

# MOVING KING COUNTY RESIDENTS FORWARD

Telephonic Meeting of the Board of Directors

Monday, December 21, 2020

10:50 AM or immediately following the KCHA Board meeting

King County Housing Authority

700 Andover Park West

Tukwila, WA 98188

## Agenda

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- I. Call to Order
- II. Roll Call
- III. Public Comment
- IV. Approval of Minutes
  - A. October 12, 2020 Board Meeting Minutes 1
- V. Resolutions for Discussion and Possible Action
  - A. **Resolution No. 34** - Adoption of the Calendar Year 2021 Operating And Capital Budget 2
- VI. Briefings and Reports
  - A. Third Quarter 2020 Financial Report for MKCRF and MKCRF - Owned Properties 3
- VII. Board of Directors Comments
- VIII. Adjourn

Members of the public who wish to give public comment: We are only accepting written comments for the time being due to COVID-19. Please send your written comments to [kamir@kcha.org](mailto:kamir@kcha.org) prior to the meeting date. If you have questions, please call 206-574-1206.

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**MINUTES OF THE MOVING KING COUNTY RESIDENTS FORWARD  
BOARD OF DIRECTORS TELEPHONIC MEETING**

**Monday, October 12, 2020**

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**I. CALL TO ORDER**

The telephonic meeting of the Board of Directors of Moving King County Residents Forward (MKCRF) was held on Monday, October 12, 2020 at the, at the King County Housing Authority, 700 Andover Park West, Tukwila, WA at 9:43am.

**II. ROLL CALL**

**Present:** Board of Directors: Doug Barnes, Susan Palmer, Michael Brown, TerryLynn Stewart and Secretary of the Corporation, Stephen Norman.

**Absent:** John Welch

**III. PUBLIC COMMENT**

No Public Comment.

**IV. APPROVAL OF MINUTES**

A. July 20, 2020 Board Meeting Minutes

On motion by Director Susan Palmer and seconded by Director TerryLynn Stewart, the Board of Directors unanimously approved the July 20, 2020 MKCRF Meeting Minutes.

**V. BRIEFINGS AND REPORTS**

A. Second Quarter 2020 Financial Report for MKCRF and MKCRF – Owned Properties

Craig Violante, Director of Finance, gave a detailed explanation on the reports.

**VI. BOARD OF DIRECTORS COMMENTS**

None.

**VII. ADJOURNMENT**

Director Michael Brown moved and Director Susan Palmer seconded the motion. The meeting was officially adjourned at 9:47 a.m.

**MOVING KING COUNTY RESIDENTS FORWARD**

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**DOUGLAS J. BARNES**  
President

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**STEPHEN J. NORMAN**  
Secretary of the Corporation

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# MOVING KING COUNTY RESIDENTS FORWARD

**TO:** Board of Directors

**FROM:** Craig Violante

**DATE:** December 14, 2020

**RE: Resolution 34: 2021 Budget for MKCRF and MKCRF-Owned Properties**

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## EXECUTIVE SUMMARY

The MKCRF-owned Properties (the “Properties”) will continue to generate positive cash flow in 2021. After debt service payments and additions to replacement reserves, the Properties will generate \$2.9 million of cash flow. Out of this cash flow, \$447,000 will be spent on 12 standard unit upgrades at an average cost of \$37,246 and \$288,000 on special maintenance projects, leaving a *net cash flow* balance of approximately \$2.2 million. Current cash projections through the end of 2020 predict a cash deficit of approximately (\$368,000) to be carried into 2021.

In addition to the standard unit upgrades and special projects, the 2021 budget includes \$1.8 million for other capital projects, funded with cash flow generated during the year.

Projected cash at the end of 2021 is approximately \$69,000.

## MKCRF-Owned Properties

The 509 units of multifamily housing that were sold to MKCRF in 2012 continue to be operated by KCHA. According to the terms of the Operating Agreement between KCHA and MKCRF, the revenue generated by the Properties is KCHA’s revenue, and the Authority is responsible for operating costs. This construct allows the properties to continue to be exempt from sales tax. The budget discussion in this section applies solely to the operations of the Properties, and do not include the operations of the non-profit Moving King County Residents Forward. The budget discussion for the non-profit itself is found on page 3.

### Operations Budget

Below is a high-level summary of the 2021 budget for the Properties with a comparison to the 2020 budget. It is in a different format from the formal budget on page 4, and is intended to present the budget in a more user-friendly, operations-oriented layout.

	2020 Adopted Budget	2021 Proposed Budget
<b>2021 Revenue</b>		
Tenant Revenue	\$8,530,442	\$9,301,276
Investment Income	48,617	13,609
Miscellaneous Revenue	1,260	1,200
Total Revenue	<u>8,580,319</u>	<u>9,316,085</u>
<b>2021 Uses</b>		
Operating Expenses	(4,429,649)	(4,684,244)
Debt Service	(1,547,980)	(1,547,980)
Additions to Replacement Reserves	(145,220)	(127,788)
Total Uses	<u>(6,122,849)</u>	<u>(6,360,012)</u>
2021 Operating Margin	<u>2,457,470</u>	<u>2,956,073</u>
<b>2021 Capital Projects</b>		
Transfer from MTW for Capital	1,400,000	0
Capital Projects	(3,229,001)	(1,783,598)
Unit Upgrades	(1,621,390)	(446,958)
Special Maintenance Projects	(96,100)	(288,309)
Total Capital Projects	<u>(3,546,491)</u>	<u>(2,518,865)</u>
Change in Unrestricted Cash	<u>(\$1,089,021)</u>	<u>\$437,208</u>
Total Projected Available Resources, 12/31/2021		<u><u>\$68,974</u></u>

Tenant rents, consisting of subsidy payments from the Housing Choice Voucher program and rental payments from tenants, are forecast at \$9.3 million in 2021, up from a budget of \$8.5 million in 2020. The 2021 budget includes increases in contract rents, averaging 5.0% across the portfolio. These increases are phased-in over time as tenants go through the re-certification process.

The 2021 debt service budget represents 12 monthly payments of \$128,998 to KCHA as conduit for the FHLB loan, and the replacement reserve is fully funded at \$250 per unit per year.

#### Capital Budget

MKCRF will invest \$1.8 million in three major capital projects in 2021, managed by the Capital Construction department. Avondale Manor, a 20-unit complex in Redmond, will see building envelope upgrades (\$825,000). Evergreen Court, a 30-unit apartment in Federal Way, will receive water line replacements (\$452,000). Young's Lake, a 28-unit complex in Renton will receive a new water main (\$471,000). There is also \$35,000 budgeted at Young's Lake to close out the relocation efforts related to this year's extensive waste line and unit upgrade project.

Housing Management's Unit Upgrade Crews are budgeted to complete a total of 12 unit upgrades in 2021 at an average cost of \$37,246. Through September 2020, 395 of the 509 units in this portfolio have been upgraded since inception of the program and 17 more are slated to be completed at Young's Lake this year, leaving only 97 units to modernize. The 2021 budget of 12 units is 12% of this remaining total.

\$288,000 of additional small projects, such as parking lot and sidewalk repair, tree removal, a community room remodel and minor electrical work have been budgeted.

The full budget for the MKCRF-Owned Properties is in Exhibit A, found on page 4.

**MKCRF Entity**

Moving King County Residents Forward is a 501(c)(3) non-profit that owns 509 units of multifamily housing. MKCRF entered into an Operating Agreement with KCHA whereby the Authority would operate the properties, own the revenue, and be responsible for operating costs. Accordingly, none of the operations of the properties appear on the books of MKCRF. The balance sheet of the non-profit consists of the properties themselves, and the debt it owes to KCHA.

A total of \$1.8 million of capital work will be managed by KCHA's Capital Construction department on behalf of MKCRF:

Avondale Manor Waste Line & Site Drainage	\$825,789
Evergreen Ct., Water Line	451,454
Youngs Lake, Water Main	471,355
Youngs Lake Water/Waste Lines	35,000
	<hr/>
	<u>\$1,783,598</u>

The full budget for the MKCRF entity is on Exhibit B, found on page 5.

**MOVING KING COUNTY RESIDENTS FORWARD  
2021 Budget-Properties**

**EXHIBIT A**

	Operations	Capital	2021 Proposed Combined
<b>Beginning Balance, Unrestricted Cash</b>	<b>\$86,667</b>	<b>(\$454,902)</b>	<b>(\$368,235)</b>
<b>Revenues</b>			
Tenant Revenue	9,301,276	0	9,301,276
Other Operating Revenue	1,200	0	1,200
<b>Total Operating Revenues</b>	<b>9,302,476</b>	<b>0</b>	<b>9,302,476</b>
<b>Expenses</b>			
Salaries & Benefits	(1,641,266)	0	(1,641,266)
Routine Maintenance, Utilities, Taxes & Insurance	(1,996,064)	0	(1,996,064)
Other Social Service Support Expenses & HAP	(37,571)	0	(37,571)
Administrative Support Expenses	(1,009,342)	0	(1,009,342)
<b>Total Operating Expenses</b>	<b>(4,684,244)</b>	<b>0</b>	<b>(4,684,244)</b>
<b>Operating Net Income</b>	<b>4,618,232</b>	<b>0</b>	<b>4,618,232</b>
Non-operating Revenue	17,067	(3,458)	13,609
Non-operating Expenses	(1,547,980) (1)	(1,783,598) (1)	(3,331,577)
<b>Net Income</b>	<b>3,087,319</b>	<b>(1,787,056)</b>	<b>7,963,418</b>
<b>Other Sources/(Uses) of Cash</b>			
Capital Projects and Acquisitions	(288,309)	(446,958)	(735,267)
Changes in Designated Cash	(127,788) (2)	0	(127,786)
<b>Total Other Sources/(Uses) of Cash</b>	<b>(416,097)</b>	<b>(446,958)</b>	<b>(863,055)</b>
Transfer of Operating Funds for Unit Upgrades	(446,958)	446,958	0
Transfer of Operating Funds for Capital Construction	(1,783,598)	1,783,598	0
Transfer from MTW fir Capital Construction	0	0	0
<b>Total Use of Operating Funds for Capital Purposes</b>	<b>(2,230,556)</b>	<b>2,230,556</b>	<b>0</b>
<b>Net Change in Unrestricted Cash</b>	<b>440,666</b>	<b>(3,458)</b>	<b>437,208</b>
<b>Ending Balance, Unrestricted Cash</b>	<b>527,334</b>	<b>(458,360)</b>	<b>68,974</b>
<b>Beginning Balance, Designated Cash</b>	<b>\$1,026,068</b>	<b>\$0</b>	<b>\$1,026,068</b>
Changes in Designated Cash	127,788 (2)	0	127,790
<b>Ending Balance, Designated Cash</b>	<b>\$1,153,856</b>	<b>\$0</b>	<b>\$1,153,856</b>

- 1) The Properties pay debt service (\$1,547,979) on the loan from KCHA and the cost of capital projects (\$1,387,419) on behalf of MKCRF, and these expenditures are reflected on the books of the Properties as Non-operating Expenses. MKCRF records a like amount on its books as Other Revenue. The \$1,000 difference relates to miscellaneous MKCRF expenses such as tax return preparation fees.
- 2) Increase in Designated Cash reflects transfers of operating revenues to replacement reserves (\$127,250), plus earned interest.



**MOVING KING COUNTY RESIDENTS FORWARD  
2021 Budget (Cash Basis)**

**EXHIBIT B**

<b><i>Beginning Balance, Unrestricted Cash</i></b>	<b>\$545</b>
<b><i>Revenues</i></b>	
Other Revenue	3,331,583
<b>Total Revenues</b>	<b>3,331,583</b>
<b><i>Expenses</i></b>	
Interest Expense	(806,159)
Administrative Support Expenses	(1,200)
<b>Total Expenses</b>	<b>(807,359)</b>
<b>Net Income</b>	<b>2,524,224</b>
<b><i>Other Sources/(Uses) of Cash</i></b>	
Capital Projects	(1,783,598)
Changes in Debt	(741,821)
<b>Total Other Sources/(Uses) of Cash</b>	<b>(2,525,419)</b>
<b>Net Change in Unrestricted Cash</b>	<b>(1,195)</b>
<b><i>Ending Balance, Unrestricted Cash</i></b>	<b><u><u>(\$650)</u></u></b>

**MOVING KING COUNTY RESIDENTS FORWARD**

**RESOLUTION NO. 34**

**ADOPTION OF THE CALENDAR YEAR 2021 OPERATING AND CAPITAL BUDGET**

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**WHEREAS**, the King County Housing Authority, as Operator of the Moving King County Residents Forward (MKCRF) Properties (the Properties), has submitted Operating and Capital Budgets for the Properties and for MKCRF for the Calendar Year beginning January 1, 2021 (Calendar Year 2021); and,

**WHEREAS**, the Board of Directors has determined that the proposed expenditures are necessary for the efficient and economical operation of the Properties and of MKCRF; and,

**WHEREAS**, the Budgets of the Properties and MKCRF indicates sources of funding adequate to cover all proposed expenditures;

**NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD:**

The Calendar Year 2021 Operating and Capital Budgets are hereby adopted. The Budgets are attached hereto as Exhibits A and B and are made a part thereof.

**ADOPTED AT A MEETING OF THE BOARD OF DIRECTORS OF MOVING KING COUNTY RESIDENTS FORWARD THIS 21<sup>st</sup> DAY OF DECEMBER, 2020.**

**MOVING KING COUNTY RESIDENTS  
FORWARD**

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**Stephen J Norman**  
Secretary

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**DOUGLAS J BARNES**  
President, Board of Directors

**MOVING KING COUNTY RESIDENTS FORWARD**  
**2021 Budget-Properties**

**EXHIBIT A**

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**MOVING KING COUNTY RESIDENTS FORWARD  
2021 Budget (Cash Basis)**

**EXHIBIT B**

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# MOVING KING COUNTY RESIDENTS FORWARD

**TO:** Board of Directors

**FROM:** Windy Epps

**DATE:** December 4, 2020

**RE: Third quarter 2020 Financial Reports for Moving King County Residents Forward (MKCRF) and MKCRF-Owned Properties**

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## EXECUTIVE SUMMARY

Throughout the first three quarters of 2020, the MKCRF-owned Properties (the Properties) generated cash flow sufficient to make all required debt service payments, fully fund replacement reserves, and complete the interior upgrade of twenty-four units using KCHA's internal unit upgrade crews.

## THIRD-QUARTER 2020 FINANCIAL REPORTS

Attached are financial reports for the third quarter of 2020:

- Statement of Financial Position for the Properties that reflects their short-term assets and liabilities
- Statement of Financial Position for the non-profit Moving King County Residents Forward that reflects its long-term assets and liabilities, primarily the apartments complexes and related debt
- Cash Reconciliation report for the Properties that reflects their operating income, expenses, and other cash expenditures
- Cash Reconciliation report for the non-profit Moving King County Residents Forward that reflects its minor operating income and expenses

## *KCHA Operations of the Properties*

Tenant revenue through the third quarter exceeded budget projections by 4.7%. Overall operating expenses tracked close to budget, coming in under by 1.1%. While salaries and benefits exceeded budget due to disinfecting efforts in response to COVID-19, maintenance costs were lower, also due to the effects of the pandemic.

Through the third quarter, the Properties generated net operating cash flow in excess of \$2.2 million after required debt service payments and additions to replacement reserves:

Operating Revenues	\$6,705,237
Operating Expenses	(3,260,701)
Debt Service	(1,160,985)
Transfers to Replacement Reserves	(101,908)
Net Cash Flow	<u><u>\$2,181,644</u></u>

### ***Capital Projects***

The 2020 budget included \$3.0 million in capital expenditures for several projects. Due to the impact of COVID-19, it is now expected total 2020 activity will be closer to \$2.0 million. As a result, third-quarter capital expenditures are 52.4% below budget.

KCHA's internal Unit Upgrade crews rehabilitated the interiors of eight out of the 11 standard units that were included in the 2020 budget. In addition, 16 of the 28 units that were scheduled to be upgraded as part of an extensive rehabilitation project at Young's Lake in Renton have been completed. It is currently projected that 26 of the 28 Young's Lake unit upgrades will be completed by year-end. Since acquiring the Properties in 2012, 188 units have been upgraded by KCHA's in-house unit upgrade crew. A total of 400 units (78.6%) have been upgraded since inception of the program in 2006.

### ***Operations of Moving King County Residents Forward***

MKCRF had no administrative expenses in the quarter. All required monthly debt service payments to KCHA were made.

**Moving King County Residents Forward**  
**Statements of Financial Position**  
**As of September 30, 2020**

	MKCRF Properties Managed by KCHA			MKCRF
	Operations	Capital	Combined	
<b>Assets</b>				
Cash-Unrestricted	\$219,168	(\$488,191)	(\$269,023)	\$595
Cash-Designated	1,039,396	0	1,039,396	0
Cash-Restricted	79,473	0	79,473	0
Accounts Receivable	63,799	0	63,799	0
Other Short-term Assets	41,921	0	41,921	0
Long-term Receivables	0	0	0	0
Capital Assets	76,459	556,448	632,907	71,795,676
Other Assets	0	0	0	0
Total Assets	<u>\$1,520,216</u>	<u>\$68,257</u>	<u>\$1,588,473</u>	<u>\$71,796,271</u>
<b>Liabilities and Equity</b>				
Short-term Liabilities	\$207,964	\$55,577	\$263,541	\$0
Current Portion of Long-term Debt	0	0	0	658,189
Long-term Debt	0	0	0	13,291,767
Other Long-term Liabilities	0	0	0	0
Total Liabilities	<u>207,964</u>	<u>55,577</u>	<u>263,541</u>	<u>13,949,956</u>
Equity	1,312,252	12,680	1,324,932	57,846,315
Total Liabilities and Equity	<u>\$1,520,216</u>	<u>\$68,257</u>	<u>\$1,588,473</u>	<u>\$71,796,271</u>



**Moving King County Residents Forward**  
**Cash Reconciliation Report**  
**Properties and MKCRF**  
**Through September 30, 2020**

	MKCRF Properties, Managed by KCHA				MKCRF			
	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance	Actual	Budget	Favorable (Unfavorable) \$ Variance	Favorable (Unfavorable) % Variance
<b>BEGINNING UNRESTRICTED/PROGRAM CASH</b>	<b>(\$9,858)</b>				<b>\$1,760</b>			
<i>Rental Revenue and Subsidy</i>								
Tenant Revenue	\$6,705,237	\$6,402,997	\$302,240	4.7%	\$0	\$0	\$0	n/a
<i>Total Rental Revenue and Federal Support</i>	6,705,237	6,402,997	302,240	4.7%	0	0	0	n/a
<i>Other Operating Revenue</i>								
Other Revenue	11,552	37,432	(25,880)	-69.1%	2,331,386	3,892,093	(1,560,707)	-40.1%
<i>Total Other Operating Revenue</i>	11,552	37,432	(25,880)	-69.1%	2,331,386	3,892,093	(1,560,707)	-40.1%
<i>Total Operating Revenue</i>	6,716,789	6,440,428	276,361	4.3%	2,331,386	3,892,093	(1,560,707)	-40.1%
<i>Operating Expenses</i>								
Salaries and Benefits	(1,426,700)	(1,247,670)	(179,030)	-14.3%	0	0	0	n/a
Administrative Expenses	(130,416)	(120,869)	(9,547)	-7.9%	(65)	(800)	735	91.9%
Maintenance Expenses and Utilities	(1,129,289)	(1,364,803)	235,514	17.3%	0	0	0	n/a
Management Fees Charged to Properties and Programs	(573,314)	(574,845)	1,531	0.3%	0	0	0	n/a
Other Programmatic Expenses	(981)	(621)	(360)	-58.0%	0	0	0	n/a
Debt Service	(1,160,985)	(1,161,914)	929	0.1%	0	0	0	n/a
<i>Total Operating Expenses</i>	(4,421,685)	(4,470,722)	49,037	1.1%	(65)	(800)	735	91.9%
<i>Net Operating Income</i>	2,295,104	1,969,706	325,397	16.5%	2,331,321	3,891,293	(1,559,972)	-40.1%
<i>Non Operating Income/(Expense)</i>								
Interest Expense	0	0	0	n/a	(640,837)	(637,407)	(3,431)	-0.5%
Other Non-operating Income/(Expense)	(52,145)	0	(52,145)	n/a	0	0	0	n/a
<i>Total Non Operating Income/(Expense)</i>	(52,145)	0	(52,145)	n/a	(640,837)	(637,407)	(3,431)	-0.5%
<i>Capital Activity</i>								
Capital Project Funding, Excluding Debt Issuance	0	1,049,994	(1,049,994)	-100.0%	0	0	0	n/a
Capital Project Expenditures	(1,298,614)	(2,730,152)	1,431,538	52.4%	(1,170,401)	(2,730,152)	1,559,751	57.1%
Unit Upgrades	(855,409)	(1,217,016)	361,607	29.7%	0	0	0	n/a
<i>Total Change in Capital Assets, net of Direct Funding and Debt</i>	(2,154,023)	(2,897,174)	743,151	25.7%	(1,170,401)	(2,730,152)	1,559,751	57.1%
<i>Change in Other Assets/Liabilities</i>								
Change in Designated/Restricted Cash	(102,355)	(108,936)	6,581	6.0%	0	0	0	n/a
Change in Short-term Assets	135,609	0	135,609	n/a	0	0	0	n/a
Change in Short-term Liabilities	(381,354)	0	(381,354)	n/a	(1,100)	0	(1,100)	n/a
Change in Long-term Debt	0	0	0	n/a	(520,147)	(524,507)	4,360	0.8%
<i>Change in Other Assets/Liabilities</i>	(348,100)	(108,936)	(239,164)	-219.5%	(521,247)	(524,507)	3,260	0.6%
<i>Change in Unrestricted/Program Cash</i>	(\$259,165)	(\$1,036,404)	\$777,239	75.0%	(\$1,165)	(\$773)	(\$392)	-50.7%
<b>ENDING UNRESTRICTED/PROGRAM CASH</b>	<b>(\$269,023)</b>				<b>\$595</b>			
<b>BEGINNING DESIGNATED/RESTRICTED CASH</b>	<b>\$1,016,514</b>				<b>\$0</b>			
Change in Replacement Reserves	101,908	108,936	(7,028)	-6.5%	0	0	0	n/a
Change in Debt Service Reserves	0	0	0	n/a	0	0	0	n/a
Change in Other Reserves	447	0	447	n/a	0	0	0	n/a
<i>Change in Designated/Restricted Cash</i>	102,355	108,936	(6,581)	-6.0%	0	0	0	n/a
<b>ENDING DESIGNATED/RESTRICTED CASH</b>	<b>\$1,118,869</b>				<b>\$0</b>			

- As interest rates fell, lower than anticipated interest income was earned on invested cash.
- Due to temporary employees and more overtime pay for maintenance and landscapers to clean and disinfect buildings due to COVID-19.
- Maintenance projects and contracts expenses were well below budget due to projects being put on hold due to COVID-19.
- Due to fire loss repair at Victorian Woods; slightly offset by insurance proceeds.
- Transfers related to capital construction and unit upgrades were under budget. See notes 6 and 7.
- Capital construction projects were below budget and are expected to end the year under budget as several projects have been delayed to 2021.
- Unit upgrades are below budget due to unit availability.
- Decrease in tenant receivables and prepaid insurance.