

THE METROPOLITAN
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2022)



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**THE METROPOLITAN
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YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2022)**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit 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 of Bethesda Limited Partnership as of June 30, 2023, 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 and the Metropolitan of Bethesda Limited Partnership as of June 30, 2023, 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 Metropolitan of Bethesda Limited Partnership and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 and Metropolitan of Bethesda Limited Partnership'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 and Metropolitan of Bethesda 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 Metropolitan Development Corporation and Metropolitan of Bethesda 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.

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 2022 financial statements of The Metropolitan, which are comprised of the balance sheet of Metropolitan Development Corporation and The Metropolitan of Bethesda Limited Partnership, and we expressed an unmodified opinion on those audited financial statements in our report dated January 13, 2023. In our opinion, the summarized comparative information presented Herein as of and for the year ended June 30, 2022 is consistent in all material respects, with the audited financial statements from which it has been derived.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
April 11, 2024

**THE METROPOLITAN
BALANCE SHEET
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	Elimination	The Metropolitan	
				2023	2022
ASSETS					
CURRENT ASSETS					
Cash and Cash Equivalents	\$ 102,509	\$ 3,639,467	\$ -	\$ 3,741,976	\$ 3,116,450
Accounts Receivable and Other Assets	20,451	1,010,827	-	1,031,278	1,518,214
Interfunds - Due from MBLP	-	14,036,587	(14,036,587)	-	-
Interfunds -Due from HOC	-	-	-	-	254,113
Total Current Assets	<u>122,960</u>	<u>18,686,881</u>	<u>(14,036,587)</u>	<u>4,773,254</u>	<u>4,888,777</u>
RESTRICTED CASH AND CASH EQUIVALENTS					
Customer Deposits - Funded Security Deposits	43,651	172,135	-	215,786	219,452
Restricted Deposits	67,561	1,069,907	-	1,137,468	1,089,873
Total Restricted Cash and Cash Equivalents	<u>111,212</u>	<u>1,242,042</u>	<u>-</u>	<u>1,353,254</u>	<u>1,309,325</u>
NONCURRENT ASSETS					
Property and Equipment, Net of Accumulated Depreciation	5,232,773	15,091,010	-	20,323,783	19,252,975
Deferred Charges, Net of Accumulated Amortization	-	204,693	-	204,693	240,453
Total Noncurrent Assets	<u>5,232,773</u>	<u>15,295,703</u>	<u>-</u>	<u>20,528,476</u>	<u>19,493,428</u>
Total Assets	<u>\$ 5,466,945</u>	<u>\$ 35,224,626</u>	<u>\$ (14,036,587)</u>	<u>\$ 26,654,984</u>	<u>\$ 25,691,530</u>
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)					
CURRENT LIABILITIES					
Accounts Payable and Accrued Liabilities	\$ 26,349	\$ 120,808	\$ -	\$ 147,157	\$ 204,483
Accrued Interest Payable	24,980	105,083	-	130,063	135,957
Mortgage Payable, Current	224,092	955,300	-	1,179,392	1,109,555
Prepaid Rent	8,206	74,866	-	83,072	100,171
Total Current Liabilities	<u>283,627</u>	<u>1,256,057</u>	<u>-</u>	<u>1,539,684</u>	<u>1,550,166</u>
RESTRICTED CURRENT LIABILITIES					
Customer Deposits Payable	42,634	167,574	-	210,208	212,500
NONCURRENT LIABILITIES					
Mortgage Payable	4,478,059	18,500,142	-	22,978,201	24,113,656
Interfunds - Due to MDC	14,036,587	-	(14,036,587)	-	-
Interfunds - Due to HOC	2,437,542	1,493,226	-	3,930,768	1,009,934
Note Payable - HOC	-	466,057	-	466,057	1,641,832
Accrued Asset Management Fee	60,471	-	-	60,471	60,471
Total Noncurrent Liabilities	<u>21,012,659</u>	<u>20,459,425</u>	<u>(14,036,587)</u>	<u>27,435,497</u>	<u>26,825,893</u>
Total Liabilities	<u>21,338,920</u>	<u>21,883,056</u>	<u>(14,036,587)</u>	<u>29,185,389</u>	<u>28,588,559</u>
PARTNERS' EQUITY (DEFICIT)					
	<u>(15,871,975)</u>	<u>13,341,570</u>	<u>-</u>	<u>(2,530,405)</u>	<u>(2,897,029)</u>
Total Liabilities and Partners' Equity (Deficit)	<u>\$ 5,466,945</u>	<u>\$ 35,224,626</u>	<u>\$ (14,036,587)</u>	<u>\$ 26,654,984</u>	<u>\$ 25,691,530</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2022)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2023	2022
OPERATING REVENUE				
Dwelling Rental Revenue	\$ 838,879	\$ 5,764,883	\$ 6,603,762	\$ 6,957,241
Other Income	56,505	617,951	674,456	515,318
Total Operating Revenue	<u>895,384</u>	<u>6,382,834</u>	<u>7,278,218</u>	<u>7,472,559</u>
EXPENSES				
Administrative	231,624	846,700	1,078,324	1,002,936
Utilities	142,861	374,739	517,600	574,975
Maintenance	233,742	619,334	853,076	848,262
Other Expenses	105,886	1,315,527	1,421,413	2,052,929
Depreciation and Amortization	318,888	1,009,608	1,328,496	1,356,896
Fringe Benefits	51,207	144,710	195,917	201,692
Interest Expense, Operating	306,060	1,287,488	1,593,548	1,704,585
Total Expenses	<u>1,390,268</u>	<u>5,598,106</u>	<u>6,988,374</u>	<u>7,742,275</u>
OPERATING INCOME (LOSS)	(494,884)	784,728	289,844	(269,716)
NONOPERATING REVENUE (EXPENSE)				
Investment Income	<u>2,825</u>	<u>73,955</u>	<u>76,780</u>	<u>1,761</u>
Total Nonoperating Revenue	<u>2,825</u>	<u>73,955</u>	<u>76,780</u>	<u>1,761</u>
NET INCOME (LOSS)	<u>\$ (492,059)</u>	<u>\$ 858,683</u>	<u>\$ 366,624</u>	<u>\$ (267,955)</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
STATEMENT OF PARTNERS' EQUITY (DEFICIT)
YEAR ENDED JUNE 30, 2023**

	<u>Metropolitan of Bethesda Limited Partnership</u>	<u>Metropolitan Development Corporation</u>	<u>The Metropolitan</u>
BALANCE - JULY 1, 2021	\$ (14,859,531)	\$ 12,230,457	\$ (2,629,074)
Net Income (Loss)	(520,385)	252,430	(267,955)
Partner Distributions	<u>-</u>	<u>-</u>	<u>-</u>
BALANCE - JUNE 30, 2022	(15,379,916)	12,482,887	(2,897,029)
Net Income (Loss)	<u>(492,059)</u>	<u>858,683</u>	<u>366,624</u>
BALANCE - JUNE 30, 2023	<u><u>\$ (15,871,975)</u></u>	<u><u>\$ 13,341,570</u></u>	<u><u>\$ (2,530,405)</u></u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2022)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	\$ (492,059)	\$ 858,683	\$ 366,624	\$ (267,955)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	318,888	929,910	1,248,798	1,319,520
Amortization of Debt Issuance Costs	-	43,937	43,937	42,322
Amortization of Deferred Charges	-	35,761	35,761	37,375
Changes in Operating Assets and Liabilities:				
Accounts Receivable and Other Assets	5,955	480,981	486,936	(545,542)
Customer Deposits	(2,299)	7	(2,292)	(26,171)
Accounts Payable and Accrued Expense	(33,422)	(23,904)	(57,326)	108,724
Accrued Interest Payable	(1,132)	(4,762)	(5,894)	(5,532)
Prepaid Rent	5,219	(22,318)	(17,099)	(36,000)
Net Cash Provided (Used) by Operating Activities	<u>(198,850)</u>	<u>2,298,295</u>	<u>2,099,445</u>	<u>626,741</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	<u>(697,217)</u>	<u>(1,622,385)</u>	<u>(2,319,602)</u>	<u>(437,835)</u>
Net Cash Used by Investing Activities	<u>(697,217)</u>	<u>(1,622,385)</u>	<u>(2,319,602)</u>	<u>(437,835)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Mortgage Principal Payments	(213,103)	(1,362,510)	(1,575,613)	(1,041,205)
Note Payable	-	466,057	466,057	466,057
Due From Commission	-	1,747,339	1,747,339	(169,366)
Interfund Payable - Operating Loan Deficit	1,216,321	(964,488)	251,833	125,716
Net Cash Provided (Used) by Financing Activities	<u>1,003,218</u>	<u>(113,602)</u>	<u>889,616</u>	<u>(618,798)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS	107,151	562,308	669,459	(429,892)
Cash, Cash Equivalents, and Restricted Deposits - Beginning of Year	<u>106,570</u>	<u>4,319,201</u>	<u>4,425,771</u>	<u>4,855,667</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS - END OF YEAR	<u>\$ 213,721</u>	<u>\$ 4,881,509</u>	<u>\$ 5,095,230</u>	<u>\$ 4,425,775</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	\$ 102,509	\$ 3,639,467	\$ 3,741,976	\$ 3,116,450
Restricted Deposits	111,212	1,242,042	1,353,254	1,309,325
Total	<u>\$ 213,721</u>	<u>\$ 4,881,509</u>	<u>\$ 5,095,230</u>	<u>\$ 4,425,775</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest Paid	<u>\$ 307,192</u>	<u>\$ 1,292,251</u>	<u>\$ 1,599,443</u>	<u>\$ 1,667,795</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

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.

Practical Expedient Elected at Initial Adoption

The Corporation has elected to adopt the package of practical expedients available in year of adoption. The Company has elected to adopt the available practical expedient to use hindsight in determining the lease term.

Leases

Revenue from lease payments is recognized under the accrual method. Lease payments include subsidy payments and are included in income as rents become due. Lease payments received in advance are deferred until earned. At the commencement of an operating lease, no revenue is recognized; subsequently, lease payments received by the Corporation are recognized as income on the straight-line basis.

Rental leasing operations consist of operating leases of residential real estate expiring in various months in 2023 in which the Corporation is the lessor. Lease contracts do not include variable lease payments.

Adoption of New Accounting Standards

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2016-02, *Leases (ASC 842)*. The new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent of the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Corporation has elected to apply the practical expedient, which does not require contracts to be separated between lease and nonlease components.

The Corporation adopted the requirement of the guidance effective April 1, 2022, and has elected to apply the provisions of this standard to the beginning of the earliest comparative period presented with certain practical expedients available.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

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, 2022, from which the summarized information was derived.

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.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Doubtful Accounts

All tenant receivables that are ninety or more days past due are charged to this account. At June 30, 2023 and 2022 there was an allowance for doubtful accounts recorded of \$1,239 and \$1,627, respectively.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the Entity for the years ended June 30, 2023 and 2022 are \$79,589 and \$59,109, 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, 2023 and 2022.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

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, 2023 and 2022.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

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, 2023 and 2022 is as follows:

	June 30, 2023						
	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	\$ 32,155	\$ 18,640	\$ 954,388	\$ -	\$ 78,619	\$ 6,071	\$ 1,089,873
Interest Earned	2,238	-	8,759	-	-	-	10,997
Withdrawals	(27,567)	(23,282)	(78,193)	-	(97,914)	-	(226,956)
Deposits	41,400	23,977	97,200	-	100,977	-	263,554
Balance - End of Year	<u>\$ 48,226</u>	<u>\$ 19,335</u>	<u>\$ 982,154</u>	<u>\$ -</u>	<u>\$ 81,682</u>	<u>\$ 6,071</u>	<u>\$ 1,137,468</u>

	June 30, 2022						
	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	\$ 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>

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at June 30, 2023 and 2022:

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2023	2022
Buildings and Improvements	\$ 12,256,722	\$ 36,374,977	\$ 48,631,699	\$ 48,631,699
Fixed Building Equipment	198,407	712,373	910,780	849,327
Furniture and Equipment	65,132	211,670	276,802	262,034
Leasehold Improvements	-	503,497	503,497	503,497
Construction in Progress	934,402	2,170,065	3,104,467	861,082
Accumulated Depreciation	(8,221,890)	(24,881,572)	(33,103,462)	(31,854,664)
Total	<u>\$ 5,232,773</u>	<u>\$ 15,091,010</u>	<u>\$ 20,323,783</u>	<u>\$ 19,252,975</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, 2023 and 2022 is \$130,063 and \$135,957, respectively.

Interest expense for the years ended June 30, 2023 and 2022 is \$1,593,548 and \$1,704,585, respectively, on this mortgage.

Principal payments over the next five years as of June 30, 2023 and thereafter are payable as follows:

<u>Years Ending June 30,</u>	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan
2024	\$ 224,092	\$ 955,300	\$ 1,179,392
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	292,856	1,231,947	1,524,803
2029-2033	1,779,171	7,484,367	9,263,538
2034-2038	1,631,329	6,849,782	8,481,111
Total	<u>\$ 4,702,151</u>	<u>\$ 19,780,305</u>	<u>\$ 24,482,456</u>

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

NOTE 5 MORTGAGE PAYABLE (CONTINUED)

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

	2023	2022
Mortgage Payable	\$ 24,482,456	\$ 25,592,011
Debt Issuance	(324,863)	(368,800)
Total	\$ 24,157,593	\$ 25,223,211

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, 2023 and 2022 were \$184,765 and \$220,236, 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, 2023 and 2022 are \$14,036,587 and \$13,072,099, 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, 2023 and 2022 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, 2023 and 2022 are \$60,340 and \$65,470, respectively.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Note Payable - HOC

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.

Interfunds - HOC

The Entity is indebted to HOC for various operating expenses paid on behalf. Amounts due from (to) HOC as of June 30, 2023 and 2022 totaled \$3,930,768 and \$755,821, respectively

Development Corporation Fee

HOC received a development corporation fee from the Corporation for the years ended June 30, 2023 and 2022 of \$681,161 and \$1,336,457, 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 2023 and 2022 totaled \$296,049 and \$281,056, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2022)**

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.

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.

NOTE 13 LEASING ACTIVITIES

The Entity leases commercial space to various organizations. Total future minimum lease payments to be received under lease agreements are as follows:

2024	\$ 485,765
2025	509,475
2026	537,987
2027	541,395
2028	544,891
Thereafter	<u>3,987,908</u>
Total	<u>\$ 6,607,421</u>

OTHER INFORMATION

**THE METROPOLITAN
DETAILED SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2022)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	The Metropolitan Development Corporation				Metropolitan of Bethesda Limited Partnership	The Metropolitan	
	Office Space	Retail	Housing	Total		2023	2022
REVENUE							
Rental Income:							
Gross Rent Potential	\$ -	\$ 476,536	\$ 5,994,071	\$ 6,470,607	\$ 895,326	\$ 7,365,933	\$ 7,198,161
Vacancy Loss and Concessions	-	-	(812,874)	(812,874)	(56,446)	(869,320)	(339,876)
Net Rental Income	-	476,536	5,181,197	5,657,733	838,880	6,496,613	6,858,285
Parking	-	-	273,647	273,647	31,585	305,232	278,821
County Reimbursed Expenses	107,151	-	-	107,151	-	107,151	98,958
Miscellaneous Income	-	136,031	208,273	344,304	24,919	369,223	236,495
Total Revenue	107,151	612,567	5,663,117	6,382,835	895,384	7,278,219	7,472,559
EXPENSES							
Operating Expenses:							
Advertising and Promotions	-	-	79,589	79,589	-	79,589	59,109
Salaries and Related Expenses	50,915	35,199	615,500	701,614	253,709	955,323	985,960
General and Administrative	13	13,027	156,150	169,190	50,452	219,642	159,716
Management Fees	-	18,984	165,781	184,765	26,654	211,419	220,236
Development Corporation Fee	-	-	681,161	681,161	-	681,161	1,336,457
Maintenance	12,338	10,358	442,120	464,816	178,628	643,444	618,054
Insurance	-	-	183,750	183,750	59,307	243,057	215,664
Audit Fees	-	-	10,770	10,770	7,230	18,000	9,815
Air Rights Expense	-	-	296,049	296,049	-	296,049	281,056
Pilot and Other Taxes	-	-	3,851	3,851	4,339	8,190	5,626
Loan Management Fees	-	-	44,629	44,629	19,127	63,756	66,373
Asset Management Fees	-	-	60,340	60,340	6,390	66,730	71,670
Utilities	39,891	29,954	304,894	374,739	142,861	517,600	574,975
Security Contract	3,994	2,294	35,232	41,520	15,468	56,988	58,302
Bad Debt Expense	-	-	4,227	4,227	1,155	5,382	17,781
Total Operating Expenses	107,151	109,816	3,084,043	3,301,010	765,320	4,066,330	4,680,794
Other Expenses:							
Interest Expense, Operating	-	-	1,287,488	1,287,488	306,060	1,593,548	1,704,585
Depreciation and Amortization	-	-	1,009,608	1,009,608	318,888	1,328,496	1,356,896
Total Other Expenses	-	-	2,297,096	2,297,096	624,948	2,922,044	3,061,481
Total Expenses	107,151	109,816	5,381,139	5,598,106	1,390,268	6,988,374	7,742,275
OPERATING INCOME (LOSS)	-	502,751	281,978	784,729	(494,884)	289,845	(269,716)
NONOPERATING REVENUE (LOSS)							
Investment Income	-	-	73,955	73,955	2,825	76,780	1,761
Total Nonoperating Revenue	-	-	73,955	73,955	2,825	76,780	1,761
NET INCOME (LOSS)	\$ -	\$ 502,751	\$ 355,933	\$ 858,684	\$ (492,059)	\$ 366,625	\$ (267,955)

**THE METROPOLITAN
BALANCE SHEET
SELECTED LINE ITEM DETAIL
JUNE 30, 2023
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2022)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2023	2022
ACCOUNTS RECEIVABLE AND OTHER ASSETS				
Resident Tenant Receivable	\$ -	87,073	\$ 87,073	\$ 27,390
Montgomery County Receivable	-	107,150	107,150	98,958
Prepaid Mortgage Insurance	-	65,276	65,276	68,305
Other Assets	20,451	751,328	771,779	1,323,561
Total Accounts Receivable and Other Assets	<u>\$ 20,451</u>	<u>\$ 1,010,827</u>	<u>\$ 1,031,278</u>	<u>\$ 1,518,214</u>
RESTRICTED DEPOSITS				
Mortgage Escrow	\$ 19,335	\$ 81,683	\$ 101,018	\$ 97,258
Renovation Escrow	-	6,071	6,071	6,071
Replacement Reserve	48,226	982,153	1,030,379	986,544
Customer Deposits - Funded Security Deposits	43,651	172,135	215,786	219,452
Total Restricted Deposits	<u>\$ 111,212</u>	<u>\$ 1,242,042</u>	<u>\$ 1,353,254</u>	<u>\$ 1,309,325</u>
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES				
Accounts Payable	\$ 2,742	\$ 42,653	\$ 45,395	\$ 8,835
Accrued Salaries and Benefits	3,741	10,030	13,771	26,729
Accrued Expenses	19,866	68,125	87,991	168,919
Total Accounts Payable and Accrued Liabilities	<u>\$ 26,349</u>	<u>\$ 120,808</u>	<u>\$ 147,157</u>	<u>\$ 204,483</u>
CUSTOMER DEPOSITS PAYABLE				
Customer Deposits	\$ 33,950	\$ 158,419	\$ 192,369	\$ 195,381
Accrued Interest on Customer Deposits	8,684	9,155	17,839	17,119
Total Customer Deposits Payable	<u>\$ 42,634</u>	<u>\$ 167,574</u>	<u>\$ 210,208</u>	<u>\$ 212,500</u>

**THE METROPOLITAN
STATEMENT OF OPERATIONS
SELECTED LINE ITEM DETAIL
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2022)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	<u>The Metropolitan</u>	
			<u>2023</u>	<u>2022</u>
DWELLING RENTAL REVENUE				
Gross Potential Tenant Rent	\$ 895,991	6,577,757	\$ 7,473,748	\$ 7,319,957
Vacancies and Concessions	(57,112)	(812,874)	(869,986)	(362,716)
	<u>\$ 838,879</u>	<u>\$ 5,764,883</u>	<u>\$ 6,603,762</u>	<u>\$ 6,957,241</u>
OTHER INCOME				
Tenant Charges	\$ 4,982	294,542	\$ 299,524	\$ 231,940
Parking	31,585	273,647	305,232	278,821
Miscellaneous Income	19,938	49,762	69,700	4,557
	<u>\$ 56,505</u>	<u>\$ 617,951</u>	<u>\$ 674,456</u>	<u>\$ 515,318</u>
ADMINISTRATIVE				
Salaries and Related Expenses	\$ 147,388	402,386	\$ 549,774	\$ 554,063
Telephone	-	18,691	18,691	15,895
Office Supplies and Expenses	3,603	17,364	20,967	14,732
Professional Fees	4,731	12,779	17,510	21,112
Accounting and Auditing Fees	7,230	10,770	18,000	9,815
Property Management Fees	26,654	184,765	211,419	220,237
Licenses and Fees	13,088	31,857	44,945	2,236
Tenant Security Deposit Interest Expense	-	2,183	2,183	1,946
Advertising	-	79,589	79,589	59,109
Program Supplies	24,576	14,924	39,500	35,401
Miscellaneous Administrative Expenses	4,354	71,392	75,746	68,390
	<u>\$ 231,624</u>	<u>\$ 846,700</u>	<u>\$ 1,078,324</u>	<u>\$ 1,002,936</u>
UTILITIES				
Water	\$ 53,315	\$ 138,450	\$ 191,765	\$ 202,914
Electricity	58,565	158,561	217,126	270,576
Gas	15,065	36,963	52,028	55,897
Trash Removal	15,916	40,765	56,681	45,588
	<u>\$ 142,861</u>	<u>\$ 374,739</u>	<u>\$ 517,600</u>	<u>\$ 574,975</u>

**THE METROPOLITAN
STATEMENT OF OPERATIONS (CONTINUED)
SELECTED LINE ITEM DETAIL
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2022)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2023	2022
MAINTENANCE				
Salaries and Related Expenses	\$ 55,114	\$ 154,518	\$ 209,632	\$ 230,204
Repair and Grounds Contracts	150,433	391,880	542,313	499,807
Appliance	2,836	24,278	27,114	30,583
Repairs Materials and Supplies	25,359	48,658	74,017	87,668
	<u>\$ 233,742</u>	<u>\$ 619,334</u>	<u>\$ 853,076</u>	<u>\$ 848,262</u>
Total Maintenance				
OTHER EXPENSES				
Security	\$ 15,468	\$ 41,520	\$ 56,988	\$ 58,302
Insurance - Property	19,940	82,807	102,747	72,059
Mortgage Insurance	15,337	100,943	116,280	125,210
Liability Insurance	24,030	-	24,030	25,009
Real Estate Taxes	4,439	-	4,439	9,953
Asset Management Fee	6,390	60,340	66,730	67,061
Development Corporation Fee	-	681,161	681,161	1,336,457
Loan Management Fees	19,127	44,629	63,756	46,761
Capital Lease Payment	-	296,049	296,049	281,056
Rental License Fees	-	-	-	-
Bad Debts - Tenants	1,155	4,227	5,382	17,781
Other Taxes and Expenses	-	3,851	3,851	13,280
	<u>\$ 105,886</u>	<u>\$ 1,315,527</u>	<u>\$ 1,421,413</u>	<u>\$ 2,052,929</u>
Total Other Expenses				

THE METROPOLITAN
SCHEDULE OF RELATED PARTY RECEIVABLES/PAYABLES
YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2022)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2023	2022
Related Party (Payable) Receivable	\$ -	\$ 14,036,587	\$ 14,036,587	\$ 13,072,099
Operating Deficit Advance	(14,036,587)	-	(14,036,587)	(13,072,099)
Due to (from) HOC Central Cash	(1,493,226)	-	(1,493,226)	(755,821)
Related Party (Payable) Receivable	<u>\$ (15,529,813)</u>	<u>\$ 14,036,587</u>	<u>\$ (1,493,226)</u>	<u>\$ (755,821)</u>



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