



Greenbelt Homes, Inc.

ANNUAL REPORT

2021-2022

BOARD OF DIRECTORS

Stefan Brodd, President
Denna Lambert, Vice President
Jason Luly, Treasurer
Ed James, Secretary
Chuck Hess
Erin Bilyeu
Deborah McKinley
Zoe Carter-Woodbridge
Heather Mortimer

AUDIT COMMITTEE

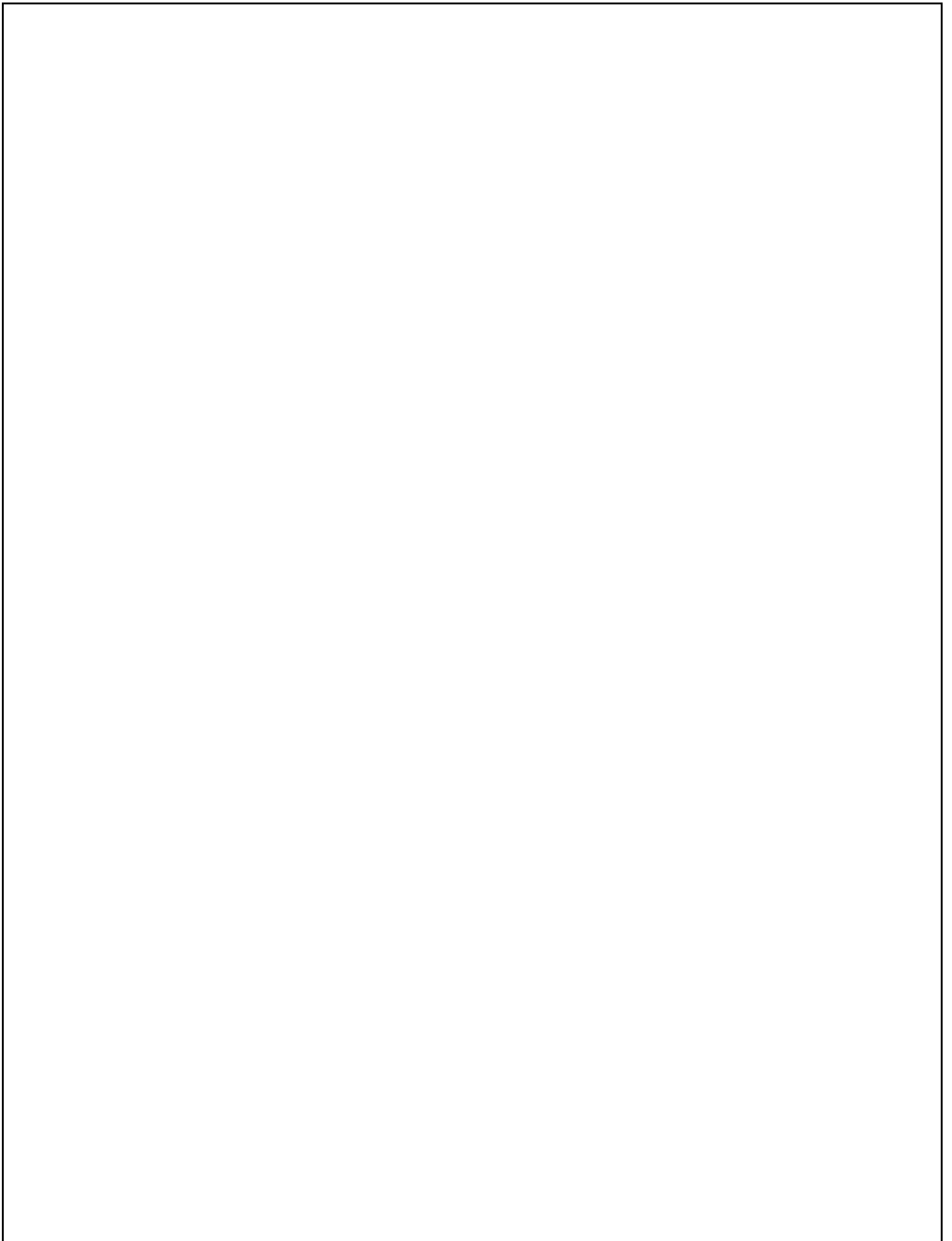
David Benack
Sam Lee
Dale Wilding

MANAGEMENT

Eldon Ralph, General Manager
Jim Morris, Director of Maintenance
Deanna Washington, Director of Member Services
Everett Hitchner, Human Resources Manager
Joseph Perry Jr., Director of Finance
Onyel Bhola, Director of Technical Services

**2021-2022 Annual Report
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President's Report

Dear Members of Greenbelt Homes,

I hope that this annual letter finds you and your families well. Since our last annual report of 2021, we have continued to cope with the pandemic and many other challenges, and I know it has been a challenging and difficult time for many of you. We are fortunate to be part of our strong and stable cooperative, and I hope that has been reassuring in the midst of so much change.

There are many people who, working together, make GHI what it is and to whom we are grateful. I begin by thanking our dedicated and hard-working staff, who have dealt with many challenges in continuing to provide us members with so much. This year has seen a number of retirements and resignations, including nearly all of our department directors, that is unprecedented in the memory of our longest-serving staff members. I hope you will join me in gratitude for those who have moved on to retirement or new positions, and in welcome to our new staff members.

Second, thanks to our Board of Directors. Here, too, we had more new members offering to serve in this important capacity than has been true for many years. Together with long-time members of the Board, each of them has served you this year with conscientiousness, dedication, and enthusiasm. It has been a pleasure to work with them. Thanks also to our devoted Audit Committee, who faithfully attend meetings of many kinds and perform their role of oversight.

Third, thanks to the many committees and task forces who have served with distinction this year, especially to their chairs and board liaisons. In these roles also, a number of members new to volunteer leadership have offered their time and expertise. Thanks to the efforts of these groups, we were able to address many important issues. Their assistance to the Board of Directors is invaluable.

Finally, thanks to all of you members who do so much to make our cooperative a great place to live. I constantly hear heartwarming stories of members being good neighbors to each other, and of living out in a contemporary way the idealism of the mid 1930s that is our heritage.

I wish each of you a coming year of health and happiness,



Stefan Brodd, President
Greenbelt Homes, Incorporated



2021 General Manager's Annual Report

The coronavirus pandemic greatly impacted our operations during 2021, as it did in 2020; however, by adhering to the risk control protocols that were instituted in 2020, our employees were able to work on site and provide uninterrupted services to members throughout the year. Also, like many companies in America, GHI was affected by the phenomenon dubbed the “Great Resignation”, which resulted in adjustments to a few work programs, due to the loss of several experienced employees. Despite the challenges of the past year, we achieved most of our goals and this report highlights some of our major accomplishments.

A. Financial Services

GHI's Finance Department is staffed by four persons who provided the following services:

- Processed 24,799 accounts receivable transactions.
- Handled 5,794 accounts payable transactions.
- Processed 1,860 payroll and employee benefit transactions.
- Reconciled differences between actual and monthly payments and real estate tax invoices for 1,646 accounts.
- Processed 137 Intent to Sell forms. Facilitated settlements for 100 units that were sold and prepared 29 new Mutual Ownership Contracts for refinanced units.
- Conducted 52 virtual pre-purchase orientation meetings.

After unsuccessful attempts to obtain loans from the Federal Paycheck Protection Program (PPP) and Prince George's County's version of the PPP in 2020, GHI applied again in 2021 after cooperatives became eligible and received a Federal PPP loan of \$689,575 during the second round of disbursements. GHI expects the full amount of this loan to be forgiven based on conditions contained in the loan application.

Greenbelt Development Corporation (GDC), a subsidiary of GHI, owns 60 apartments that are located on Parkway. The GDC accounts receivable balance at the end of 2021 was \$22,998, which was 3.5% of GDC's budgeted rental income of \$659,820. GDC's estimated income before taxes for 2021 is \$64,058.

The external auditor's report regarding the consolidated financial statements of GHI for the year ending December 31, 2021, did not cite any significant deficiencies or difficulties while performing and completing the audit.

B. Human Resource Management

The 2021 budget included salaries and benefits for 45 full-time employees (FTEs) up to the end of April and 42.5 FTEs after the Homes Improvement Program ended. Employee turnover during 2021 was far higher than normal. Aside from the separation of the HIP staff in April, there were eight (8) voluntary terminations and five (5) involuntary

terminations. Neron Adams-Escalera (Director, Member Services) resigned in August , Tom Sporney (Assistant General Manager) retired in August, and George Bachman (Director, Maintenance Operations) retired in October. Seven (7) new employees were hired including Deanna Washington and Jim Morris who replaced Neron Adams-Escalera and George Bachman respectively.

In-person attendance at training seminars was restricted because of the coronavirus pandemic; however, employees attended the following training programs:

• M300-Ethics & the Community Manager	One employee
• Employment Law Basics	One employee
• Backflow Prevention (Plumbing)	Six employees
• Covid Vaccine – Employer Considerations	Two employees
• Grammar Refresher	One employee
• Social Media in Business	One employee
• Human Resources Management	One employee
• Organizational Communication	One employee
• Management Organizational Theory	One employee
• Two (2) virtual safety meetings	All maintenance employees

The Board of Directors approved a job and salary classification report that a consultant prepared, resulting in adjustments to some job groupings and all salary ranges for employees. The Board also approved revisions to the Employee Handbook; eighteen new policies were added and fourteen were revised.

C. **Member Services**

GHI's Member Services Department is staffed by three persons who were involved in the handling of: 20 neighbor relations issues, 17 yard/exterior maintenance complaints, 12 animal related complaints, 25 interior home inspections, 11 complaints about unoccupied units, 18 parking issues, 27 garage leases, 7 leases of boat lots, 2 rental permit extensions for GHI units, 11 new leases of Parkway Apartments, 10 member complaint panel hearings, 4 informal complaint hearings, and 2 formal complaint hearings.

Staff coordinated the logistics for GHI’s second ever hybrid (in-person and virtual) annual membership meeting, which allowed 323 members to participate from remote locations. Twelve members attended the meeting in person.

The Board and staff held a virtual townhall meeting in December to inform members about the 2022 budget and a plumbing pipe refurbishment pilot project that is currently being planned for masonry and frame homes.

Staff arranged for USI (GHI’s insurance broker) to hold a virtual presentation for the membership last October on the benefits of acquiring HO-6 insurance coverage for personal property improvements they have made to their units, and additional living expenses due to an insured or uninsured loss event.

GHI took possession of eight units; four members voluntarily assigned their units. Two units were repaired and resold.

D. Physical Plant Operations

Homes Improvement Program (HIP)

The Homes Improvement Program which began in 2016, ended in April 2021. The table below lists the total quantities of components that were installed during the HIP:

Components Funded by GHI	Totals
Windows	12,488
Doors	2,655
Siding area, sf (approximate)	980,635
Baseboard heaters	8,295
Crawlspace improvements (buildings)	315
Optional Components Funded by Individual Members	Totals
Insulate walls (Frame units), 1.00"	463
Insulate walls (Block units), 2.25"	28
Seal trash closet doors	117
Close thru-wall AC openings	453
Peep holes, knockers, mail slots, kick plates on doors	1495
Storm doors (new/reinstall original)	740/189
Attic Improvements	583

Mini-split heat pumps	499
Bathroom exhaust fans	546
Bathroom radiant heaters	138
Kitchen radiant heaters	50
Digital thermostat systems	168

The total expenditure for the HIP program was \$24.3 million, broken down as follows:

Components in main units financed from the replacement reserves' fund	\$14 million
Components financed from the addition maintenance reserve fund	\$1.35 million
Crawlspace improvements	\$3.05 million
Optional components	\$5.9 million

Maintenance Operations

Maintenance staff completed 11,782 work orders last year. A breakdown of work orders for major work order categories is as follows:

Crawlspace inspections	384
Electrical repairs	1334
HVAC, boiler, water heater repairs	527
Landscape maintenance	967
Pest control services	674
Plumbing repairs (work orders)	3807
Structural repairs	2547
Tree maintenance services	377

Maintenance staff administered contractors who provided the following services:

- Common area mowing and landscaping.
- Janitorial services at GDC and the GHI Administration building.
- Monthly inspections of trees in common areas to identify hazards.
- Pest and wildlife control.
- Tub reglazing.

Acting on a motion that the Board passed in July 2021, maintenance staff began replacing conventional water heaters in abandoned boiler rooms of masonry homes, with heat pump water heaters and will continue to do so as long as the current PEPCO rebate is in

effect. A heat pump water heater operates by utilizing heat in the ambient air to heat water utilizing heat pump technology and can cut water heating costs by half or more.

In February 2021, the Board of Directors accepted a report from the Exterior Building and Yards Inspection Task Force which recommended that one-third of GHI units should be inspected each year using a revised inspection form. Maintenance staff inspected 565 units during 2021. Three hundred and forty seven (347) or 61.4% of the 565 units inspected, passed the initial inspection; 202 units passed the second inspection and maintenance staff undertook fee-for-service work at 16 units to correct violations.

Technical Services

Technical Services staff prepared specifications and obtained bids from contractors for the following contracts that were accomplished during 2021:

Parking lot rehabilitation program	\$91,676
Garage roof replacement (attached & detached)	\$53,184
Garage door replacement (4 doors)	\$5,420
Replacement of roofs for 12 additions	\$15,759
Replacement of roofs for 66 frame units	\$172,577
Spring and fall concrete sidewalk repairs	\$58,168
Spring and fall gutter cleaning	\$74,780
Underground utilities & storm water drainage improvements	\$156,569
Underground water supply repairs at two courts with frame homes	\$12,650
Sink hole repairs at one court	\$12,600
Repairs to a unit due to a fallen tree (cost less deductible paid by insurance company)	\$83,880
Mold remediation & repairs (one GHI unit)	\$62,761
Repairs to GDC Apts. (12)	\$7,470
Repairs to homes assigned to GHI (6)	\$109,100
Repairs to the foundation (beam) at one unit	\$5,500
Repairs to two units due to fallen trees	\$8,950
Crawlspace improvements at 4 frame buildings, 4 single-family units at Woodland Way and two additions to masonry units.	\$72,664

Repair & waterproof foundation at one court (larger townhome)	\$11,652
Total cost	\$1,015,360

Staff reviewed and issued a total of 112 permits to members for various home improvements as follows:

Additions	3	HVAC	14
General alterations	5	Insulation Improvements	1
Roof	1	Kitchens	21
Bathrooms	12	Laundries	2
Decks	4	Patios	7
Electrical	18	Plumbing	2
Exterior	3	Porches	4
Fences	4	Sheds	12
Fireplaces	2	Windows/doors	5
Handicap fixtures	1		

Working with GHI, Sustainable Energy Systems LLC completed the installation of a solar photovoltaic energy system (PVES) at the Administration Building Complex. The system began producing solar electricity on February 22, 2022. It is expected to generate over 156,000-kWh (kilowatt-hours) of electric power in the first year of operation, which is equivalent to 87% of the electrical energy that the Administration Building Complex uses. The new PVES is expected to produce solar energy for 25 to 30 years.

All 624 construction drawings of GHI's homes and infrastructure components were scanned and stored in a folder of the shared drive on GHI's computer network, thus preserving them for posterity.

Property Management System

In February 2021, staff began implementing the Yardi Property Management System. Progress has been slower than expected due to departures of several key employees who were initially involved in the implementation process. We hope to complete the implementation by the end of May 2022. Yardi Voyager will unify the computer software used for our finance, maintenance, and member operations and give members the ability to initiate maintenance requests, view work order histories for their units, obtain up-to-date information on their coop payment details, and access other important information such as announcements, governing documents, forms etc. through a dedicated portal.

I have enjoyed serving as your General Manager since December 2011. Our staff is very appreciative of the cooperation and support that we have received from the Board of Directors and members throughout the years and are very thankful for the opportunity to continue serving you.

Sincerely yours,

A handwritten signature in blue ink that reads "Aldon Ralph". The signature is written in a cursive style and is underlined with a horizontal line.

ANNUAL REPORT OF 2021-2022 AUDIT COMMITTEE

The Greenbelt Homes, Inc (GHI) Bylaws direct the Audit Committee to “*make an annual report to the membership of the Corporation concerning its findings, and its operations throughout the year, and such report shall contain an accounting of all Audit Committee expenditures throughout the year.*” To that end, the 2021-2022 Audit Committee respectfully submits this report to the membership.

Committee Actions

At least one Audit Committee member:

- Attended all open and closed session meetings of the Boards of Directors of GHI and its subsidiary, Greenbelt Development Corporation (GDC).
- Attended complaint panel meetings and informal hearings.
- Attended a meeting with the financial auditor ahead of the annual audit.

The Audit Committee did not spend any of its annual budget of \$7,500.

Committee Recommendations

While programs to address financial insecurity as a direct result of the pandemic have tapered off, the Audit Committee recognizes that financial insecurity remains an issue facing GHI members. The Audit Committee suggests that GHI consider whether it can establish a permanent emergency fee relief fund, as well as how best to connect members with local services such as Greenbelt Gives, Greenbelt Cares, Greenbelt Senior Nutrition Program, and local food banks as needed.

The Audit Committee observed the Board of Directors respond in a timely manner to member concerns emailed to the board and mentioned during the visitor comment period at the public Board of Directors meetings. The Audit Committee believes that the Board of Directors is acting in good faith and to the best of its ability to serve GHI members. The Audit Committee has no ethical concerns about the Board of Directors or staff.

The Board of Directors and GHI staff continue to work towards improving communication with members through various means, including an updated GHI Member Handbook, website, and the Yardi property management system. The Audit Committee supports these efforts as an essential component of maintaining a good relationship between GHI staff and members. The Audit Committee hopes the Yardi system performs as expected in creating a more transparent, accessible, and efficient maintenance workflow, and that it does so for members as well as for GHI staff. The Audit Committee recommends that the Board of Directors consider requesting a formal member service report from staff that includes detailed metrics on member satisfaction with member services, maintenance services, and technical services, and use that to create an official GHI “customer service strategy”.

Virtual meetings have increased member participation in GHI meetings. The Audit Committee supports continued efforts to keep GHI meetings accessible to all members by continuing to offer options to attend GHI meetings from home.

The Audit Committee recommends that the 2022-2023 Audit Committee review the policies and procedures of the Audit Committee with a goal of improving training and clarifying the scope and purpose of the Audit Committee. The following questions constitute a draft membership survey for the consideration of, and review by, the 2022-2023 Audit Committee, should they choose to pursue this recommendation.

Draft Membership Survey on the Role of the Audit Committee

1. Have you ever served on the board of directors or the audit committee in the past? (Select all that apply)
 - a. Board of directors within the last 10 years
 - b. Board of directors more than 10 years ago
 - c. Audit committee within the last 10 years
 - d. Audit committee more than 10 years ago
 - e. I have never served on the board of directors or the audit committee

2. What is your understanding of what the audit committee currently does? (Select all that apply)
 - a. Reviews / audits GHI's financial statements
 - b. Investigates complaints against the board of directors
 - c. Investigates complaints against GHI staff
 - d. Acts as a liaison between the board of directors and GHI members
 - e. Don't know
 - f. Other (specify)

3. Would you be interested in serving on the audit committee in the future? (Yes / No)

4. (If answering "No" to #3) Which of the following would prevent you from serving on the audit committee? (Select all that apply)
 - a. Too busy / too much of a time commitment
 - b. Already done it
 - c. Wouldn't enjoy it
 - d. Don't want to go through election process
 - e. Don't have necessary skills / expertise
 - f. Don't know what the audit committee does
 - g. Other (specify)

5. What could the audit committee do in the future to better serve the co-op? (Open-ended)

Respectfully submitted:

Dale Wilding, David Benack, Sam Lee



Treasurer's Report 2021/2022

Financial Condition

The financial condition of GHI is strong. In 2021, we collected \$13.8M in revenue, of which the majority (\$12.9M) was member charges; apartment and garage rent, contract processing, fee-for-service, and investment return constitute the remainder (\$0.9M). Of note, we have recorded forgiveness of the Paycheck Protection Program loan as 2021 revenue (see below).

We recorded \$11.2M in operating expenses. Our largest expense continued to be real-estate taxes (\$4.6M) followed by maintenance (\$3.8M) and administrative expenses (\$1.7M); insurance, trash collection, depreciation on operating assets, and member services constitute the remainder (\$1.1M).

We recorded \$1.2M in depreciation on member units. Our resulting net income before taxes in 2021 was \$1.4M.

2022 Budget

The 2022 budget of \$13,755,820 was adopted on November 18, 2021. Member fees increased an average of 2.9% for frame homes, 2.7% for masonry homes, and 3.4% for larger homes. The variation between home groups is due to differences in projected real estate taxes and maintenance activity across the home groups.

Real Estate Taxes

Real estate taxes are based on the Prince George's County invoice for each home. In January, members were sent the most recent county tax assessments and given the opportunity to appeal with the County.

Additionally, members can review their Homestead Tax Credit status on their assessment letter. Members are encouraged to apply for the Homestead Tax Credit if they do not have it. Qualifying members are encouraged to apply for the Homeowners Tax Credit.

Home Sales

In 2021, we had 99 homes sold compared to 93 in 2020.

Paycheck Protection Program

In February 2021, the cooperative received \$689,575 in funding from National Cooperative Bank as a part of the Paycheck Protection Program sponsored through the Small Business Administration. We continue to expect this loan to be forgiven and it has been recorded as such in our FY2021 financial statements.

Investment Update

In 2018, pursuant to our attorney's guidance regarding the Prudent Person Rule, we retired our corporate bond ladder and began moving our investments into a money market account as the bonds in the ladder matured. In order to invest in vehicles that will provide a more-market like return we were advised by our attorney to secure professional investment services. We have issued an RFP for such services and are currently awaiting responses.

Jason Luly
GHI Board Treasurer 2021-22



Investment Committee Report as of December 31, 2021

The Investment Committee has the responsibility of investing funds on behalf of Greenbelt Homes, Inc. (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 was updated by a consultant in 2018.

As of December 31, 2021, GHI held \$12,026,564 in investments and cash equivalents. Our investment portfolio was comprised of individual corporate bonds, Vanguard Short Term Investment Grade Fund Admiral Shares (VFSUX), a Federal Money Market Fund (VMFXX), and a bank sweep account with Lafayette Investments.

Net income from Greenbelt Development Corporation (The Parkway Apartments) totaled \$64,058 for 2021.

GHI income from investments totaled \$67,522 for 2021. The interest rates on individual bonds held in GHI's bond ladder currently range between 2.25% and 5.5% of face value for a weighted average of 3.08%. The aggregate market value of these bonds was \$1,411,156. As of December 31, 2021, the one-year return was -0.33% for the VFSUX and 0.01% for the VMFXX. The settlement account also Vanguard Federal Money Market (VMFXX) was 0.01%.

We have received legal advice that we must keep most of the funds in investments backed by the US government unless we hire a suitable investment advisor. The Investment Committee is currently looking into addressing this matter.

Corporate Bond Investments					
<u>Face Value</u>	<u>Company Name</u>	<u>Coupon</u>	<u>Maturity</u>		
300,000	Apache Corp	3.250%	04/15/22	\$ 1,400,000	Total Corporate Bonds
300,000	Baxter International	2.400%	08/15/22	2,680	Unamortized Bond Premium
200,000	Broadcom Corp	2.500%	08/15/22	(3,514)	Unamortized Bond Discount
200,000	Block Financial	5.500%	11/01/22	153,151	Vanguard ST Investment Grade Fund (VFSUX)
200,000	General Dynamics	2.250%	11/15/22		
200,000	Allergan Inc.	2.800%	03/15/23	<u>1,552,317</u>	Total Investments
					Cash & Cash Equivalent
				10,470,970	Vanguard Federal Money Market (VMFXX)
				3,277	Settlement Account (VMFXX)
				<u>10,474,247</u>	Total Cash & Cash Equivalent
				<u>\$ 1,400,000</u>	Total Corporate Bonds
				<u>\$ 12,026,564</u>	Total Investments and Cash Equivalents

National Cooperative Bank stock of \$885,000 recorded at cost is not included above.

April 4, 2022

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

We have audited the financial statements of Greenbelt Homes, Inc. for the year ended December 31, 2021, and we will issue our report thereon dated April 4, 2022. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 20, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Greenbelt Homes, Inc. are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Cooperative 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 most sensitive estimate affecting the financial statements was the depreciable lives of property and equipment.

Management's estimate of the depreciable lives of property and equipment is based on the use of the respective assets and management's experience with similar assets used by the Cooperative. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 4, 2022. Attached is a copy of management's written representations.

Corrected and Uncorrected Misstatements

Professional standards require us 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, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Management Consultations with Other Independent Accountants

In some cases, 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 Cooperative's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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


Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the method of preparing it has not changed from the prior period, and the information is appropriate in relation to our audit of the financial statements.

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

Sincerely,

Wegner CPAs, LLP



Bruce Mayer, CPA
Partner

April 4, 2022

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

In planning and performing our audit of the financial statements of Greenbelt Homes, Inc. as of and for the year ended December 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control.

However, during our audit we noted certain matters involving internal control that are presented for your consideration.

Documentation of Reviews of Payroll Reports

During our audit we noted that the Director of Finance systematically reviews the payroll reports before and after each payroll run to verify that the information seems reasonable. While he explicitly documents his review prior to the payroll submission, his review subsequent to the payroll run is not currently being documented. We recommend that the review of the payroll reports that are generated by the payroll service following each payroll run be formally documented to confirm that this control has been implemented. The results of any follow-up action should also be clearly documented.

Financial Education for the Board of Directors

Many of the current members of the Cooperative's board of directors are relatively new to their positions. We would like to emphasize the importance of financial education and literacy for new board members. Basic financial comprehension is imperative for understanding and interpreting financial reports in general and Greenbelt Homes, Inc.'s financial statements in particular. It's important for all board members, not just certain officer positions, to take ownership of and feel responsibility for the financial results of the Cooperative. We encourage the Cooperative to offer financial trainings to the board of directors and provide educational resources that board members can easily access.

Transition to New Accounting Software

We are aware that the Cooperative is planning to transition to a new accounting software in 2022. We understand that the new software will continue to integrate the accounting system with members' charges and account balances, as well as allowing for additional member payment options. We encourage the Cooperative to use this transition as an opportunity to change the way it tracks its fixed assets and maintains its depreciation schedules. Currently, the Cooperative uses Excel spreadsheets to account for its fixed assets; and while that system is adequate, it does not provide a platform for fixed assets oversight as robust or thorough as an accounting software package would. Additionally, we encourage the Cooperative to make sure it takes advantage of all the financial tools that might be available with the new software.

We will review the status of these comments during our next audit engagement. We have already discussed these matters with Cooperative personnel, and we will be pleased to discuss them in further detail at your convenience or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the Cooperative, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Wegner CPAs, LLP

A handwritten signature in cursive script that reads "Bruce Mayer".

Bruce Mayer, CPA
Partner



GREENBELT HOMES, INC.
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the financial statements of Greenbelt Homes, Inc., which comprise the consolidated balance sheets as of December 31, 2021 and 2020, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Greenbelt Homes, Inc. as of December 31, 2021 and 2020, 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.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Responsibilities for the Audit of the Financial Statements

Our 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 our 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- 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 control 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 our 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.

We are 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 we 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 16 be presented to supplement the financial statements. Such information, which is the responsibility of management, is presented for the purpose of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



Wegner CPAs, LLP
Madison, Wisconsin
April 4, 2022

GREENBELT HOMES, INC.
CONSOLIDATED BALANCE SHEETS
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash (Note 2)	\$ 11,284,089	\$ 7,623,727
Accounts receivable - net	176,001	632,911
Inventory	106,749	124,378
Prepaid expenses	21,626	13,038
Current portion of notes receivable	<u>1,813</u>	<u>3,811</u>
Total current assets	11,590,278	8,397,865
OTHER ASSETS		
Accounts receivable - noncurrent (Note 3)	36,047	34,225
Notes receivable - less current portion	15,614	18,668
Homes for sale (Note 4)	183,747	66,729
Investments (Note 5)	1,552,317	3,060,687
Property and equipment - net (Note 6)	27,241,647	26,065,244
Investment in NCB (Note 7)	885,137	885,137
Deferred taxes (Note 10)	<u>16,000</u>	<u>10,000</u>
Total other assets	<u>29,930,509</u>	<u>30,140,690</u>
Total assets	<u>\$ 41,520,787</u>	<u>\$ 38,538,555</u>
LIABILITIES AND MEMBERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 328,786	\$ 978,538
Accounts payable - other	13,810	291,174
Deposits and deferred revenue	379,845	377,356
Prepaid rents	11,387	15,481
Accrued expenses	<u>293,110</u>	<u>354,284</u>
Total liabilities	1,026,938	2,016,833
MEMBERS' EQUITY		
Replacement reserve	5,800,679	5,148,742
Contingency reserve	569,406	569,406
Addition maintenance reserve	1,154,136	1,090,093
Working capital fund	1,895,747	1,803,980
Property and equipment	27,241,647	26,065,244
Unreserved operating fund	<u>3,832,234</u>	<u>1,844,257</u>
Total members' equity	<u>40,493,849</u>	<u>36,521,722</u>
Total liabilities and members' equity	<u>\$ 41,520,787</u>	<u>\$ 38,538,555</u>

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Years Ended December 31, 2021 and 2020

	2021	2020
REVENUE		
Member charges	\$ 12,864,803	\$ 12,504,963
Less: contributions to reserves	(2,442,308)	(2,429,477)
Home improvement program	1,312,733	1,136,211
Apartment rental income	640,375	629,792
Garage income	252,769	239,729
Contract processing	197,505	189,956
Fee for service	43,967	33,321
Investment return (Note 5)	67,522	140,917
PPP loan forgiveness (Note 17)	689,575	-
Miscellaneous	177,931	38,219
Total revenue	13,804,872	12,483,631
OPERATING EXPENSES		
Real estate taxes	4,590,982	4,380,943
Maintenance	3,820,572	3,855,697
Administrative	1,692,117	1,778,961
Insurance	518,289	500,880
Trash collection	452,748	452,748
Depreciation on operating assets	60,859	65,739
Member services	22,241	11,456
Total operating expenses	11,157,808	11,046,424
Net income before depreciation on members' units and income taxes	2,647,064	1,437,207
Depreciation on members' units	1,208,777	1,067,384
Net income before income taxes	1,438,287	369,823
Provision for income taxes (Note 10)	(235)	(364,291)
Net income	\$ 1,438,052	\$ 5,532

GREENBELT HOMES, INC.
CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY
Years Ended December 31, 2021 and 2020

	Replacement Reserve	Contingency Reserve	Addition Maintenance Reserve	Crawlspace Improvements Fund	Asbestos Remediation Fund	Working Capital Fund	Property and Equipment	Unreserved Operating Fund	Total
Balance December 31, 2019	\$ 5,842,100	\$ 440,242	\$ 1,146,865	\$ -	\$ -	\$ 1,739,296	\$ 22,657,508	\$ 2,196,018	\$ 34,022,029
Net additions to working capital account	-	-	-	-	-	64,684	-	-	64,684
Member capitalizations of reserve accounts	1,972,057	-	197,420	160,000	100,000	-	-	-	2,429,477
Interest income	77,750	-	15,690	-	-	-	-	(93,440)	-
Transfers	(396)	129,164	14,420	(160,000)	(100,000)	-	3,407,736	(3,290,924)	-
Utilization of reserves	(2,742,769)	-	(284,302)	-	-	-	-	3,027,071	-
Net income	-	-	-	-	-	-	-	5,532	5,532
Balance December 31, 2020	5,148,742	569,406	1,090,093	-	-	1,803,980	26,065,244	1,844,257	36,521,722
Net additions to working capital account	-	-	-	-	-	91,767	-	-	91,767
Member capitalizations of reserve accounts	2,047,728	-	174,580	160,000	60,000	-	-	-	2,442,308
Interest income	30,570	-	6,270	-	-	-	-	(36,840)	-
Transfers	(87)	-	65,448	(160,000)	(60,000)	-	1,176,403	(1,021,764)	-
Utilization of reserves	(1,426,274)	-	(182,255)	-	-	-	-	1,608,529	-
Net income	-	-	-	-	-	-	-	1,438,052	1,438,052
Balance December 31, 2021	\$ 5,800,679	\$ 569,406	\$ 1,154,136	\$ -	\$ -	\$ 1,895,747	\$ 27,241,647	\$ 3,832,234	\$ 40,493,849

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 1,438,052	\$ 5,532
Adjustments to reconcile net income to net cash provided by operating activities		
	1,269,636	1,133,123
Amortization of bond premiums and discounts	8,404	15,775
Bad debts	3,500	13,179
Deferred taxes	(6,000)	356,000
(Increase) decrease in assets		
Accounts receivable	451,588	(99,970)
Inventory	17,629	(33,625)
Prepaid expenses	(8,588)	14,446
Homes for sale	(117,018)	(63,898)
Increase (decrease) in liabilities		
Accounts payable	(649,752)	(328,999)
Accounts payable - other	(277,364)	1,472
Deposits and deferred revenue	2,489	39,571
Prepaid rents	(4,094)	(610)
Accrued expenses	(61,174)	59,178
Net cash provided by operating activities	2,067,308	1,111,174
CASH FLOWS FROM INVESTING ACTIVITIES		
Collections on notes receivable	5,052	3,842
Purchases of property and equipment	(2,446,039)	(4,540,859)
Interest retained in investments	(34)	(7,116)
Proceeds from sales of investments	1,500,000	1,100,000
Net cash used in investing activities	(941,021)	(3,444,133)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member capitalizations of reserve accounts	2,442,308	2,429,477
Member additions to working capital account	189,328	165,970
Member redemptions from working capital account	(97,561)	(101,286)
Net cash provided by financing activities	2,534,075	2,494,161
Net change in cash	3,660,362	161,202
Cash at beginning of year	7,623,727	7,462,525
Cash at end of year	\$ 11,284,089	\$ 7,623,727
SUPPLEMENTAL DISCLOSURES		
Cash paid for income taxes	\$ 6,171	\$ 11,240

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

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 owns and operates 60 apartment units and 52 garages, also located in Greenbelt, Maryland.

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.

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, which stem from historical experience. When accounts become uncollectible they are charged to the allowance reserve. At December 31, 2021 and 2020 the allowance for doubtful accounts was \$18,145 and \$11,377.

Accounts receivable consist of charges due from members (GHI) and rent and other charges due from tenants (GDC). Management writes off an account when all reasonable collection efforts have been exhausted, and the member or tenant has been evicted. GDC tenant accounts receivable are secured by tenant security deposits, which may be applied to unpaid balances.

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.

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.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions to Reserves

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

Income Tax Status

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.

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.

Crawlspace improvements fund—The Crawlspace improvements fund was established in 2016 for the remediation of deteriorated crawlspaces in members' homes.

Asbestos remediation fund—The Asbestos remediation fund was established in 2017 for the removal of asbestos in members' homes.

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.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

Revenue Recognition

Member charges, as well as Home Improvement Program charges, are recognized when GHI member assessments 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.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

Date of Management’s Review

Management has evaluated subsequent events through April 4, 2022, the date which the financial statements were available to be issued.

NOTE 2—CASH

Cash accounts at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Greenbelt Federal Credit Union - money market	\$ 25	\$ 25
Greenbelt Federal Credit Union - savings	1,651	552
Greenbelt Federal Credit Union - security deposit escrow	59,795	55,977
Lafayette - cash sweep	3,277	35,298
National Cooperative Bank - operating cash	702,810	645,477
National Cooperative Bank - trustee cash	45,561	46,537
Vanguard - money market	10,470,970	6,839,861
Cash	\$ 11,284,089	\$ 7,623,727

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 3—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 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, 2021 and 2020 was \$29,313 and \$28,864.

The Cooperative's board of directors voted to discontinue the member deferral programs described above effective January 1, 1999. In November 2015, the board of directors 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, 2021 and 2020 was \$6,734 and \$5,361.

NOTE 4—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 5—INVESTMENTS

Held to maturity securities, consisting of bonds, are recorded at amortized cost. The bonds have various maturity dates through 2023 and various interest rates ranging from 2.25% to 5.5%. The aggregate fair value of the bonds at December 31, 2021 and 2020 was \$1,411,156 and \$2,956,074.

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. Such differences were immaterial at December 31, 2021 and 2020 and not recorded in the financial statements.

Investment return for 2021 and 2020 was comprised of interest income.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 5—INVESTMENTS (continued)

The following summarizes the information relating to investments at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
HELD TO MATURITY		
Face value	\$ 1,400,000	\$ 2,900,000
Unamortized premiums	2,680	15,007
Unamortized discounts	<u>(3,514)</u>	<u>(7,437)</u>
Amortized cost	1,399,166	2,907,570
AVAILABLE FOR SALE		
Fair value	<u>153,151</u>	<u>153,117</u>
Investments	<u>\$ 1,552,317</u>	<u>\$ 3,060,687</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 6—PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Land	\$ 26,573	\$ 26,573
Equipment	1,083,455	1,015,033
Buildings and improvements	58,902,586	56,560,063
Vehicles and operating equipment	<u>665,729</u>	<u>623,969</u>
Property and equipment	60,678,343	58,225,638
Less accumulated depreciation	<u>33,436,696</u>	<u>32,160,394</u>
Property and equipment - net	<u>\$ 27,241,647</u>	<u>\$ 26,065,244</u>

Depreciation expense for 2021 and 2020 was \$1,269,636 and \$1,133,123.

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 2021 and 2020.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8—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 \$2,047,728 and \$1,972,057 were assessed to members of the Cooperative in 2021 and 2020, and these amounts were contributed to the replacement reserve in those years. The Cooperative also added \$174,580 and \$197,420 of funding into the addition maintenance reserve in 2021 and 2020.

NOTE 9—NET INCOME OF BUSINESS COMPONENTS

The net income of the Cooperative's business components for 2021 and 2020 was as follows:

	2021	2020
Net income (loss) of GHI - excluding net income derived from GDC	\$ 1,373,994	\$ (79,841)
Net income of GDC	64,058	85,373
Net income	\$ 1,438,052	\$ 5,532

NOTE 10—INCOME TAXES

The Cooperative files a consolidated federal income tax return. 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.

The Cooperative's deferred tax asset and liability at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Total deferred tax asset	\$ 714,000	\$ 626,000
Deferred tax asset valuation allowance	(675,000)	(570,000)
Total deferred tax liability	(23,000)	(46,000)
Net deferred tax asset	\$ 16,000	\$ 10,000

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 10—INCOME TAXES (continued)

The total deferred tax asset primarily relates to federal and state net operating loss carryforwards which totaled approximately \$2,452,000 at December 31, 2021. The net loss carryforwards begin to expire in 2034. Management has concluded that the likelihood of utilizing the net operating loss carryforward against future taxable income is remote, and a valuation allowance for \$675,000 and \$570,000, the full amount of the deferred tax asset stemming from the net loss carryforwards, was recorded at December 31, 2021 and 2020. The total deferred tax asset also relates to timing differences between expenses recorded in the financial statements and deducted for income tax purposes. The deferred tax liability relates to differences in depreciation methods utilized for income tax and financial statement reporting purposes.

The provision for income taxes for 2021 and 2020 consisted of the following:

	2021	2020
Federal income taxes - current year	\$ -	\$ -
Maryland income taxes - current year	(6,235)	(8,291)
Deferred tax income (expense)	6,000	(356,000)
Provision for income taxes	\$ (235)	\$ (364,291)

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, 2021 and 2020 were as follows:

	2021	2020
Replacement reserve fund	\$ 5,800,679	\$ 5,148,742
Contingency reserve fund	569,406	569,406
Addition maintenance reserve fund	1,154,136	1,090,093
Total reserved amounts	\$ 7,524,221	\$ 6,808,241

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. In 2016 the board of directors created the crawlspace improvements fund. In 2017 the board of directors created the asbestos remediation fund. Neither the crawlspace improvements fund nor the asbestos remediation fund had balances as of December 31, 2021 and 2020.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 12—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis at December 31, 2021 and 2020 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 2021	\$ 153,151	\$ 153,151	\$ -	\$ -
Bond mutual funds 2020	\$ 153,117	\$ 153,117	\$ -	\$ -

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

NOTE 13—COMMITMENTS

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

NOTE 14—CONCENTRATION OF CREDIT RISK

The Cooperative maintains cash balances at several financial institutions located in Greenbelt, Maryland and Washington, DC. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2021 and 2020, the Cooperative's uninsured cash balances totaled approximately \$416,000 and \$544,000. The entire amount of cash in the Vanguard money market is uninsured.

NOTE 15—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 was \$63,392 and \$104,002 for 2021 and 2020.

GREENBELT HOMES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 16—LEASING ARRANGEMENTS

The Cooperative leases apartment units to tenants through GDC. 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, 2021 and 2020 consisted of the following:

	2021	2020
Land	\$ 26,573	\$ 26,573
Equipment	754,644	740,173
Buildings and improvements	889,836	889,836
Property and equipment	1,671,053	1,656,582
Less accumulated depreciation	1,390,547	1,362,409
Property and equipment held for leasing purposes - net	\$ 280,506	\$ 294,173

NOTE 17—PAYCHECK PROTECTION PROGRAM

On February 12, 2021, the Cooperative received a \$689,575 loan under the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and administered by the U.S. Small Business Administration (SBA). The loan accrues interest at 1% but payments are deferred for borrowers who apply for forgiveness until SBA remits the borrower's forgiveness amount to the lender. The amount of forgiveness depends, in part, on the total amount of eligible expenses paid by the Cooperative during the covered period. Eligible expenses may include payroll costs, interest on mortgages, rent, and utilities. Any unforgiven portion is payable over two years. The Cooperative expects to receive forgiveness of its loan; therefore, \$689,575 was recorded as PPP loan forgiveness income in the 2021 consolidated statements of income.

The Cooperative must retain PPP documentation in its files for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of SBA to access such files upon request. SBA may review any loan at any time at its discretion. Therefore, SBA may review the Cooperative's good-faith certification concerning the necessity of its loan request, whether the Cooperative calculated the loan amount correctly, whether the Cooperative used loan proceeds for the allowable uses specified in the CARES Act, and whether the Cooperative is entitled to loan forgiveness in the amount claimed on its application. If SBA determines the Cooperative was ineligible for the loan or for forgiveness in whole or in part, SBA will seek repayment of the outstanding loan balance.

GREENBELT HOMES, INC.
SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS
(UNAUDITED)
December 31, 2021

In 2018, GHI's Board of Directors 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 following information is based on the 2018 reserve study report and represents significant information about the components of common property.

Component	Estimated Useful Life (Years)	Estimated future repair and replacement costs		
		Frame Homes	Masonry Homes	Larger Homes
HVAC, larger homes	20	\$ -	\$ -	\$ 356,580
Attached garage roofs & doors	25	-	284,615	-
Baseboard heaters	35	182,581	117,675	-
Ceiling heaters	25	345,434	201,476	-
Drainage systems, larger townhomes	50	-	-	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
<i>* Shared Components</i>				
<i>Administrative building - windows, roofs, baseboard heaters, water heaters</i>	15-40	220,027	128,432	6,423
<i>Concrete sidewalks</i>	75	853,698	498,312	24,923
<i>Parking lots</i>	25	776,733	453,387	22,675
<i>Playground renovations (seven playgrounds)</i>	25	111,250	64,938	3,248
<i>Retaining walls at 60-E Crescent Rd, 3-D Eastway, 13-P Hillside, and 2A-F and 2G-M Plateau Place</i>	19-100	157,254	91,791	4,591
<i>Rental garage doors</i>	25	111,753	65,231	3,263
<i>Rental garage roofs</i>	20	347,288	202,715	10,139
<i>Underground sewer piping</i>	75	1,782,767	1,040,618	52,045
<i>Vehicles</i>	20-25	1,035,585	604,481	30,233
Total future costs		\$ 22,444,120	\$ 18,878,737	\$ 1,652,297

* Shared Components - In addition to the dedicated components for the three home groups, there are a number of shared components that are not directly related to any one home type. The costs for these shared components are apportioned among the three dedicated accounts in proportion to the number of homes in each. GHI contains 1,600 homes and the proportionate shared cost for each housing type is calculated as follows:

- Frame Homes: 992 homes / 1,600 = 62%
- Masonry Homes: 579 homes / 1,600 = 36.19%
- Larger Homes: 29 homes / 1,600 = 1.81%

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

