

Diamond Square Limited Partnership

Financial Statements

**For the Years Ended
June 30, 2023 and 2022**

Diamond Square Limited Partnership

Table of Contents

For the Years Ended June 30, 2023 and 2022

Independent Auditor's Report	1-3
Financial Statements	
Balance Sheets	4-5
Statements of Operations	6
Statements of Changes in Partners' Capital	7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-14
Supplementary Information	
Detail of Selected Balance Sheet Accounts	15
Detailed Statements of Operations	16-17
Supporting Data Required by CDA	18-29
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30-31
Schedule of Findings, Questioned Costs and Recommendations	32
Schedule of the Status of Prior Audit Findings, Questioned Costs, and Recommendations	33
Statement of Project Owner's Certification	34
Statement of Management Agent's Certification	35



Independent Auditor's Report

To the Partners
Diamond Square Limited Partnership
10400 Detrick Avenue
Kensington, MD 20895

Opinion

We have audited the accompanying financial statements of Diamond Square Limited Partnership which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations, changes in partners' capital, and cash flows for the years 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 Diamond Square Limited Partnership as of June 30, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Diamond Square Limited Partnership 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 Diamond Square Limited Partnership's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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, including omissions, 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 generally accepted auditing standards, 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 Diamond Square Limited Partnership'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 Diamond Square Limited Partnership'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 15 to 29 is presented for the 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 September 14, 2023 on our consideration of Diamond Square Limited Partnership'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 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 Diamond Square Limited Partnership'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 Diamond Square Limited Partnership's internal control over financial reporting and compliance.

SC+H attest services, P.C.

Sparks, Maryland
September 14, 2023

Diamond Square Limited Partnership

Balance Sheets

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Assets		
Unrestricted current assets		
Cash	\$ 459,356	\$ 283,828
Interfund receivable	1,750	9,953
Accounts receivable, net and other assets	<u>69,515</u>	<u>111,322</u>
Total unrestricted current assets	<u>530,621</u>	<u>405,103</u>
Restricted cash and cash equivalents for current liabilities		
Restricted cash and cash equivalents	3,637,060	3,246,900
Tenants' security deposits	<u>66,432</u>	<u>65,197</u>
Total restricted cash and cash equivalents for current liabilities	<u>3,703,492</u>	<u>3,312,097</u>
Property and equipment		
Property and equipment, net of accumulated depreciation	<u>2,719,214</u>	<u>2,896,768</u>
Total property and equipment	<u>2,719,214</u>	<u>2,896,768</u>
Deferred charges		
Negative arbitrage	<u>14,022</u>	<u>14,022</u>
Total deferred charges	<u>14,022</u>	<u>14,022</u>
Total assets	<u><u>\$ 6,967,349</u></u>	<u><u>\$ 6,627,990</u></u>

See independent auditor's report and notes to financial statements.

Diamond Square Limited Partnership

Balance Sheets (Continued)
As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Liabilities and Partners' Capital		
Current liabilities		
Accounts payable and accrued expenses	\$ 100,404	\$ 46,896
Accrued interest payable	3,488	3,753
Mortgage payable, current maturities	<u>71,655</u>	<u>68,405</u>
Total current liabilities	<u>175,547</u>	<u>119,054</u>
Current liabilities payable from restricted assets		
Tenants' security deposits	<u>62,350</u>	<u>64,695</u>
Total current liabilities payable from restricted assets	<u>62,350</u>	<u>64,695</u>
Long-term liabilities		
Mortgage payable, net of current maturities and unamortized financing fees of \$26,150 - 2023 and \$28,787 - 2022	802,325	871,343
Other mortgages and notes payable	<u>4,746,344</u>	<u>4,746,344</u>
Total long-term liabilities	<u>5,548,669</u>	<u>5,617,687</u>
Total liabilities	<u>5,786,566</u>	<u>5,801,436</u>
Partners' capital		
Partners' capital	<u>1,180,783</u>	<u>826,554</u>
Total liabilities and partners' capital	<u>\$ 6,967,349</u>	<u>\$ 6,627,990</u>

See independent auditor's report and notes to financial statements.

Diamond Square Limited Partnership

Statements of Operations
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
Dwelling rental income	\$ 1,284,445	\$ 1,324,914
Other income	<u>36,436</u>	<u>466</u>
Total operating revenues	<u>1,320,881</u>	<u>1,325,380</u>
Operating expenses		
Administrative	191,820	193,322
Operating and maintenance	331,712	314,459
Depreciation	200,814	202,197
Utilities	188,664	191,416
Fringe benefits	29,159	33,301
Interest expense	45,963	49,077
Other	92,424	103,755
Bad debt expense	<u>-</u>	<u>41,954</u>
Total operating expenses	<u>1,080,556</u>	<u>1,129,481</u>
Operating income	<u>240,325</u>	<u>195,899</u>
Nonoperating revenue		
Interest revenue	<u>113,904</u>	<u>2,381</u>
Total nonoperating revenue	<u>113,904</u>	<u>2,381</u>
Net income	<u>\$ 354,229</u>	<u>\$ 198,280</u>

See independent auditor's report and notes to financial statements.

Diamond Square Limited Partnership

Statements of Changes in Partners' Capital
For the Years Ended June 30, 2023 and 2022

Balance, July 1, 2021	\$ 628,274
Net income, June 30, 2022	<u>198,280</u>
Balance, June 30, 2022	826,554
Net income, June 30, 2023	<u>354,229</u>
Balance, June 30, 2023	<u>\$ 1,180,783</u>

See independent auditor's report and notes to financial statements.

Diamond Square Limited Partnership

Statements of Cash Flows

For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Cash received for:		
Rental income	\$ 1,344,990	\$ 1,260,949
Interest income	<u>113,904</u>	<u>2,381</u>
Total cash receipts	<u>1,458,894</u>	<u>1,263,330</u>
Cash paid for services and to employees for:		
Administrative expenses	(38,513)	(53,007)
Management fees	(87,374)	(85,391)
Utilities	(94,506)	(198,377)
Salaries and wages	(138,665)	(185,463)
Operating and maintenance	(300,572)	(258,807)
Property insurance	(47,550)	(32,690)
Miscellaneous taxes and insurance	(7,385)	(13,854)
Tenant security deposits	(2,345)	1,371
Interest on mortgage payable	(43,591)	(46,693)
Fringe benefits	(29,154)	(32,762)
Other expenses	(6,021)	(26,070)
Mortgage insurance premium	<u>(4,630)</u>	<u>(4,966)</u>
Total cash disbursements	<u>(800,306)</u>	<u>(936,709)</u>
Net cash and restricted cash and cash equivalents provided by operating activities	<u>658,588</u>	<u>326,621</u>
Cash flows from investing activities		
Acquisition of fixed assets	<u>(23,260)</u>	<u>-</u>
Net cash and restricted cash and cash equivalents used in investing activities	<u>(23,260)</u>	<u>-</u>
Cash flows from financing activities		
Mortgage principal payments	<u>(68,405)</u>	<u>(65,303)</u>
Net cash and restricted cash and cash equivalents used in financing activities	<u>(68,405)</u>	<u>(65,303)</u>
Net increase in cash and restricted cash and cash equivalents	566,923	261,318
Cash and restricted cash and cash equivalents, beginning of year	<u>3,595,925</u>	<u>3,334,607</u>
Cash and restricted cash and cash equivalents, end of year	<u>\$ 4,162,848</u>	<u>\$ 3,595,925</u>

See independent auditor's report and notes to financial statements.

Diamond Square Limited Partnership

Statements of Cash Flows (Continued)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Reconciliation of net income to net cash and restricted cash and cash equivalents provided by operating activities		
Net income	\$ 354,229	\$ 198,280
Adjustments to reconcile net income to net cash and restricted cash and cash equivalents provided by operating activities:		
Depreciation	200,814	202,197
Amortization of financing fees	2,637	2,637
Bad debt (recovery) expense	(33,037)	41,954
(Increase) decrease in operating assets:		
Accounts receivable, net and other assets	74,844	(117,310)
Interfund receivable	8,203	(9,953)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	53,508	9,258
Accrued interest payable	(265)	(253)
Interfund payable	-	(1,560)
Tenants' security deposits	(2,345)	1,371
Net cash and restricted cash and cash equivalents provided by operating activities	<u>\$ 658,588</u>	<u>\$ 326,621</u>

The following table provides a reconciliation of cash and restricted cash and cash equivalents reported within the balance sheets that sum to the total of the same such amounts presented in cash and restricted cash and cash equivalents, end of year, above:

Cash	\$ 459,356	\$ 283,828
Restricted cash and cash equivalents	3,637,060	3,246,900
Tenants' security deposits	<u>66,432</u>	<u>65,197</u>
Total cash and restricted cash and cash equivalents, end of year	<u>\$ 4,162,848</u>	<u>\$ 3,595,925</u>

See independent auditor's report and notes to financial statements.

Diamond Square Limited Partnership

Notes to Financial Statements
For the Years Ended June 30, 2023 and 2022

1) Nature of Business and Summary of Significant Accounting Policies

Nature of Business

Diamond Square Limited Partnership (a Maryland limited partnership) (the Partnership) was formed under the laws of the State of Maryland on June 9, 2003, for the purpose of acquiring 124 apartment units to provide rental housing of which 40 are for low and moderate income families. The Partnership acquired the net assets of Diamond Square Apartments, a component unit of the Housing Opportunities Commission of Montgomery County, Maryland (HOC).

Method of Accounting

The Partnership's financial statements are prepared on the accrual method of accounting which recognizes income when it is earned and expenses when they are incurred.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments with a maturity of three months or less when purchased, consisting of investments in money market funds, to be cash equivalents.

Rents Receivable and Bad Debts

Accounts receivable are reported at their outstanding balances, reduced by an allowance for doubtful accounts.

Management periodically evaluates the need for an allowance for doubtful accounts by considering the Partnership's past receivables loss experience, known and inherent risks in the accounts receivable population, adverse situations that may affect a debtor's ability to pay, and current economic conditions.

The allowance for doubtful accounts is increased by charges to bad debt expense and decreased by charge offs of the accounts receivable balances. Accounts receivable are considered past due after the tenth of the month in which they were due. Accounts receivable are considered uncollectible if they are outstanding over 90 days. The allowances as of June 30, 2023 and 2022 were \$45,354 and \$78,391, respectively.

Property and Equipment

Land, buildings and improvements are recorded at cost. The cost of repairs and maintenance is charged to operations as incurred. Major renewals, betterments and additions are capitalized. Buildings and improvements are depreciated over their estimated useful lives of 10 to 40 years using the straight-line method.

Impairment of Long-Lived Assets

The Partnership reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. There were no asset impairments during the years ended June 30, 2023 and 2022.

See independent auditor's report.

Diamond Square Limited Partnership

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

1) Nature of Business and Summary of Significant Accounting Policies (Continued)

Interest

The Partnership has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Section 835, *Interest*, which states that debt issuance costs related to a note shall be reported on the balance sheet as a direct deduction from the face amount of that note, and any amortization of debt issuance costs shall be reported as interest expense. Accordingly, the Partnership is reporting loan fees related to its first mortgage payable as a direct deduction from the principal balance of the mortgage, and is reporting amortization of the loan fees as interest expense on the first mortgage payable. See Note 6 for more information.

Income Taxes

The Partnership files a partnership tax return and the net income or loss is reported by the partners on their respective income tax returns.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Rental Revenue

Rental income is recognized as rents become due. Rent payments received in advance are deferred until earned. All leases between the Partnership and tenants of the property are operating leases.

Rental Subsidies

Certain tenants of the Partnership receive rental subsidies from the County and State as a result of the Partnership making units available for low-income tenants.

Advertising

The Partnership's policy is to expense advertising costs when incurred which totaled \$4,754 and \$5,486, respectively, for the years ended June 30, 2023 and 2022.

2) Cash - Tenant Security Deposits

The amounts of \$66,432 and \$65,197 as of June 30, 2023 and 2022, respectively, on the accompanying balance sheets, represent funds deposited in a savings account with a balance that should be at least equal to the tenants' security deposits. Maryland Rent Escrow Law requires the Partnership to maintain a separate account for deposits paid by the tenants, and to credit the deposits annually with interest of 1.5% or the 1-year US Treasury yield curve rate a year, at six-month intervals. Tenant security deposits are held in a federally insured bank.

See independent auditor's report.

Diamond Square Limited Partnership

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

3) Concentration of Risk

The Partnership maintains its cash balances in several accounts in various banks. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. Additionally, the Partnership is included with the Housing Opportunities Commission of Montgomery County, Maryland (the "Commission") as part of the agency funds and was entirely insured or collateralized with securities held by the Commission's agent in the Commission's name.

4) Property and Equipment

Property and equipment detail for the years ended June 30 was as follows:

	<u>2023</u>	<u>2022</u>
Land	\$ 1,612,000	\$ 1,612,000
Land improvements	4,990	4,990
Buildings	7,188,521	7,188,521
Equipment	<u>257,667</u>	<u>234,407</u>
Total property and equipment	9,063,178	9,039,918
Less: accumulated depreciation	<u>6,343,964</u>	<u>6,143,150</u>
Property and equipment, net	<u>\$ 2,719,214</u>	<u>\$ 2,896,768</u>

5) Negative Arbitrage

HOC issued bonds to provide the financing for the Partnership's rehabilitation. Because HOC earned less in interest revenue from the Partnership's loan during the construction than it paid to the HOC bondholders, negative arbitrage occurred. Negative arbitrage occurs when investments acquired with the bond proceeds earn less interest than is due to the bondholders.

During the year ended June 30, 2003, the Partnership paid \$14,022 to HOC as charge for the incurred negative arbitrage, representing the difference between the interest HOC earns on its loan to the Partnership and the interest HOC pays to the bondholders over the life of the loan. The balance of the negative arbitrage is not being amortized and is included in the accompanying balance sheets under deferred charges.

See independent auditor's report.

Diamond Square Limited Partnership

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

6) Long-Term Debt

Mortgage Payable

The Partnership is obligated to repay a mortgage to HOC. On June 20, 2003, the Partnership assumed the HUD regulatory agreement from HOC in conjunction with execution of a mortgage loan from HOC for \$1,810,000. The note is secured by a promissory note, deed of trust, security and assignment of rent agreements, and substantially all assets. Financing fees related to the mortgage were \$78,823 and are being amortized to interest expense on a straight-line basis, the results of which are not materially different than that of the effective interest method, over the term of the loan. The loan provides for interest at a nominal rate of 4.65% per annum and an effective rate of 4.89% per annum, to accrue until maturity, with the final balance of principal and accrued interest due July 1, 2033. The outstanding principal and accrued interest balances as of June 30, 2023 and 2022 are \$900,130 and \$3,488, respectively, for 2023 and \$968,535 and \$3,753, respectively, for 2022. Unamortized financing fees as of June 30, 2023 and 2022 were \$26,150 and \$28,787, respectively. For the years ended June 30, 2023 and 2022, interest incurred on the mortgage was \$45,963 and \$49,077, respectively, including amortized financing fees of \$2,637 for each year.

Maturities of the mortgage payable are as follows:

2024	\$	71,655
2025		75,059
2026		78,624
2027		82,359
2028		86,272
2029-2033		496,867
2034		<u>9,294</u>
Total	\$	<u>900,130</u>

DHCD Mortgage Payable

The Partnership is obligated under the terms of a second mortgage payable with the Maryland Department of Housing and Community Development (DHCD) in the original amount of \$2,000,000, dated June 1991, which is non-interest bearing and is due upon the sale of the property. There were no financing fees incurred related to this mortgage. As of June 30, 2023 and 2022 the principal balance was \$2,000,000.

Note Payable

On June 20, 2003, the Partnership assumed a note payable, deed of trust security agreement, and regulatory agreement with Montgomery County, Maryland. The original amount of the note is \$2,746,344, is non-interest bearing and is due upon the sale of the property. There were no financing fees incurred related to this note. As of June 30, 2023 and 2022 the principal balance was \$2,746,344.

See independent auditor's report.

Diamond Square Limited Partnership

Notes to Financial Statements (Continued)
For the Years Ended June 30, 2023 and 2022

7) Related Party Transactions

Asset Management Fee

The Partnership was charged an asset management fee of \$26,810 and \$26,030, respectively, for the years ended June 30, 2023 and 2022, by HOC.

Interfund Receivable and Payable

The Partnership has numerous transactions with HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Partnership have not been paid or collected as of year-end, interfund receivables and payables are recorded. The balance of the interfund receivable as of June 30, 2023 and 2022 was \$1,750 and \$9,953, respectively.

8) Real Estate Taxes

The Partnership has entered into a Payment In Lieu Of Taxes (PILOT) agreement for the 124 units whereby Montgomery County real estate tax and special area taxes are abated.

9) Property Management Fee

Effective July 1, 2019, the Partnership is obligated under the terms of a Property Management Agreement with Residential One for the management of the rental property. Under the terms of the agreement, the Partnership is required to pay monthly management fees equal to \$41 per occupied unit as of the last day of the month. In addition, HOC reserves the right to pay Residential One an annual fee. Payment of the annual fee is in HOC's sole discretion and there is no guarantee that Residential One will receive the annual fee in any given year. The annual fee will be based on target occupancy levels and rent actually received. During the years ended June 30, 2023 and 2022, management fees of \$65,681 and \$59,361, respectively, were incurred.

10) Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through the independent auditor's report date, the date the financial statements were available to be issued. There were no material events that required recognition or disclosure in the financial statements.

See independent auditor's report.

Diamond Square Limited Partnership

Detail of Selected Balance Sheet Accounts

As of June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Accounts receivable, net and other assets		
Accounts receivable - subsidy	\$ 16,277	\$ 483
Allowance for doubtful accounts	(45,354)	(78,391)
Other receivables	4,418	24,625
Other resident fees receivable	2,883	71
Prepaid expenses	-	19,777
Prepaid mortgage insurance	386	414
Rents receivable	90,905	144,343
	<u>\$ 69,515</u>	<u>\$ 111,322</u>
Total accounts receivable, net and other assets		
Accounts payable and accrued expenses		
Accounts payable	\$ 26,877	\$ 15,002
Accrued salaries	4,287	1,582
Accrued utility payments	31,303	14,724
Other accrued liabilities	35	-
Resident prepaid rents	37,902	15,588
	<u>\$ 100,404</u>	<u>\$ 46,896</u>
Total accounts payable and accrued expenses		

See independent auditor's report.

Diamond Square Limited Partnership

Detailed Statements of Operations
For the Years Ended June 30, 2023 and 2022

	2023	2022
Dwelling rental income		
Laundry income	\$ 9,359	\$ 8,965
Rent	1,349,316	1,340,857
Tenant charges	3,680	1,093
Vacancies and concessions	(77,910)	(26,001)
Total dwelling rental income	<u>\$ 1,284,445</u>	<u>\$ 1,324,914</u>
Other income		
Bad debt recovery	\$ 33,037	\$ -
Miscellaneous	1,713	-
Transfers between funds	1,686	466
Total other income	<u>\$ 36,436</u>	<u>\$ 466</u>
Administrative expenses		
Advertising and marketing	\$ 4,754	\$ 5,486
Contract management fees	65,681	59,361
Miscellaneous	2,198	1,306
Office supplies and expense	14,138	9,770
Professional fees	16,095	13,661
Salaries	78,354	93,416
Security deposit interest expense	152	670
Telephone	10,448	9,652
Total administrative expenses	<u>\$ 191,820</u>	<u>\$ 193,322</u>
Operating and maintenance expenses		
Contracts	\$ 78,206	\$ 102,193
Exterminating	10,859	4,996
Grounds maintenance	2,112	11,008
HVAC repairs and maintenance	18,042	10,720
Janitorial	48,379	31,116
Salaries	63,016	87,405
Snow removal	850	1,275
Supplies and repairs	110,248	65,746
Total operating and maintenance expenses	<u>\$ 331,712</u>	<u>\$ 314,459</u>

See independent auditor's report.

Diamond Square Limited Partnership

Detailed Statements of Operations (Continued)
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Utilities expense		
Electricity	\$ 86,521	\$ 88,348
Gas	20,126	25,595
Trash removal	37,595	27,229
Water	44,422	50,244
Total utilities expense	<u>\$ 188,664</u>	<u>\$ 191,416</u>
Fringe benefits		
Contract managed benefits	\$ 20,628	\$ 22,091
Health insurance	5,261	5,301
Workers' compensation	3,270	5,909
Total fringe benefits	<u>\$ 29,159</u>	<u>\$ 33,301</u>
Other expenses		
Asset management fees	\$ 26,810	\$ 26,030
Insurance	47,550	32,808
Mortgage insurance	4,658	4,993
Security contracts	6,021	26,070
Taxes	7,385	13,854
Total other expenses	<u>\$ 92,424</u>	<u>\$ 103,755</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA – Balance Sheet Data
As of June 30, 2023

Assets

Current assets

1120	Cash - operations	\$	459,356	
1130	Tenant accounts receivable		93,788	
1131	Allowance for doubtful accounts		(45,354)	
1135	Rents receivable - subsidy		16,277	
1140	Accounts and notes receivable		4,418	
1145	Interfund receivable		1,750	
1200	Prepaid expenses		<u>386</u>	
1100T	Total current assets	\$		530,621

Deposits held in trust - funded

1191	Tenant security deposits		<u>66,432</u>	
1191T	Total deposits held in trust - funded			66,432

Restricted deposits and funded reserves

1310	Escrow deposits		22,669	
1320	Reserve for replacements		2,160,396	
1330	Other reserves		<u>1,453,995</u>	
1300T	Total restricted deposits and funded reserves			3,637,060

Property and equipment

1410	Land		1,612,000	
1410	Land improvements		4,990	
1420	Buildings		7,188,521	
1440	Building equipment		<u>257,667</u>	
1400T	Total property and equipment		9,063,178	
1495	Less: accumulated depreciation		<u>(6,343,964)</u>	
1400N	Net property and equipment			2,719,214

Other assets

1520	Intangible assets		<u>14,022</u>	
1500T	Total other assets			<u>14,022</u>
1000T	Total assets	\$		<u><u>6,967,349</u></u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA – Balance Sheet Data (Continued)

As of June 30, 2023

Liabilities and Partners' Capital

Current liabilities

2110	Accounts payable	\$	58,215	
2120	Accrued wages payable		4,287	
2131	Accrued interest payable		3,488	
2170	Mortgage payable, current maturities		71,655	
2210	Prepaid revenue		<u>37,902</u>	
2122T	Total current liabilities	\$		175,547

Deposit liabilities

2191	Tenant security deposits held in trust (contra)		<u>62,350</u>	
	Total deposit liabilities			62,350

Long-term liabilities

2320	Mortgage payable, net of current maturities and unamortized financing fees of \$26,150		802,325	
2322	Other mortgages and notes payable		<u>4,746,344</u>	
2300T	Total long-term liabilities			<u>5,548,669</u>
2000T	Total liabilities			<u>5,786,566</u>

Partners' capital

3130	Partners' capital			<u>1,180,783</u>
2033T	Total liabilities and partners' capital	\$		<u><u>6,967,349</u></u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Statement of Operations Data
For the Year Ended June 30, 2023

Rental revenue

5120	Rent revenue - gross potential	\$ 1,323,705
5121	Tenant assistance payments	<u>25,611</u>
5100T	Total rental revenue	<u>1,349,316</u>

Vacancies

5220	Apartments	<u>77,910</u>
5200T	Total vacancies	<u>77,910</u>
5152N	Net rental revenue	<u>1,271,406</u>

Financial revenue

5490	Revenue from investments - interest revenue from reserve \$113,904	<u>113,904</u>
5400T	Total financial revenue	<u>113,904</u>

Other revenue

5910	Laundry revenue	9,359
5920	Tenant charges	3,680
5990	Miscellaneous revenue - transfers between funds \$1,686; bad debt recovery \$33,037; miscellaneous \$1,713	<u>36,436</u>
5900T	Total other revenue	<u>49,475</u>
5000T	Total revenue	<u>1,434,785</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Statement of Operations Data (Continued)
For the Year Ended June 30, 2023

Administrative expenses

6210	Advertising and marketing	\$	4,754
6310	Office salaries		78,354
6311	Office expense		24,586
6320	Management fee		65,681
6340	Legal expense - project		2,245
6350	Audit expense		13,850
6390	Miscellaneous administrative expenses - security deposit interest \$152; miscellaneous \$2,198		<u>2,350</u>
6263T	Total administrative expenses		<u>191,820</u>

Utility expenses

6450	Electricity		86,521
6451	Water		44,422
6452	Gas		<u>20,126</u>
6400T	Total utility expenses		<u>151,069</u>

Operating and maintenance expenses

6510	Payroll		63,016
6515	Supplies		128,389
6520	Contracts		121,415
6525	Garbage and trash removal		37,595
6530	Security contracts		6,021
6546	Heating/cooling repairs and maintenance		18,042
6548	Snow removal		<u>850</u>
6500T	Total operating and maintenance expenses		<u>375,328</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Statement of Operations Data (Continued)
For the Year Ended June 30, 2023

Taxes and insurance

6720	Property and liability insurance (hazard)	\$	47,550
6722	Workmen's compensation		3,270
6723	Health insurance and other employee benefits		25,889
6790	Miscellaneous taxes, licenses, permits, and insurance - solid waste tax \$2,211; water protection charges \$4,874; other tax \$300		<u>7,385</u>
6700T	Total taxes and insurance		<u>84,094</u>

Financial expenses

6820	Interest on first mortgage payable		45,963
6850	Mortgage insurance		<u>4,658</u>
6800T	Total financial expenses		<u>50,621</u>
6000T	Total expenses before depreciation		<u>852,932</u>
5060T	Profit before depreciation		581,853
6600	Depreciation		<u>200,814</u>
5060N	Operating income		<u>381,039</u>

Entity expenses

7190	Asset management fees		<u>26,810</u>
3250	Net income	\$	<u>354,229</u>

S1000-010	Total mortgage principal payments required during the year -	\$	68,405
S1000-020	Total of 12 monthly deposits during the year into the replacement reserve account, as required by the regulatory agreement -	\$	126,003
S1000-030	Replacement reserves or residual receipts releases which are included as expense items on this profit and loss statement -	\$	38,767
S1000-040	Project improvement reserve releases under the flexible subsidy program that are included as expense items on this profit and loss statement -	\$	-

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Statement of Changes in Partners' Capital Data
For the Year Ended June 30, 2023

S1100-010	Partners' capital, July 1, 2022	\$	826,554
3247	Net income		<u>354,229</u>
3131	Partners' capital, June 30, 2023	\$	<u>1,180,783</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Statement of Cash Flows Data
For the Year Ended June 30, 2023

Cash flows from operating activities:		
Cash received for:		
S1200-010	Rental income	\$ 1,344,990
S1200-020	Interest income	<u>113,904</u>
S1200-040	Total cash receipts	<u>1,458,894</u>
Cash paid for services and to employees for:		
S1200-050	Administrative expenses	(38,513)
S1200-070	Management fees	(87,374)
S1200-090	Utilities	(94,506)
S1200-100	Salaries and wages	(138,665)
S1200-110	Operating and maintenance	(300,572)
S1200-140	Property insurance	(47,550)
S1200-150	Miscellaneous taxes and insurance	(36,539)
S1200-160	Tenant security deposits	(3,580)
S1200-170	Other operating expenses	(6,021)
S1200-180	Interest on first mortgage	(43,591)
S1200-210	Mortgage insurance premium	<u>(4,630)</u>
S1200-230	Total cash disbursements	<u>(801,541)</u>
S1200-240	Net cash provided by operating activities	<u>657,353</u>
Cash flows from investing activities:		
S1200-245	Increase in mortgage escrows	(29)
S1200-250	Increase in reserve for replacements	(152,847)
S1200-255	Increase in other escrows	(237,284)
S1200-330	Acquisition of fixed assets	<u>(23,260)</u>
S1200-350	Net cash used in investing activities	<u>(413,420)</u>
Cash flows from financing activities:		
S1200-360	Mortgage principal payments	<u>(68,405)</u>
S1200-460	Net cash used in financing activities	<u>(68,405)</u>
S1200-470	Net increase in cash	175,528
S1200-480	Cash, beginning of year	<u>283,828</u>
S1200T	Cash, end of year	<u>\$ 459,356</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Statement of Cash Flows Data (Continued)
For the Year Ended June 30, 2023

Reconciliation of net income to net cash provided by operating activities:		
3250	Net income	\$ 354,229
	Adjustments to reconcile net income to net cash provided by operating activities:	
6600	Depreciation	200,814
S1200-486	Amortization of financing fees	2,637
	(Increase) decrease in operating assets	
S1200-490	Tenant accounts receivable	17,589
S1200-490	Rents receivable - subsidy	(15,794)
S1200-500	Accounts and notes receivable	20,207
S1200-500	Interfund receivable	8,203
S1200-520	Prepaid expenses	19,805
S1200-530	Tenant security deposits	(1,235)
	Increase (decrease) in operating liabilities	
S1200-540	Accounts payable	28,489
S1200-560	Accrued wages payable	2,705
S1200-570	Accrued interest payable	(265)
S1200-580	Tenant security deposits held in trust (contra)	(2,345)
S1200-590	Prepaid revenue	22,314
S1200-610	Net cash provided by operating activities	<u>\$ 657,353</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA - Schedule of Surplus Cash
As of June 30, 2023

Cash

S1300-010	Cash	<u>\$ 525,788</u>
S1300-040	Total cash	<u>525,788</u>

Current obligations

S1300-050	Accrued mortgage interest	3,488
S1300-075	Accounts payable - 30 days	58,215
S1400-100	Loans and notes payable	5,845
S1400-120	Accrued expenses	4,287
S1400-150	Other current obligations- estimated insurance \$47,550; estimated taxes \$7,085; operating reserve \$1,660 replacement reserve \$10,534; mortgage insurance premium \$386	67,215
2191	Tenant security deposits held in trust (contra)	62,350
2210	Prepaid revenue	<u>37,902</u>
	Total current obligations	<u>239,302</u>
	Surplus cash (deficiency)	<u>\$ 286,486</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA
For the Year Ended June 30, 2023

	Balance 07/01/22	Additions	Deductions	Balance 06/30/23
1410 Land	\$ 1,612,000	\$ -	\$ -	\$ 1,612,000
1410 Land improvements	4,990	-	-	4,990
1420 Buildings	7,188,521	-	-	7,188,521
1440 Building equipment	234,407	23,260	-	257,667
Total	9,039,918	<u>\$ 23,260</u>	<u>\$ -</u>	9,063,178
1495 Accumulated depreciation	<u>(6,143,150)</u>	<u>\$ (200,814)</u>	<u>\$ -</u>	<u>(6,343,964)</u>
Net book value	<u>\$ 2,896,768</u>			<u>\$ 2,719,214</u>

Fixed asset additions consist of:

1440 Hot water tank	<u>\$ 23,260</u>
---------------------	------------------

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA
For the Year Ended June 30, 2023

Schedule of Letters of Credit – None

Schedule of Mortgages Payable – See Page 13 – Note 6

Schedule of Notes Payable – Pages 13 – Note 6

Accounts and Notes Receivable – None

Property Management Fee Rate: \$41 per occupied unit per month plus an annual fee (if applicable)

Identity of Interest Firms:

The Partnership has an asset management agreement with Housing Opportunities Commission, an affiliated organization.

The Partnership has numerous transactions with HOC to finance operations and provide services. To the extent that funds to finance certain transactions of the Partnership have not been paid or collected as of year-end, interfund receivables and payables are recorded.

Listing of Identity of Interest Companies & Activities
Doing Business with Owner/Agent:

Company Name	Type of Service	Amount Received
Housing Opportunities Commission	Asset Management Fee	\$ 26,810

Identity of interest amounts deferred: \$0

Partnership Employer Identification Number: 01-0787816

Reserve for Replacements:

In accordance with the provisions of the HOC regulatory agreement, restricted cash is deposited in a reserve account held by US Bank, to be used for the replacement of the property with the approval of HOC, as follows:

Balance, July 1, 2022	\$ 2,007,549
Monthly deposits	126,003
Interest	65,611
Authorized releases	<u>(38,767)</u>
Balance, June 30, 2023	<u>\$ 2,160,396</u>

See independent auditor's report.

Diamond Square Limited Partnership

Supporting Data Required by CDA (Continued)
For the Year Ended June 30, 2023

Mortgage Escrow Deposits:

Restricted cash is held by US Bank, as follows:

Balance, July 1, 2022	\$	22,640
Monthly deposits		4,659
Expensed withdrawals		<u>(4,630)</u>
Balance, June 30, 2023	\$	<u>22,669</u>

Other Reserves:

Restricted cash is held by PNC Institutional Investment, as follows:

Balance, July 1, 2022	\$	1,216,711
Deposits		191,117
Interest		<u>46,167</u>
Balance, June 30, 2023	\$	<u>1,453,995</u>

Residual Receipts - None

Changes in Fixed Asset Accounts – See Page 27

Computation for Surplus Cash, Distributions and Residual Receipts – See Page 26

Cash Flow Loan Payments – None

See independent auditor's report.



**Independent Auditor’s 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***

To the Partners
Diamond Square Limited Partnership
10400 Detrick Avenue
Kensington, MD 20895

We have audited, in accordance with the 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, the financial statements of Diamond Square Limited Partnership, CDA Project Number 26.16.0003, which comprise the balance sheet as of June 30, 2023, and the related statements of operations, changes in partners’ capital, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated September 14, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Diamond Square Limited Partnership’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 Diamond Square Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Diamond Square Limited Partnership'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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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 or significant deficiencies may exist that have not been identified.

Diamond Square Limited Partnership
Independent Auditor's 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*
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Diamond Square Limited Partnership'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 determination of financial statement amounts. 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 communication is not suitable for any other purpose.

SC+H attest services, P.C.

Sparks, Maryland
September 14, 2023

Diamond Square Limited Partnership

Schedule of Findings, Questioned Costs and Recommendations
June 30, 2023

Our audit disclosed no findings that are required to be reported herein under the CDA Audit Guide.

Diamond Square Limited Partnership

Schedule of the Status of Prior Audit Findings, Questioned Costs and Recommendations June 30, 2023

1) Prior Audit Period: July 1, 2021 – June 30, 2022

Audit Report, dated September 29, 2022, for the period ended June 30, 2022, issued by SC&H Attest Services, P.C.

There are no open findings from the prior audit period.

2) Current Audit Period: July 1, 2022 – June 30, 2023

There were no letters or reports issued by Maryland DHCD during the period covered by this audit.

3) Current Audit Period: July 1, 2022 – June 30, 2023

There were no letters or reports issued by CDA management during the period covered by this audit.

Diamond Square Limited Partnership

Statement of Project Owner's Certification
June 30, 2023

Diamond Square Limited Partnership
CDA Project Number 26.16.0003

Certification of Project Owner

We hereby certify that we have examined the accompanying financial statements and supplemental data of Diamond Square Limited Partnership and, to the best of our knowledge and belief, the same are complete and accurate.

Diamond Square Limited Partnership

Signature: _____

Title: _____

Date: _____

Diamond Square Limited Partnership

Employer Identification Number: 01-0787816

Diamond Square Limited Partnership

Statement of Management Agent's Certification
June 30, 2023

Diamond Square Limited Partnership
CDA Project Number 26.16.0003

Management Agent's Certification

We hereby certify that we have examined the accompanying financial statements and supplemental data of Diamond Square Limited Partnership and, to the best of our knowledge and belief, the same are complete and accurate.

Residential One, LLC

Signature: _____

Title: _____

Date: _____

Residential One, LLC

Management Agent Employer Identification Number: 47-4263376