

W.C. AND A.N. MILLER DEVELOPMENT COMPANY  
AND CONSOLIDATED SUBSIDIARIES  
BETHESDA, MARYLAND

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CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED SEPTEMBER 30, 1983 AND 1982

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BOND, BEEBE, BARTON & MUCKELBAUER, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

4200 WISCONSIN AVENUE, N.W.

WASHINGTON, D.C. 20016

202-244-6500

October 28, 1983

The Board of Directors  
W.C. and A.N. Miller  
Development Company  
4701 Sangamore Road  
Bethesda, Maryland 20816

We have examined the consolidated balance sheet of the W.C. and A.N. Miller Development Company and consolidated subsidiaries as of September 30, 1983 and 1982 and the related consolidated statements of stockholders' equity, income and changes in financial position for the years 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.

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, 1983 and 1982 and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis, except for the change, with which we concur, in the method of accounting for the cost of completed homes and job-in-progress inventory, as described in Note 7 to the financial statements.

*Bond, Beebe, Barton & Muckelbauer, P. C.*  
CERTIFIED PUBLIC ACCOUNTANTS

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

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1983 AND 1982

ASSETS

REAL ESTATE - At cost	<u>1983</u>	<u>1982</u>	<u>Increase (Decrease)</u>
Investment property	\$ 7,843,339	\$ 7,975,343	\$ (132,004)
Accumulated depreciation	<u>(3,266,146)</u>	<u>(3,081,648)</u>	<u>184,498</u>
	4,577,193	4,893,695	(316,502)
Unimproved land	<u>1,861,037</u>	<u>1,711,097</u>	<u>149,940</u>
	<u>6,438,230</u>	<u>6,604,792</u>	<u>(166,562)</u>
OPERATING ASSETS			
Cash (\$280,632 held in a fiduciary capacity at September 30, 1983)	1,538,349	388,435	1,149,914
Accounts receivable	150,057	217,531	(67,474)
Notes receivable	314,780	534,616	(219,836)
Completed homes for sale	970,453	1,052,973	(82,520)
Jobs-in-progress	1,323,834	1,697,343	(373,509)
Land - subdivided lots (construction not started)	1,405,065	1,653,111	(248,046)
Prepaid expenses	100,349	83,021	17,328
Business realty, equipment and leasehold improvements (net of accumulated depreciation of \$562,711 in 1983 and \$507,404 in 1982)	187,157	238,203	(51,046)
Income tax refunds	-	42,403	(42,403)
Other	<u>175,730</u>	<u>135,654</u>	<u>40,076</u>
	<u>6,165,774</u>	<u>6,043,290</u>	<u>122,484</u>
TOTAL ASSETS	<u>\$ 12,604,004</u>	<u>\$ 12,648,082</u>	<u>\$ (44,078)</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

LONG-TERM LIABILITIES - Note 5	1983	1982	Increase (Decrease)
Investment property	\$ 4,721,335	\$ 4,253,644	\$ 467,691
Other	3,527	4,115	(588)
	<u>4,724,862</u>	<u>4,257,759</u>	<u>467,103</u>
OPERATING LIABILITIES			
Dividends payable	24,006	22,005	2,001
Accounts payable	287,841	376,129	(88,288)
Construction loans payable	81,250	1,528,016	(1,446,766)
Demand notes	54,565	54,565	-
Land loans payable - subdivided lots	-	379,000	(379,000)
Deposits on contracts	544,680	776,134	(231,454)
Accrued income tax	517,376	-	517,376
Accrued expenses	839,316	529,974	309,342
Escrow funds, owners' balances and rent deposits	<u>26,812</u>	<u>43,870</u>	<u>(17,058)</u>
	<u>2,375,846</u>	<u>3,709,693</u>	<u>(1,333,847)</u>
DEFERRED INCOME TAXES	<u>196,351</u>	<u>183,431</u>	<u>12,920</u>
MINORITY INTEREST - In net assets of consolidated entity (Sumner Development & Investment Company)	<u>62,314</u>	<u>49,358</u>	<u>12,956</u>
STOCKHOLDERS' EQUITY - Exhibit B	<u>5,244,631</u>	<u>4,447,841</u>	<u>796,790</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 12,604,004</u>	<u>\$ 12,648,082</u>	<u>\$ (44,078)</u>

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED SEPTEMBER 30, 1983 AND 1982

	<u>1983</u>	<u>1982</u>
COMMON STOCK - Par value \$100		
Authorized - 10,000 shares	\$ 1,000,000	\$ 1,000,000
Unissued - 1,778 shares	<u>(177,800)</u>	<u>(177,800)</u>
Issued - 8,222 shares	822,200	822,200
Issued stock repurchased and held in treasury - 220 shares	<u>(22,000)</u>	<u>(22,000)</u>
COMMON STOCK OUTSTANDING - 8,002 shares	<u>800,200</u>	<u>800,200</u>
RETAINED EARNINGS		
Balance - Beginning of year	3,647,641	3,646,602
Net income for the year - Exhibit C	1,072,859	265,105
Dividends declared	<u>(276,069)</u>	<u>(264,066)</u>
Balance - End of year	<u>4,444,431</u>	<u>3,647,641</u>
TOTAL STOCKHOLDERS' EQUITY	<u>\$ 5,244,631</u>	<u>\$ 4,447,841</u>

To Exhibit A

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEARS ENDED SEPTEMBER 30, 1983 AND 1982

	<u>Construction and Development</u>		
	<u>New Homes and Lots</u>	<u>Contracting and Remodeling</u>	<u>Total</u>
INCOME			
Sales, commissions and rents	\$ 7,292,393	\$ 1,062,495	\$ 8,354,888
Cost of sales	(5,026,961)	(792,511)	(5,819,472)
Other direct expenses	(861,465)	(135,800)	(997,265)
Property taxes	-	-	-
Operating income before interest and depreciation	\$ 1,403,967	\$ 134,184	1,538,151
Interest			(38,464)
Depreciation			(26,312)
NET OPERATING INCOME - 1983			\$ 1,473,375
NET OPERATING INCOME - 1982			\$ 1,035,949
GAIN ON SALE OF INVESTMENT PROPERTY			
INTEREST INCOME			
MISCELLANEOUS INCOME			
TOTAL INCOME			
EXPENSE			
General and administrative			
Salaries and payroll expense			
Professional and directors' fees			
Group life insurance			
Interest - general			
Provision for profit sharing - Note 4			
Other			
Carrying charges - land			
Property taxes			
Interest			
Other			
TOTAL EXPENSE			
NET INCOME BEFORE INCOME TAXES AND ACCOUNTING CHANGE			
Provision for income taxes - Note 2			
NET INCOME BEFORE ACCOUNTING CHANGE			
Cumulative effect of a change in accounting method - Note 7			
NET INCOME			

See Notes to Financial Statements

Sales	Property Management	Insurance	Investment Property	Total		Increase (Decrease)
				1983	1982	
\$ 2,487,172	\$ 182,969	\$ 14,645	\$ 2,757,692	\$ 13,797,366	\$ 11,658,002	\$ 2,139,364
(1,843,991)	(32,476)	-	-	(7,695,939)	(6,330,859)	1,365,080
(319,610)	(79,244)	(6,512)	(1,164,057)	(2,566,688)	(2,451,014)	115,674
-	-	-	(315,578)	(315,578)	(312,650)	2,928
323,571	71,249	8,133	1,278,057	3,219,161	2,563,479	655,682
-	-	-	(465,298)	(503,762)	(664,476)	(160,714)
(5,835)	-	-	(222,023)	(254,170)	(257,934)	(3,764)
\$ 317,736	\$ 71,249	\$ 8,133	\$ 590,736	2,461,229		
\$ 124,463	\$ 67,938	\$ 10,195	\$ 402,524		1,641,069	820,160
				12,388	-	12,388
				128,608	65,001	63,607
				73,273	34,952	38,321
				2,675,498	1,741,022	934,476
				392,330	377,535	14,795
				76,904	83,686	(6,782)
				24,854	28,351	(3,497)
				1,514	7,498	(5,984)
				174,201	169,383	4,818
				253,346	263,698	(10,352)
				923,149	930,151	(7,002)
				215,535	256,252	(40,717)
				26,593	30,320	(3,727)
				29,971	40,544	(10,573)
				272,099	327,116	(55,017)
				1,195,248	1,257,267	(62,019)
				1,480,250	483,755	996,495
				723,414	218,650	504,764
				756,836	265,105	491,731
				316,023	-	316,023
				\$ 1,072,859	\$ 265,105	\$ 807,754



CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITIONFOR THE YEARS ENDED SEPTEMBER 30, 1983 AND 1982

CASH PROVIDED	1983	1982
Net income - Exhibit C	\$ 1,072,859	\$ 265,105
Items not requiring (generating) cash		
Cumulative effect of a change in accounting principles	(316,023)	-
Depreciation and amortization	282,846	288,909
Land and land development costs of lots sold	356,159	336,889
Book value of assets disposed	-	1,021
Gain on sale of investment property	(12,388)	-
Deferred income tax	12,920	149,811
	<u>1,396,373</u>	<u>1,041,735</u>
Proceeds from sale of investment property	196,704	-
Curtail of notes receivable	675,183	345,057
Increase in long-term debt	2,240,000	-
Decrease (increase) in cost of completed homes and jobs-in-progress	1,294,742	(243,214)
Decrease in accounts receivable	67,474	44,942
Increase in minority interest	12,956	4,096
Decrease in income tax refunds receivable	42,403	18,113
Increase in accrued income tax payable	197,376	-
Increase in dividends payable	2,001	-
	<u>6,125,212</u>	<u>1,210,729</u>
CASH APPLIED		
Additions/improvements to investment property	12,527	195,927
Land and land development costs	201,523	305,499
Equipment purchased	4,481	34,783
Reduction of long-term debt	1,772,897	187,759
Increase in notes receivable	455,347	634,125
Dividends	276,069	264,066
Increase (decrease) in other operating assets	57,404	(84,736)
Decrease (increase) in construction and land loans payable	1,825,766	(472,094)
Decrease in deposits on contracts	231,454	54,129
Decrease in other operating liabilities	137,830	200,242
	<u>4,975,298</u>	<u>1,319,700</u>
INCREASE (DECREASE) IN CASH	1,149,914	(108,971)
CASH AT BEGINNING OF YEAR	<u>388,435</u>	<u>497,406</u>
CASH AT END OF YEAR	<u>\$ 1,538,349</u>	<u>\$ 388,435</u>

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTSFOR THE YEARS ENDED SEPTEMBER 30, 1983 AND 1982NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, W.C. and A.N. Miller Insurance Agency, Inc. and its 85% owned joint venture, Sumner Development & Investment Company.

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

Operations of Sumner Development & Investment Company, which consist of the operations of a shopping center/office building complex known as "Little Falls Mall," have been included with the Company's "Investment Properties."

(b) Depreciation - The Company primarily uses straight-line depreciation methods. Depreciation is included in Exhibit C as follows:

	<u>1983</u>	<u>1982</u>
Operating expense	\$ 254,170	\$ 257,934
Carrying charges - other	8,793	8,249
General and administrative - other	<u>19,883</u>	<u>22,726</u>
Total depreciation expense	<u>\$ 282,846</u>	<u>\$ 288,909</u>

(c) Investments - Investment property is carried at cost less accumulated depreciation.

(d) Inventory - The Company's unimproved land is carried at historical cost. Completed homes and jobs-in-progress are carried at cost determined under the specific cost method of accounting for the year ended September 30, 1983 and at cost determined under the LIFO method for the year ended September 30, 1982. For both years a provision for construction and development department overhead is included. Income on lot and home sales is recognized at settlement.

If the specific cost method of inventory accounting had been used by the Company, completed homes and jobs-in-progress inventories would have been \$838,713 higher than reported at September 30, 1982.

(e) Real Estate Tax and Insurance Expense - The Company expenses property taxes when levied and insurance premiums for policy periods of one year or less on the date the policy becomes effective.

NOTE 2 - INCOME TAXES

Income taxes for the periods are as follows:

NOTES TO FINANCIAL STATEMENTS

(continued)

NOTE 2 - INCOME TAXES - continued

	<u>1983</u>	<u>1982</u>
Provision for income taxes on current year income	\$ 723,414	\$ 218,650
Deferred income taxes - timing differences		
Amortization of deferred real estate taxes and insurance premiums	(8,971)*	(8,972)*
Different methods of depreciation used for financial statements and for tax purposes	(46,607)	(63,216)
Income from sales of homes reported under the installment sales method for tax purposes	8,299	(67,317)
Other timing differences	<u>34,359</u>	<u>(10,306)</u>
Total deferred income taxes	<u>(12,920)</u>	<u>(149,811)</u>
Additional taxes due to change from LIFO inventory method - Note 3	<u>320,000</u>	<u>-</u>
Total current income taxes	1,030,494	68,839
Taxes paid	(513,118)	(111,179)
Gas tax credit	<u>-</u>	<u>(63)</u>
Net income tax payable (receivable)	\$ 517,376	\$ (42,403)

\*Tax related to the unamortized portion of deferred real estate tax and insurance premiums per federal examination of prior year filings.

NOTE 3 - INCOME TAX DETERMINATION

Previously, the Internal Revenue Service determined that the Company could not use the LIFO method of inventory which it first adopted for the year ended September 30, 1974, and continued to use through September 30, 1982. The effect of the adoption of the LIFO method was to defer the reporting of income. On August 17, 1978, the Internal Revenue Service issued a Notice of Deficiency for the fiscal years ended September 30, 1974, 1975 and 1976, and the Company petitioned the U.S. Tax Court for a redetermination.

On September 26, 1983, the Tax Court ruled that the Company could not use the LIFO method. The Company has decided not to appeal the ruling and has accrued a liability of \$600,000 for additional federal and state income taxes, plus interest thereon, for the years ended September 30, 1974 through 1982. The additional tax liability of \$320,000 is after the benefit of taking state income taxes and interest on federal and state taxes as deductions in the current year. Also see Note 7.

NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE 4 - PROFIT SHARING PLAN

The Company contributes to a defined contribution profit sharing plan which covers substantially all salaried employees. The annual contribution is based on Company profits but may not exceed 12% of the compensation of all participants.

NOTE 5 - LONG-TERM LIABILITIES

This balance consists of trust notes payable which are secured as follows:

Investment Property	Terms	September 30,	
		1983	1982
Commercial property			
Little Falls Mall	Due \$19,001 monthly including 6 3/4% interest, due 10-31-93	\$ 1,664,062	\$ 1,775,629
4300 Fordham Road N.W. and 4820, 4860, 4866 and 4872 Massachusetts Avenue, N.W.	1983 due \$14,790 monthly including 12.5% interest, balance due 6-1-93	1,190,695	-
4300 Fordham Road N.W.	1982 due \$9,962 quarterly including 14% interest, paid in full in 1983	-	279,129
4820 Massachusetts Avenue, N.W.	1982 due \$3,500 monthly including 8% interest, paid in full in 1983	-	253,021
49th and Massachusetts Avenue, N.W.	2nd trusts, 16 notes at \$10,000, due 10-1-85, 14% interest, payable quarterly	160,000	160,000
Sumner Apartments	Due \$5,968 monthly including 6.5% interest, due 5-9-87	<u>226,637</u>	<u>285,987</u>
		3,241,394	2,753,766
Rental houses	Various	<u>1,479,941</u>	<u>1,499,878</u>
Total investment property		4,721,335	4,253,644
Other			
Special assessment - improvements, various districts, Montgomery County, Maryland	Due \$588 annually, including 9% interest	<u>3,527</u>	<u>4,115</u>
Total long-term liabilities		<u>\$ 4,724,862</u>	<u>\$ 4,257,759</u>

NOTES TO FINANCIAL STATEMENTS  
(continued)

NOTE 5 - LONG-TERM LIABILITIES - continued

Maturities on long-term liabilities for the next five years are as follows:

<u>Year Ended</u> <u>September 30,</u>	<u>Amount</u>
1984	\$ 269,102
1985	293,591
1986	574,104
1987	317,518
1988	<u>456,067</u>
	<u>\$ 1,910,382</u>

NOTE 6 - LITIGATION

The Company is a co-defendant in a lawsuit brought by the owners of a condominium project built by the Company. The homeowners are seeking damages in the amount of \$5,900,000 and the Company has referred the matter to its insurance carrier. While the ultimate outcome of this litigation cannot reasonably be predicted at this time, Management is of the opinion that the eventual disposition of this matter will not have a material effect on the Company's financial position.

NOTE 7 - CHANGE IN ACCOUNTING METHOD

Beginning with the year ended September 30, 1983, the Company has elected, for financial reporting, to use the specific cost method of inventory accounting for completed homes and jobs-in-progress. In prior years the Company used the LIFO inventory method.

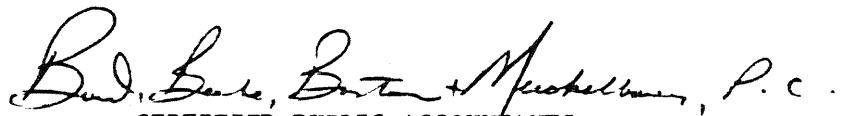
This change results in an increase in inventories of completed homes and jobs-in-progress on October 1, 1982 of \$838,713 and an increase in the cost of homes held as investment property on October 1, 1982 of \$77,310. These changes, net of related income taxes and interest of \$600,000 as described in Note 3, result in an addition to net income of \$316,023 in the year ended September 30, 1983.

The following table presents proforma amounts assuming the change had been in effect in both the years ended September 30, 1983 and 1982.

	<u>1983</u>	<u>1982</u>
Net income before income taxes	\$ 1,480,250	\$ 552,760
Provision for income taxes	<u>723,414</u>	<u>249,839</u>
Net income	<u>\$ 756,836</u>	<u>\$ 302,921</u>

SUPPLEMENTAL INFORMATION

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying comments are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
CERTIFIED PUBLIC ACCOUNTANTS

October 28, 1983  
Washington, D.C.

COMMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 1983 AND 1982

Presented below are analyses of certain assets and liabilities and a summary of gross profit on new homes and lots.

REAL ESTATE

The detail of investment property is presented in the schedule on the following page.

Unimproved parcels of land are as follows (size of parcels indicated is as of September 30, 1983):

	<u>1983</u>	<u>1982</u>
Maryland		
Darnestown, Montgomery County - 434.7687 acres	\$ 1,052,959	\$ 1,043,918
Potomac, Montgomery County - 12.969 acres	47,970	47,088
Other tract, Montgomery County - 4.9 acres	<u>59,902</u>	<u>59,902</u>
	1,160,831	1,150,908
District of Columbia		
Spring Valley - 1,821,125 square feet	547,643	407,626
Virginia		
Fauquier County - 359.8582 acres	<u>152,563</u>	<u>152,563</u>
	\$ 1,861,037	\$ 1,711,097
	<u><u>          </u></u>	<u><u>          </u></u>

ACCOUNTS RECEIVABLE

Remodeling	\$ 70,249	\$ 41,895
Rents due and accrued	49,747	55,568
Interest accrued	12,134	5,826
Miscellaneous	<u>15,994</u>	<u>17,990</u>
	148,124	121,279
Estimated uncollectible accounts	<u>(14,549)</u>	<u>(12,582)</u>
	133,575	108,697
Officers and employees	10,830	2,799
Settlements receivable from title companies	<u>5,652</u>	<u>106,035</u>
	\$ 150,057	\$ 217,531
	<u><u>          </u></u>	<u><u>          </u></u>

COMPLETED HOMES FOR SALE

This account at September 30, 1983 represents the cost of six new homes, five of which were sold but not settled. At September 30, 1982 it represents the cost of eight new homes, all of which were sold but not settled and reflects a LIFO inventory adjustment of \$339,460.

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

INVESTMENT PROPERTY - NET RENTAL INCOME

FOR THE YEAR ENDED SEPTEMBER 30, 1983

COMMERCIAL PROPERTY	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Rental Income</u>	<u>Property Taxes</u>	<u>Insurance Repairs, Commissions and Other Expenses</u>
Spring Valley Center 4300 Fordham Road, N.W.	\$ 189,795	\$ 127,555	\$ 176,247	\$ 21,354	\$ 49,482
4820 Massachusetts Avenue, N.W. (Garfinckel's)	387,043	270,591	270,319	48,719	22,450
4860 Massachusetts Avenue, N.W.	71,524	45,854	22,180	7,641	5,848
4866 Massachusetts Avenue, N.W.	19,372	18,608	49,164	6,784	13,745
4872 Massachusetts Avenue, N.W.	<u>175,725</u>	<u>117,055</u>	<u>84,747</u>	<u>23,436</u>	<u>48,623</u>
	843,459	579,663	602,657	107,934	140,148
4900 Massachusetts Avenue, N.W. and parking	697,241	431,704	324,490	34,389	133,802
Sumner Apartments	1,001,287	747,315	485,750	38,123	243,555
Little Falls Mall	<u>3,213,997</u>	<u>1,287,065</u>	<u>1,131,968</u>	<u>88,254</u>	<u>581,802</u>
	5,755,984	3,045,747	2,544,865	268,700	1,099,307
RENTAL HOUSES	<u>2,087,355</u>	<u>220,399</u>	<u>212,827</u>	<u>46,878</u>	<u>64,750</u>
TOTAL - 1983	\$ 7,843,339	\$ 3,266,146	\$ 2,757,692	\$ 315,578	\$ 1,164,057
	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>
TOTAL - 1982	\$ 7,975,343	\$ 3,081,648	\$ 2,584,482	\$ 312,650	\$ 1,181,758
	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>	<u><u>                    </u></u>



<u>Total Expense</u>	<u>1983 Net Before Interest and Depreciation</u>	<u>1982 Net Before Interest and Depreciation</u>	<u>Interest</u>	<u>Amortization and Depreciation</u>	<u>Profit or (Loss)</u>
\$ 70,836	\$ 105,411	\$ 85,855			
71,169	199,150	168,852			
13,489	8,691	11,953			
20,529	28,635	27,287			
<u>72,059</u>	<u>12,688</u>	<u>19,444</u>			
248,082	354,575	313,391	\$ 102,074	\$ 23,732	\$ 228,769
168,191	156,299	78,252	22,400	16,320	117,579
281,678	204,072	175,288	16,773	23,313	163,986
<u>670,056</u>	<u>461,912</u>	<u>433,147</u>	<u>116,445</u>	<u>109,093</u>	<u>236,374</u>
1,368,007	1,176,858	1,000,078	257,692	172,458	746,708
<u>111,628</u>	<u>101,199</u>	<u>89,996</u>	<u>207,606</u>	<u>49,565</u>	<u>(155,972)</u>
\$1,479,635	\$ 1,278,057		\$ 465,298	\$ 222,023	\$ 590,736
<u><u>          </u></u>	<u><u>          </u></u>		<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>
\$1,494,408		\$ 1,090,074	\$ 467,768	\$ 219,782	\$ 402,524
<u><u>          </u></u>		<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>	<u><u>          </u></u>

COMMENTS  
(continued)

JOBS-IN-PROGRESS

Construction status	<u>September 30, 1983</u>		<u>September 30, 1982</u>	
	<u>Number</u>	<u>Cost</u>	<u>Number</u>	<u>Cost</u>
Homes				
Latter stages of construction	7	\$ 869,238	18	\$ 1,992,948
Early stages of construction	17	394,167	5	152,043
Miscellaneous jobs-in-progress	-	60,429	-	51,605
		1,323,834		2,196,596
LIFO inventory adjustment		-		(499,253)
	24	\$ 1,323,834	23	\$ 1,697,343

LAND - SUBDIVIDED LOTS

Land subdivided into lots includes the cost of subdivided land together with certain ground improvements. Costs, sufficient to cover the contemplated ground improvements, have been estimated. A pro rata portion of the land and improvements is charged against the job cost as development starts.

The following schedule indicates lots and related debt, by location, as of September 30, 1983 and 1982:

Subdivision	<u>September 30, 1983</u>			<u>September 30, 1982</u>		
	<u>Number of Lots</u>	<u>Cost</u>	<u>Debt</u>	<u>Number of Lots</u>	<u>Cost</u>	<u>Debt</u>
Sumner	-	\$ -	\$ -	19	\$ 79,089	\$ -
Potomac Falls	8	85,031	-	13	191,554	-
Spring Meadows	32	589,759	-	32	586,465	-
Spring Ridge	31	730,275	-	34	796,003	379,000
	71	\$ 1,405,065	\$ -	98	\$ 1,653,111	\$ 379,000

BUSINESS, REALTY, EQUIPMENT AND LEASEHOLD IMPROVEMENTS (NET)

	<u>1983</u>			<u>1982</u>
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Book Value</u>
Business Realty	\$ 326,295	\$ 191,147	\$ 135,148	\$ 164,710
Equipment				
Office furniture and fixtures	10,025	6,998	3,027	3,938
Office equipment	103,840	81,539	22,301	27,868
Trucks and automobiles	36,007	35,932	75	2,518
Tractors and trailers	104,778	93,032	11,746	15,420
Tools and equipment	168,923	154,063	14,860	23,749
	\$ 749,868	\$ 562,711	\$ 187,157	\$ 238,203

COMMENTS  
(continued)

OTHER ASSETS

	<u>September 30,</u>	
	<u>1983</u>	<u>1982</u>
Deferred leasing commission expense	\$ 13,340	\$ 22,808
Deferred construction costs	41,215	60,126
Deferred loan charges on investment property	72,983	29,119
Deposits - utility and other	30,829	22,948
Miscellaneous	<u>17,363</u>	<u>653</u>
	<u>\$ 175,730</u>	<u>\$ 135,654</u>

ACCRUED EXPENSES

Estimated land development costs	\$ 61,826	\$ -
Real estate taxes	143,243	152,032
Personal property tax	6,905	7,695
Profit sharing trust contribution	174,201	169,383
Interest	279,960	20,232
Payroll taxes withheld	26,964	35,615
Payroll taxes and workmen's compensation insurance accrued	46,809	46,201
Guarantee reserves	41,853	42,000
Other	<u>57,555</u>	<u>56,816</u>
	<u>\$ 839,316</u>	<u>\$ 529,974</u>

OPERATIONS

The following summary reflects the gross profit, by subdivision, on new homes and lots sold for the years ended September 30, 1983 and 1982.

	<u>1983</u>			<u>1982</u>		
	<u>Number of Units</u>	<u>Sales Price</u>	<u>Costs Including Sales Costs</u>	<u>Number of Units</u>	<u>Sales Price</u>	<u>Costs Including Sales Costs</u>
Maryland						
Sangamore Court	-	\$ -	\$ -	2	\$ 304,545	\$ 214,701
Sumner	19	4,828,200	3,365,217	8	2,311,199	1,582,570
Potomac Falls	4	1,265,632	817,797	5	2,236,083	1,621,858
Spring Valley	2	526,192	338,000	5	1,273,295	815,516
Spring Meadows	1	234,580	189,411	1	287,279	232,793
Spring Ridge	-	-	-	1	225,976	188,691
Spring Hill	<u>1</u>	<u>437,789</u>	<u>316,536</u>	<u>-</u>	<u>-</u>	<u>-</u>
	27	7,292,393	\$ 5,026,961	22	6,638,377	\$ 4,656,129
Cost of sales		<u>(5,026,961)</u>			<u>(4,656,129)</u>	
Gross profit		<u>\$ 2,265,432</u>	<u>31.07%</u>		<u>\$ 1,982,248</u>	<u>29.86%</u>