

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

WASHINGTON, D. C.

AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 1966

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CERTIFIED PUBLIC ACCOUNTANTS

WASHINGTON, D. C.

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WASHINGTON, D. C. 20016  
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December 7, 1966

W. C. and A. N. Miller Development Company  
4900 Massachusetts Avenue, N. W.  
Washington, D. C., 20016

Gentlemen:

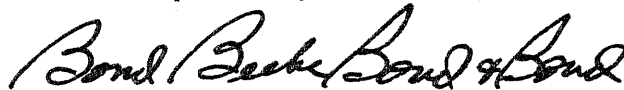
We have examined the financial records of the

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

for the year ended September 30, 1966 and submit our report, which includes the exhibits, schedule and comments listed in the preceding table of contents. 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.

In our opinion, the accompanying Statement of Financial Condition and related Statements of Stockholders' Equity and Income present fairly the financial position of the W. C. and A. N. Miller Development Company at September 30, 1966 and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the prior year.

Respectfully submitted,



CERTIFIED PUBLIC ACCOUNTANTS

W. C. AND A. N. MILLER DEVELOPMENT COMPANYCOMPARATIVE STATEMENT OF FINANCIAL CONDITIONSEPTEMBER 30, 1966 AND 1965

	September 30,	
	1966	1965
<u>Current Assets</u>		
Cash on Deposit and On Hand	\$ 103,680	\$ 162,996
Notes and Accrued Interest Receivable	277,115	174,479
Accounts Receivable	164,367	319,046
Houses in Progress or Completed	1,394,971	1,014,759
Miscellaneous Jobs in Progress	139,736	218,999
Prepaid Expenses	123,349	139,114
<u>Total Current Assets</u>	<u>2,203,218</u>	<u>2,029,393</u>
<u>Current Liabilities</u>		
Accounts Payable	319,859	246,687
Notes Payable - Short Term	257,000	242,000
Construction Loans Payable	862,950	365,500
Deposits on Contracts of Sale	136,312	122,277
Escrow Liability, Owners Balances and Rental Deposits	17,188	17,492
Provision for Federal and State Income Taxes	61,566	79,396
Accrued Liabilities	163,500	184,092
<u>Total Current Liabilities</u>	<u>1,818,375</u>	<u>1,257,444</u>
<u>Net Working Capital</u>	<u>384,843</u>	<u>771,949</u>
<u>Non-Current Assets</u>		
Investments		
Land Unimproved	1,595,698	1,249,329
Land Under Development	410,200	346,541
Rental Properties	1,573,365	1,609,507
Subsidiary Companies and Other	96,795	45,300
Equipment and Leasehold Improvements	151,288	176,033
Other Assets	124,276	72,767
<u>Total Non-Current Assets</u>	<u>3,951,622</u>	<u>3,499,477</u>
<u>Net Working Capital and Non-Current Assets</u>	<u>4,336,465</u>	<u>4,271,426</u>
<u>Non-Current Liabilities</u>		
Lease Agreement - Investment Real Estate Improvements	12,000	18,000
Trust Notes Payable - Rental Property	1,529,904	1,599,805
Trust Notes Payable - Land	692,500	492,000
Deferred Income	11,250	11,256
<u>Total Non-Current Liabilities</u>	<u>2,245,654</u>	<u>2,121,061</u>
<u>Net Assets</u>	<u>\$2,090,811</u>	<u>\$2,150,365</u>
<u>Stockholders' Equity - Exhibit "B"</u>	<u>\$2,090,811</u>	<u>\$2,150,365</u>

W. C. AND A. N. MILLER DEVELOPMENT COMPANYSTOCKHOLDERS' EQUITYSEPTEMBER 30, 1966Stockholders' EquityCommon Stock - Par Value \$100.00

Authorized	\$1,000,000
Less: Unissued	<u>177,800</u>
Issued	822,200
Less: Issued Stock Purchased and Placed in Treasury	<u>22,000</u>

Total Capital Stock Outstanding \$ 800,200

Retained Earnings

Balance - September 30, 1965 1,350,165

Add:

Net Profit for the Year Ended  
September 30, 1966 - Exhibit "C" 84,482  
1,434,647

Deduct:

Dividends Declared on Common Stock 144,036

Balance - September 30, 1966 1,290,611

Total Stockholders' Equity \$2,090,811

To Exhibit "A"

W. C. AND A. N. MILLER DEVELOPMENT COMPANYINCOME STATEMENTFOR THE YEAR ENDED SEPTEMBER 30, 1966

<u>Income</u>	<u>Income</u>	<u>Costs and Expenses</u>	
Departmental Income			
New Construction	\$2,515,635	\$2,269,038	\$ 246,597
Contracting and Remodeling	570,831	551,437	19,394
Sub-Contracting	1,189,267	1,183,327	5,940
Sales	379,112	338,030	41,082
Property Management	64,008	29,581	34,427
Insurance	42,337	30,574	11,763
Net Departmental Income			359,203
Investment Property			159,569
Other Income			80,045
<u>Total Income</u>			598,817
<u>General and Administrative Expenses</u>			452,769
<u>Net Profit Before Income Taxes</u>			146,048
Federal and State Income Taxes			61,566
<u>Net Profit for the Year Ended September 30, 1966</u>			\$ 84,482

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

INVESTMENT PROPERTY - NET RENTAL INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 1966

<u>Commercial Property</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Repairs and Maintenance</u>	<u>Depreciation</u>
Commercial Ground Leased to				
49th and Mass., Inc.	\$ 20,978	\$ 5,400	\$ -	\$ 951
4300 Fordham Road	149,407	47,953	153	3,598
4820 Massachusetts Ave., N. W.	302,618	143,404	4,111	8,132
4860 Massachusetts Ave., N. W.	26,671	20,076	1,024	1,084
4866 Massachusetts Ave., N. W.	17,028	14,134	1,007	434
4872 Massachusetts Ave., N. W.	142,817	51,796	9,285	3,876
4900 Massachusetts Ave., N. W.				
Sub-lease	60,536	9,343	-	-
Sentinel Apartments	973,228	309,551	31,082	40,994
<u>Total Commercial Property</u>	<u>1,693,283</u>	<u>601,657</u>	<u>46,662</u>	<u>59,069</u>
<u>Residential Property</u>	<u>587,806</u>	<u>135,456</u>	<u>22,175</u>	<u>17,905</u>
<u>Sales Office - Great Falls</u>	<u>35,918</u>	<u>6,529</u>		
<u>Total</u>	<u>2,317,007</u>	<u>\$ 743,642</u>		
Less: Accumulated Depreciation	(743,642)			
<u>Net</u>	<u>\$ 1,573,365</u>		<u>\$ 68,837</u>	<u>\$ 76,974</u>
<u>1/</u>				
<u>Rent Commissions on Own Property</u>				
<u>Net Rental Income</u>				

1/ To Exhibit "A"

2/ To Exhibit "C"

<u>Insurance</u>	<u>Taxes</u>	<u>Interest</u>	<u>Other Rental Expense</u>	<u>Total Expense</u>	<u>Rental Income</u>	<u>Profit or (Loss)</u>
\$ -	\$ 19,145	\$ -	\$ -	\$ 20,096	\$ 39,145	\$ 19,049
770	5,718	1,905	29	12,173	71,413	59,240
1,320	14,061	20,132	795	48,551	139,256	90,705
153	1,805	1,326	14	5,406	13,739	8,333
91	1,602	2,652	21	5,807	23,383	17,576
400	3,813	3,683	4,679	25,736	29,419	3,683
4	-	-	6,848	6,852	19,289	12,437
<u>3,487</u>	<u>20,553</u>	<u>34,877</u>	<u>17,832</u>	<u>148,825</u>	<u>140,209</u>	<u>(8,616)</u>
6,225	66,697	64,575	30,218	273,446	475,853	202,407
<u>1,674</u>	<u>14,636</u>	<u>24,917</u>	<u>485</u>	<u>81,792</u>	<u>66,089</u>	<u>(15,703)</u>

<u>\$ 7,899</u>	<u>\$ 81,333</u>	<u>\$ 89,492</u>	<u>\$ 30,703</u>	<u>\$ 355,238</u>	<u>\$ 541,942</u>	186,704
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27,135
\$ 159,569
2/



# COMMENTS

Cash - \$103,680

Cash on deposit was reconciled with the bank statements and confirmed by direct correspondence with the depositories. Petty cash and office funds were verified by actual count, except for a fund of \$50.

The Company holds \$65,830, of total cash, in a fiduciary capacity.

Notes and Accrued Interest Receivable - \$277,115

Notes receivable held by the Company and by Riggs National Bank for collection were verified by inspection and correspondence with the collecting bank. Accrued interest receivable on the above notes was verified by us on a test basis.

Accounts Receivable - \$164,367

Confirmation of accounts receivable was made as of August 31, 1966. Settlements receivable and employees' receivables were not confirmed but were verified by other auditing procedures. An estimate of uncollectible accounts has been provided. An analysis of accounts receivable follows:

	Total	Charged in September or Paid in October, 1966	July and August, 1966	Prior
Remodeling and Electrical Contracting	\$ 85,782	\$ 45,263	\$ 14,083	\$ 26,436
Insurance Premiums	17,478	8,673	2,583	6,222
Miscellaneous	10,209	7,088	1,113	2,008
	113,469	\$ 61,024	\$ 17,779	\$ 34,666
Less: Estimated Uncollectible Accounts	8,455			
	105,014			
Employees	7,315			
Due from Purchasers on Sales Contracts	14,014			
Rents	30,056			
Subsidiary Companies	7,968			
	\$164,367			

## COMMENTS

### Houses in Progress or Completed - \$1,394,971

Costs of houses under construction, or completed and held for sale, are reflected in this account. The costs of land and improvements incurred to September 30, 1966 are included. The following schedule gives a comparison of the status of construction as of September 30, 1966 and 1965.

<u>Construction Status</u>	<u>September 30, 1966</u>		<u>September 30, 1965</u>	
	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>
Houses Completed	7	\$ 492,718	5	\$ 337,164
Houses in Latter Stages of Construction	13	750,321	8	366,599
Houses in Early Stages of Construction	4	85,396	10	209,628
Houses Taken in Trade - Guaranteed Equity	1	66,536	1	101,368
	25	\$1,394,971	24	\$1,014,759

### Miscellaneous Jobs in Progress - \$139,736

The costs of remodeling and miscellaneous jobs and certain preliminary costs in conjunction with houses scheduled for construction are reflected in this total.

### Prepaid Expenses - \$123,349

Prepaid expenses represents taxes, insurance, materials inventory and other items of expense which will be charged against future operations in the normal course of business.

A summary follows:

#### Insurance

General	\$ 12,728	
Investment - Real Estate	<u>5,107</u>	\$ 17,835

#### Taxes

Real Estate	77,734	
Other	<u>807</u>	78,541

<u>Building Materials and Supplies</u>		26,663
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<u>Other</u>		<u>310</u>
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		<u>\$123,349</u>
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## COMMENTS

### Accounts Payable - \$319,859

Accounts payable are summarized below. Trade accounts are in agreement with the creditors' statements and/or invoices.

Trade Creditors	\$115,244
Insurance Premiums	12,000
Real Estate Taxes	118,855
Employees	51,756
Dividends on Common Stock	16,004
Lease Agreement on Investment Property	
Improvements - Due Within One Year	<u>6,000</u>
	<u>\$319,859</u>

### Notes Payable - Short Term - \$257,000

The following notes payable were verified by correspondence with the note holders.

Riggs National Bank	\$180,000
Trustees of the Estate of Agnes Miller Trorey	6,000
Subsidiary Companies	
W. C. and A. N. Miller Development	
Company of Virginia	6,000
49th & Mass., Inc.	<u>65,000</u>
	<u>\$257,000</u>

### Provision for Federal and State Income Taxes - \$61,566

The Internal Revenue Service has reviewed the federal income tax returns of the Company through the fiscal year ended September 30, 1959. No examination has been started, as of this date, for any subsequent year.

### Accrued Liabilities - \$163,500

This account represents current obligations scheduled below.

Interest	\$ 16,235
Guaranteed Reserves	15,074
Insurance	15,900
Taxes Withheld and Accrued	40,144
Land Settlements-Great Falls Farm Corporation	61,941
Deferred Sales Commissions Payable	11,250
Other	<u>2,956</u>
	<u>\$163,500</u>

## COMMENTS

### Investments - Land Unimproved - \$1,595,698

In 1964, the Company acquired, at a cost of \$25,000, a three year option to purchase, in addition to its present holdings, 340 acres of Pleasant Hill Farm for \$2,150 per acre. This option will expire, unless exercised, on July 31, 1967.

Title and trust indebtedness on unimproved land were not examined, but records show that taxes, as well as interest on the trust indebtedness, were being paid by the Company.

### Investment - Land Under Development - \$410,200

This account includes the cost of subdivided land, together with certain ground improvements. Reserves, estimated to be sufficient to cover the contemplated ground improvements, have been set up as reflected below. The cost of improvements in place will be closed against the reserves as such improvements are completed for each section.

The Company entered into a land contract agreement with the Great Falls Farm Corporation on May 29, 1959 for the use of approximately 792 acres of unimproved ground in Montgomery County, Maryland. Payments are required to the Great Falls Farm Corporation as settlements are made on the completed houses. W. C. and A. N. Miller Development Company is to have six houses under construction or completed at all times.

A schedule of this account follows:

	<u>Land Cost</u>	<u>Cost of Land Improvements</u>	<u>Reserve for Cost of Improvements</u>
<u>Great Falls Estate</u>			
(Under Land Contract Agreement)	\$	\$ 233,158	\$ 99,259
<u>Spring Hill</u>	54,888	186,348	184,720
<u>Sumner</u>	218,442	180,741	185,853
<u>Spring Valley</u>	<u>6,722</u>	<u>19,092</u>	<u>19,359</u>
	280,052	<u>\$ 619,339</u>	<u>\$ 489,191</u>
Add: Cost of Land Improvements	<u>619,339</u>		
	899,391		
Deduct: Reserve for Cost of Improvements	<u>489,191</u>		
	<u>\$ 410,200</u>		

## COMMENTS

Equipment and Leasehold Improvements - \$151,288 (net)

Equipment is stated at cost less accumulated depreciation. Depreciation is being provided on the straight line basis for items acquired prior to October 1, 1955 and, on an accelerated basis, for items acquired after that date.

<u>Equipment</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>
Office Furniture and Fixtures	\$ 66,027	\$ 43,616	\$ 22,411
Office Equipment	53,545	38,656	14,889
Automobiles	36,127	31,767	4,360
Trucks	55,893	47,318	8,575
Buses	4,088	4,088	-
Tractors and Trailers	79,595	51,387	28,208
Tools, Equipment and Maintenance Shop	109,667	41,817	67,850
	404,942	258,649	146,293
<u>Leasehold Improvements</u> - net	4,995	-	4,995
	<u>\$ 409,937</u>	<u>\$ 258,649</u>	<u>\$ 151,288</u>

Other Assets - \$124,276

This account is scheduled below.

### Deposits

Utility and Title Companies	\$ 4,589	
Stock Option	200	
Land Option - Kelly Tract	25,000	\$ 29,789

### Deferred Charges

Development Costs - Spring Valley	53,898	
Development Costs - Great Falls	19,301	
Loan Charges on Investment Property	11,713	
Bad Debt Expense	1,750	
Sales Commission Expense	5,625	92,287

### Livestock on Farm Tracts

2,200  
\$ 124,276

Trust Notes Payable - Rental Property - \$1,529,904

The trust notes were verified by direct correspondence with the note holders.

A summary of these notes follows:

COMMENTS

Trust Notes Payable - Rental Property - continued

<u>Commercial Property</u>	<u>Interest Rate</u>	<u>Original Note</u>	<u>Note Balances</u>
Commercial Ground Including Land Improvements under Lease		\$ -	\$ -
Commercial Ground and Parking Lot 4300 Fordham Road, N. W.	4.25%	125,000	40,905
4820 Massachusetts Avenue, N. W.	6.00%	400,000	328,000
4860 Massachusetts Avenue, N. W.	5.25%	36,000	24,284
4866 Massachusetts Avenue, N. W.	5.25%	72,000	48,568
4872 Massachusetts Avenue, N. W.	5.25%	100,000	67,456
Sentinel Apartments	6.00%	700,000	569,089
<u>Total Commercial Property</u>		1,433,000	1,078,302
<u>Residential Property</u>	-	565,834	437,951
<u>Sales Office - Potomac</u>	5.50%	18,000	13,651
<u>Total</u>		\$2,016,834	\$1,529,904

Trust Notes Payable - Land - \$692,500

The above account represents the trust notes secured on unimproved land. These notes, which are scheduled below, were verified by direct correspondence with the note holders.

First Trusts

Pleasant Hill - Catharine M. Kelley	\$180,000
Pleasant Hill - Hugh Ross	165,000
Schwab Farm - J. North Fletcher	250,000
	595,000

Second Trusts

Pleasant Hill - Paul V. Finnegan	97,500
<u>Total</u>	\$692,500

COMMENTS

Operations

The following summary shows the gross profit on company built houses sold for the year ended September 30, 1966 and for the year ended September 30, 1965.

		<u>1966</u>			<u>1965</u>	
<u>Houses Sold</u>	Number of Units	Sales Price	Cost Including Sales Cost	Number of Units	Sales Price	Cost Including Sales Cost
<u>Maryland</u>						
Great Falls Estates	11	\$1,092,969	\$ 905,229	6	\$ 755,308	\$ 647,567
Spring Hill	10	1,022,026	744,094	12	1,215,070	888,052
Sumner	5	400,640	315,899	3	211,298	159,644
<u>District of Columbia</u>						
Spring Valley	-	-	-	7	555,361	419,916
<u>Total</u>	26	2,515,635	\$1,965,222	28	2,737,037	\$2,115,179
Less: Cost of Sales		<u>1,965,222</u>			<u>2,115,179</u>	
<u>Gross Profit</u>		<u>\$ 550,413</u>			<u>\$ 621,858</u>	