

THE METROPOLITAN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2021)



CPAs | CONSULTANTS | WEALTH ADVISORS

CLAcconnect.com

**THE METROPOLITAN
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2021)**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEET	4
STATEMENT OF OPERATIONS	5
STATEMENT OF PARTNERS' EQUITY (DEFICIT)	6
STATEMENT OF CASH FLOWS	7
NOTES TO FINANCIAL STATEMENTS	8
OTHER INFORMATION	
DETAILED SCHEDULE OF REVENUES AND EXPENSES	17
BALANCE SHEET – SELECTED LINE ITEM DETAIL	18
STATEMENT OF OPERATIONS – SELECTED LINE ITEM DETAIL	19
SCHEDULE OF RELATED PARTY RECEIVABLES/PAYABLES	21



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Opportunities Commission of
Montgomery County, Maryland
Kensington, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of The Metropolitan, which are comprised of the balance sheet of Metropolitan Development Corporation and The Metropolitan as of June 30, 2022, and the related statement of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Metropolitan Development Corporation as of June 30, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Metropolitan Development Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Metropolitan Development Corporation's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Metropolitan Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Metropolitan Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

The accompanying schedules listed as other information in the table of contents have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Board of Commissioners
Housing Opportunities Commission of
Montgomery County, Maryland

Report on Summarized Comparative Information

We have previously audited the 2021 financial statements of The Metropolitan, and we expressed an unmodified opinion on those audited financial statements in our report dated February 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
January 13, 2023

**THE METROPOLITAN
BALANCE SHEET
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
ASSETS			2022	2021
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 9,596	\$ 3,106,854	\$ 3,116,450	\$ 3,602,404
Accounts Receivable and Other Assets	26,406	1,491,808	1,518,214	972,672
Operating Advance Receivable	-	13,072,099	13,072,099	12,933,683
Due From Commission	-	254,113	254,113	84,747
Total Current Assets	<u>36,002</u>	<u>17,924,874</u>	<u>17,960,876</u>	<u>17,593,506</u>
RESTRICTED CASH AND CASH EQUIVALENTS				
Customer Deposits - Funded Security Deposits	46,183	173,269	219,452	240,790
Restricted Deposits	50,795	1,039,078	1,089,873	1,012,473
Total Restricted Cash and Cash Equivalents	<u>96,978</u>	<u>1,212,347</u>	<u>1,309,325</u>	<u>1,253,263</u>
NONCURRENT ASSETS				
Property and Equipment, Net of Accumulated Depreciation	4,854,440	14,398,535	19,252,975	20,134,660
Deferred Charges, Net of Accumulated Amortization	-	240,453	240,453	277,884
Total Noncurrent Assets	<u>4,854,440</u>	<u>14,638,988</u>	<u>19,493,428</u>	<u>20,412,544</u>
Total Assets	<u>\$ 4,987,420</u>	<u>\$ 33,776,209</u>	<u>\$ 38,763,629</u>	<u>\$ 39,259,313</u>
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 59,771	\$ 144,712	\$ 204,483	\$ 95,759
Accrued Interest Payable	26,112	109,845	135,957	141,489
Mortgage Payable, Current	213,103	896,452	1,109,555	1,041,204
Prepaid Rent	2,987	97,184	100,171	136,171
Total Current Liabilities	<u>301,973</u>	<u>1,248,193</u>	<u>1,550,166</u>	<u>1,414,623</u>
RESTRICTED CURRENT LIABILITIES				
Customer Deposits Payable	44,933	167,567	212,500	238,671
NONCURRENT LIABILITIES				
Mortgage Payable	4,702,151	19,411,505	24,113,656	25,180,946
Operating Advance Payable	13,510,117	-	13,510,117	12,933,683
Due to Commission	571,916	-	571,916	1,082,993
Note Payable - HOC	1,175,775	466,057	1,641,832	977,000
Accrued Asset Management Fee	60,471	-	60,471	60,471
Total Noncurrent Liabilities	<u>20,020,430</u>	<u>19,877,562</u>	<u>39,897,992</u>	<u>40,235,093</u>
Total Liabilities	20,367,336	21,293,322	41,660,658	41,888,387
PARTNERS' EQUITY (DEFICIT)				
	<u>(15,379,916)</u>	<u>12,482,887</u>	<u>(2,897,029)</u>	<u>(2,629,074)</u>
Total Liabilities and Partners' Equity (Deficit)	<u>\$ 4,987,420</u>	<u>\$ 33,776,209</u>	<u>\$ 38,763,629</u>	<u>\$ 39,259,313</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2021)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2022	2021
OPERATING REVENUE				
Dwelling Rental Revenue	\$ 849,057	\$ 6,108,184	\$ 6,957,241	\$ 6,844,941
Other Income	30,756	484,562	515,318	593,075
Total Operating Revenue	<u>879,813</u>	<u>6,592,746</u>	<u>7,472,559</u>	<u>7,438,016</u>
EXPENSES				
Administrative	224,668	778,268	1,002,936	1,016,650
Utilities	155,505	419,470	574,975	564,913
Maintenance	234,539	613,723	848,262	856,787
Other Expenses	91,291	1,961,638	2,052,929	2,006,165
Depreciation and Amortization	318,861	1,038,035	1,356,896	1,442,378
Fringe Benefits	56,110	145,582	201,692	189,936
Interest Expense, Operating	319,258	1,385,327	1,704,585	1,769,068
Total Expenses	<u>1,400,232</u>	<u>6,342,043</u>	<u>7,742,275</u>	<u>7,845,897</u>
OPERATING INCOME (LOSS)	(520,419)	250,703	(269,716)	(407,881)
NONOPERATING REVENUE (EXPENSE)				
Investment Income	34	1,727	1,761	907
Total Nonoperating Revenue	<u>34</u>	<u>1,727</u>	<u>1,761</u>	<u>907</u>
NET INCOME (LOSS)	<u>\$ (520,385)</u>	<u>\$ 252,430</u>	<u>\$ (267,955)</u>	<u>\$ (406,974)</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
STATEMENT OF PARTNERS' EQUITY (DEFICIT)
YEAR ENDED JUNE 30, 2022**

	<u>Metropolitan of Bethesda Limited Partnership</u>	<u>Metropolitan Development Corporation</u>	<u>The Metropolitan</u>
BALANCE - JULY 1, 2020	\$ (14,280,838)	\$ 12,058,738	\$ (2,222,100)
Net (Loss) Income	(578,693)	171,719	(406,974)
Partner Distributions	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE - JUNE 30, 2021	(14,859,531)	12,230,457	(2,629,074)
Net (Loss) Income	<u>(520,385)</u>	<u>252,430</u>	<u>(267,955)</u>
BALANCE - JUNE 30, 2022	<u><u>\$ (15,379,916)</u></u>	<u><u>\$ 12,482,887</u></u>	<u><u>\$ (2,897,029)</u></u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2021)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	\$ (520,385)	\$ 252,430	\$ (267,955)	\$ (406,974)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	318,861	1,000,659	1,319,520	1,405,002
Amortization of Debt Issuance Costs	-	42,322	42,322	42,324
Amortization of Deferred Charges	-	37,375	37,375	37,376
Changes in Operating Assets and Liabilities:				
Accounts Receivable and Other Assets	(1,682)	(543,860)	(545,542)	(632,566)
Customer Deposits	(1,027)	(25,144)	(26,171)	(23,903)
Accounts Payable and Accrued Expense	32,525	76,199	108,724	(923,412)
Accrued Interest Payable	(1,063)	(4,469)	(5,532)	(5,191)
Prepaid Rent	(8,808)	(27,192)	(36,000)	28,524
Net Cash Provided (Used) by Operating Activities	<u>(181,579)</u>	<u>808,320</u>	<u>626,741</u>	<u>(478,820)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	<u>(131,273)</u>	<u>(306,562)</u>	<u>(437,835)</u>	<u>(524,749)</u>
Net Cash Used by Investing Activities	<u>(131,273)</u>	<u>(306,562)</u>	<u>(437,835)</u>	<u>(524,749)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Mortgage Principal Payments	(199,976)	(841,229)	(1,041,205)	(977,063)
Note Payable	-	466,057	466,057	-
Due From Commission	-	(169,366)	(169,366)	611,645
Interfund Payable - Operating Loan Deficit	264,132	(138,416)	125,716	572,134
Net Cash Provided (Used) by Financing Activities	<u>64,156</u>	<u>(682,954)</u>	<u>(618,798)</u>	<u>206,716</u>
NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS	<u>(248,696)</u>	<u>(181,196)</u>	<u>(429,892)</u>	<u>(796,853)</u>
Cash, Cash Equivalents, and Restricted Deposits - Beginning of Year	<u>355,270</u>	<u>4,500,397</u>	<u>4,855,667</u>	<u>5,652,520</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS - END OF YEAR	<u>\$ 106,574</u>	<u>\$ 4,319,201</u>	<u>\$ 4,425,775</u>	<u>\$ 4,855,667</u>
RECONCILIATION OF CASH AND RESTRICTED DEPOSITS - END OF YEAR PER THE CASH FLOW STATEMENT TO CASH AND RESTRICTED DEPOSITS PER THE BALANCE SHEET				
Cash	\$ 9,596	\$ 3,106,854	\$ 3,116,450	\$ 3,602,404
Restricted Deposits	96,978	1,212,347	1,309,325	1,253,263
	<u>\$ 106,574</u>	<u>\$ 4,319,201</u>	<u>\$ 4,425,775</u>	<u>\$ 4,855,667</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest Paid	<u>\$ 320,321</u>	<u>\$ 1,347,474</u>	<u>\$ 1,667,795</u>	<u>\$ 1,731,935</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 1 ORGANIZATION

The Metropolitan (the Entity) was organized as a mixed-use project which was built on air rights leased from Montgomery County, Maryland. The property was developed by the Housing Opportunities Commission of Montgomery County, Maryland (HOC) and consists of 308 residential rental units, a retail rental area, operations of the top-level parking garage, a public plaza, and Washington Metropolitan Area Transit Authority Metro office space. The property was completed in January 1997 and 92 residential units were sold to The Metropolitan (the Partnership) to be used as low and moderate-income housing and was granted tax credits under Section 42 of the Internal Revenue Code, with HOC having a 1% interest as general partner. In January 1998, the Metropolitan Development Corporation (the Corporation), a segment of HOC, acquired the balance of the project from HOC, the developer.

NOTE 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 requires 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 statements 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 and depreciation expense.

Reporting Entity

These financial statements include the accounts of the Corporation (wholly owned by HOC) and the Partnership to present the full operations and accounts of the Entity. Neither the Corporation nor the Partnership are considered component units of each other.

Both the Corporation's and Partnership's permanent financing is under the HUD Shared Risk Program.

Prior Year Comparative Financial Information

The financial statements include certain prior year summarized comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with The Metropolitan's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Entity considers all highly liquid debt instruments with a maturity of three months or less at time of purchase to be cash equivalents. At times cash deposits may exceed the federally insured limits of the financial institution and expose the Entity to credit risk. The Entity believes it is not exposed to any significant risk of loss on these funds.

Allowance for Doubtful Accounts

All tenant receivables that are ninety or more days past due are charged to this account. At June 30, 2022 and 2021 there was an allowance for doubtful accounts recorded of \$1,771 and \$18,277, respectively.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the Entity for the years ended June 30, 2022 and 2021 are \$59,109 and \$86,783, respectively.

Capitalization and Depreciation

Fixed assets 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. Leasehold improvements are amortized over the shorter of the term of the lease, inclusive of all renewal periods, which are reasonably assured, or the estimated useful life of the asset.

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

Building and Improvements	15 to 40 Years
Leasehold Improvements	30 Years
Fixed Buildings Equipment	5 to 15 Years
Furniture and Equipment	5 Years

The Entity reviews its fixed assets 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, 2022 and 2021.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Debt issuance costs are reported on the balance sheet as a direct deduction from the fact 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 Entity reflects amortization of debt issuance costs as interest expense.

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 Partnership and the Entity with the tenants of the property are operating leases and are no longer than one year.

Income Taxes

No provision or benefit for income taxes have been included in these financial statements for the Partnership since taxable income or loss passes through to, and is reportable by, the partners individually. The Corporation is a component unit of HOC and is therefore exempt from income taxation. Accordingly, the financial statements do not include a provision for income taxes.

The preparation of the financial statements in accordance with U.S. GAAP requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

The Corporation's and Partnership's last three years of tax returns remain subject to examination by taxing authorities.

NOTE 3 RESTRICTED DEPOSITS

Reserve for Replacements

In accordance with the deed of trust, the Entity is required to maintain a reserve for replacement account. The required monthly deposit into this account is \$8,100 for the Corporation and \$3,450 for the Partnership. All withdrawals from the reserve for replacements require approval from HOC. The Corporation and the Partnership both made the required deposits for the years ended June 30, 2022 and 2021.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 3 RESTRICTED DEPOSITS (CONTINUED)

Mortgage Escrow

Pursuant to the terms of the mortgage note, the Partnership and Corporation are required to make monthly deposits with the mortgagee for payment of the mortgage insurance premium so that a sufficient amount is on deposit with the mortgagee when actual payment of such expense is due.

The reserve for replacements and mortgage escrow are kept in the same account.

Other Reserve

The Corporation had set aside a reserve of \$725,000 to enable the Commission to acquire the 99.00% limited partnership interests in three partnerships unrelated to the Corporation. This amount was disbursed to the Commission during the year ended June 30, 2020, in connection with the acquisition of the limited partnership interests from Manufacturers and Traders Trust Company on November 15, 2019, with an effective date of November 1, 2019.

Renovation Escrow

The Corporation holds a renovation escrow in the amount of \$6,071.

The activity in these funds for the year ended June 30, 2022 and 2021 is as follows:

	June 30, 2022						
	Metropolitan of Bethesda Limited Partnership		Metropolitan Development Corporation				The Metropolitan
	Reserve for Replacement	Mortgage Escrow	Reserve for Replacement	Other Reserves	Mortgage Escrow	Renovation Escrow	
Balance - Beginning of Year	\$ 10,365	\$ 17,934	\$ 902,362	\$ -	\$ 75,741	\$ 6,071	\$ 1,012,473
Interest Earned	18	-	96	-	-	-	114
Withdrawals	(19,628)	(24,362)	(45,270)	-	(102,456)	-	(191,716)
Deposits	41,400	25,068	97,200	-	105,334	-	269,002
Balance - End of Year	<u>\$ 32,155</u>	<u>\$ 18,640</u>	<u>\$ 954,388</u>	<u>\$ -</u>	<u>\$ 78,619</u>	<u>\$ 6,071</u>	<u>\$ 1,089,873</u>
	June 30, 2021						
	Metropolitan of Bethesda Limited Partnership		Metropolitan Development Corporation				The Metropolitan
	Reserve for Replacement	Mortgage Escrow	Reserve for Replacement	Other Reserve	Mortgage Escrow	Renovation Escrow	
Balance - Beginning of Year	\$ 114,637	\$ 17,298	\$ 1,062,815	\$ -	\$ 73,041	\$ 6,071	\$ 1,273,862
Interest Earned	5	-	10	-	-	-	15
Withdrawals	(145,677)	(25,375)	(257,663)	-	(106,720)	-	(535,435)
Deposits	41,400	26,011	97,200	-	109,420	-	274,031
Balance - End of Year	<u>\$ 10,365</u>	<u>\$ 17,934</u>	<u>\$ 902,362</u>	<u>\$ -</u>	<u>\$ 75,741</u>	<u>\$ 6,071</u>	<u>\$ 1,012,473</u>

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at June 30, 2022 and 2021:

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2022	2021
Buildings and Improvements	\$ 12,256,722	\$ 36,374,977	\$ 48,631,699	\$ 48,631,699
Fixed Building Equipment	179,971	669,356	849,327	849,327
Furniture and Equipment	61,149	200,885	262,034	262,034
Leasehold Improvements	-	503,497	503,497	503,497
Construction in Progress	259,600	601,482	861,082	423,248
Accumulated Depreciation	(7,903,002)	(23,951,662)	(31,854,664)	(30,535,145)
Total	<u>\$ 4,854,440</u>	<u>\$ 14,398,535</u>	<u>\$ 19,252,975</u>	<u>\$ 20,134,660</u>

NOTE 5 MORTGAGE PAYABLE

The deed of trust notes were assumed from HOC and collateralized by a Leasehold Deed of Trust, security agreement, and assignment of rents for the Partnership in the amount of \$7,470,518 and the Corporation in the amount of \$31,425,878. There is a single regulatory agreement covering both the Partnership and Corporation notes, which provides that a default on either note is a default on both notes. Principal and interest are payable in monthly installments of \$43,358 and \$182,392 for the Partnership and Corporation, beginning March 1, 1998 through December 31, 2036. The liability of the Entity 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. Accrued interest at June 30, 2022 and 2021 is \$135,957 and \$141,489, respectively.

Interest expense for the years ended June 30, 2022 and 2021 is \$1,662,263 and \$1,726,744, respectively, on this mortgage.

Principal payments over the next five years as of June 30, 2022 and thereafter are payable as follows:

<u>Years Ending June 30,</u>	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan
2023	\$ 213,103	\$ 896,452	\$ 1,109,555
2024	227,092	955,300	1,182,392
2025	242,000	1,018,012	1,260,012
2026	257,887	1,084,841	1,342,728
2027	274,816	1,156,056	1,430,872
2028-2032	1,669,570	7,023,313	8,692,883
2033-2037	2,030,786	8,542,783	10,573,569
Total	<u>\$ 4,915,254</u>	<u>\$ 20,676,757</u>	<u>\$ 25,592,011</u>

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 5 MORTGAGE PAYABLE (CONTINUED)

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

	<u>2022</u>	<u>2021</u>
Mortgage Payable	\$ 25,592,011	\$ 26,633,217
Debt Issuance	(368,800)	(411,067)
Total	<u>\$ 25,223,211</u>	<u>\$ 26,222,150</u>

NOTE 6 MANAGEMENT FEES

The Entity is managed by Bozzuto Management, pursuant to a management agreement, which provides for a management fee of a flat rate per unit month of \$60 per unit per month for fiscal year 2019. An amendment to the management fee agreement effective December 1, 2019 changed the calculation of the management fee. As of December 1, 2019, the management fee equals 3% of the adjusted gross receipts. Management fees charged to operations for the years ended June 30, 2022 and 2021 were \$220,236 and \$226,422, respectively.

NOTE 7 RELATED PARTY TRANSACTIONS

Operating Deficit and Interfund Receivable

As stated in the partnership agreement, the general partner of the Partnership was required to fund operating deficits through the compliance period. Although the compliance period for the Partnership ended in 2012, the general partner continues to fund such deficits through noninterest bearing operating deficit loans. The balance of the operating deficit loans on the Partnership and related receivable for the Corporation at June 30, 2022 and 2021 are \$13,072,099 and \$12,933,683, respectively.

Asset Management Fee

In accordance with the asset management agreement, an annual fee was to be paid to HOC by the Partnership during its compliance period. The accrued asset management fee of the Partnership at both June 30, 2022 and 2021 is \$60,471.

The Corporation incurred fees for the services rendered in providing advice regarding administering the assets of the Entity. The fee incurred by the Corporation as of June 30, 2022 and 2021 are \$65,470 and \$65,470, respectively.

Note Payable

The Partnership holds a note payable to HOC in the initial amount of \$977,000. The note is a deferred development fee, and payments of interest and principal have been deferred by HOC. Additionally, the Metropolitan holds a loan for \$664,832 payable to HOC for predevelopment costs and renovation of the property. The full note is shown as noncurrent on the balance sheet as payments are not expected within the next 12 months. The balances were \$1,641,832 and \$977,000 at June 30, 2022 and 2021, respectively.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Development Corporation Fee

HOC received a development corporation fee from the Corporation for the years ended June 30, 2022 and 2021 of \$1,336,457 and \$1,277,247, respectively.

Miscellaneous Operating Expenses

The Entity is indebted to HOC for various operating expenses paid on behalf. Amounts due from (to) HOC as of June 30, 2022 and 2021 totaled \$762,721 and \$998,246, respectively.

NOTE 8 REAL ESTATE TAXES

Under an agreement with Montgomery County, Maryland, both the Partnership and the Corporation have entered into a provision for Payment in Lieu of Taxes (PILOT).

NOTE 9 AIR RIGHTS LEASE

The Entity was built utilizing the air rights above Garage 49 owned by Montgomery County, Maryland. The Air Rights Lease provides for a 99-year lease term commencing June 23, 1995. Lease payments are calculated based on a cash flow formula. Payments made during 2022 and 2021 totaled \$281,056 and \$251,109, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

The Extended Use Agreement requires that 100 percent of the residential units in the Partnership shall be both rent restricted and occupied by individuals whose income is 50 percent or less than the median income for the Washington Metropolitan Statistical Area as determined by HUD. Gross rent shall not exceed 30 percent of household income.

NOTE 11 CONCENTRATION OF CREDIT RISK

The Entity maintains its cash balances in several accounts in various high credit, quality financial institutions. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each financial institution. At times, these balances may exceed the federal insurance limits, however, amounts held in trust accounts, and other demand accounts are fully collateralized by either U.S. treasuries or other government guaranteed securities. The collateral is held by the institution's agent in HOC's name.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2021)**

NOTE 12 OPERATING RISK

The Entity's sole asset is 308 units of residential housing. The Entity's operations are concentrated in the multifamily real estate market. In addition, it operates in a heavily regulated environment subject to administrative directives, rules and regulations of federal, state, and local regulatory agencies. Such administrative directives, rules, and regulations are subject to change by an act of Congress. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

OTHER INFORMATION

**THE METROPOLITAN
DETAILED SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2021)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	The Metropolitan Development Corporation				Metropolitan of Bethesda Limited Partnership	The Metropolitan	
	Office Space	Retail	Housing	Total		2022	2021
REVENUE							
Rental Income:							
Gross Rent Potential	\$ -	\$ 475,813	\$ 5,862,764	\$ 6,338,577	\$ 859,584	\$ 7,198,161	\$ 7,368,661
Vacancy Loss and Concessions	-	-	(329,350)	(329,350)	(10,526)	(339,876)	(630,956)
Net Rental Income	-	475,813	5,533,414	6,009,227	849,058	6,858,285	6,737,705
Parking	-	-	255,471	255,471	23,350	278,821	277,492
County Reimbursed Expenses	98,958	-	-	98,958	-	98,958	107,236
Miscellaneous Income	-	55,693	173,397	229,090	7,405	236,495	315,583
Total Revenue	98,958	531,506	5,962,282	6,592,746	879,813	7,472,559	7,438,016
EXPENSES							
Operating Expenses:							
Advertising and Promotions	-	-	59,109	59,109	-	59,109	86,783
Salaries and Related Expenses	49,153	33,428	628,015	710,596	275,364	985,960	935,033
General and Administrative	47	11,847	112,700	124,594	35,122	159,716	154,497
Management Fees	-	18,849	175,218	194,067	26,169	220,236	226,422
Development Corporation Fee	-	-	1,336,457	1,336,457	-	1,336,457	1,277,247
Maintenance	11,803	8,388	426,441	446,632	171,422	618,054	640,818
Insurance	-	-	166,927	166,927	48,737	215,664	218,770
Audit Fees	-	-	2,575	2,575	7,240	9,815	19,820
Air Rights Expense	-	-	281,056	281,056	-	281,056	251,109
Pilot and Other Taxes	-	-	3,735	3,735	1,891	5,626	5,943
Loan Management Fees	-	-	46,461	46,461	19,912	66,373	68,828
Asset Management Fees	-	-	65,470	65,470	6,200	71,670	65,470
Utilities	34,507	25,060	359,903	419,470	155,505	574,975	564,913
Security Contract	3,448	2,450	36,678	42,576	15,726	58,302	100,521
Bad Debt Expense	-	-	18,956	18,956	(1,175)	17,781	18,277
Total Operating Expenses	98,958	100,022	3,719,701	3,918,681	762,113	4,680,794	4,634,451
Other Expenses:							
Interest Expense, Operating	-	-	1,385,327	1,385,327	319,258	1,704,585	1,769,068
Depreciation and Amortization	-	-	1,038,035	1,038,035	318,861	1,356,896	1,442,378
Total Other Expenses	-	-	2,423,362	2,423,362	638,119	3,061,481	3,211,446
Total Expenses	98,958	100,022	6,143,063	6,342,043	1,400,232	7,742,275	7,845,897
OPERATING INCOME (LOSS)	-	431,484	(180,781)	250,703	(520,419)	(269,716)	(407,881)
NONOPERATING REVENUE (LOSS)							
Investment Income	-	162	1,565	1,727	34	1,761	907
Total Nonoperating Revenue	-	162	1,565	1,727	34	1,761	907
NET INCOME (LOSS)	\$ -	\$ 431,646	\$ (179,216)	\$ 252,430	\$ (520,385)	\$ (267,955)	\$ (406,974)

**THE METROPOLITAN
BALANCE SHEET
SELECTED LINE ITEM DETAIL
JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2021)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan	Metropolitan	The Metropolitan	
	of Bethesda Limited Partnership	Development Corporation	2022	2021
ACCOUNTS RECEIVABLE AND OTHER ASSETS				
Resident Tenant Receivable	\$ -	\$ 27,390	\$ -	\$ 27,230
Montgomery County Receivable	-	98,958	98,958	107,236
Prepaid Mortgage Insurance	-	68,305	68,305	88,063
Other Assets	26,406	1,297,155	1,323,561	750,143
	<u>26,406</u>	<u>1,297,155</u>	<u>1,323,561</u>	<u>750,143</u>
Total Accounts Receivable and Other Assets	<u>\$ 26,406</u>	<u>\$ 1,491,808</u>	<u>\$ 1,490,824</u>	<u>\$ 972,672</u>
RESTRICTED DEPOSITS				
Mortgage Escrow	\$ 18,640	\$ 78,618	\$ 97,258	\$ 93,675
Renovation Escrow	-	6,071	6,071	6,071
Replacement Reserve	32,155	954,389	986,544	912,727
Customer Deposits - Funded Security Deposits	46,183	173,269	219,452	240,790
	<u>46,183</u>	<u>173,269</u>	<u>219,452</u>	<u>240,790</u>
Total Restricted Deposits	<u>\$ 96,978</u>	<u>\$ 1,212,347</u>	<u>\$ 1,309,325</u>	<u>\$ 1,253,263</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES				
Accounts Payable	\$ 356	\$ 8,479	\$ 8,835	\$ 2,034
Accrued Salaries and Benefits	16,302	10,427	26,729	22,157
Accrued Expenses	43,113	125,806	168,919	71,568
	<u>43,113</u>	<u>125,806</u>	<u>168,919</u>	<u>71,568</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 59,771</u>	<u>\$ 144,712</u>	<u>\$ 204,483</u>	<u>\$ 95,759</u>
CUSTOMER DEPOSITS PAYABLE				
Customer Deposits	\$ 36,351	\$ 159,030	\$ 195,381	\$ 221,633
Accrued Interest on Customer Deposits	8,582	8,537	17,119	17,038
	<u>8,582</u>	<u>8,537</u>	<u>17,119</u>	<u>17,038</u>
Total Customer Deposits Payable	<u>\$ 44,933</u>	<u>\$ 167,567</u>	<u>\$ 212,500</u>	<u>\$ 238,671</u>

**THE METROPOLITAN
STATEMENT OF OPERATIONS
SELECTED LINE ITEM DETAIL
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2021)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2022	2021
DWELLING RENTAL REVENUE				
Gross Potential Tenant Rent	\$ 863,676	\$ 6,456,281	\$ 7,319,957	\$ 7,512,141
Vacancies and Concessions	(14,619)	(348,097)	(362,716)	(667,200)
Total Dwelling Rental Revenue	<u>\$ 849,057</u>	<u>\$ 6,108,184</u>	<u>\$ 6,957,241</u>	<u>\$ 6,844,941</u>
OTHER INCOME				
Tenant Charges	\$ 5,931	\$ 226,009	\$ 231,940	\$ 308,271
Parking	23,350	255,471	278,821	277,492
Miscellaneous Income	1,475	3,082	4,557	7,312
Total Other Income	<u>\$ 30,756</u>	<u>\$ 484,562</u>	<u>\$ 515,318</u>	<u>\$ 593,075</u>
ADMINISTRATIVE				
Salaries and Related Expenses	\$ 156,138	397,925	\$ 554,063	\$ 529,128
Telephone	-	15,895	15,895	19,510
Office Supplies and Expenses	4,017	10,715	14,732	10,282
Professional Fees	7,818	13,294	21,112	22,677
Accounting and Auditing Fees	7,240	2,575	9,815	19,820
Property Management Fees	26,170	194,067	220,237	226,422
Licenses and Fees	162	2,074	2,236	10,110
Tenant Security Deposit Interest Expense	-	1,946	1,946	(4,162)
Advertising	-	59,109	59,109	86,783
Program Supplies	21,971	13,430	35,401	32,430
Miscellaneous Administrative Expenses	1,152	67,238	68,390	63,650
Total Administrative	<u>\$ 224,668</u>	<u>\$ 778,268</u>	<u>\$ 1,002,936</u>	<u>\$ 1,016,650</u>
UTILITIES				
Water	\$ 54,581	\$ 148,333	\$ 202,914	\$ 203,565
Electricity	71,226	199,350	270,576	221,422
Gas	17,329	38,568	55,897	73,807
Trash Removal	12,369	33,219	45,588	66,119
Total Utilities	<u>\$ 155,505</u>	<u>\$ 419,470</u>	<u>\$ 574,975</u>	<u>\$ 564,913</u>

**THE METROPOLITAN
STATEMENT OF OPERATIONS (CONTINUED)
SELECTED LINE ITEM DETAIL
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2021)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2022	2021
MAINTENANCE				
Salaries and Related Expenses	\$ 63,117	\$ 167,087	\$ 230,204	\$ 215,969
Repair and Grounds Contracts	135,040	364,767	499,807	483,798
Appliance	7,902	22,681	30,583	22,717
Repairs Materials and Supplies	28,480	59,188	87,668	134,303
	<u>\$ 234,539</u>	<u>\$ 613,723</u>	<u>\$ 848,262</u>	<u>\$ 856,787</u>
OTHER EXPENSES				
Security	\$ 15,726	\$ 42,576	\$ 58,302	\$ 100,521
Insurance - Property	10,430	61,629	72,059	67,119
Mortgage Insurance	19,912	105,298	125,210	135,396
Liability Insurance	25,009	-	25,009	13,140
Real Estate Taxes	9,953	-	9,953	2,433
Asset Management Fee	1,591	65,470	67,061	65,470
Development Corporation Fee	-	1,336,457	1,336,457	1,277,247
Loan Management Fees	300	46,461	46,761	68,828
Capital Lease Payment	-	281,056	281,056	251,109
Bad Debts - Tenants	(1,175)	18,956	17,781	18,277
Other Taxes and Expenses	9,545	3,735	13,280	6,625
	<u>\$ 91,291</u>	<u>\$ 1,961,638</u>	<u>\$ 2,052,929</u>	<u>\$ 2,006,165</u>

THE METROPOLITAN
SCHEDULE OF RELATED PARTY RECEIVABLES/PAYABLES
YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2021)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	<u>The Metropolitan</u>	
			<u>2022</u>	<u>2021</u>
Related Party (Payable) Receivable	\$ -	\$ 13,072,099	\$ 13,072,099	\$ 12,933,683
Operating Deficit Advance	(13,072,099)	-	(13,072,099)	(12,933,683)
Due to (from) HOC Central Cash	<u>(1,009,934)</u>	<u>254,113</u>	<u>(755,821)</u>	<u>(998,246)</u>
Related Party (Payable) Receivable	<u>\$ (14,082,033)</u>	<u>\$ 13,326,212</u>	<u>\$ (755,821)</u>	<u>\$ (998,246)</u>