u>\$ 162,862</u>	<u>N/A</u>
Depreciation member units	<u>\$ 652,300</u>	<u>\$ 642,658</u>	<u>\$ 9,642</u>	<u>1.5%</u>

Greenbelt Homes, Inc.  
Notes to Income Statement Summary  
For the Period Ending 12/31/2015

**RECEIPTS**

<b>(A)</b>	<b>Other income (Up 7.6%)</b>	<b>\$ 43,120</b>
	This favorable variance results primarily from additional fee-for-service revenue associated with units taken back by GHI.	
<b>(B)</b>	<b>Insurance (Down 11.6%)</b>	<b>\$ (65,461)</b>
	This favorable variance reflects actual insurance premiums as well as uninsured losses which, in total, are significantly less than budgeted.	

## Investment Committee Report as of December 2015

The Investment Committee has the responsibility of investing funds on behalf of GHI. Those funds include amounts that are set aside for replacement reserves. Building components (roofs, windows, doors, hot water heaters, for example) wear out. GHI has a plan for their replacement, and has set up a replacement reserve fund to take care of future capital costs. Members' coop fees include the cost of maintaining an adequate reserve to meet this need. The replacement reserve plan is reviewed periodically and was completely updated by a consultant in 2013.

As of December 31, 2015, GHI held \$17,544,603 in investments and cash equivalents. Our investment portfolio was comprised of individual corporate bonds, Vanguard Short Term Investment Grade Fund Admiral Shares (VFSUX), a money market account, a Lafayette escrow account, and a certificate of deposit with National Cooperative Bank as outlined below. The Investment Committee decided to sell the Vanguard Intermediate Term Investment Grade Fund Admiral Shares (VFIDX) and agreed to hold off future purchases of corporate bond investments until the needs of the Homes Improvement Program were known.

GHI income from investments totalled \$565K. This income was partially offset by realized losses of \$52K. (Income from investments less realized losses equaled \$513K.) The interest rates received in 2015 on individual bonds held in GHI's bond ladder ranged between 2.15% and 9.70% for a weighted average of 4.50%. In 2015, the total return was 1.13% for the VFSUX through December, and 0.49% for the VFIDX through June. The one-year certificate of deposit with the National Cooperative Bank matures in January 2016 and has an annual percentage yield of 0.32%.

<b>Corporate Bond Investments</b>				<b>Mutual Fund Investments</b>	
<u>Face Value</u>	<u>Company Name</u>	<u>Coupon</u>	<u>Maturity</u>	\$	
100,000	Best Buy	3.750%	03/15/16	5,176,562	Short term bond fund (VFSUX)
200,000	Embarq Corp	7.082%	06/01/16	-	Intermediate bond fund (VFIDX)
100,000	Autozone Inc	6.950%	06/15/16	130,112	Vanguard ST Investment Grade Fund
100,000	Target Corp	5.870%	07/15/16	<u>5,306,674</u>	Total Mutual Funds
100,000	Hershey Company	5.450%	09/01/16		
100,000	Wachovia Corp	5.625%	10/15/16	502,780	<b>Corporate Bond Premium/Discount</b>
200,000	Health Care properties	6.000%	01/30/17	(39,954)	Unamortized premium
200,000	Ryder System Inc.	2.500%	03/01/17		Unamortized discount
200,000	Southwest Airlines	5.125%	03/01/17	<u>17,349,501</u>	Total Investments
80,000	Costco Wholesale Corp	5.500%	03/15/17		
100,000	McDonald's Corp.	5.300%	03/15/17		<b>Cash &amp; Cash Equivalent</b>
100,000	Tenneco	8.125%	06/15/17	95,102	Cash, Escrow & Money Market
300,000	Kroger	6.400%	08/15/17	100,000	Certificate of Deposit
200,000	Merrill Lynch	6.400%	08/28/17	<u>195,102</u>	Total Cash & Cash Equivalent
300,000	General Electric Cap	5.625%	09/15/17		
200,000	ERP Operating	7.125%	10/15/17	<u>\$ 17,544,603</u>	<b>Total Investments and Cash Equivalents</b>
200,000	General Electric	5.250%	12/06/17		
100,000	Southwestern Electric	5.875%	03/01/18		
400,000	Pitney Bowes	4.750%	05/15/18		
200,000	Republic Services, Inc.	3.800%	05/15/18		
100,000	Baxter International	5.375%	06/01/18		
300,000	Total System Services	2.375%	06/01/18		
100,000	International Paper	7.950%	06/15/18		
300,000	Rogers Communications	6.800%	08/15/18		
100,000	Altria Group	9.700%	11/10/18		
200,000	Bank of America	2.600%	01/15/19		
100,000	Anheuser-Busch InBev Fin	2.150%	02/01/19		
100,000	Pfizer Inc	6.200%	03/15/19		
300,000	Barrick Gold Corp	6.950%	04/01/19		
300,000	Ebay	2.200%	08/01/16		
300,000	Altria Group	9.250%	08/16/19		
200,000	Meadwestvaco Corp	7.375%	09/01/19		
200,000	Morgan Stanley	5.625%	09/23/19		
200,000	Newmont Mining Corp	5.125%	10/01/19		
400,000	Time Warner Cable Inc	5.000%	02/01/20		
300,000	Comcast Corp.	5.150%	03/01/20		
300,000	National Rural Utility Corp.	2.350%	06/15/20		
300,000	Allergan Inc	3.375%	09/15/20		
100,000	Symantec Corp.	4.200%	09/15/20		
300,000	General Electric Cap	5.300%	02/11/21		
300,000	Steelcase Inc	6.375%	02/15/21		
100,000	Kinder Morgan Energy	3.500%	03/01/21		
200,000	Barrick NA Finance	4.400%	05/30/21		
200,000	Nextera Energy Capital	4.500%	06/01/21		
300,000	Reinsurance Corp of Amer	5.000%	06/01/21		
200,000	Verizon Communications	3.500%	11/01/21		
200,000	Hewlett-Packard Co	4.650%	12/09/21		
300,000	Occidental Petroleum	3.125%	02/15/22		
300,000	Medtronic Inc	3.125%	03/15/22		
300,000	Apache Corp	3.250%	04/15/22		
100,000	Omnicom Group Inc	3.625%	05/01/22		
300,000	Baxter International	2.400%	08/15/22		
200,000	Broadcom Corp	2.500%	08/15/22		
200,000	Block Financial	5.500%	11/01/22		
200,000	General Dynamics	2.250%	11/15/22		
200,000	Allergan Inc	2.800%	03/15/23		
<b>\$ 11,580,000</b>				<b>Total Corporate Bonds</b>	

  
 Susan Ready, Chair  
 GHI Investment Committee





## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Greenbelt Homes, Inc.  
Greenbelt, Maryland

We have audited the accompanying consolidated financial statements of Greenbelt Homes, Inc., which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, members' equity, 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 consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Greenbelt Homes, Inc. as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***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 28 be presented to supplement the consolidated

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financial statements. Such information, although not a part of the consolidated financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the consolidated financial statements in an appropriate operational, economic, or historical context. We 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 management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the consolidated financial statements, and other knowledge we obtained during our audit of the consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Wegner CPAs LLP*

Wegner CPAs, LLP  
Madison, Wisconsin  
April 15, 2016

**GREENBELT HOMES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 662,578	\$ 480,000
Accounts receivable - net	244,024	201,413
Inventory	48,110	50,911
Prepaid expenses	29,553	193,878
Current portion of notes receivable	4,268	1,723
Total current assets	988,533	927,925
<b>OTHER ASSETS</b>		
Accounts receivable - noncurrent (Note 2)	54,370	72,795
Notes receivable - less current portion	44,573	3,894
Investments (Note 3)	17,349,501	16,131,923
Investment in NCB (Note 4)	885,137	885,137
Homes for sale (Note 5)	137,451	171,233
Property and equipment - net (Note 6)	5,024,412	4,967,838
Total other assets	23,495,444	22,232,820
<b>Total assets</b>	<b>\$ 24,483,977</b>	<b>\$ 23,160,745</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 285,352	\$ 441,163
Deposits and deferred revenue	250,594	204,572
Prepaid rents	10,332	11,910
Accrued expenses	224,401	197,277
Total current liabilities	770,679	854,922
<b>OTHER LIABILITIES</b>		
Escrow of former member equity (Note 8)	52,467	52,467
Deferred taxes (Note 9)	33,000	93,000
Total liabilities	856,146	1,000,389
<b>MEMBERS' EQUITY</b>		
Replacement reserve	13,410,539	12,211,658
Contingency reserve	909,789	909,789
Addition maintenance reserve	1,253,981	1,109,209
Working capital fund	1,504,769	1,493,490
Property and equipment	5,024,412	4,967,838
Operations reserve	-	60,000
Unreserved operating fund	1,595,543	1,459,012
Unrealized loss on investments	(71,202)	(50,640)
Total members' equity	23,627,831	22,160,356
<b>Total liabilities and members' equity</b>	<b>\$ 24,483,977</b>	<b>\$ 23,160,745</b>

See accompanying notes.

**GREENBELT HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
Years ended December 31, 2015 and 2014

	2015	2014
<b>REVENUE</b>		
Member charges	\$ 9,286,596	\$ 9,012,896
Less: contributions to reserves	(1,628,400)	(1,534,692)
Apartment rental income	551,281	544,118
Fee for service	278,766	174,912
Garage income	224,091	219,542
Contract processing	131,781	138,027
Investment return (Note 3)	512,949	537,974
Miscellaneous	82,339	170,499
Total revenue	<u>9,439,403</u>	<u>9,263,276</u>
<b>OPERATING EXPENSES</b>		
Real estate taxes	3,376,826	3,227,264
Maintenance	3,181,722	3,056,397
Administrative	1,367,531	1,372,393
Insurance	490,614	467,549
Trash collection	443,849	432,935
Depreciation on operating assets	113,421	119,100
Member services	23,429	23,094
Total operating expenses	<u>8,997,392</u>	<u>8,698,732</u>
Net income before depreciation on members' units and income taxes	442,011	564,544
Depreciation on members' units	<u>652,300</u>	<u>625,951</u>
<b>Net loss before income taxes</b>	(210,289)	(61,407)
Provision for income taxes (Note 9)	<u>(58,647)</u>	<u>56,250</u>
<b>Net loss</b>	<u>\$ (151,642)</u>	<u>\$ (117,657)</u>

See accompanying notes.

**GREENBELT HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**  
Years ended December 31, 2015 and 2014

	Replacement Reserve	Contingency Reserve	Addition Maintenance Reserve	Working Capital Fund	Property and Equipment	Operations Reserve	Unreserved Operating Fund	Unrealized Gain (Loss) on Investments	Total
Balance January 1, 2014	\$ 10,851,355	\$ 902,172	\$ 982,716	\$ 1,591,429	\$ 5,148,349	\$ -	\$ 1,415,879	\$ (62,166)	\$ 20,829,734
Net redemptions from working capital account	-	-	-	(97,939)	-	-	-	-	(97,939)
Member capitalizations of replacement reserve	1,411,077	-	123,615	-	-	-	-	-	1,534,692
Interest income	347,243	-	31,447	-	-	-	(378,690)	-	-
Transfers	124,839	7,617	-	-	(180,511)	60,000	(11,945)	-	-
Replacement reserve utilization	(522,856)	-	(28,569)	-	-	-	551,425	-	-
Net loss	-	-	-	-	-	-	(117,657)	-	(117,657)
Other comprehensive income	-	-	-	-	-	-	-	11,526	11,526
Balance December 31, 2014	12,211,658	909,789	1,109,209	1,493,490	4,967,838	60,000	1,459,012	(50,640)	22,160,356
Net additions to working capital account	-	-	-	11,279	-	-	-	-	11,279
Member capitalizations of replacement reserve	1,499,835	-	128,565	-	-	-	-	-	1,628,400
Interest income	354,137	-	32,167	-	-	-	(386,304)	-	-
Crawlspace improvements	-	-	-	-	42,569	-	(42,569)	-	-
Transfers	-	-	-	-	14,005	(60,000)	45,995	-	-
Replacement reserve utilization	(655,091)	-	(15,960)	-	-	-	671,051	-	-
Net loss	-	-	-	-	-	-	(151,642)	-	(151,642)
Other comprehensive loss	-	-	-	-	-	-	-	(20,562)	(20,562)
Balance December 31, 2015	\$ 13,410,539	\$ 909,789	\$ 1,253,981	\$ 1,504,769	\$ 5,024,412	\$ -	\$ 1,595,543	\$ (71,202)	\$ 23,627,831

See accompanying notes.

**GREENBELT HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2015 and 2014

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (151,642)	\$ (117,657)
Adjustments to reconcile net loss to net cash flows provided by operating activities		
Allowance for doubtful accounts	(7,343)	(7,343)
Depreciation	765,721	745,051
Amortization of bond premiums and discounts	129,780	130,637
Bad debts	8,306	11,437
Realized loss on investments	51,645	50,250
Deferred taxes	(60,000)	55,000
(Increase) decrease in assets		
Accounts receivable	(25,149)	(37,115)
Inventory	2,801	358
Prepaid expenses	164,325	(37,331)
Homes for sale	33,782	(35,661)
Increase (decrease) in liabilities		
Accounts payable	(155,811)	(301,380)
Deposits and deferred revenue	46,022	(53,415)
Prepaid rents	(1,578)	6,334
Accrued expenses	27,124	(167,729)
Escrow of former member equity	-	(132)
<b>Net cash provided by operating activities</b>	<b>827,983</b>	<b>241,304</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Issuance of notes receivable	(45,268)	-
Collections on notes receivable	2,044	85,486
Purchases of property and equipment	(822,295)	(564,540)
Purchases of investments	(5,981,877)	(5,897,363)
Proceeds from sales of investments	4,562,312	4,156,537
<b>Net cash used in investing activities</b>	<b>(2,285,084)</b>	<b>(2,219,880)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member capitalizations of replacement reserve	1,628,400	1,534,692
Member additions to working capital account	86,393	-
Member redemptions from working capital account	(75,114)	(97,939)
<b>Net cash provided by financing activities</b>	<b>1,639,679</b>	<b>1,436,753</b>
Net change in cash	182,578	(541,823)
Cash - beginning of year	480,000	1,021,823
<b>Cash - end of year</b>	<b>\$ 662,578</b>	<b>\$ 480,000</b>

See accompanying notes.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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Greenbelt Homes, Inc. (the Cooperative) is a non-stock housing cooperative incorporated in Maryland in 1949. The Cooperative provides community facilities, services, and benefits for the welfare of its members and the usefulness of the community. Each of its 1,600 members has entered into a mutual ownership contract with the Cooperative, which in turn entitles the member to occupy, as a principal residence, a dwelling unit in the buildings owned by the Cooperative, which are located in Greenbelt, Maryland. Greenbelt Development Corporation (GDC) owns and operates 60 apartment units and 52 garages, also located in Greenbelt, Maryland.

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Consolidation**

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

**Receivables**

The Cooperative uses the allowance method to account for uncollectible receivable balances. The allowance is based on management's estimate of potential uncollectible receivable amounts. When accounts become uncollectible they are charged to the allowance reserve. At December 31, 2015 and 2014 the allowance for doubtful accounts was \$17,155 and \$16,436.

**Inventory**

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

**Investments**

All "held to maturity" securities are reported at amortized cost with realized gains and losses included in earnings. The cost of securities sold is determined by the specific identification method. All "available for sale" securities are reported at aggregate fair value with unrealized gains and losses excluded from earnings and reported as a separate component of the Cooperative's equity.

**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.

**Contributions to Reserves**

The Cooperative treats the component of member charges designated for capital expenditures and major repairs and maintenance as contributions to members' equity. These amounts are deducted from member charges in the consolidated statements of income.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Income Tax Status**

Income taxes are provided for the tax effects of transactions reported in the consolidated 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.

**Members' Equity**

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

*Replacement reserve*—The replacement reserve is used to account for funds accumulated for capital expenditures and major repairs and replacement of property. Amounts received by the reserve are derived from periodic member collections and allocations of budgetary surpluses as determined by the board of directors, as well as interest earned on investment of reserve assets.

*Contingency reserve*—The contingency reserve is used to account for unplanned major expenditures, unbudgeted expenses, and operating deficits. Amounts received by this reserve result from surpluses from operations unless otherwise directed by the board of directors.

*Addition maintenance reserve*—The addition maintenance reserve is used to account for major repair and maintenance expenditures associated specifically to added structures made to members' homes. Amounts received by this reserve are derived from collections from members who are part of the addition maintenance program as well as interest earned on investment of reserve assets.

*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 in an attempt to stimulate the purchases of Cooperative homes. 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.

*Unreserved operating fund*—The unreserved operating fund is used to account for the day-to-day activities of the Cooperative, including the general management and upkeep of the common property. Amounts received by this reserve are derived from the periodic member collections as determined by the board of directors. This reserve accounts for any surpluses and deficits not otherwise accounted for in the Cooperative's equity.



**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2015 and 2014

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 directors of the Cooperative. Other comprehensive income/loss represents unrealized gains and losses in "available for sale" securities held by the Cooperative.

**Estimates**

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

**Date of Management's Review**

Management has evaluated subsequent events through April 15, 2016, the date which the consolidated financial statements were available to be issued.

NOTE 2—ACCOUNTS RECEIVABLE - NONCURRENT

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 (HUD) 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 was \$42,469 and \$61,153 at December 31, 2015 and 2014.

The Cooperative established a Fee Increased Deferral Program (FIDP) in 1988 which allowed members who met predetermined qualifications to defer increases in their monthly charges. Participants were required to be recertified annually. Simple interest is assessed at a rate of 2% less than the last NCB rehab loan rate on the amount deferred until the money is repaid. The FIDP accounts receivable balance was \$11,901 and \$11,642 at December 31, 2015 and 2014.

The Cooperative's board of directors voted to discontinue the member deferral programs described above effective January 1, 1999. In doing so, no new deferral amounts besides accrued interest were approved after the effective date. The balances of these deferrals are those approved prior to January 1, 1999.

**GREENBELT HOMES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**NOTE 3—INVESTMENTS**

Held to maturity securities, consisting of bonds, are recorded at amortized cost. The bonds have various maturity dates through 2023. The aggregate fair value of the bonds at December 31, 2015 and 2014 was \$12,076,120 and \$11,409,184.

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.

Investment return for 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividend income	\$ 564,594	\$ 522,105
Net realized gain (loss)	<u>(51,645)</u>	<u>15,869</u>
Investment return	<u>\$ 512,949</u>	<u>\$ 537,974</u>

The following summarizes the information relating to investments at December 31:

	<u>2015</u>	<u>2014</u>
<b>HELD TO MATURITY</b>		
Face value	\$ 11,580,000	\$ 10,630,000
Unamortized premiums	502,780	533,029
Unamortized discounts	<u>(39,953)</u>	<u>(41,906)</u>
Amortized cost	12,042,827	11,121,123
<b>AVAILABLE FOR SALE</b>		
Cost	5,377,876	5,061,440
Unrealized loss	<u>(71,202)</u>	<u>(50,640)</u>
Fair value	<u>5,306,674</u>	<u>5,010,800</u>
Investments	<u>\$ 17,349,501</u>	<u>\$ 16,131,923</u>

The investments are uninsured and are subject to changes in economic market conditions. The Cooperative's investment policy attempts to minimize market risk through portfolio diversification.

**NOTE 4—INVESTMENT IN NATIONAL COOPERATIVE BANK**

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 2015 and 2014.

**GREENBELT HOMES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

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**NOTE 5—HOMES FOR SALE**

Homes for sale represents units of housing that the Cooperative now controls from former members. The units are being held for resale. The Cooperative recognizes these assets held for sale at the historical costs the Cooperative has expended on each unit.

**NOTE 6—PROPERTY AND EQUIPMENT**

Property and equipment at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Land	\$ 26,573	\$ 26,573
Equipment	953,179	953,179
Buildings and improvements	31,757,963	30,954,912
Vehicles and operating equipment	644,105	624,861
Property and equipment	33,381,820	32,559,525
Less accumulated depreciation	28,357,408	27,591,687
Property and equipment - net	\$ 5,024,412	\$ 4,967,838

Depreciation expense for 2015 and 2014 was \$765,721 and \$745,051.

**NOTE 7—REPLACEMENT RESERVE AND ADDITION MAINTENANCE RESERVE**

The Cooperative revised its replacement reserve plan in 2013 and 2011 to estimate the remaining useful lives and the replacement costs of the common property components. The addition maintenance reserve study was conducted in 2008. 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 \$1,499,835 and \$1,411,077 were included in the 2015 and 2014 budgets, and these amounts were contributed to the replacement reserve in those years. The Cooperative added \$128,565 and \$123,615 of funding into the addition maintenance reserve in 2015 and 2014.

**NOTE 8—ESCROW OF FORMER MEMBER EQUITY**

During 2003 the board of directors authorized the establishment of a purchase escrow account for the purpose of holding the net proceeds from the sale of occupancy rights and equity interest of former member units. The purchase escrow account was \$52,467 at December 31, 2015 and 2014.

**GREENBELT HOMES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

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**NOTE 9—INCOME TAXES**

The Cooperative files a consolidated federal income tax return with its wholly-owned subsidiary, GDC. The Cooperative 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.

The Cooperative's deferred tax asset and liability at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Total deferred tax asset	\$ 196,000	\$ 111,000
Total deferred tax liability	<u>(229,000)</u>	<u>(204,000)</u>
Net deferred tax liability	<u>\$ (33,000)</u>	<u>\$ (93,000)</u>

The deferred tax asset relates primarily to federal and state net operating loss carryforwards which totaled approximately \$519,000 and \$245,000 at December 31, 2015 and 2014. The loss carryforwards begin to expire in 2026. The Cooperative did not record a valuation allowance at December 31, 2015 and 2014. The deferred tax liability relates primarily to differences in depreciation methods utilized for income tax and financial statement reporting purposes.

The provision for income taxes for 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
Federal income taxes - current year	\$ -	\$ -
Maryland income taxes - current year	1,353	1,250
Deferred tax expense (benefit)	<u>(60,000)</u>	<u>55,000</u>
Provision for income taxes	<u>\$ (58,647)</u>	<u>\$ 56,250</u>

**NOTE 10—CONCENTRATION OF CREDIT RISK**

The Cooperative maintains cash balances at several financial institutions located in Greenbelt, Maryland and Raleigh, North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2015, the Cooperative's uninsured cash balances totaled approximately \$183,000. The Cooperative's cash balances were not in excess of the FDIC limits at December 31, 2014.

**GREENBELT HOMES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

**NOTE 11—FUTURE MAJOR REPAIRS, REPLACEMENTS, AND CONTINGENCIES**

The Cooperative's board of directors requires funds to be accumulated for future major repairs, replacements, and contingencies. The funds are not maintained in separate bank accounts. Instead, these amounts are reserves of the Cooperative's members' equity.

The reserved amounts as of December 31, 2015 and 2014 were as follows:

	2015	2014
Replacement reserve fund	\$ 13,410,539	\$ 12,211,658
Contingency reserve fund	909,789	909,789
Addition maintenance reserve fund	1,253,981	1,109,209
Total reserved amounts	\$ 15,574,309	\$ 14,230,656

Reserves are created when board of directors allocates equity for specific purposes. The contingency reserve and the replacement reserve were established by the board of directors in 1987. In 1995 the board of directors created the addition maintenance reserve.

**NOTE 12—FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2015 and 2014 were as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Bond mutual funds 2015	\$ 5,306,674	\$ 5,306,674	\$ -	\$ -
Bond mutual funds 2014	\$ 5,010,800	\$ 5,010,800	\$ -	\$ -

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

**NOTE 13—PENSION PLAN**

The Cooperative sponsors a 401(k) pension 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 was \$81,656 and \$101,188 for 2015 and 2014.

**GREENBELT HOMES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
December 31, 2015 and 2014

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**NOTE 14—LEASING ARRANGEMENTS**

The Cooperative leases apartment units to tenants through GDC. Lease terms are typically for one year. The Cooperative collects a security deposit from each tenant that may be retained due to nonpayment of rent and damages to the leased premises in excess of ordinary wear and tear.

Property and equipment held for leasing purposes at December 31, 2015 and 2014 consisted of the following:

	2015	2014
Land	\$ 26,573	\$ 26,573
Equipment	622,464	622,464
Buildings and improvements	866,103	866,103
Property and equipment	1,515,140	1,515,140
Less accumulated depreciation	1,174,440	1,125,801
Property and equipment held for leasing purposes - net	\$ 340,700	\$ 389,339

**NOTE 15—COMMITMENTS**

The Cooperative has entered into numerous contracts to receive various maintenance and repair services for its properties over multiple years at fixed prices.

**GREENBELT HOMES, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**(UNAUDITED)**  
**December 31, 2015**

In 2013 the board of directors hired an independent professional advisor to conduct a comprehensive opinion on the Cooperative's reserve plan. The following information is based on that analysis and presents significant information about the components of common property.

COMPONENT	Estimated Useful Life	Estimated future repair and replacement costs		
		Frame Homes	Masonry Homes	Larger Homes
Administration building	15-40	\$ 175,224	\$ 102,308	\$ 5,087
Attached garages	25	-	166,360	-
Baseboard heater	32	902,720	526,890	-
Ceiling heater	25	178,560	103,320	-
Copper gutters	60	-	-	-
Electrical systems & wiring	90	3,805,312	2,452,065	139,200
Entrance doors	35-50	1,378,880	797,860	52,200
HVAC, larger	20	-	-	230,550
Parking lots	25	593,553	346,558	17,233
Playgrounds	25	86,800	50,680	2,520
Plumbing	75-85	3,897,193	2,477,862	192,096
Porch roofs, masonry	25	-	455,544	-
Porch stoops, frame	25	358,810	-	-
Roofs (main & porch), frame	25	2,562,238	-	-
Roofs, larger	20-25	-	-	126,375
Roofs, masonry	20	-	1,020,979	-
Rental garages	20-25	325,888	190,277	9,461
Siding, vinyl	35-40	3,502,329	172,121	71,993
Slate roofs	75	-	4,649,796	-
Sump pumps	20	51,975	49,287	-
Townhome drainage systems	20-30	-	-	244,900
Underground sewer	75	9,315,809	5,439,230	270,459
Vehicles	10-25	532,988	311,197	15,474
Water heaters	15	471,200	273,363	14,500
Window sets	35-40	3,821,184	2,400,907	201,439
Total		<u>\$ 31,960,663</u>	<u>\$ 21,986,604</u>	<u>\$ 1,593,487</u>

# MISSION STATEMENT

**GHI** is a cooperative that provides quality homes for our members and fosters opportunities for community. We will accomplish this by celebrating and respecting the historical legacy and ideals of the original Greenbelt plan.

**We** will maintain, protect and enhance the assets of the cooperative including the buildings, architectural design, open space plan (woods, walkways, playgrounds), while preserving the financial stability and sustainability of our cooperative community.

**We** will promote member diversity, member and community involvement, and education regarding our rights and responsibilities as co-op members.

**We** are the keepers of our property, and we have the right to expect that all of us will act responsibly to protect and care for that which each own and treasure together.

Adopted March 9, 2006

