# STRATHMORE COURT ASSOCIATES LIMITED PARTNERSHIP

# FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

**June 30, 2023 and 2022**

**Strathmore Court Associates Limited Partnership**

## TABLE OF CONTENTS

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Partners
Strathmore Court Associates Limited Partnership

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of Strathmore Court Associates Limited Partnership, which comprise the balance sheets as of June 30, 2023 and 2022, respectively, and the related statements of operations, changes in partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strathmore Court Associates Limited Partnership as of June 30, 2023 and 2022, respectively, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Strathmore Court Associates 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 Strathmore Court Associates 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 and *Government 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 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 Strathmore Court Associates 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 Senior Housing of Hazel Street Urban Renewal'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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 17 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 February 22, 2024 on our consideration of Strathmore Court Associates 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Strathmore Court Associates 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 Strathmore Court Associates Limited Partnership's internal control over financial reporting and compliance.

Luxenburg + Bronfin, LLC

Baltimore, Maryland
February 22, 2024

**Strathmore Court Associates Limited Partnership**

**Balance Sheets**
**June 30, 2023 and 2022**

ASSETS

| | 2023 | 2022 |
|---|---|---|
| Current assets | | |
| Cash | $ 595,178 | $ 688,806 |
| Tenant accounts receivable, net | 22,358 | 18,439 |
| Other receivables | 10,777 | - |
| Total current assets | 628,313 | 707,245 |
| Restricted deposits and funded reserves | | |
| Tenant security deposits | 106,253 | 107,515 |
| Replacement reserves | 199,214 | 172,841 |
| Renovation escrows | 1,331,146 | - |
| Total restricted deposits and funded reserves | 1,636,613 | 280,356 |
| Rental property | | |
| Land | 4,000,000 | 4,000,000 |
| Building | 21,409,670 | 21,409,670 |
| Building improvements | 273,846 | 273,846 |
| Furniture and equipment | 825,826 | 685,118 |
| | 26,509,342 | 26,368,634 |
| Less: accumulated depreciation | (16,892,010) | (16,210,962) |
| Total rental property | 9,617,332 | 10,157,672 |
| Total assets | $ 11,882,258 | $ 11,145,273 |

See notes to financial statements

**Strathmore Court Associates Limited Partnership**

**Balance Sheets**
**June 30, 2023 and 2022**

LIABILITIES AND PARTNERS' DEFICIT

| | 2023 | 2022 |
|---|---|---|
| Current liabilities | | |
| Accounts payable and accrued expenses | $ 64,924 | $ 58,081 |
| Accrued interest payable | 72,360 | 90,701 |
| Prepaid rent | 19,136 | 51,240 |
| Note payable - current | 97,594 | 83,756 |
| Current maturities of long-term debt - mortgage | 970,589 | 917,484 |
| Total current liabilities | 1,224,603 | 1,201,262 |
| Deposits and prepaid liability | | |
| Tenant security deposits | 105,037 | 106,279 |
| Long-term liabilities | | |
| Mortgage payable, net of unamortized debt issuance costs | 11,435,924 | 12,384,135 |
| Note payable, net of current | 1,909,248 | 2,020,723 |
| Interfund payable | 947,819 | 917,472 |
| Total long-term liabilities | 14,292,991 | 15,322,330 |
| Partners' deficit | (3,740,373) | (5,484,598) |
| Total liabilities and partners' deficit | $ 11,882,258 | $ 11,145,273 |

See notes to financial statements

**Strathmore Court Associates Limited Partnership**

**Statements of Operations**
**Years ended June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| Revenue | | |
| Lease income | $ 4,095,644 | $ 912,487 |
| Interest income | 5,465 | 29 |
| Other operating income | 65,376 | 22,400 |
| Total revenue | 4,166,485 | 934,916 |
| Expenses | | |
| Administrative | 570,888 | 197,304 |
| Utilities | 297,392 | 95,953 |
| Maintenance | 753,167 | 293,141 |
| Other | 564,390 | 93,330 |
| Depreciation | 681,048 | 300,116 |
| Fringe benefits | 95,485 | 30,702 |
| Interest | 917,874 | 386,961 |
| Total expenses | 3,880,244 | 1,397,507 |
| Net income (loss) | $ 286,241 | $ (462,591) |

See notes to financial statements

## Strathmore Court Associates Limited Partnership

### Statements of Changes in Partners' Deficit
### Years ended June 30, 2023 and 2022

| | General Partner | Limited Partner | Total |
|---|---|---|---|
| Balance June 30, 2021 | $(7,992,150) | $ (626,093) | $(8,618,243) |
| Net loss | (462,591) | - | (462,591) |
| Transfer of assets | 3,596,236 | - | 3,596,236 |
| Balance June 30, 2022 | (4,858,505) | (626,093) | (5,484,598) |
| Net income | 286,241 | - | 286,241 |
| Transfer of assets | 1,457,984 | - | 1,457,984 |
| Balance June 30, 2023 | $(3,114,280) | $ (626,093) | $(3,740,373) |

See notes to financial statements

**Strathmore Court Associates Limited Partnership**

**Statements of Cash Flows**
**Years ended June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income (loss) | $ 286,241 | $ (462,591) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | |
| Depreciation | 681,048 | 300,116 |
| Amortization of debt issuance costs | 22,377 | 3,046 |
| Changes in: | | |
| Tenant accounts receivable | (3,919) | (492) |
| Other assets | (10,777) | - |
| Tenant security deposits | (1,242) | (31) |
| Accounts payable | 6,843 | 46,101 |
| Prepaid rent | (32,104) | 41,076 |
| Accrued interest payable | (18,341) | 10,743 |
| Net cash provided by provided by (used in) operating activities | 930,126 | (62,032) |
| Cash flows from investing activities | | |
| Expenditures on rental property | (140,708) | (21,163) |
| Assets transferred from Strathmore Court White Flint | 1,457,984 | 726,866 |
| Net cash provided by investing activities | 1,317,276 | 705,703 |
| Cash flows from financing activities | | |
| Principal payments on mortgage payable | (917,483) | (361,315) |
| Principal payments on note payable | (97,637) | (76,529) |
| Interfund payable | 30,347 | 460,306 |
| Net cash (used in) provided by financing activities | (984,773) | 22,462 |
| Net increase in cash and restricted cash | 1,262,629 | 666,133 |
| Cash and restricted cash, beginning of year | 969,162 | 303,029 |
| Cash and restricted cash, end of year | $ 2,231,791 | $ 969,162 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | $ 913,838 | $ 373,172 |

See notes to financial statements

## Note 1 Organization and Nature of Operations

Nature of Operations

Strathmore Court Associates Limited Partnership (the "Partnership") was formed on February 7, 1995 as a limited partnership in order to carry out its purpose to develop, construct, own, manage, and maintain a 51 unit low and moderate income property located in Bethesda, Montgomery County, Maryland (the "Project"). Certain project expenses are allocated between the Partnership and Strathmore Court at White Flint, an adjacent property to the Partnership. The Partners of the Partnership are the Housing Opportunities Commission of Montgomery County, Maryland (the "General Partner"), and the Manufacturers and Traders Trust Company, (the "Limited Partner").

As of June 1, 2022, Strathmore Court at White Flint transferred over a large portion of its assets and all liabilities other than accounts payable to the Partnership for refinancing purposes. With the transfer the Partnership now consists of additional 75 market-rate units and 76 affordable units.

On November 15, 2019, the Limited Partner agreed to assign its limited partnership interest, effective November 1, 2019, to HOC YR 15, LLC, a related party to the General Partner. Profit is allocated pro rata to the Limited Partner and General Partner. The Limited Partner has been allocated the maximum amount of allowable loss, causing all losses to be allocated to the General Partner.

Each low-income unit has qualified for and been allocated low-income housing credits pursuant to Internal Revenue Code, Section 42, which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. The Project met the provisions of these regulations for 15 consecutive years (the compliance period) and remained qualified to receive the credits. The compliance period ended in 2012. In addition, the partnership has executed an Extended Low-Income Housing Covenant for Low-Income Housing Tax Credits (the "Covenant"), which required the utilization of the Project pursuant to Section 42 for a minimum of 3 years, including 15 years after the close of the compliance period. The Covenant is recorded against the land and disposition of the Project by the Partnership and does not remove the requirement.

## Note 2 Summary of Significant Accounting Policies

Method of Accounting

The financial statements of the Partnership are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Tenant Receivables

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change. June 30, 2023 and 2022, the allowance for doubtful accounts was $8,968 and $15,424, respectively.

Rental Property

Property and equipment are recorded at cost. Depreciation is provided in amounts sufficient to relate to cost of depreciable assets to operations over their estimated service lives, using the straight-line method. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Capital asset additions and improvements which meet cost in excess of $5,000 and useful life expected to exceed 12 months are capitalized.

The estimated service life of property and equipment for depreciation purposes is as follows:

| | |
|---|---|
| Building and building improvements | 10-27.5 years |
| Furniture and equipment | 5-10 years |

Impairment of Long-Lived Assets

The Partnership reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized to date.

Deferred Fees and Amortization

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Debt issuance costs are amortized over the term of the respective mortgage under the straight-line method. Amortization of debt issuance costs is reported as a component of interest expense.

Residential Lease Income

Residential lease income is recognized as rentals become due. Lease payments received in advance are deferred until earned. All leases between the Partnership and its tenants are operating leases.

Income Taxes

The Partnership has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Partnership's federal tax status as a pass-through entity is based on its legal status as a limited liability Partnership. Accordingly, the Partnership is not required to take any tax positions in order to qualify as a pass-through entity. The Partnership is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Partnership has no other tax position which must be considered for disclosure. There are no income tax returns currently being examined by the Internal Revenue Service.

## Note 3 Cash and Restricted Cash

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property, the operating reserve and mortgage escrows as required by regulatory authority and the partnership agreement. The following table provides a reconciliation of cash and restricted cash reported within the balance sheets that sum to the total of the same such amounts in the statements of cash flows as of June 30, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Cash | $ 595,178 | $ 688,806 |
| Restricted cash | 1,636,613 | 280,356 |
| Total cash and restricted cash shown in the statements of cash flows | $ 2,231,791 | $ 969,162 |

## Note 4 Partners' Deficit

The Housing Opportunities Commission of Montgomery Count, MD ("HOC"), the general partner, is required to report on a fund basis and replaces the partners' deficit section with the following:

| | 2023 | 2022 |
|---|---|---|
| Investment in capital assets, net of related debt | $ (5,056,047) | $ (5,530,828) |
| Restricted equity | 1,531,576 | 174,077 |
| Unrestricted deficit | (215,902) | (127,847) |
| | $ (3,740,373) | $ (5,484,598) |

**Note 5 Reserves**

Replacement Reserve

In accordance with the loan agreement, the Partnership is required to make monthly deposits of $18,417 and $4,783 for the years ended June 30, 2023 and 2022, respectively, to the replacement reserve to fund future repair and asset replacement costs. The activity in the replacement reserve for the years ended June 30, 2023 and 2022 was as follows:

| | 2023 | 2022 |
|---|---|---|
| Balance, January 1 | $ 172,841 | $ 197,931 |
| Transfer in | 105,928 | - |
| Deposit | 165,753 | 52,613 |
| Withdrawal | (249,087) | (77,722) |
| Interest | 3,779 | 19 |
| Balance, December 31 | $ 199,214 | $ 172,841 |

Renovation Reserve

In accordance with the loan agreement, the Partnership is required to have a renovation reserve. The reserve was transferred from Strathmore Court at White Fint during 2023. As of June 30, 2023 and 2022, the balance was $1,331,146 and $0, respectively.

**Note 6 Mortgage Payable**

The Partnership obtained a mortgage note from HOC in the amount of $5,111,600 on December 6, 2010. The mortgage bears interest at 7.6195% and is secured by a leasehold deed of trust, security agreement, and assignment of rents. The mortgage matures in June 2027 and requires monthly principal and interest payments of $38,082. There is a single leasehold deed of trust covering both the Partnership and Strathmore Court at White Flint (both part of the same complex). The liability of the Partnership under the mortgage note is limited to the underlying value of the real estate.

On May 31, 2022, the Partnership obtained the mortgage of Strathmore Court at White Flint and combined it with the existing mortgage through refinancing. The new mortgage note from HOC totaled $13,658,173. The mortgage bears interest at 5.64% and is secured by a leasehold deed of trust, security agreement, and assignment of rents. The mortgage matures in June 2033 and requires monthly principal and interest payments of $138,346. The liability of the Partnership under the mortgage note is limited to the underlying value of the real estate.

The Partnership incurred interest expense of $738,351 and $270,902 for the years ended June 30, 2023 and 2022, respectively. Outstanding principal as of June 30, 2023 and 2022 was $12,666,536 and $13,584,021, respectively. Accrued interest as of June 30, 2023 and 2022 was $59,533 and $63,845, respectively.

Debt issuance costs net of accumulated amortization totaled $260,024 and $282,402 as of June 30, 2023 and 2022, respectively.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter following June 30, 2023 are as follows:

| | | |
|---|---|---|
| June 30, | 2024 | $ 970,589 |
| | 2025 | 1,026,768 |
| | 2026 | 1,086,198 |
| | 2027 | 1,149,068 |
| | 2028 | 1,215,578 |
| | Thereafter | 7,218,335 |
| | Total | 12,666,536 |
| | Less unamortized debt issuance costs | (260,024) |
| | Total | $ 12,406,512 |

## Note 7 Note Payable

On February 7, 1996, the Partnership obtained a note payable in the original amount of $1,000,000, from HOC, through its component unit Strathmore Court at White Flint. The note bears interest at 7.67% and is secured by a leasehold deed of trust on the property. The note is payable from cash flow and matures on March 2036. Repayment of the note began on March 1, 2016, at which time the accrued interest of $1,534,000 was capitalized into a new principal balance of $2,534,121. The Partnership incurred interest expense of $157,147 and $113,013 for the years ended June 30, 2023 and 2022, respectively. Outstanding principal as of June 30, 2023 and 2022 was $2,006,842 and $2,104,479, respectively. Accrued interest as of June 30, 2023 and 2022, was $12,827 and $26,856, respectively.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter following June 30, 2023 are as follows:

| | | |
|---|---|---|
| June 30, | 2024 | $ 97,594 |
| | 2025 | 105,348 |
| | 2026 | 113,719 |
| | 2027 | 122,754 |
| | 2028 | 132,508 |
| | Thereafter | 1,434,919 |
| | Total | $ 2,006,842 |

## Note 8 Related Party Transactions

Interfund Payable

During the compliance period, the general partner was required to fund operating deficits, as defined in the partnership agreement, through non-interest bearing operating deficit loans. The general partner has continued to fund operating deficits after the compliance period. In addition, HOC and the Partnership will advance funds to each other as deemed appropriate by management. The interfund payable balance as of June 30, 2023 and 2022 was $947,819 and $917,472, respectively.

Asset Management Fee

An annual fee is to be paid to HOC for the services rendered in providing advice regarding administering the assets of the Property. The asset management fee incurred and paid for the years ended June 30, 2023 and 2022 is $208,180 and $13,463, respectively.

## Note 9 Management Agreement

The Partnership has entered into an agreement Bozzuto Management, an unrelated party, in connection with the management of the rental operations of the Project. The property management fee is based on 4% of managing revenue. For the years ended June 30, 2023 and 2022, $164,320 and $38,775 respectively, has been charged to operations.

## Note 10 Payment in Leiu of Taxes

The Partnership has entered into a Payment in Lieu of Taxes agreement for the property with Montgomery County.

## Note 11 Concentration of Credit Risk

The Partnership maintains its cash with financial institutions. The Partnership also maintains a replacement reserve held by Suntrust and PNC Bank. At times, these balances may exceed the federal insurance limits; however, the Partnership has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these balances at June 30, 2023 and 2022.

## Note 12 Commitments and Contingencies

The deed of trust and Covenant require that all 127 affordable units shall be both rent restricted and occupied by tenants whose income is sixty percent or less than the median income for the Washington Metropolitan Statistical Area as determined by the Department of Housing and Urban Development. The rents on these units cannot exceed thirty percent of the tenants' maximum income.

## Note 13 Subsequent Events

Subsequent events were evaluated through February 22, 2024, which is the date the financial statements were available to be issued. No significant events have been identified that would require adjustment or disclosure in the accompanying financial statements.

Supplementary Information

**Strathmore Court Associates Limited Partnership**

**SCHEDULES OF CERTAIN REVENUE AND EXPENSES**
**Years ended June 30, 2023 and 2022**

| | 2023 | 2022 |
|---|---|---|
| Lease income | | |
| Lease revenue | $ 4,102,207 | $ 879,173 |
| Gross potential subsidy rent | 119,964 | 74,805 |
| Apartments vacancies | (91,897) | (41,491) |
| Concessions | (34,630) | - |
| Total lease income | $ 4,095,644 | $ 912,487 |
| Other income | | |
| Tenant charges | $ 35,894 | $ 4,883 |
| Excess income retention | 3,420 | 7,501 |
| Grant income | 26,062 | - |
| Miscellaneous other income | - | 10,016 |
| Total other income | $ 65,376 | $ 22,400 |
| Administrative | | |
| Salaries - administrative | $ 226,285 | $ 80,644 |
| Telephone | 25,217 | 6,872 |
| Office supplies and expense | 54,721 | 28,921 |
| Professional fees | 4,386 | 4,228 |
| Accounting and auditing fees | 21,620 | 9,922 |
| Property management fee | 164,320 | 38,775 |
| Licenses and fees | 1,524 | 9,802 |
| Coronovirus expense | 337 | 12,729 |
| Advertising | 63,017 | 3,847 |
| Miscellaneous administrative | 9,461 | 1,564 |
| Total administrative | $ 570,888 | $ 197,304 |
| Utilities | | |
| Electricity | $ 92,283 | $ 25,543 |
| Water | 161,615 | 56,541 |
| Gas | 9,780 | 2,753 |
| Trash removal | 33,714 | 11,116 |
| Total utilities | $ 297,392 | $ 95,953 |
| Maintenance | | |
| Salaries and related expenses | $ 145,013 | $ 45,524 |
| Repair and grounds contracts | 445,477 | 203,807 |
| Repairs materials and supplies | 162,677 | 43,810 |
| Total maintenance | $ 753,167 | $ 293,141 |
| Other | | |
| Security | $ 168,047 | $ 44,817 |
| Property insurance | 110,194 | 19,475 |
| Real estate taxes | 10,208 | 9,940 |
| PILOT | 3,400 | 4,163 |
| Loan management fee | 34,145 | 2,845 |
| Asset management fee | 208,180 | 13,463 |
| Bad debt | 25,419 | (2,786) |
| Other taxes and fees | 4,797 | 1,413 |
| Total other | $ 564,390 | $ 93,330 |

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 Strathmore Court Associates Limited Partnership**

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 Strathmore Court Associates Limited Partnership, which comprise the balance sheets as of June 30, 2023 and 2022, and the related statements of operations, changes in partners' deficit, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2024.

**Report on Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered Strathmore Court Associates Limited Partnership's internal control over financial reporting (internal control) to determine the 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 Strathmore Court Associates Limited Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Strathmore Court Associates 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 a 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 may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Strathmore Court Associates 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.

Luxenburg + Bronfin, LLC

Baltimore, Maryland
February 22, 2024