

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

AND CONSOLIDATED SUBSIDIARIES

SUMNER, MARYLAND

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 1971

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November 3, 1971

W. C. and A. N. Miller Development Company
4701 Sangamore Road
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Gentlemen:

We have examined the consolidated balance sheet of the

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

AND CONSOLIDATED SUBSIDIARIES

as of September 30, 1971 and the related consolidated statements of stockholders' equity and income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the Company's financial statements for the year ended September 30, 1970.

In our opinion, the accompanying consolidated financial statements referred to above present fairly the financial position of the W. C. and A. N. Miller Development Company and consolidated subsidiaries as of September 30, 1971 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted,

Bond, Beebe, Bond & Bond

CERTIFIED PUBLIC ACCOUNTANTS

W. C. AND A. N. MILLER DEVELOPMENT COMPANY

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1971 AND 1970

ASSETS

<u>Real Estate</u> (at cost)	<u>1971</u>	<u>1970</u>	<u>Increase</u> <u>(Decrease)</u>
Investment Property - Net of Accumulated Depreciation of \$1,744,573 and \$1,656,614 respectively	\$ 2,203,340	\$2,349,756	\$ (146,416)
Land	3,221,300	3,597,706	(376,406)
Investment in Joint Venture (at cost) - Note 3	<u>132,305</u>	<u>128,391</u>	<u>3,914</u>
	5,556,945	6,075,853	(518,908)
<u>Trust Notes Receivable</u> -			
Less Current Portion - Note 5	<u>1,364,788</u>	<u>237,926</u>	<u>1,126,862</u>
<u>Current</u>			
Cash (\$113,020 held in a Fiduciary Capacity at September 30, 1971)	151,026	238,208	(87,182)
Accounts Receivable - net	186,276	216,057	(29,781)
Notes Receivable including Accrued Interest	449,914	223,240	226,674
Cost of Completed New Homes	852,411	568,215	284,196
Jobs in Progress	822,776	519,845	302,931
Land - Subdivided Lots	580,898	379,512	201,386
Lots Under Contract	-	34,368	(34,368)
Federal Income Tax Refund	3,995	3,995	-
Prepaid Expenses	<u>185,316</u>	<u>195,037</u>	<u>(9,721)</u>
	3,232,612	2,378,477	854,135
<u>Fixed</u> (at cost)			
Business Realty, Equipment and Leasehold Improvements - Net of Accumulated Depreciation	<u>163,095</u>	<u>143,499</u>	<u>19,596</u>
<u>Other</u>	<u>59,649</u>	<u>62,210</u>	<u>(2,561)</u>
<u>TOTAL ASSETS</u>	<u>\$10,377,089</u>	<u>\$8,897,965</u>	<u>\$1,479,124</u>

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

LIABILITIES AND STOCKHOLDERS' EQUITY

<u>Long Term</u> - Note 2	1971	1970	Increase (Decrease)
Investment Property	\$ 3,334,600	\$2,779,204	\$ 555,396
Land	1,898,192	2,097,384	(199,192)
Other	198,405	202,706	(4,301)
	5,431,197	5,079,294	351,903
<u>Current</u>			
Accounts Payable	264,640	415,793	(151,153)
Notes Payable - Short Term	388,198	387,885	313
Construction Loans Payable	869,200	531,000	338,200
Land Loans Payable - Subdivided Lots	529,419	366,910	162,509
Deposits on Contracts	195,141	173,954	21,187
Accrued Expenses	132,959	135,829	(2,870)
Escrow Funds, Owners' Balances and Rent Deposits	29,070	27,581	1,489
	2,408,627	2,038,952	369,675
<u>Other</u>			
Deferred Income Taxes - Note 5	349,447	-	349,447
Provision for Loss on Joint Venture - Note 3	259,320	258,860	460
Deferred Commissions	13,750	13,750	-
	622,517	272,610	349,907
<u>Stockholders' Equity</u> - Exhibit "B"	1,914,748	1,507,109	407,639
<u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u>	\$10,377,089	\$8,897,965	\$1,479,124

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITYFOR THE YEARS ENDED SEPTEMBER 30, 1971 AND 1970

<u>Common Stock - Par Value - \$100.00</u>	<u>1971</u>	<u>1970</u>
Authorized (10,000 Shares)	\$ 1,000,000	
Less: Unissued - 1,778 Shares	<u>177,800</u>	
Issued - 8,222 Shares	822,200	
Less: Issued Stock Repurchased and Held in Treasury - 220 Shares	<u>22,000</u>	
<u>Common Stock Outstanding - 8,002 Shares</u>	<u>\$ 800,200</u>	<u>\$ 800,200</u>
<u>Retained Earnings</u>		
<u>Balance - At Beginning of Year</u>	706,909	926,859
Net Income (Loss) for the Year - Exhibit "C"	567,679	(59,910)
Dividends	<u>(160,040)</u>	<u>(160,040)</u>
<u>Balance - At End of Year</u>	<u>1,114,548</u>	<u>706,909</u>
<u>Total Stockholders' Equity</u>	<u>\$ 1,914,748</u>	<u>\$ 1,507,109</u>

To Exhibit "A"

W. C. AND A. N. MILLER DEVELOPMENT COMPANYCONSOLIDATED INCOME STATEMENTFOR THE YEARS ENDED SEPTEMBER 30, 1971 AND 1970

	<u>1971</u>	<u>1970</u>	<u>Increase (Decrease)</u>
<u>Net Departmental Operating Income</u>	\$ 151,028	\$ 121,640	\$ 29,388
<u>Investment Property</u>			
Net Rental Income (Excluding Depreciation and Interest)	491,290	481,960	9,330
Net Income from Sale of Land	<u>49,424</u>	<u>(53,356)</u>	<u>102,780</u>
<u>Total Operating Income</u>	691,742	550,244	141,498
Less: General and Administrative Expenses	<u>350,075</u>	<u>354,472</u>	<u>(4,397)</u>
<u>Net Operating Income Before Other Income and Expense</u>	<u>341,667</u>	<u>195,772</u>	<u>145,895</u>
<u>Other (Income) and Expense</u>			
Gain on Sale of Rental Homes	(41,935)	(56,666)	14,731
Interest Expense	452,014	411,681	40,333
Depreciation - Investment Property	117,795	126,185	(8,390)
Venture Loss - Little Falls Mall	460	43,961	(43,501)
Miscellaneous Other Expense	213	754	(541)
Provision for Income Taxes	<u>5,688</u>	<u>5,199</u>	<u>489</u>
	<u>534,235</u>	<u>531,114</u>	<u>3,121</u>
<u>Net Loss Before Extraordinary Item</u>	(192,568)	(335,342)	142,774
<u>Extraordinary Item - Note 5</u>			
Gain on Sale of Undeveloped Land	1,109,694	275,432	834,262
Applicable Deferred Income Taxes	<u>349,447</u>	<u>-</u>	<u>349,447</u>
	<u>760,247</u>	<u>275,432</u>	<u>484,815</u>
<u>Net Income (Loss) for the Year</u>	<u>\$ 567,679</u>	<u>\$ (59,910)</u>	<u>\$ 627,589</u>

To Exhibit "B"

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

NOTES TO FINANCIAL STATEMENTS

Note 1 - Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries:

The W. C. and A. N. Miller Development Corporation of Virginia

The W. C. and A. N. Miller Insurance Agency, Inc.

The assets and liabilities of the wholly-owned subsidiaries are not separately disclosed in this report as they are nominal in amount.

Operations of The W. C. and A. N. Miller Insurance Agency, Inc. are presented in Exhibit "C" under "Insurance".

The W. C. and A. N. Miller Development Corporation of Virginia is not currently engaged in any operations.

Note 2 - Long Term Liabilities

Approximately \$381,000 in annual curtail is required for fiscal year 1972; however, this amount pertains almost exclusively to rental property and land being developed (Potomac Falls and Overlook Subdivisions), both of which generate sufficient funds through operations to meet curtail requirements. The comparable curtail requirement for fiscal year 1971 was \$390,000. Accordingly, no provision has been made in the current liabilities section of the balance sheet for principal payments.

Note 3 - Investment in Joint Venture

W. C. and A. N. Miller Development Company has an 85% interest in Summer Development & Investment Company, a joint venture begun February 15, 1966. The joint venture has built a shopping center-office building called "Little Falls Mall." Eighty-five per cent of the losses incurred to date by the joint venture have been provided for in the liability section of the Company's balance sheet. These losses are attributable to charging construction loan interest and real estate taxes to expense during construction

NOTES TO FINANCIAL STATEMENTS

Note 3 - Investment in Joint Venture - Continued

and net losses from operations of \$541, \$43,961 and \$85,079 for the years ended September 30, 1971, 1970 and 1969 respectively. Depreciation of the complex is on the straight line method and amounted to \$96,189, \$88,838 and \$82,216 for the three years.

The condensed balance sheet of Summer Development and Investment Company at September 30, 1971 is as follows:

<u>ASSETS</u>		<u>LIABILITIES AND CAPITAL</u>	
Current Assets	\$ 98,767	Current Liabilities	\$ 16,853
Deferred Charges	54,612	Notes Payable - Partners	236,055
Realty, Net of Accumulated		First Trust Note Payable	2,613,784
Depreciation - \$267,243	<u>2,525,745</u>	Capital (Deficit)	<u>(187,568)</u>
<u>TOTAL ASSETS</u>	<u>\$ 2,679,124</u>	<u>TOTAL LIABILITIES AND CAPITAL</u>	<u>\$ 2,679,124</u>

Included in the liability section are the following amounts due to W. C. and A. N. Miller Development Company:

On Open Account	-	\$ 3,294
On Promissory Notes	-	185,627

Note 4 - Provision for Income Taxes

The Internal Revenue Service has reviewed and approved as filed the Federal income tax returns of the Company through the fiscal year ended September 30, 1969.

The Development Company has a net operating loss carry-forward of \$222,814 for Federal income tax purposes.

Note 5 - Extraordinary Item

In May of this year the Company sold a parcel of undeveloped land (Garrity Tract) for a net sales price of \$1,316,000, resulting in a net gain of \$760,247 after reduction for applicable deferred income taxes of \$349,447. The Company has elected the installment method of reporting the gain for income tax purposes.

NOTES TO FINANCIAL STATEMENTS

Note 5 - Extraordinary Item - Continued

In connection with this sale, the Company received a first trust in the amount of \$1,316,000 which is due in five annual installments commencing January 31, 1972 and bears interest at 7 per cent.