



**Greenbelt Homes, Inc.**  
**ANNUAL REPORT**  
**2019-2020**

## **BOARD OF DIRECTORS**

Steve Skolnik, President  
Stefan Brodd, Vice President  
Chuck Hess, Treasurer  
Ed James, Secretary  
Stephen Holland  
Bill Jones  
Susan Ready  
Anna Socrates  
Tami Watkins

## **AUDIT COMMITTEE**

Carol Griffith, Chair  
Joyce Campbell  
Robin Everly

## **MANAGEMENT**

Eldon Ralph, General Manager  
Tom Sporney, Assistant General Manager  
George Bachman, Director of Maintenance  
Neron Adams-Escalera, Director of Member Services  
Maesha McNeill, Human Resources Manager  
Joseph Perry Jr., Director of Finance  
Joe Wiehagen, Director of Homes Improvement Program  
Stuart Caplan, Director of Technical Services

# 2019-2020 Annual Report

## TABLE OF CONTENTS

---

	Page
President's Report →	1
General Manager's Report →	6
Audit Committee Report →	12
Treasurer's Report →	13
Investment Committee's Report →	15
Independent Auditor's Report →	16

### Financial Statements:

Consolidated Balance Sheet →	18
Consolidated Statements of Income →	19
Consolidated Statements of Members' Equity →	20
Consolidated Statements of Cash Flow →	21
Notes to Financial Statements →	22
Future Major Repairs and Replacements →	31

GHI Mission Statement *(on back cover)*



# President's Report for 2019

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 now faces the unprecedented challenges of the COVID-19 virus pandemic, the overall state of our coop is one of strength. As a community of member-owners, we have all the resources we need to move GHI forward and to make our homes more efficient, attractive, livable and marketable into the future. Our homes continue to increase in value, from a low point in 2011; sales in 2019 were brisk, with (84) settlements, and as we work through the challenges to our membership and sales/purchase processes caused by the pandemic (23 so far in 2020), we expect this year to be good 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.

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

This five-year program, fully underway and entering the fifth and final year, 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, the work schedule is temporarily suspended in response to the pandemic need for social distancing and limiting contact with others; however, contractors are ordering materials and preparing to start work on the '2020 cohort' of over (300) homes, as soon as the public health emergency is lifted by Governor Hogan. 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 in our crawlspaces has been substantially completed.
  - i. From information developed by a Buildings Committee task force's outstanding work 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 completed in 2015. Based on monitored temperature and humidity data, the Board and staff determined that this design works well for our frame homes and so has been incorporated into the H.I.P.
    - a) Frame Homes: Crawlspace conversion to sealed, partially-conditioned spaces has now been completed (well, almost – there are two rows that were in the original pilot program that will have their crawlspaces upgraded this year.)
    - b) Masonry Homes: Crawlspace sealing, insulation and other repairs/upgrades. This work began in 2017 and was completed during 2018.

### **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 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 'lender' licensing that GHI does not possess.
    - a) Member can pay in full after installation; or
    - b) 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%20OPTI%20ONAL%20IMPROVEMENTS%201-1-17.pdf>

- D. The very valuable rebate program that was made available to GHI members through state and utility company funding resulted in over \$500,000 in cash savings to members of the 2019 H.I.P. Cohort. The same program is available to members of the 2020 cohort as well (subject to continuation of the H.I.P. work in light of the COVID-19 virus pandemic.)

### **III.H.I.P. Year 5+ Program**

- A. In order for newer members who may have come to GHI after their units were upgraded, and also for all members who wished to reconsider purchasing certain optional work items, the Board created a 'H.I.P. Year 5+' program. I am pleased to report that 124 members have signed up under this program to purchase attic insulation, minisplit heat pumps, exhaust fans, etc.

Following a vote of approval by the membership during a prior-year special meeting, GHI contracted with a trusted set of contractors to complete the remaining years of the H.I.P., including the 2020 cohort. Lots more information about H.I.P. is available on the GHI website at <http://ghi.coop/content/homes-improvement-program> .

### **Asbestos removal is complete in all GHI 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). GHI did pursue the unlikely possibility that the owner(s) of the 1985 contractor, long out of business, could be tracked down and made to accept responsibility for the egregious and illegal behavior of hiding rather than removing the asbestos. Unfortunately, we were informed by our legal counsel that they reached a 'dead end' and there would be no likelihood of GHI receiving any moneys in this matter.

GHI solicited bids from numerous qualified asbestos contractors, and selected Southern Insulation to provide the work of permanently removing all asbestos from the masonry home crawlspaces. GHI retained Vertex, an industrial hygiene consulting firm, along with a GHI project manager, to oversee the contractor's effort. That work was been completed in 2018.

### **Abandoned piping and asbestos removal in frame home crawlspaces**

While working in frame home crawlspaces in preparation for the H.I.P. improvements, GHI maintenance staff discovered debris, bits and pieces of 'leftover' asbestos on some abandoned heating pipes. GHI decided to remove these old pipes, left over from the original steam radiator heating system, to make the crawlspaces less cluttered and easier to navigate for the H.I.P. contractor and for future access by maintenance staff.

General Manager Ralph directed that the debris be tested, and Vertex determined that yes, asbestos was present. Again, GHI had Vertex do random air sample testing in a number of frame homes to assure that there is no asbestos in the living spaces; all air tests were negative, thank goodness. GHI developed specifications, solicited and received bids, and with membership approval at a special meeting, contracted with a licensed firm to remove all abandoned piping, including asbestos debris, as well as to remove the old vapor barrier plastic sheeting and any bits of contaminated soil. We also contracted with an industrial hygiene firm to monitor, report to GHI staff, and certify completion of each crawlspace. This work was successfully completed in 2019.

Additional improvements in all GHI crawlspaces have been made, including new lighting, negative pressure fans, sealing of crawlspace vents, securing of pipes and cables, and repair of sump pumps where needed.

GHI's contractors have drafted the state-required Operation and Maintenance (O&M) Manual for our improved crawlspaces; this document is currently being reviewed by staff and will be adopted by the Board of Directors as mandatory policy. Under the maintenance plan, GHI will regularly inspect crawlspaces to make certain they remain in good condition. At great cost and difficulty, GHI has made long-overdue and much-needed improvements to our crawlspaces, and we pledge to care for them in the future to assure the 'sins' of past negligence are not be repeated.

### **Other Board of Directors Major Activities in 2019**

In addition to working on the Homes Improvement Program, some of the work undertaken by your Board of Directors includes the following (in no particular order):

- ✓ Approved new memberships
- ✓ Appointed one new Board of Directors member to fill a vacancy
- ✓ Conducted strategic planning / visioning work sessions; updated Board's strategic plan
- ✓ Reviewed Replacement Reserves database for frame homes, and approved revisions proposed by consultant
- ✓ Reviewed member survey drafted by Member Outreach Committee; subsequently reviewed survey results
- ✓ Accepted Storm Water Management Task Force's recommendation to participate in a pilot study for mapping non-tidal flood risks
- ✓ Approved final Memorandum of Understanding with City of Greenbelt re: encroachment of certain portions of GHI yards into City property
- ✓ Established policy regulating use of official GHI email accounts
- ✓ Established Administration Complex Safety Task Force; reviewed and accepted report and selected items to be implemented.
- ✓ Established Records Retention Task Force
- ✓ Established H.I.P. Year 5-plus program
- ✓ Established Sublease Policy Review Task Force; accepted recommendations for revisions
- ✓ Reviewed Investment Policy re: legal counsel's recommendation on prudent person vs. prudent investor rule
- ✓ Established Succession Planning and Emergency Backup Task Force
- ✓ Conducted work session re: Buildings Committee revisions to Member Handbook Art. X; reviewed proposed changes and member comments, and approved changes to this article
- ✓ Established pilot program to test high efficiency heat-pump domestic water heaters in GHI homes
- ✓ Conducted member survey re: walkway lighting 14-16 Ridge Rd.

- ✓ Reviewed Addition Maintenance Task Force's recommendations re: incentives and catch-up charges
- ✓ Reviewed and approved charter for Sustainability Subcommittee (of Buildings Committee)
- ✓ Conducted work session with Long Range Planning Committee re: revenue-generating ideas for GHI other than member charges
- ✓ Conducted City Council / GHI stakeholders work session to discuss matters of common interest
- ✓ Reconvened the Information Technology task force, to research and recommend integrated business solution application for GHI, including member portal
- ✓ Created a task force within the Buildings Committee to study and recommend procedures for future replacement of plumbing risers and waste piping in frame and masonry units; directed review of Replacement Reserves Fund to include additional cost components for this project
- ✓ Directed Legislative and Government Affairs Committee (LGAC) to review SCMAGLEV project and recommend to Board actions/positions to adopt/communicate to government officials
- ✓ Directed Legislative and Government Affairs Committee (LGAC) to review BW Parkway widening project and recommend to Board actions/positions to adopt/communicate to government officials
- ✓ Considered and acted on a number of recommendations from the GHI Audit Committee
- ✓ Approved installation of bicycle racks, as recommended by GHI Bicycle Committee Made revisions to Community Beautification Program based on recommendations from Yard Solutions Task Force and input from GHI members
- ✓ Conducted work session on M-NCPPC zoning rewrite project and draft Neighborhood Conservation Overlay Zone
- ✓ Reviewed bids and selected independent external auditing firm for fiscal year 2018
- ✓ Reviewed and accepted report of independent external auditing firm
- ✓ Held weekly planning meetings with General Manager, Assistant General Manager, President and Vice-President
- ✓ Conducted special membership meeting for approval of multi-year H.I.P. contracts
- ✓ Held two town hall meetings (and follow-up activities)
- ✓ Participated in City/GHI partnership to address residential hoarding
- ✓ Contacted state legislators to express cooperative's interests in proposed laws
- ✓ Convened Member Complaint Panels, Informal and Formal Hearings
- ✓ Attended City of Greenbelt 'business breakfast' meetings to represent GHI
- ✓ Reviewed quarterly financial statements presented by Director of Finance
- ✓ Considered and approved 2020 Budget of over \$14.6 million.
- ✓ Completed program to install state-required long-life smoke detectors in all GHI units and GDC apartments
- ✓ Completed program to install carbon monoxide (CO) detectors where and as required by Prince George's County
- ✓ Communicated with WSSC officials to rekindle discussions about water mains replacement project throughout GHI.

### **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. The importance of the work these folks contribute cannot be overstated. I want to express tremendous praise and appreciation for those who give their valuable time and astonishing expertise for the benefit of us all.



- ✓ Administration Complex Safety Task Force
- ✓ Addition Maintenance Program Task Force
- ✓ *ad-hoc* Task Force for Existing Windows and Doors
- ✓ Architectural Review Committee
- ✓ Audit Committee
- ✓ Bicycle Committee
- ✓ Buildings Committee
- ✓ Sustainability Subcommittee (of Buildings Committee)
- ✓ Communications and Marketing Committee
- ✓ Companion Animal Committee
- ✓ Finance Committee
- ✓ GHI/GDC Bylaws, Relations Task Force
- ✓ Integrated Information Technology Task Force
- ✓ Investment Committee
- ✓ Legislative and Government Affairs Committee (LGAC)
- ✓ Long Range Planning Committee
- ✓ Manager Succession and Emergency Planning Task Force
- ✓ Member Outreach Committee
- ✓ Nominations and Elections Committee
- ✓ Parking Task Force
- ✓ Pipe Replacement Task Force
- ✓ Records Retention Policy Task Force
- ✓ Storm Water Management Task Force
- ✓ Woodlands Committee
- ✓ Zoning Rewrite Task Force

If you've made it to this paragraph, 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. As we work to get through the current pandemic, let us remain confident that together we can and will 'weather this storm'; GHI will emerge strong and ready to step forward and face whatever challenges may lie ahead.

*Respectfully submitted,*

*Steve Skolnik  
President, Greenbelt Homes, Inc.*

## General Manager's 2019 Annual Report

In August 2018, senior staff held a strategic planning meeting to review the Board of Directors strategic action plan, assess organizational strengths and areas for improvement, and establish departmental goals for 2019. I am happy to inform you that we achieved most of those goals. This report will give you a snapshot of some of our accomplishments during 2019 and provide brief summaries about two highly successful projects i.e. the crawlspace asbestos remediation and crawlspace improvement projects for frame and masonry homes.

### **Homes Improvement Program (HIP)**

The HIP progressed very smoothly in 2019, benefitting from the experiences gained during 2016 to 2018. Prior to the start of the 2019 phase, the Buildings Committee and staff conducted three meetings with members to discuss the work scope and assist them in making timely selections of optional components.

Contracted costs of the various components installed during 2019 were as follows:

Components	Quantity	Actual Cost
Heat pump units	106	\$740,650
Baseboard heaters	314 homes	\$276,652
Exhaust fans, ceiling heaters		\$127,268
Windows	313 homes	\$1,054,867
Doors	312 homes	\$719,759
Siding	200 homes	\$945,923
Attic insulation	157 homes	\$256,892
Frame Home Crawlspace Improvements	92 buildings rows	\$1,267,645
<b>Total contracted cost</b>		<b>\$5,389,656</b>

The total contracted cost of optional improvements (such as heat pump units, window and door options, wall insulation/siding for block homes and attic insulation) was \$1,534,087; however, members actually paid \$1,014,448 due to \$519,639 in energy efficiency rebates that they received from Pepco.

## **Asbestos Remediation/ Improvement Projects for Crawlspace of Masonry and Frame Homes**

### **Masonry Homes**

In February 2016, staff discovered that the contractor who GHI hired in 1985 to remove asbestos insulation from the boilers and heating pipes in the crawlspaces of the masonry homes hid much of the asbestos materials in alcoves underneath the concrete porch stoops, instead of disposing them at an approved hazardous waste landfill. In 2017, GHI hired a contractor and industrial hygiene firm to remove and dispose of the asbestos materials. The asbestos remediation project was completed for a total cost of \$ 367,243. Crawlspace improvements began in 2017 and were completed in 2018 for a total cost of \$833, 476.

Members in the masonry home group have fully satisfied their financial obligations for the asbestos remediation and crawlspace improvement projects. At the start of 2017, the entire contingency reserve fund of \$337,412 for this home group was utilized to finance the asbestos remediation project; by the end of 2019, the contingency reserve fund was \$366,765.

### **Frame Homes**

In January 2017, maintenance staff observed small amounts of suspect - asbestos debris on abandoned pipes that they began cutting and removing, in preparation for the HIP Crawlspace Improvement Project. Material samples on pipes from several crawlspaces, tested positive for asbestos.

The asbestos remediation project began in 2018. By the end of 2019, asbestos remediation had been completed in 185 crawlspaces for a total cost of \$1,727,006. The final phase in 2020 involves removal of abandoned heating pipes in crawlspaces of 4 buildings that were included in the HIP pilot program.

During a special meeting in 2018, GHI's membership approved the encapsulation of buried piping with asbestos insulation, and fragments of asbestos on or in the soil, beneath an impervious 12 mil vapor barrier materials on the crawlspace floors. Earlier this year, an industrial hygiene firm in collaboration with GHI staff, prepared an Asbestos Operations and Maintenance (O&M) Plan that is designed to minimize the risk of exposure to building occupants and staff by recognizing, controlling, and mitigating potential hazards of the asbestos-containing materials that are encapsulated by the plastic barrier. The O&M Plan specifies that the crawlspaces must be inspected semi-annually by maintenance staff to ensure that the plastic barrier remains intact and in good condition. It also specifies that ongoing training of maintenance staff must be done to ensure that they are certified to perform the inspections and any repairs to the vapor barrier enclosure that are needed.

The improvement project for 185 crawlspaces began in 2018 and was completed in 2019 for a total cost of \$1, 979,941.

Members in the frame home group are contributing \$220,000 for crawlspace improvements and asbestos remediation in 2020; staff estimates that at this rate of annual contributions, the financial obligations for these projects will be fully satisfied by the end of 2026, at which time,

the contingency reserve fund balance for frame homes will be fully restored to ten percent of the annual operating budget.

### **Human Resource Management**

The 2019 budget included salaries and benefits for 47.5 full-time employees. Due to the robust national economy and high-employment climate, it took several months to fill vacancies for several plumber positions. Nine new employees were hired, three resigned, five were terminated for cause and sadly, one employee passed away.

Throughout the year, employees participated in 24 different training programs, including the following three programs that the entire staff attended:

- Retirement Financial Strategies
- Building Employee Commitment for Increased Organizational Performance
- How to Achieve Excellent Customer Service

GHI's Human Resources Director led an employee task force in revamping the employee performance evaluation forms, making them more concise and meaningful.

In celebration of the hard work and dedication of our employees, the HR department hosted a breakfast for Employee Appreciation Week in April, a summer picnic in August, and a staff holiday party in December.

### **Financial Management**

Staff assisted the Finance Committee and Board of Directors with the preparation of the 2019 GHI and GDC budgets. Finance Department staff prepared quarterly financial statements that senior staff, the Finance Committee and Board of Directors reviewed for the purpose of monitoring actual versus budgeted revenue and expenses.

The Finance Department processed 21,335 accounts receivable transactions, 5,149 accounts payable transactions, 2,210 payroll and benefit transactions, and 216 contract processing transactions that included 84 unit resales.

The external auditor's report regarding the consolidated financial statements of GHI for the year ending December 31, 2019 did not cite any significant deficiencies or difficulties while performing and completing the audit.

### **Member Services Department**

GHI's Member Services Department is staffed by three persons who were involved in the handling of: 15 neighbor relations issues, 20 yard maintenance complaints, 14 animal related complaints, 71 interior home inspections, 15 complaints about unoccupied units, 92 parking issues, 19 leases of garages, 2 leases of boat lots, 4 leases of GHI units, 6 member complaint panel hearings, 3 informal complaint hearings, and 2 formal complaint hearings.

Last August, staff and the Member Outreach Committee held a social event to welcome thirty-five new members who had joined GHI during the prior 12 months, and organized a volunteer

appreciation event in October to thank and recognize GHI’s volunteer committees and task forces for their contributions.

During the first quarter of 2019, we experienced severe disruptions in our telephone services. Due to the efforts of our Member Services Director, GHI entered a contract with a provider for voice over IP (Internet Protocol) communication, which has resulted in more reliable telephone services with more robust features such as voicemail to email, self-managed call forwarding/routing, web conferencing and video conferencing.

Staff prepared a draft corporate record retention policy that recommended which records should be retained for legal and historical purposes, and which should be disposed of. The Board of Directors subsequently appointed a task force to work with staff to prepare a list of specific historical records that should be preserved, propose where and how these records should be retained and recommend specific changes to the draft retention policy that staff prepared. The task force is currently engaged on this assignment.

**Maintenance Department**

Maintenance staff completed 13,578 work orders during 2019. A breakdown of the completed work orders is as follows:

Component Categories	Qty. of Work orders
After-hour emergency services	389
Baseboard heaters replaced or repaired	98
Ceiling heaters replaced or repaired	99
Community Beautification inspections	1243
Crawl space inspections	494
Door and lock repairs	676
Electrical repairs and services	1166
Fee-for-service	912
Miscellaneous plumbing maintenance/ repairs	3026
Miscellaneous structural maintenance/ repairs	1481
Pest control services	677
Roof and gutter repairs	469
Smoke detectors installed / replaced	60
Tree maintenance	361
Tub re-glazing	151
Water heaters repaired/replaced	346

a) Maintenance staff administered the following contracted services:

Bathtub re-glazing	\$23,907
Janitorial services for the GHI Admin Bldg. & Parkway Apts.	\$41,648

Mowing & trimming for GHI common areas & Parkway Apts.	\$54,817
Pest control	\$34,904
Tree trimming and removals	\$166,821

Last July, staff coordinated a meeting between GHI, City of Greenbelt and Pepco officials for the purpose of communicating GHI's Woodland's Committee recommendations re: Pepco's tree vegetation management proposal. Pepco subsequently removed 44 trees that were in contact with overhead electric wires. In lieu of the trees that were removed, Pepco will hire a contractor to plant 44 saplings during 2020, at locations selected by GHI.

**Technical Services**

Technical Services staff prepared specifications and obtained bids from contractors for the following contracts which were accomplished during 2019:

Asbestos remediation – industrial hygiene services	\$45,125
Asbestos remediation – removal from frame crawlspaces	\$793,270
Masonry unit crack repairs	\$46,720
Parking lot repairs and improvements	\$65,053
Removal of chimney from the Administration building	\$18,879
Repairs to uneven floors at two frame units	\$23,400
Replacement of frame roofs	\$142,989
Replacement of underground sewer and storm piping & storm drainage improvement	\$311,025
Spring and fall concrete sidewalk repairs	\$40,722
Spring and fall gutter cleaning	\$62,340
Water damage repairs at two units	\$76,293
<b>Total cost</b>	<b>\$1,625,816</b>

Staff also reviewed and issued a total of 138 permits to members for various home improvements as follows:

Additions	2
General alterations	17
Rain Barrels	3
Bathrooms	19
Decks	2
Electrical	12
Exterior	3
Fences	11
Handicap fixtures	1
HVAC	14

Insulation Improvements	4
Kitchens	14
Laundries	4
Patios	5
Plumbing	1
Porches	4
Sheds	13
Windows/doors	9

Staff met with three consultants to discuss methodologies for sampling water supply and waste piping in frame and masonry homes as well as replacement options. These meetings enabled us to prepare a Request for Proposal and obtain bids from consultants for random sampling of pipes and a written report on repair and replacement options for both supply and drainage pipes during 2020. Based on the consultant's report, GHI will be able to define the scope of work for the scheduled replacement of plumbing pipes in frame and masonry homes that is expected to commence in 2024.

### **Conclusion**

Overall, 2019 was a very successful year, with the conclusion of the penultimate year of the Homes Improvement Program, accomplishing 98 percent of the asbestos remediation project and fully completing the crawlspace improvement project for frame homes. Due to the diligent work of our staff and support of the Board of Directors and Committees, we were able to achieve most of our goals in 2019. I am optimistic that we will surmount the current adverse impacts of the COVID-19 pandemic on GHI's operations and accomplish the tasks that must be done in 2020.

*Respectfully submitted,*

*Eldon Ralph General Manager*

## ANNUAL REPORT OF 2019-2020 AUDIT COMMITTEE

The GHI Bylaws direct the Audit Committee “... *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 2019-2020 Audit Committee respectfully submits this report to the membership.

### **Committee Actions:**

- Participated in a conference call with the external financial auditing firm to discuss information to be covered in its audit.
- At its request, presented the Board of Directors with an opinion on a confidential matter.
- Requested that the Audit Committee be involved in any discussions concerning the formation of a policy to handle member complaints against the Board as it involved the Audit Committee.
- Requested staff input on a matter involving the handling of confidential information.
- At least one Audit Committee member attended:
  - All regular and executive session meetings of the Boards of Directors of GHI and its subsidiary, Greenbelt Development Corporation (GDC)
  - All complaint panel meetings
  - All worksessions of the Board of Directors
  - Board training session presented by GHI’s attorney
  - All GHI townhall meetings and membership meetings

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

*Respectfully submitted:*

*Joyce Campbell  
Robin Everly  
Carol Griffith, Chair*



# Treasurer's Report 2019/2020

## Financial Condition

The 2019 GHI Summary Income Statement is included with this report. There are notes to the variances from the 2019 Budget of 3% and \$10,000. Details of each budgeted line item are included in the 2019 Budget booklet that is available to all members at the GHI Administration Office and [www.ghi.coop](http://www.ghi.coop). The overall financial condition of GHI remains strong. The operating surplus for 2019 completed covering the costs for the crawlspaces improvements as well as the asbestos remediation except for the final four crawlspaces of pilot homes. GHI also completed the fourth year of the five-year Homes Improvement Program.

## 2020 Budget:

The 2020 Budget of \$14,683,075, adopted on December 5, 2019 with member fee increases averaging 4.0% for frame homes, 5.4%, for larger homes, and 3.5% for masonry homes. The variation between home groups was because of differences in the projected real estate taxes and specific maintenance activity for each of the three home groups.

## 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 applying reconciliations amounts for each unit in November for them to be reflected in 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 had to pay more in December.

## Home Sales:

In 2019 we had eighty-four homes sold compared to the ninety-three in 2018. First quarter activity in 2020 is the highest in the previous seven years with twenty-three which is 28% more than the same period last year. GHI remains an attractive community for people in all stages of life.

## Future Activity:

As of December 31, 2019, GHI had \$2,196,018 in unreserved operating funds and \$440,242 in contingency reserves. It is anticipated the Board of Directors will allocate unreserved funds to replenish contingency reserves of each home group based on surpluses of those groups. A report will be made to the Board of Directors recommending allocation of unreserved operating funds first to contingency reserves then, if available, to replacement reserves.

The COVID-19 pandemic has caused a major disruption in operations, but at the date of this report very few members have reached out to GHI seeking financial assistance. The Board of Directors has established a COVID-19 fee deferral program allowing members who qualify to defer up to four months of coop fees. Monthly repayment of the deferred fees will begin no sooner than January 2021.

Future investment income of the cooperative may be significantly reduced if the cooperative is required to make investment decisions based on the "prudent person rule" rather than the "prudent investor rule." We will seek to have legislation passed to prevent this from occurring.



Chuck Hess, 2019/2020 Treasurer

Greenbelt Homes, Inc.  
Income Statement Summary  
For the Period Ending 12/31/2019

	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	\$ 11,747,805	\$ 11,778,970	\$ (31,165)	-0.3%
	11,747,805	11,778,970	(31,165)	-0.3%
Service income	552,618	527,670	24,948	4.7%
Other income	<b>(A)</b> 2,548,125	414,030	2,134,095	>100%
	3,100,743	941,700	2,159,043	>100%
Total receipts	14,848,548	12,720,670	2,127,878	16.7%
<b><u>EXPENSES:</u></b>				
Real estate taxes	4,176,930	4,158,375	18,555	0.4%
Trash collection	448,507	452,750	(4,243)	-0.9%
Insurance	483,458	481,300	2,158	0.4%
Admin/BOD/Comm/Mbr	<b>(B)</b> 1,090,237	1,454,110	(363,873)	-25.0%
Maintenance operations	4,491,362	4,657,226	(165,864)	-3.6%
Transfer to reserves	2,353,163	2,353,163	-	0.0%
Total expenses	13,043,657	13,556,924	(513,267)	-3.8%
Receipts over (under) expenses	\$ 1,804,891	\$ (836,254)	\$ 2,641,145	<-100%
Depreciation member units	<b>(C)</b> \$ 911,555	\$ 622,000	\$ 289,555	46.6%

Greenbelt Homes, Inc.  
Notes to Income Statement Summary  
For the Period Ending 12/31/2019

**INCOME**

<b>(A)</b>	<b>Other Income (Up &gt; 100%)</b>	<b>\$ 2,134,095</b>
	This favorable variance is primarily due revenue for HIP optional improvements. The HIP optional improvements which were purchased have been capitalized.	

**EXPENSES**

<b>(B)</b>	<b>Admin/BOD/Comm/Mbr (Down 25.0%)</b>	<b>\$ (363,873)</b>
	This favorable variance is primarily due to the deferred federal tax benefit recorded for GHI in 2019.	
<b>(C)</b>	<b>Depreciation member units (Up 46.6%)</b>	<b>\$ 289,555</b>
	This unfavorable variance results from corrections made to the depreciation schedule to bring the accumulated depreciation in line for 2019 and going forward.	

## Investment Committee Report as of December 31, 2019

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 was updated by a consultant in 2018.

As of December 31, 2019, GHI held \$10,316,000 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 GDC (The Parkway Apartments) totaled \$100,402. Also GDC paid interest to GHI totalling \$2,011.

GHI income from investments totaled \$365,076 for 2019. 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 3.75%. For the Year ended December 31, 2019, the one-year return was 5.84% for the VFSUX and 2.14% for the VMFXX. Cash sweep account annual percentage yield earned was 0.3325%.

### Corporate Bond Investments

<u>Face Value</u>	<u>Company Name</u>	<u>Coupon</u>	<u>Maturity</u>		
				\$ 4,000,000	Total Corporate Bonds
400,000	Time Warner Cable Inc.	5.000%	02/01/20	35,111	Unamortized Bond Premium
300,000	National Rural Utility Corp.	2.350%	06/15/20	(11,766)	Unamortized Bond Discount
300,000	Allergan Inc.	3.375%	09/15/20	146,001	Vanguard ST Investment Grade Fund (VFSUX)
100,000	Symantec Corp.	4.200%	09/15/20		
300,000	General Electric Cap	5.300%	02/11/21	<u>4,169,346</u>	Total Investments
100,000	Kinder Morgan Energy	3.500%	03/01/21		
200,000	Nextera Energy Capital	4.500%	06/01/21		<b>Cash &amp; Cash Equivalent</b>
300,000	Reinsurance Group of Amer.	5.000%	06/01/21	6,108,023	Federal Money Market (VMFXX)
200,000	Hewlett-Packard Co	4.650%	12/09/21	28,671	Cash sweep (Lafayette)
300,000	Occidental Petroleum	3.125%	02/15/22	<u>6,136,694</u>	Total Cash & Cash Equivalent
300,000	Apache Corp	3.250%	04/15/22		
100,000	Omnicom Group Inc.	3.625%	05/01/22	<u>\$10,306,040</u>	<b>Total Investments and Cash Equivalents</b>
300,000	Baxter International	2.400%	08/15/22		
200,000	Broadcom Corp	2.500%	08/15/22		National Cooperative Bank stock \$885K recorded at cost not included above.
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		
<u>\$ 4,000,000</u>	<b>Total Corporate Bonds</b>				

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Greenbelt Homes, Inc., which comprise the consolidated balance sheets as of December 31, 2019 and 2018, 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

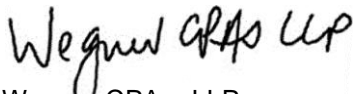
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greenbelt Homes, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Adoption of New Accounting Guidance***

As discussed in Note 1 to the financial statements, Greenbelt Homes, Inc. adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and all subsequently issued clarifying ASUs as of January 1, 2019. Our opinion is not modified with respect to this matter.

### ***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, although not a part of the financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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  
Madison, Wisconsin  
April 8, 2020

**GREENBELT HOMES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
December 31, 2019 and 2018

	2019	2018
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash (Note 2)	\$ 7,462,525	\$ 7,558,855
Accounts receivable - net	547,042	286,336
Inventory	90,753	88,771
Prepaid expenses	27,484	9,203
Current portion of notes receivable	4,234	4,500
Total current assets	8,132,038	7,947,665
<b>OTHER ASSETS</b>		
Accounts receivable - noncurrent (Note 3)	33,303	30,862
Notes receivable - less current portion	22,087	27,094
Investments (Note 4)	4,169,346	6,730,789
Homes for sale (Note 5)	2,831	11,298
Property and equipment - net (Note 6)	22,657,508	16,772,130
Investment in NCB (Note 7)	885,137	885,137
Deferred taxes (Note 10)	366,000	4,000
Total other assets	28,136,212	24,461,310
<b>Total assets</b>	<b>\$ 36,268,250</b>	<b>\$ 32,408,975</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 1,307,537	\$ 1,159,641
Accounts payable - other	289,702	292,168
Deposits and deferred revenue	337,785	297,226
Prepaid rents	16,091	8,072
Accrued expenses	295,106	259,858
Total liabilities	2,246,221	2,016,965
<b>MEMBERS' EQUITY</b>		
Replacement reserve	5,842,100	8,467,576
Contingency reserve	440,242	400,242
Addition maintenance reserve	1,146,865	1,281,206
Crawlspace improvements fund	-	304,902
Asbestos remediation fund	-	780,971
Working capital fund	1,739,296	1,683,443
Property and equipment	22,657,508	16,772,130
Unreserved operating fund	2,196,018	701,540
Total members' equity	34,022,029	30,392,010
<b>Total liabilities and members' equity</b>	<b>\$ 36,268,250</b>	<b>\$ 32,408,975</b>

See accompanying notes.

**GREENBELT HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>REVENUE</b>		
Member charges	\$ 12,096,103	\$ 11,469,076
Less: contributions to reserves	(2,353,163)	(2,402,782)
Home improvement program	2,132,154	784,599
Apartment rental income	621,619	595,624
Garage income	239,957	243,750
Contract processing	132,328	156,148
Fee for service	61,452	41,190
Investment return (Note 4)	365,192	402,089
Miscellaneous	<u>130,166</u>	<u>152,765</u>
<b>Total revenue</b>	<b>13,425,808</b>	<b>11,442,459</b>
<b>OPERATING EXPENSES</b>		
Maintenance	4,870,749	4,116,495
Real estate taxes	4,233,815	4,014,780
Administrative	1,506,760	1,523,603
Insurance	502,478	471,929
Trash collection	448,843	461,316
Depreciation on operating assets	60,190	55,942
Member services	<u>22,211</u>	<u>24,692</u>
<b>Total operating expenses</b>	<b><u>11,645,046</u></b>	<b><u>10,668,757</u></b>
Net income before depreciation on members' units and income taxes	1,780,762	773,702
Depreciation on members' units	<u>911,555</u>	<u>686,781</u>
<b>Net income before income taxes</b>	<b>869,207</b>	<b>86,921</b>
Provision for income taxes (Note 10)	<u>351,796</u>	<u>(16,313)</u>
<b>Net income</b>	<b><u>\$ 1,221,003</u></b>	<b><u>\$ 70,608</u></b>

See accompanying notes.

**GREENBELT HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**  
Years ended December 31, 2019 and 2018

	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, 2017	\$ 9,861,325	\$ 583,601	\$ 1,278,453	\$ 1,321,274	\$ 28,116	\$ 1,607,848	\$ 11,801,293	\$ 1,361,115	\$ 27,843,025
Net additions to working capital account	-	-	-	-	-	75,595	-	-	75,595
Member capitalizations of reserve accounts	1,801,689	-	194,956	306,137	100,000	-	-	-	2,402,782
Interest income	266,140	-	37,210	-	-	-	-	(303,350)	-
Transfers	18,934	(183,359)	-	(315,541)	1,531,786	-	4,970,837	(6,022,657)	-
Utilization of reserves	(3,480,512)	-	(229,413)	(1,006,968)	(878,931)	-	-	5,595,824	-
Net income	-	-	-	-	-	-	-	70,608	70,608
Balance December 31, 2018	8,467,576	400,242	1,281,206	304,902	780,971	1,683,443	16,772,130	701,540	30,392,010
Net additions to working capital account	-	-	-	-	-	55,853	-	-	55,853
Member capitalizations of reserve accounts	1,899,233	-	193,930	160,000	100,000	-	-	-	2,353,163
Interest income	218,410	-	36,920	-	-	-	-	(255,330)	-
Transfers	-	40,000	9,037	944,009	(34,431)	-	5,885,378	(6,843,993)	-
Utilization of reserves	(4,743,119)	-	(374,228)	(1,408,911)	(846,540)	-	-	7,372,798	-
Net income	-	-	-	-	-	-	-	1,221,003	1,221,003
Balance December 31, 2019	<u>\$ 5,842,100</u>	<u>\$ 440,242</u>	<u>\$ 1,146,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,739,296</u>	<u>\$ 22,657,508</u>	<u>\$ 2,196,018</u>	<u>\$ 34,022,029</u>

See accompanying notes.



**GREENBELT HOMES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
Years ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,221,003	\$ 70,608
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	971,745	742,723
Amortization of bond premiums and discounts	69,500	76,726
Bad debts	4,917	232
Deferred taxes	(362,000)	12,000
(Increase) decrease in assets		
Accounts receivable	(268,064)	372,157
Inventory	(1,982)	(8,969)
Prepaid expenses	(18,281)	12,651
Homes for sale	8,467	314,093
Increase (decrease) in liabilities		
Accounts payable	147,896	193,005
Accounts payable - other	(2,466)	(88,349)
Deposits and deferred revenue	40,559	(235,215)
Prepaid rents	8,019	609
Accrued expenses	<u>35,248</u>	<u>(32,052)</u>
<b>Net cash provided by operating activities</b>	<b>1,854,561</b>	<b>1,430,219</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Collections on notes receivable	5,273	7,754
Purchases of property and equipment	(6,857,123)	(5,255,629)
Interest retained in investments	(8,057)	(1,318)
Proceeds from sales of investments	<u>2,500,000</u>	<u>1,300,000</u>
<b>Net cash used in investing activities</b>	<b>(4,359,907)</b>	<b>(3,949,193)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Member capitalizations of reserve accounts	2,353,163	2,402,782
Member additions to working capital account	207,264	150,187
Member redemptions from working capital account	<u>(151,411)</u>	<u>(74,592)</u>
<b>Net cash provided by financing activities</b>	<b>2,409,016</b>	<b>2,478,377</b>
Net change in cash	(96,330)	(40,597)
Cash - beginning of year	<u>7,558,855</u>	<u>7,599,452</u>
<b>Cash - end of year</b>	<b><u>\$ 7,462,525</u></b>	<b><u>\$ 7,558,855</u></b>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for income taxes	\$ 8,578	\$ 6,132
Property and equipment purchases financed by accounts payable	-	213,307

See accompanying notes.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

---

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.

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of Consolidation**

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

**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, 2019 and 2018 the allowance for doubtful accounts was \$25,604 and \$18,887.

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 CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

---

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 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.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

---

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.

**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.

**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 at the point in time when the services are provided to members and tenants.

**Adoption of New Accounting Guidance**

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Cooperative adopted the requirements of the new guidance as of January 1, 2019, using the modified retrospective method of transition. In applying the new guidance, the Cooperative elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The majority of the Cooperative's revenue is recognized at a point in time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of the Cooperative's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on the Cooperative's financial statements. The majority of the Cooperative's revenue arrangements generally consist of a single performance obligation to transfer promised services. Based on the Cooperative's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

**Date of Management's Review**

Management has evaluated subsequent events through April 8, 2020, the date which the financial statements were available to be issued.

NOTE 2—CASH

Cash accounts at December 31, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Greenbelt Federal Credit Union - money market	\$ 25	\$ 25
Greenbelt Federal Credit Union - savings	3,473	6,066
Greenbelt Federal Credit Union - security deposit escrow	52,237	49,604
Lafayette - cash sweep	28,670	24,507
National Cooperative Bank - operating cash	1,229,100	596,863
National Cooperative Bank - trustee cash	40,998	42,116
Vanguard - money market	<u>6,108,022</u>	<u>6,839,674</u>
Cash	<u>\$ 7,462,525</u>	<u>\$ 7,558,855</u>

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 (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 at December 31, 2019 and 2018 was \$28,416 and \$27,967.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

NOTE 3—ACCOUNTS RECEIVABLE - NONCURRENT (continued)

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 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.

NOTE 4—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 2.2% to 9.25%. The aggregate fair value of the bonds at December 31, 2019 and 2018 was \$4,073,314 and \$6,215,502.

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, 2019 and 2018 and not recorded in the financial statements.

Investment return for 2019 and 2018 was comprised of interest income.

The following summarizes the information relating to investments at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
HELD TO MATURITY		
Face value	\$ 4,000,000	\$ 6,500,000
Unamortized premiums	35,111	113,559
Unamortized discounts	<u>(11,766)</u>	<u>(20,714)</u>
Amortized cost	4,023,345	6,592,845
AVAILABLE FOR SALE		
Fair value	<u>146,001</u>	<u>137,944</u>
Investments	<u>\$ 4,169,346</u>	<u>\$ 6,730,789</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.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 26,573	\$ 26,573
Equipment	997,040	879,133
Buildings and improvements	52,051,307	45,361,589
Vehicles and operating equipment	<u>609,859</u>	<u>560,361</u>
Property and equipment	53,684,779	46,827,656
Less accumulated depreciation	<u>31,027,271</u>	<u>30,055,526</u>
Property and equipment - net	<u>\$ 22,657,508</u>	<u>\$ 16,772,130</u>

Depreciation expense for 2019 and 2018 was \$971,745 and \$742,724.

NOTE 7—INVESTMENT IN NCB

Under the terms of its former loan with National Cooperative Bank (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 2019 and 2018.

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 \$1,899,233 and \$1,801,689 were assessed to members of the Cooperative in 2019 and 2018, and these amounts were contributed to the replacement reserve in those years. The Cooperative also added \$193,930 and \$194,956 of funding into the addition maintenance reserve in 2019 and 2018.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**NOTE 9—NET INCOME OF BUSINESS COMPONENTS**

The net income of Cooperative's business components for 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Net income (loss) of GHI - excluding net income derived from GDC	\$ 1,120,601	\$ (29,333)
Net income of GDC	<u>100,402</u>	<u>99,941</u>
Net income	<u>\$ 1,221,003</u>	<u>\$ 70,608</u>

**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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Total deferred tax asset	\$ 459,000	\$ 183,000
Deferred tax asset valuation allowance	-	-
Total deferred tax liability	<u>(93,000)</u>	<u>(179,000)</u>
Net deferred tax asset	<u>\$ 366,000</u>	<u>\$ 4,000</u>

The deferred tax asset relates primarily to timing differences between expenses recorded in the financial statements and deducted for income tax purposes. The deferred tax asset also relates to federal and state net operating loss carryforwards which totaled approximately \$1,513,000 at December 31, 2019. The loss carryforwards begin to expire in 2034. 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 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Federal income taxes - current year	\$ -	\$ -
Maryland income taxes - current year	(10,204)	(4,313)
Deferred tax benefit (expense)	<u>362,000</u>	<u>(12,000)</u>
Provision for income taxes	<u>\$ 351,796</u>	<u>\$ (16,313)</u>



**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

**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, 2019 and 2018 were as follows:

	2019	2018
Replacement reserve fund	\$ 5,842,100	\$ 8,467,576
Contingency reserve fund	440,242	400,242
Addition maintenance reserve fund	1,146,865	1,281,206
Crawlspace improvements fund	-	304,902
Asbestos remediation fund	-	780,971
Total reserved amounts	\$ 7,429,207	\$ 11,234,897

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.

**NOTE 12—FAIR VALUE MEASUREMENTS**

Fair values of assets measured on a recurring basis at December 31, 2019 and 2018 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 2019	\$ 146,001	\$ 146,001	\$ -	\$ -
Bond mutual funds 2018	\$ 137,944	\$ 137,944	\$ -	\$ -

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.

**GREENBELT HOMES, INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2019 and 2018

---

NOTE 14—CONCENTRATION OF CREDIT RISK

The Cooperative maintains cash balances at several financial institutions located in Greenbelt, Maryland; Washington, DC; and Raleigh, North Carolina. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, the Cooperative's uninsured cash balances totaled approximately \$1,056,000 and \$234,000.

NOTE 15—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 \$104,131 and \$90,864 for 2019 and 2018.

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, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Land	\$ 26,573	\$ 26,573
Equipment	740,173	627,664
Buildings and improvements	<u>889,836</u>	<u>889,836</u>
Property and equipment	1,656,582	1,544,073
Less accumulated depreciation	<u>1,331,909</u>	<u>1,297,921</u>
Property and equipment held for leasing purposes - net	<u>\$ 324,673</u>	<u>\$ 246,152</u>

NOTE 17—SUBSEQUENT EVENT

The COVID-19 outbreak in the United States in spring 2020 has resulted in possible economic hardships for the Cooperative's members. This development could potentially have an adverse effect on the Cooperative's future revenue. However, the financial impact and duration cannot be reasonably estimated at this time.

**GREENBELT HOMES, INC.**  
**SUPPLEMENTARY INFORMATION ON FUTURE MAJOR REPAIRS AND REPLACEMENTS**  
**(UNAUDITED)**  
**December 31, 2019**

In 2018 the board of directors hired an independent advisor to conduct a comprehensive study of the reserve plan. The information has been updated for 2019. The following information is based on that analysis and presents 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	312,820	239,305	-
Ceiling heaters	25	351,817	205,388	-
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	739,230	458,778	92,249
Porch roofs, masonry	25	-	1,500,663	-
Roofs (main & porch), frame	25	2,484,184	-	-
Roofs, larger homes	25	-	-	196,108
Roofs, masonry	24-75	-	1,503,923	-
Siding (vinyl)	35-45	1,426,487	175,910	76,532
Sump pumps	20	112,194	-	-
Water heaters	15	1,391,905	809,321	40,782
Water supply and waste piping	90-95	7,440,000	8,686,675	-
Window sets	35-40	1,248,082	890,329	210,201
<i>* Shared Components</i>				
<i>Administrative building - windows, roofs,</i>				
<i>baseboard heaters, water heaters</i>				
	15-40	352,314	205,649	10,285
<i>Concrete sidewalks</i>				
	75	892,507	520,965	26,056
<i>Parking lots</i>				
	25	776,733	453,387	22,675
<i>Playground renovations</i>				
<i>(seven playgrounds)</i>				
	25	116,026	67,726	3,388
<i>Retaining walls at 60-E Crescent Rd,</i>				
<i>3-D Eastway, 13-P Hillside,</i>				
<i>and 2A-E and 2G-M Plateau Place</i>				
	19-100	157,254	91,791	4,591
<i>Rental garage doors</i>				
	25	114,618	66,903	3,346
<i>Rental garage roofs</i>				
	20	352,064	205,503	10,278
<i>Underground sewer piping</i>				
	75	1,926,387	1,124,450	56,238
<i>Vehicles</i>				
	20-25	1,042,271	608,384	30,428
<b>Total costs in 2019</b>		<b>\$ 24,626,238</b>	<b>\$ 19,730,471</b>	<b>\$ 1,663,559</b>

\* 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

