

THE METROPOLITAN
COMBINING FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)



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**THE METROPOLITAN
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YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying combining financial statements of The Metropolitan, which are comprised of the combining balance sheets of Metropolitan Development Corporation and Metropolitan of Bethesda Limited Partnership as of June 30, 2020, and the related combining statements of operations, partners' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combining financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combining financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combining financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combining financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combining financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combining financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Commissioners
Housing Opportunities Commission of
Montgomery County, Maryland

Opinion

In our opinion the combining financial statements referred to above present fairly, in all material respects, the individual and combining financial position of The Metropolitan as of June 30, 2020, and the results of their operations, changes in equity (deficit), and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 combining financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

We have previously audited the 2019 combining financial statements of The Metropolitan, and we expressed an unmodified opinion on those audited financial statements in our report dated January 3, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent in all material respects, with the audited combining financial statements from which it has been derived.



CliftonLarsonAllen LLP

Baltimore, Maryland
April 6, 2021

**THE METROPOLITAN
COMBINING BALANCE SHEET
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 179,048	\$ 3,932,318	\$ 4,111,366	\$ 4,359,446
Accounts Receivable and Other Assets	44,692	295,414	340,106	232,894
Operating Advance Receivable	-	12,907,283	12,907,283	12,276,477
Due From Commission	-	696,392	696,392	-
Total Current Assets	<u>223,740</u>	<u>17,831,407</u>	<u>18,055,147</u>	<u>16,868,817</u>
RESTRICTED CASH AND CASH EQUIVALENTS				
Customer Deposits - Funded Security Deposits	45,044	222,248	267,292	266,483
Restricted Deposits	131,935	1,141,927	1,273,862	2,002,200
Total Restricted Cash and Cash Equivalents	<u>176,979</u>	<u>1,364,175</u>	<u>1,541,154</u>	<u>2,268,683</u>
NONCURRENT ASSETS				
Property and Equipment, Net of Accumulated Depreciation	5,202,319	15,812,594	21,014,913	22,414,115
Deferred Charges, Net of Accumulated Amortization	-	315,260	315,260	28,703
Total Noncurrent Assets	<u>5,202,319</u>	<u>16,127,854</u>	<u>21,330,173</u>	<u>22,442,818</u>
Total Assets	<u>\$ 5,603,038</u>	<u>\$ 35,323,436</u>	<u>\$ 40,926,474</u>	<u>\$ 41,580,318</u>
LIABILITIES AND PARTNERS' EQUITY (DEFICIT)				
CURRENT LIABILITIES				
Accounts Payable and Accrued Liabilities	\$ 43,466	\$ 975,705	\$ 1,019,171	\$ 336,325
Accrued Interest Payable	28,172	118,508	146,680	151,550
Mortgage Payable, Current	187,657	789,407	977,064	916,874
Prepaid Rent	9,508	98,139	107,647	80,168
Total Current Liabilities	<u>268,803</u>	<u>1,981,759</u>	<u>2,250,562</u>	<u>1,484,917</u>
RESTRICTED CURRENT LIABILITIES				
Customer Deposits Payable	44,230	218,344	262,574	261,878
NONCURRENT LIABILITIES				
Mortgage Payable	5,115,230	21,064,595	26,179,825	27,114,566
Operating Advance Payable	12,907,283	-	12,907,283	12,276,477
Due to Commission	510,859	-	510,859	484,384
Note Payable - HOC	977,000	-	977,000	977,000
Accrued Asset Management Fee	60,471	-	60,471	60,471
Total Noncurrent Liabilities	<u>19,570,843</u>	<u>21,064,595</u>	<u>40,635,438</u>	<u>40,912,898</u>
Total Liabilities	19,883,876	23,264,698	43,148,574	42,659,693
PARTNERS' EQUITY (DEFICIT)				
	<u>(14,280,838)</u>	<u>12,058,738</u>	<u>(2,222,100)</u>	<u>(1,079,375)</u>
Total Liabilities and Partners' Equity (Deficit)	<u>\$ 5,603,038</u>	<u>\$ 35,323,436</u>	<u>\$ 40,926,474</u>	<u>\$ 41,580,318</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
COMBINING STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
OPERATING REVENUE				
Dwelling Rental Revenue	\$ 795,654	\$ 6,240,358	\$ 7,036,012	\$ 6,949,206
Other Income	37,977	551,655	589,632	588,111
Total Operating Revenue	<u>833,631</u>	<u>6,792,013</u>	<u>7,625,644</u>	<u>7,537,317</u>
EXPENSES				
Administrative	224,838	845,407	1,070,245	999,920
Utilities	159,880	430,640	590,520	566,203
Maintenance	291,335	704,120	995,455	1,046,099
Other Expenses	131,807	1,517,538	1,649,345	1,601,240
Depreciation and Amortization	318,298	1,147,594	1,465,892	1,431,458
Fringe Benefits	52,350	141,591	193,941	165,641
Interest Expense, Operating	343,263	1,485,347	1,828,610	1,914,206
Total Expenses	<u>1,521,771</u>	<u>6,272,237</u>	<u>7,794,008</u>	<u>7,724,767</u>
OPERATING INCOME (LOSS)	(688,140)	519,776	(168,364)	(187,450)
NONOPERATING REVENUE (EXPENSE)				
Investment Income	1,826	23,813	25,639	41,740
Total Nonoperating Revenue	<u>1,826</u>	<u>23,813</u>	<u>25,639</u>	<u>41,740</u>
NET INCOME (LOSS)	<u>\$ (686,314)</u>	<u>\$ 543,589</u>	<u>\$ (142,725)</u>	<u>\$ (145,710)</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
COMBINING STATEMENT OF PARTNERS' EQUITY (DEFICIT)
YEAR ENDED JUNE 30, 2020**

	<u>Metropolitan of Bethesda Limited Partnership</u>	<u>Metropolitan Development Corporation</u>	<u>The Metropolitan</u>
BALANCE - JULY 1, 2018	\$ (12,907,836)	\$ 11,974,171	\$ (933,665)
Net Income (Loss)	<u>(686,688)</u>	<u>540,978</u>	<u>(145,710)</u>
BALANCE - JUNE 30, 2019	(13,594,524)	12,515,149	(1,079,375)
Net Income (Loss)	(686,314)	543,589	(142,725)
Partner Distributions	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
BALANCE - JUNE 30, 2020	<u>\$ (14,280,838)</u>	<u>\$ 12,058,738</u>	<u>\$ (2,222,100)</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net Income (Loss)	\$ (686,314)	\$ 543,589	\$ (142,725)	\$ (145,710)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	318,298	1,113,895	1,432,193	1,448,863
Amortization of Debt Issuance Costs	-	42,321	42,321	42,322
Amortization of Deferred Charges	-	32,736	32,736	10,444
Bad Debt Expense	-	-	-	-
Changes in Operating Assets and Liabilities:				
Accounts Receivable and Other Assets	(21,343)	(85,869)	(107,212)	99,836
Deferred Charges	-	(319,292)	(319,292)	-
Customer Deposits	104	592	696	(8,493)
Accounts Payable and Accrued Expense	(1,186)	684,032	682,846	169,214
Accrued Interest Payable	(935)	(3,935)	(4,870)	(4,571)
Prepaid Rent	7,120	20,359	27,479	19,503
Net Cash Provided (Used) by Operating Activities	<u>(384,256)</u>	<u>2,028,428</u>	<u>1,644,172</u>	<u>1,631,408</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Fixed Assets	(4,188)	(28,803)	(32,991)	(64,170)
Lease Commission	-	-	-	(17,404)
Net Cash Used by Investing Activities	<u>(4,188)</u>	<u>(28,803)</u>	<u>(32,991)</u>	<u>(81,574)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Mortgage Principal Payments	(176,095)	(740,778)	(916,873)	(860,393)
Partner Distributions	-	(1,000,000)	(1,000,000)	-
Due From Commission	-	(700,763)	(700,763)	-
Interfund Payable - Operating Loan Deficit	661,652	(630,806)	30,846	(23,719)
Net Cash Provided (Used) by Financing Activities	<u>485,557</u>	<u>(3,072,347)</u>	<u>(2,586,790)</u>	<u>(884,112)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED DEPOSITS				
	97,113	(1,072,722)	(975,609)	665,722
Cash, Cash Equivalents and Restricted Deposits - Beginning of Year	<u>258,914</u>	<u>6,369,215</u>	<u>6,628,129</u>	<u>5,962,407</u>
CASH, CASH EQUIVALENTS AND RESTRICTED DEPOSITS - END OF YEAR	<u><u>\$ 356,027</u></u>	<u><u>\$ 5,296,493</u></u>	<u><u>\$ 5,652,520</u></u>	<u><u>\$ 6,628,129</u></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	\$ 179,048	\$ 3,932,318	\$ 4,111,366	\$ 4,359,446
Restricted Deposits	176,979	1,364,175	1,541,154	2,268,683
	<u><u>\$ 356,027</u></u>	<u><u>\$ 5,296,493</u></u>	<u><u>\$ 5,652,520</u></u>	<u><u>\$ 6,628,129</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Interest Paid	<u><u>\$ 344,198</u></u>	<u><u>\$ 1,447,925</u></u>	<u><u>\$ 1,792,123</u></u>	<u><u>\$ 1,844,911</u></u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

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 of Bethesda Limited Partnership (the Partnership) to be used as low and moderate-income housing and was granted tax credits under Section 42 of the Internal Revenue Code, with HOC having a 1% interest as general partner. In January 1998, the Metropolitan Development Corporation (the Corporation), a segment of HOC, acquired the balance of the project from HOC, the developer.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying combining 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 and Principles of Combination

These combining 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 combining 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, 2019, from which the summarized information was derived. Certain reclassifications have been made to prior year summarized balances in order to conform to current year presentation. The reclassifications did not affect net position or changes therein.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the Entity for the years ended June 30, 2020 and 2019 are \$106,472 and \$106,355, 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, 2020 and 2019.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Debt Issuance Costs

Debt issuance costs are reported on the combining 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 combining 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, 2020 and 2019. The Corporation made an additional deposit of \$1,000,000 into the reserve for replacement account for the year ended June 30, 2019. Additionally, management of the Corporation opted to make monthly deposits of \$16,200 during fiscal year 2019.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

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 has 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. The \$725,000 is included in the balance due from the Commission at June 30, 2020.

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, 2020 and 2019 is as follows:

	June 30, 2020						
	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	\$ 112,110	\$ 16,702	\$ 1,071,811	\$ 725,000	\$ 70,506	\$ 6,071	\$ 2,002,200
Interest Earned	1,637	-	1,835	-	-	-	3,472
Withdrawals	(40,510)	(26,327)	(108,031)	(725,000)	(110,719)	-	(1,010,587)
Deposits	41,400	26,923	97,200	-	113,254	-	278,777
Balance - End of Year	<u>\$ 114,637</u>	<u>\$ 17,298</u>	<u>\$ 1,062,815</u>	<u>\$ -</u>	<u>\$ 73,041</u>	<u>\$ 6,071</u>	<u>\$ 1,273,862</u>
	June 30, 2019						
	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	\$ 142,962	\$ 16,144	\$ 31,816	\$ 725,000	\$ 68,128	\$ 6,071	\$ 990,121
Interest Earned	3,154	-	3,219	-	-	-	6,373
Withdrawals	(75,406)	(27,219)	(157,624)	-	(114,474)	-	(374,723)
Deposits	41,400	27,777	1,194,400	-	116,852	-	1,380,429
Balance - End of Year	<u>\$ 112,110</u>	<u>\$ 16,702</u>	<u>\$ 1,071,811</u>	<u>\$ 725,000</u>	<u>\$ 70,506</u>	<u>\$ 6,071</u>	<u>\$ 2,002,200</u>

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

NOTE 4 FIXED ASSETS

Fixed assets consist of the following at June 30, 2020 and 2019:

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
Buildings and Improvements	\$ 12,231,249	\$ 36,374,977	\$ 48,606,226	\$ 48,606,226
Fixed Building Equipment	179,971	669,356	849,327	849,327
Furniture and Equipment	56,170	189,267	245,437	212,446
Leasehold Improvements	-	444,066	444,066	444,066
Accumulated Depreciation	(7,265,071)	(21,865,072)	(29,130,143)	(27,697,950)
Total	<u>\$ 5,202,319</u>	<u>\$ 15,812,594</u>	<u>\$ 21,014,913</u>	<u>\$ 22,414,115</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, 2020 and 2019 is \$146,680 and \$151,550, respectively.

Interest expense for the years ended June 30, 2020 and 2019 is \$1,787,252 and \$1,844,034, respectively, on this mortgage.

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

<u>Years Ending June 30,</u>	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan
2021	\$ 187,657	\$ 789,407	\$ 977,064
2022	199,975	841,229	1,041,204
2023	213,103	896,452	1,109,555
2024	227,092	955,300	1,182,392
2025	242,000	1,018,012	1,260,012
2026-2030	1,470,208	6,184,664	7,654,872
2031-2035	2,020,430	8,370,690	10,391,120
2036-2037	742,422	3,251,639	3,994,061
Total	<u>\$ 5,302,887</u>	<u>\$ 22,307,393</u>	<u>\$ 27,610,280</u>

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

NOTE 5 MORTGAGE PAYABLE (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Mortgage Payable	\$ 27,610,280	\$ 28,527,153
Debt Issuance	(453,391)	(495,713)
Total	<u>\$ 27,156,889</u>	<u>\$ 28,031,440</u>

NOTE 6 MANAGEMENT FEES

The Entity is managed by Bozzuto Management, pursuant to a management agreement, which provides for a management fee of a flat rate per unit month of \$58 for the second half of fiscal year 2018, and \$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, 2020 and 2019 were \$212,975 and \$220,959, 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, 2020 and 2019 are \$12,907,283 and \$12,276,477, 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 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 both June 30, 2020 and 2019 is \$63,630. The accrued asset management fee at both June 30, 2020 and 2019 is \$60,471.

Note Payable

The Partnership holds a note payable to HOC in the initial amount of \$977,000. The note is a deferred development fee, and payments of interest and principal have been deferred by HOC. The full note is shown as noncurrent on the balance sheet as payments are not expected within the next 12 months. The balances at both June 30, 2020 and 2019 were \$977,000.

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)

Development Corporation Fee

HOC received a development corporation fee from the Corporation for the years ended June 30, 2020 and 2019 of \$842,289 and \$933,095, respectively.

Miscellaneous Operating Expenses

The Entity is indebted to HOC for various operating expenses paid on behalf. Amounts due from (to) HOC as of June 30, 2020 and 2019 totaled \$185,533 and (\$484,384), 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 2020 and 2019 totaled \$317,674 and \$210,292, respectively.

NOTE 10 COMMITMENTS AND CONTINGENCIES

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

NOTE 11 CONCENTRATION OF CREDIT RISK

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

**THE METROPOLITAN
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)**

NOTE 12 OPERATING RISK

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

OTHER INFORMATION

**THE METROPOLITAN
DETAILED SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	The Metropolitan Development Corporation				Metropolitan of Bethesda Limited Partnership	The Metropolitan	
	Office Space	Retail	Housing	Total		2020	2019
REVENUE							
Rental Income:							
Gross Rent Potential	\$ -	\$ 348,062	\$ 6,333,471	\$ 6,681,533	\$ 809,326	\$ 7,490,859	\$ 7,684,919
Vacancy Loss and Concessions	-	(93,269)	(450,333)	(543,602)	(13,672)	(557,274)	(567,716)
Net Rental Income	-	254,793	5,883,138	6,137,931	795,654	6,933,585	7,117,203
Parking	-	-	247,325	247,325	21,894	269,219	259,562
County Reimbursed Expenses	102,428	-	-	102,428	-	102,428	100,681
Miscellaneous Income	-	66,870	237,459	304,329	16,083	320,412	59,871
Total Revenue	102,428	321,663	6,367,922	6,792,013	833,631	7,625,644	7,537,317
EXPENSES							
Operating Expenses:							
Advertising and Promotions	-	-	106,472	106,472	-	106,472	106,355
Salaries and Related Expenses	48,373	32,354	633,217	713,944	264,244	978,188	841,481
General and Administrative	72	23,184	157,459	180,715	46,762	227,477	193,949
Management Fees	-	-	175,628	175,628	37,347	212,975	220,959
Development Corporation Fee	-	-	842,289	842,289	-	842,289	933,095
Maintenance	10,038	53,819	449,637	513,494	220,545	734,039	818,659
Insurance	-	-	169,892	169,892	56,901	226,793	269,269
Audit Fees	-	-	7,220	7,220	2,640	9,860	27,020
Air Rights Expense	-	-	317,674	317,674	-	317,674	210,292
Pilot and Other Taxes	-	-	3,489	3,489	24,945	28,434	27,247
Loan Management Fees	-	-	49,793	49,793	21,340	71,133	-
Asset Management Fees	-	-	63,630	63,630	-	63,630	63,630
Utilities	39,392	27,990	363,258	430,640	159,880	590,520	566,203
Security Contract	4,553	5,261	54,282	64,096	24,129	88,225	96,385
Bad Debt Expense	-	-	320	320	1,477	1,797	1,322
Total Operating Expenses	102,428	142,608	3,394,260	3,639,296	860,210	4,499,506	4,375,866
Other Expenses:							
Interest Expense, Operating	-	(550)	1,485,897	1,485,347	343,263	1,828,610	1,847,271
Depreciation and Amortization	-	-	1,147,594	1,147,594	318,298	1,465,892	1,501,630
Total Other Expenses	-	(550)	2,633,491	2,632,941	661,561	3,294,502	3,348,901
Total Expenses	102,428	142,058	6,027,751	6,272,237	1,521,771	7,794,008	7,724,767
OPERATING INCOME (LOSS)	-	179,605	340,171	519,776	(688,140)	(168,364)	(187,450)
NONOPERATING REVENUE (LOSS)							
Investment Income	-	-	23,813	23,813	1,826	25,639	41,740
Total Nonoperating Revenue	-	-	23,813	23,813	1,826	25,639	41,740
NET INCOME (LOSS)	\$ -	\$ 179,605	\$ 363,984	\$ 543,589	\$ (686,314)	\$ (142,725)	\$ (145,710)

**THE METROPOLITAN
BALANCE SHEET
SELECTED LINE ITEM DETAIL
JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR JUNE 30, 2019)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
ACCOUNTS RECEIVABLE AND OTHER ASSETS				
Resident Tenant Receivable	\$ 6,681	\$ 53,210	\$ 59,891	\$ 4,022
Montgomery County Receivable	-	102,428	102,428	100,681
Prepaid Expenses	-	-	-	-
Prepaid Insurance	-	-	-	-
Prepaid Mortgage Insurance	17,551	73,813	91,364	94,462
Other Assets	20,460	65,963	86,423	33,729
	<u>\$ 44,692</u>	<u>\$ 295,414</u>	<u>\$ 340,106</u>	<u>\$ 232,894</u>
Total Accounts Receivable and Other Assets				
RESTRICTED DEPOSITS				
Mortgage Escrow	\$ 17,298	\$ 73,041	\$ 90,339	\$ 87,208
Renovation Escrow	-	6,071	6,071	6,071
Other Reserve	-	-	-	725,000
Replacement Reserve	114,637	1,062,815	1,177,452	1,183,921
Customer Deposits - Funded Security Deposits	45,044	222,248	267,292	266,483
	<u>\$ 176,979</u>	<u>\$ 1,364,175</u>	<u>\$ 1,541,154</u>	<u>\$ 2,268,683</u>
Total Restricted Deposits				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES				
Accounts Payable	\$ 4,895	\$ 12,703	\$ 17,598	\$ 60,278
Accrued Salaries and Benefits	21,070	52,459	73,529	2,151
Accrued Expenses	17,501	910,543	928,044	273,896
	<u>\$ 43,466</u>	<u>\$ 975,705</u>	<u>\$ 1,019,171</u>	<u>\$ 336,325</u>
Total Accounts Payable and Accrued Liabilities				
CUSTOMER DEPOSITS PAYABLE				
Customer Deposits	\$ 35,964	\$ 201,988	\$ 237,952	\$ 236,583
Accrued Interest on Customer Deposits	8,266	16,356	24,622	25,295
	<u>\$ 44,230</u>	<u>\$ 218,344</u>	<u>\$ 262,574</u>	<u>\$ 261,878</u>
Total Customer Deposits Payable				

**THE METROPOLITAN
STATEMENT OF OPERATIONS
SELECTED LINE ITEM DETAIL
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
DWELLING RENTAL REVENUE				
Gross Potential Tenant Rent	\$ 809,326	\$ 6,788,251	\$ 7,597,577	\$ 7,516,922
Vacancies and Concessions	(13,672)	(547,893)	(561,565)	(567,716)
Total Dwelling Rental Revenue	<u>\$ 795,654</u>	<u>\$ 6,240,358</u>	<u>\$ 7,036,012</u>	<u>\$ 6,949,206</u>
OTHER INCOME				
Tenant Charges	\$ 11,759	\$ 294,178	\$ 305,937	\$ 278,310
Parking	21,894	247,325	269,219	259,562
Miscellaneous Income	4,324	10,152	14,476	50,239
Total Other Income	<u>\$ 37,977</u>	<u>\$ 551,655</u>	<u>\$ 589,632</u>	<u>\$ 588,111</u>
ADMINISTRATIVE				
Salaries and Related Expenses	\$ 141,104	\$ 381,731	\$ 522,835	\$ 448,400
Telephone	-	20,284	20,284	18,810
Office Supplies and Expenses	4,249	11,128	15,377	13,931
Professional Fees	6,718	31,544	38,262	29,269
Accounting and Auditing Fees	2,640	7,220	9,860	27,020
Property Management Fees	37,347	175,628	212,975	220,959
Licenses and Fees	4,518	21,375	25,893	10,237
Tenant Security Deposit Interest Expense	-	3,108	3,108	3,922
Advertising	-	106,472	106,472	106,355
Program Supplies	11,395	26,442	37,837	53,936
Miscellaneous Administrative Expenses	16,867	60,475	77,342	67,081
Total Administrative	<u>\$ 224,838</u>	<u>\$ 845,407</u>	<u>\$ 1,070,245</u>	<u>\$ 999,920</u>
UTILITIES				
Water	\$ 55,045	\$ 149,052	\$ 204,097	\$ 182,069
Electricity	65,461	186,121	251,582	256,822
Gas	23,458	54,736	78,194	74,944
Trash Removal	15,916	40,731	56,647	52,368
Total Utilities	<u>\$ 159,880</u>	<u>\$ 430,640</u>	<u>\$ 590,520</u>	<u>\$ 566,203</u>

**THE METROPOLITAN
STATEMENT OF OPERATIONS
SELECTED LINE ITEM DETAIL
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
MAINTENANCE				
Salaries and Related Expenses	\$ 70,790	\$ 190,622	\$ 261,412	\$ 227,440
Repair and Grounds Contracts	137,086	399,850	536,936	567,191
Appliance	38,421	42,605	81,026	69,525
Repairs Materials and Supplies	45,038	71,043	116,081	181,943
	<u>\$ 291,335</u>	<u>\$ 704,120</u>	<u>\$ 995,455</u>	<u>\$ 1,046,099</u>
OTHER EXPENSES				
Security	\$ 24,129	\$ 64,096	\$ 88,225	\$ 96,385
Insurance - Property	8,840	56,670	65,510	112,726
Mortgage Insurance	26,922	113,222	140,144	144,608
Liability Insurance	21,139	-	21,139	11,935
Real Estate Taxes	24,645	20	24,665	26,920
Asset Management Fee	-	63,630	63,630	63,630
Development Corporation Fee	-	842,289	842,289	933,095
Loan Management Fees	21,340	49,793	71,133	-
Capital Lease Payment	-	317,674	317,674	210,292
Bad Debts - Tenants	1,477	320	1,797	1,349
Other Taxes and Expenses	3,315	9,824	13,139	300
	<u>\$ 131,807</u>	<u>\$ 1,517,538</u>	<u>\$ 1,649,345</u>	<u>\$ 1,601,240</u>

**THE METROPOLITAN
COMBINING SCHEDULE OF RELATED PARTY RECEIVABLES/PAYABLES
YEAR ENDED JUNE 30, 2020
(WITH COMPARATIVE INFORMATION
FOR YEAR ENDED JUNE 30, 2019)
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2020	2019
Related Party (Payable) Receivable	\$ -	\$ 12,907,283	\$ 12,907,283	\$ 12,276,477
Operating Deficit Advance	(12,907,283)	-	(12,907,283)	(12,276,477)
Due to (from) HOC Central Cash	(510,859)	696,392	185,533	(484,384)
	<u>\$ (13,418,142)</u>	<u>\$ 13,603,675</u>	<u>\$ 185,533</u>	<u>\$ (484,384)</u>