

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Financial Statements
With Independent Auditors' Reports

June 30, 2020 and 2019

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Financial Statements
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Independent Auditors' Report

The Commissioners
Housing Opportunities Commission
Montgomery County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Strathmore Court at White Flint (a Segment of Housing Opportunities Commission of Montgomery County, Maryland) (the "Property") which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities, change in net position, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 the Property as of June 30, 2020 and 2019, and the change in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 16 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2021 on our consideration of the Property's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Property's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Property's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Bethesda, Maryland
January 14, 2021

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Statements of Financial Position

	June 30,	
	2020	2019
ASSETS		
Current Assets		
Cash	\$ 615,390	\$ 950,191
Accounts receivable and other assets	35,269	7,173
Accrued interest receivable	14,436	14,896
Total Current Assets	665,095	972,260
Restricted Cash		
Tenant deposits	71,000	65,938
Restricted deposits	1,559,325	1,380,396
Total Restricted Cash	1,630,325	1,446,334
Fixed and Non-Current Assets		
Property and equipment, net	9,248,017	9,556,308
Note receivable	2,258,599	2,330,478
Bond interest fund	274,278	274,278
Advances to limited partnership	5,584,877	5,034,974
Total Fixed and Non-Current Assets	17,365,771	17,196,038
TOTAL ASSETS	\$ 19,661,191	\$ 19,614,632

See notes to financial statements

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Statements of Financial Position *(continued)*

	June 30,	
	2020	2019
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 65,297	\$ 66,410
Accrued interest payable	54,763	56,742
Mortgage payable, current	532,369	513,030
Prepaid rent	27,369	24,168
Total Current Liabilities	679,798	660,350
Restricted Current Liabilities Payable		
Tenant deposits payable	69,784	63,761
Non-Current Liabilities		
Mortgage payable, net	11,888,110	12,405,886
Interfund payable	744,590	732,491
Deferred revenue	-	755
Total Non-Current Liabilities	12,632,700	13,139,132
Total Liabilities	13,382,282	13,863,243
Net Position		
Investment in capital assets, net of related debt	(3,343,919)	(3,548,657)
Restricted Net Position	1,560,541	1,382,573
Unrestricted Net Position	8,062,287	7,917,473
Total Net Position	6,278,909	5,751,389
TOTAL LIABILITIES AND NET POSITION	\$ 19,661,191	\$ 19,614,632

See notes to financial statements

Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)

Statements of Activities

	Year Ended	
	June 30,	
	<u>2020</u>	<u>2019</u>
REVENUE		
Dwelling rental revenue	\$ 3,457,753	\$ 3,476,906
Other income	<u>8,143</u>	<u>8,969</u>
Total Revenue	<u>3,465,896</u>	<u>3,485,875</u>
EXPENSES		
Administrative	496,752	475,126
Utilities	179,895	181,996
Maintenance	399,716	366,013
Other expenses	278,103	292,133
Depreciation	409,058	405,599
Fringe benefits	72,150	61,980
Interest expense	682,706	706,130
Bad debt expense	<u>717</u>	<u>2,605</u>
Total Expenses	<u>2,519,097</u>	<u>2,491,582</u>
Change in Net Position before Non-operating Changes	<u>946,799</u>	<u>994,293</u>
Non-Operating Income		
Interest income	175,796	181,121
Investment expense, net	<u>17,199</u>	<u>24,383</u>
Change in Net Position	<u>\$ 1,139,794</u>	<u>\$ 1,199,797</u>

See notes to financial statements

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Statements of Change in Net Position
Year Ended June 30, 2020

	Investment in Capital Assets, Net of Related Debt	Restricted Net Position	Unrestricted Net Position	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at July 1, 2018	\$ (3,758,263)	\$ 1,378,001	\$ 7,202,672	\$ 4,822,410
Transfer to Housing Opportunities Commission of Montgomery County, Maryland	-	-	(270,818)	(270,818)
Change in net position	<u>209,606</u>	<u>4,572</u>	<u>985,619</u>	<u>1,199,797</u>
Balance at June 30, 2019	(3,548,657)	1,382,573	7,917,473	5,751,389
Transfer to Housing Opportunities Commission of Montgomery County, Maryland	-	-	(612,274)	(612,274)
Change in net position	<u>204,738</u>	<u>177,968</u>	<u>757,088</u>	<u>1,139,794</u>
Balance at June 30, 2020	<u><u>\$ (3,343,919)</u></u>	<u><u>\$ 1,560,541</u></u>	<u><u>\$ 8,062,287</u></u>	<u><u>\$ 6,278,909</u></u>

See notes to financial statements

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Statements of Cash Flows
June 30, 2020 and 2019

	Year Ended June 30,	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net position	\$ 1,139,794	\$ 1,199,797
Adjustments to reconcile net change in net position to net cash from operating activities		
Depreciation	409,058	405,599
Amortization of debt issuance costs	14,592	14,592
Bad debt expense	717	2,605
Changes in operating assets and liabilities		
Accounts receivable and other assets	(28,813)	31,091
Accrued interest receivable	460	425
Accrued liabilities	(1,113)	(20,602)
Accrued interest payable	(1,979)	(1,919)
Deferred revenue	(755)	(755)
Prepaid rent	3,201	11,488
Tenant deposits payable	6,023	(4,940)
Net Cash from Operating Activities	1,541,185	1,637,381
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	-	101,592
Property and equipment purchases	(100,767)	(224,084)
Notes receivable	71,879	66,589
Net Cash from Investing Activities	(28,888)	(55,903)
CASH FLOWS FROM FINANCING ACTIVITIES		
Mortgage principal payments	(513,029)	(492,713)
Advances from HOC	12,099	205,274
Advances from limited partnership	(549,903)	(450,496)
Transfer to HOC General Fund	(612,274)	(270,818)
Net Cash from Financing Activities	(1,663,107)	(1,008,753)
Net Change in Cash	(150,810)	572,725
CASH AND RESTRICTED CASH		
Beginning of year	2,396,525	1,823,800
End of year	\$ 2,245,715	\$ 2,396,525
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 670,093	\$ 693,457

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Notes to Financial Statements
June 30, 2020 and 2019

1. Organization

Strathmore Court at White Flint (a Segment of Housing Opportunities Commission of Montgomery County, Maryland) (the “Property”), was developed by The Housing Opportunities Commission (“HOC”) of Montgomery County, Maryland as a mixed use rental housing complex. The Property consists of 75 units that are market-rate and 76 affordable units for tenants with annual income of no more than 100% area median income. Certain project expenses are allocated between the Property and Strathmore Court Associates Limited Partnership (“Strathmore LP”) which is part of the same complex.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include allowance for doubtful accounts, impairment loss, and depreciation expense.

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

As a component unit of HOC, the Property has adopted presentation features of the Governmental Accounting Standards Board.

The Property uses the accrual method of accounting, whereby expenses are recognized when a liability is incurred, and revenue is recognized when earned.

Restricted net position represents the portion of the total net assets restricted for capital projects and tenant security deposits. All restricted amounts are net of related liabilities.

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
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Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2016-18, Statement of Cash Flows, (Topic 230): Restricted Cash. The ASU requires significant changes regarding how restricted cash is classified and presented on the statements of cash flows. On July 01, 2019, Strathmore Court at White Flint adopted the new guidance regarding the presentation and classification of restricted cash. The guidance requires the entity 1) to include restricted cash and restricted cash equivalents in its cash and cash equivalent balances on the statements of cash flows, 2) provide a reconciliation between the statements of financial position and the statements of cash flows when more than one line item for cash, cash equivalents, and restricted cash equivalents is presented on the Statements of Financial Position, 3) transfers between restricted cash and cash are no longer presented, and 4) if restricted balances are material, disclosures must include information about the nature of the restrictions. Adoption of the ASU resulted in a change in the accounting for restricted cash on the statements of cash flows.

Cash and Restricted Cash

The Entity considers all highly liquid debt instruments with a maturity of three months or less at time of purchase to be cash equivalents. Restricted cash consists principally of cash held for real estate taxes, construction costs, property maintenance, insurance, minimum occupancy and property operating income requirements as required by certain loan and regulatory agreements.

Tenant Accounts Receivable

The Property employs the allowance method of accounting for bad debt prescribed by U.S. GAAP.

Allowance for Doubtful Accounts

All tenant receivables that are ninety or more days past due are charged to this account. At June 30, 2020 and 2019 no allowance for doubtful accounts has been deemed necessary.

Capitalization and Depreciation

Property and equipment are recorded at cost. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, using the straight line method. Costs incurred in relation to development of the project for interest, property taxes and insurance are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. Improvements are capitalized if they extend an assets life by at least one year, while expenditures for maintenance and repairs are charged to expense as incurred. Capital asset additions which meet a cost in excess of \$5,000 and useful life expected to exceed 12 months are capitalized.

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

The estimated service life of the assets for depreciation purposes is as follows:

Building	40 years
Building renovations	10 years
Site improvements	15 years
Furniture and equipment	5-10 years

Investment in Real Estate

The Property reviews its investment in real estate for impairment annually and whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the rental property, undiscounted and without interest charges, are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management.

Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. There was no impairment loss recognized during the years ended June 30, 2020 and 2019.

Rental Income and Prepaid Rent

Rental income is recognized as it becomes due. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Property and the tenants of the property are operating leases and are no longer than one year in duration.

Income Taxes

The Property is a component unit of HOC, a component unit of Montgomery County, Maryland and is therefore exempt from income taxation. No provision for income taxes has been included in these financial statements and there are no other tax positions which must be considered for disclosure.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the year ended June 30, 2020 and 2019 were \$59,372 and \$62,195.

Debt Issuance Costs

Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Property reflects amortization of debt issuance costs within interest expense.

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2020 and 2019

2. Summary of Significant Accounting Policies (continued)

Evaluation of Subsequent Events by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is January 14, 2021.

3. Supplemental Cash Flow Information

At June 30, cash and restricted cash consisted of the following:

	<u>2020</u>	<u>2019</u>
Operating Cash		
Cash	\$ 615,390	\$ 950,191
Restricted Cash		
Reserve for replacement	232,710	71,365
Tenant deposits	71,000	65,938
Operating reserve	<u>1,326,615</u>	<u>1,309,031</u>
Total Restricted Cash	<u>1,630,325</u>	<u>1,446,334</u>
Total Cash and Restricted Cash	<u>\$ 2,245,715</u>	<u>\$ 2,396,525</u>

4. Restricted Deposits

Reserve for Replacement

The Deed of Trust requires an annual minimum deposit to the reserve for replacement of \$22,650. Commencing January 1, 1997, the annual deposit will be increased 4% per year. The Property will deposit the greater of the pre-audited monthly deposits or one-twelfth of 1.35 times the annual gross revenue.

Operating Reserve

The operating reserve account consists of United States Treasury money market funds. The reserve was established to segregate funds from operations to be used for operating deficits as deemed appropriate by HOC.

All restricted deposits are held in cash and have been deposited into separate Federal Deposit Insurance Corporation ("FDIC") accounts. All withdrawals from the reserves must be approved by HOC.

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2020 and 2019

4. Restricted Deposits (continued)

The activity in these funds for the years ended June 30, 2020 and 2019 is as follows:

	2020		
	Reserve for Replacement	Operating Reserve	Total
Beginning balance	\$ 71,365	\$ 1,309,031	\$ 1,380,396
Interest earned	29	17,584	17,613
Deposits	161,316	-	161,316
Ending Balance	\$ 232,710	\$ 1,326,615	\$ 1,559,325
	2019		
	Reserve for Replacement	Operating Reserve	Total
Beginning balance	\$ 93,241	\$ 1,283,813	\$ 1,377,054
Interest earned	28	25,218	25,246
Withdrawals	(183,220)	-	(183,220)
Deposits	161,316	-	161,316
Ending Balance	\$ 71,365	\$ 1,309,031	\$ 1,380,396

5. Fixed Assets

Fixed assets consisted of the following at June 30:

	2020	2019
Land	\$ 3,000,000	\$ 3,000,000
Building	14,464,108	14,464,108
Building renovations	1,373,059	1,373,059
Site improvements	3,581	3,581
Furniture and equipment	306,056	205,290
Accumulated depreciation	(9,898,787)	(9,489,730)
	\$ 9,248,017	\$ 9,556,308

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
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Notes to Financial Statements
June 30, 2020 and 2019

6. Mortgage Payable

The deed of trust and an amended deed of trust notes were assumed from HOC and collateralized by a Leasehold Deed of Trust, Security Agreement and Assignment of Rents, for \$16,953,900 at an interest rate of 5.17% maturing on June 1, 2033. There is a single leasehold deed of trust covering both Strathmore Court Associates Limited Partnership and the Property notes, which provides that a default on either note is a default on both notes. The amended note specified principal and interest are payable in monthly installments of \$101,040 through June 1, 2012, after which monthly payments decline on an annual basis as Strathmore Court Associates Limited Partnership's payments escalate. Beginning July 1, 2027, the balance will be repaid by monthly payments of \$138,346 until June 1, 2033. The liability of the organization under the mortgage note is limited to the underlying value of the real estate collateral, which includes assignment of rents and leases plus other amounts deposited with the lender. Interest expense for the years ended June 30, 2020 and 2019 is \$668,114 and \$691,538. Accrued interest at June 30, 2020 and 2019 is \$54,763 and \$56,742.

Principal payments as of June 30, 2020 for the next five years and thereafter are payable as follows:

2021	\$ 532,369
2022	553,009
2023	573,898
2024	596,360
2025	618,173
2026-2029	3,785,727
2030-2033	<u>5,932,400</u>
	<u>\$ 12,591,936</u>

Debt issuance costs are being shown net of the mortgage loan balance as follows:

	<u>2020</u>	<u>2019</u>
Mortgage payable	\$ 12,591,936	\$ 13,104,965
Debt issuance costs	<u>(171,457)</u>	<u>(186,049)</u>
	<u>\$ 12,420,479</u>	<u>\$ 12,918,916</u>

7. Management Fees

The Property is managed by Bozzuto Management for a flat rate of \$67 and \$65 per unit per month for the years ended June 30, 2020 and 2019. Management fees charged to operations for the years ended June 30, 2020 and 2019 are \$130,790 and \$118,396.

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2020 and 2019

8. Related Party Transactions

Asset Management Fee

An annual fee is to be paid to HOC for the services rendered in providing advice regarding administering the assets of the Property. The asset management fee incurred and paid for the years ended June 30, 2020 and 2019 is \$161,660 and \$170,720.

Interfund Amounts

During the compliance period of Strathmore Court Associates Limited Partnership, the Property was required to fund operating deficits through non-interest bearing operating deficit loans. The Property has continued to fund operating deficits after the compliance period. In addition, HOC and the Property will advance funds to each other as deemed appropriate by management. The advances to the limited partnership at June 30, 2020 and 2019 totaled \$5,584,877 and \$5,034,974. The advances from HOC at June 30, 2020 and 2019 are \$744,590 and \$732,491.

Note Receivable

A note receivable in the original amount of \$1,000,000 is due from Strathmore Court Associates Limited Partnership. The loan bears interest of 7.67% per annum and repayment began on March 1, 2016, at which time the accrued interest of \$1,534,000 was capitalized into the principal balance. The note matures in 2036. As of June 30, 2020 and 2019, the note receivable balance is \$2,258,599 and \$2,330,478, and the interest receivable totals \$14,436 and \$14,896.

9. Liquidity and Availability of Financial Assets

The Entity's financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2020	2019
Cash	\$ 615,390	\$ 950,191
Accounts receivable, net	5,973	7,173
Accounts receivable - other	14,436	14,896
Escrows and restricted deposits	<u>1,559,325</u>	<u>1,380,396</u>
Total Financial Assets as of Year End	2,195,124	2,352,656
Funds committed for repairs and replacements	(232,710)	(71,365)
Other restricted reserves	<u>(1,326,615)</u>	<u>(1,309,031)</u>
Financial Assets Available Within One Year	<u>\$ 635,799</u>	<u>\$ 972,260</u>

As part of the Entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, other obligations come due. In addition, the Entity invests cash in excess of daily requirements in short-term investments.

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2020 and 2019

10. Concentrations

Financial instruments that potentially subject the Property to concentrations of credit risk consist principally of cash. The Property places its cash with various financial institutions. At times, the cash balances may be in excess of the FDIC insurance limits. Additionally, the Partnership is included with the Housing Opportunities Commission of Montgomery County, Maryland as part of the public funds, and was entirely insured or collateralized with securities held by the commission's agent on the commission's name.

11. Commitments and Contingencies

An amount of no less than 75 units in will be leased at market-rate rent levels based on the rent levels in similar developments in Montgomery County and will be available to households at all income levels that can afford the rental payment; and 76 units will be at rent levels which are affordable to households at an average of 100% Washington Metropolitan Statistical Area median income as determined from time to time by the U.S. Department of Housing and Urban Development, ("HUD") and such units must be initially occupied by households with incomes at or below 100% of the Washington Metropolitan Statistical Area median income.

12. Operating Risk

The Property's primary asset is 151 units of rental housing. The Property's operations are concentrated in the multifamily real estate market.

13. Risks and Uncertainties

The coronavirus outbreak may have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

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**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Supplementary Schedules
June 30, 2020 and 2019

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Selected Line Item Detail

	Year Ended	
	June 30,	
	2020	2019
Cash and Cash Equivalents		
Operating cash	\$ 615,015	\$ 949,816
Petty cash	375	375
Total Cash and Cash Equivalents	\$ 615,390	\$ 950,191
Accounts Receivable and Other Assets		
Resident receivables	\$ 6,008	\$ 7,173
Insurance claims receivables	27,302	-
Other receivables	1,472	-
Prepaid expense	522	-
Allowance for doubtful accounts	(35)	-
Total Accounts Receivable and Other Assets	\$ 35,269	\$ 7,173
Restricted Deposits		
Operating reserve	\$ 1,326,615	\$ 1,309,031
Replacement reserve	232,710	71,365
Total Restricted Deposits	\$ 1,559,325	\$ 1,380,396
Accounts Payable and Accrued Liabilities		
Accrued salaries and benefits	\$ 13,747	\$ 763
Accrued expenses	51,550	65,647
Total Accrued Liabilities	\$ 65,297	\$ 66,410
Tenant Deposits Payable		
Tenant deposits	\$ 66,667	\$ 60,088
Accrued interest on tenant deposits	3,117	3,673
Total Tenant Deposits Payable	\$ 69,784	\$ 63,761

See independent auditors' report

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Selected Line Item Detail *(continued)*

	Year Ended	
	June 30,	
	2020	2019
Cash and Cash Equivalents		
Operating cash	\$ 615,015	\$ 949,816
Petty cash	375	375
Total Cash and Cash Equivalents	\$ 615,390	\$ 950,191
Accounts Receivable and Other Assets		
Resident receivables	\$ 6,008	\$ 7,173
Insurance claims receivables	27,302	-
Other receivables	1,472	-
Prepaid expense	522	-
Allowance for doubtful accounts	(35)	-
Total Accounts Receivable and Other Assets	\$ 35,269	\$ 7,173
Restricted Deposits		
Operating reserve	\$ 1,326,615	\$ 1,309,031
Replacement reserve	232,710	71,365
Total Restricted Deposits	\$ 1,559,325	\$ 1,380,396
Accounts Payable and Accrued Liabilities		
Accrued salaries and benefits	\$ 13,747	\$ 763
Accrued expenses	51,550	65,647
Total Accrued Liabilities	\$ 65,297	\$ 66,410
Tenant Deposits Payable		
Tenant deposits	\$ 66,667	\$ 60,088
Accrued interest on tenant deposits	3,117	3,673
Total Tenant Deposits Payable	\$ 69,784	\$ 63,761

See independent auditors' report

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Selected Line Item Detail *(continued)*

	Year Ended	
	June 30,	
	2020	2019
Other Expenses		
Security	\$ 92,623	\$ 75,543
Insurance - property	20,752	42,829
Other taxes and fees	3,068	3,041
Asset management fee	161,660	170,720
Total Other Expenses	\$ 278,103	\$ 292,133

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

Independent Auditors' Report

**The Commissioners
Housing Opportunities Commission**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Strathmore Court at White Flint (A Segment of Housing Opportunities Commission of Montgomery County, Maryland) (the "Property") which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, change in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Property's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control. Accordingly, we do not express an opinion on the effectiveness of the Property's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Property's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Property's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Bethesda, Maryland
January 14, 2021