

**STRATHMORE COURT ASSOCIATES
LIMITED PARTNERSHIP**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

JUNE 30, 2021 and 2020

Strathmore Court Associates Limited Partnership

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INDEPENDENT AUDITOR'S REPORT

To the Partners
Strathmore Court Associates Limited Partnership

Report on the Financial Statements

We have audited the accompanying financial statements of Strathmore Court Associates Limited Partnership, which comprise the balance sheet as of June 30, 2021, and the related statements of operations, changes in partner's 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable of financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Strathmore Court Associates Limited Partnership as of June 30, 2021, 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.

Other Matter – 2020 Financial Statements

The financial statements of Strathmore Court Associates Limited Partnership as of June 30, 2020, were audited by other auditors whose report dated January 14, 2021 expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on page 16 is presented for 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.

In accordance with Government Auditing Standards, we have also issued our report dated January 14, 2022 on our consideration of the 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 the 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 the Partnership's internal control over financial reporting and compliance.

Luxenburg + Bronfin, LLC

Baltimore, Maryland
January 14, 2022

Strathmore Court Associates Limited Partnership

**Balance Sheets
June 30, 2021 and 2020**

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets		
Cash	\$ 80,365	\$ 53,220
Tenant accounts receivable, net	2,117	-
Other receivables	-	108
Total current assets	<u>82,482</u>	<u>53,328</u>
Restricted deposits and funded reserves		
Tenant security deposits	24,733	25,179
Replacement reserves	197,931	208,682
Total restricted deposits and funded reserves	<u>222,664</u>	<u>233,861</u>
Rental property		
Land	1,000,000	1,000,000
Building	6,945,563	6,945,563
Building improvements	304,129	304,129
Furniture and equipment	80,560	54,258
Construction in progress	8,073	-
	<u>8,338,325</u>	<u>8,303,950</u>
Less: accumulated depreciation	<u>(6,543,119)</u>	<u>(6,280,170)</u>
Total rental property	<u>1,795,206</u>	<u>2,023,780</u>
Total assets	<u>\$ 2,100,352</u>	<u>\$ 2,310,969</u>

(continued)

Strathmore Court Associates Limited Partnership

**Balance Sheets
June 30, 2021 and 2020**

LIABILITIES AND PARTNER'S DEFICIT

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable and accrued expenses	\$ 11,696	\$ 23,252
Accrued interest payable	29,127	31,448
Prepaid rent	6,058	6,604
Note payable - current	83,756	77,591
Current maturities of long-term debt - mortgage	314,274	287,464
Total current liabilities	<u>444,911</u>	<u>426,359</u>
Deposits and prepaid liability		
Tenant security deposits	<u>23,855</u>	<u>23,931</u>
Long-term liabilities		
Mortgage payable, net of unamortized debt issuance costs	2,052,983	2,391,739
Note payable, net of current	2,097,252	2,181,008
Interfund payable	<u>6,099,594</u>	<u>5,559,833</u>
Total long-term liabilities	<u>10,249,829</u>	<u>10,132,580</u>
Partner's deficit	<u>(8,618,243)</u>	<u>(8,271,901)</u>
Total liabilities and partner's deficit	<u>\$ 2,100,352</u>	<u>\$ 2,310,969</u>

See notes to financial statements

Strathmore Court Associates Limited Partnership

Statements of Operations
Years ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Revenue		
Rental income	\$ 639,289	\$ 639,058
Interest income	28	159
Other operating income	14,538	9,193
Total revenue	<u>653,855</u>	<u>648,410</u>
Expenses		
Administrative	113,445	126,240
Utilities	73,100	62,587
Maintenance	121,397	119,260
Other	65,741	63,669
Depreciation	262,949	265,967
Fringe benefits	23,281	24,170
Interest	363,752	389,211
Bad debt expense	2,301	-
Total expenses	<u>1,025,966</u>	<u>1,051,104</u>
Net loss	<u>\$ (372,111)</u>	<u>\$ (402,694)</u>

See notes to financial statements

Strathmore Court Associates Limited Partnership

**Statements of Changes in Partner's Deficit
Years ended June 30, 2021 and 2020**

	<u>General Partner</u>	<u>Limited Partner</u>	<u>Total</u>
Balance June 30, 2019	\$(7,243,114)	\$ (626,093)	\$(7,869,207)
Net loss	<u>(402,694)</u>	<u>-</u>	<u>(402,694)</u>
Balance June 30, 2020	(7,645,808)	(626,093)	(8,271,901)
Contributions	25,769	-	25,769
Net loss	<u>(372,111)</u>	<u>-</u>	<u>(372,111)</u>
Balance June 30, 2021	<u><u>\$(7,992,150)</u></u>	<u><u>\$ (626,093)</u></u>	<u><u>\$(8,618,243)</u></u>

See notes to financial statements

Strathmore Court Associates Limited Partnership

Statements of Cash Flows
Years ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Net loss	\$ (372,111)	\$ (402,694)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	262,949	265,967
Amortization of debt issuance costs	1,288	-
Bad debt expense	2,301	-
Changes in:		
Tenant accounts receivable	(4,418)	-
Other assets	108	(38)
Tenant security deposits	(76)	584
Accounts payable	(11,556)	(4,443)
Prepaid rent	(546)	(2,308)
Accrued interest payable	(2,321)	(2,123)
Net cash used in operating activities	(124,382)	(145,055)
Cash flows from investing activities		
Expenditures on rental property	(34,375)	(13,262)
Net cash used in investing activities	(34,375)	(13,262)
Cash flows from financing activities		
Principal payments on mortgage payable	(287,465)	(261,945)
Principal payments on note payable	(77,591)	(71,880)
Mortgage costs	(25,769)	-
Interfund payable	539,761	560,196
Contributions	25,769	-
Net cash provided by financing activities	174,705	226,371
Net increase in cash and restricted cash	15,948	68,054
Cash and restricted cash, beginning of year	287,081	219,027
Cash and restricted cash, end of year	\$ 303,029	\$ 287,081
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 364,785	\$ 391,334

See notes to financial statements

Strathmore Court Associates Limited Partnership

Notes to Financial Statements June 30, 2021 and 2020

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”).

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.

Strathmore Court Associates Limited Partnership

Notes to Financial Statements June 30, 2021 and 2020

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, 2021 and 2020, the allowance for doubtful accounts was \$2,224 and \$-0-, 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 Rental Income

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

Strathmore Court Associates Limited Partnership

Notes to Financial Statements June 30, 2021 and 2020

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.

Reclassifications

Reclassifications have been made to the prior year balances to conform to the current year presentation.

Changes in accounting principles

In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18 Statement of Cash Flows (Topic 230) - Restricted Cash ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively as of July 1, 2019.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). Effective January 1, 2019, the Partnership adopted ASU 2014-09 on a retrospective basis. The modifications under ASU 2014-09 were applied to all of the Partnership's contracts with customers. No practical expedients were applied. The majority of the Partnership's revenue is derived from leases with tenants of the Property generally for terms of one year or less, which are accounted for in accordance with Leases (Topic 840). Therefore, adoption of ASU 2014-09 had no impact on the recognition of rental revenue of the Property during the periods presented or on the opening balances of partners' equity as of July 1, 2019.

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

Strathmore Court Associates Limited Partnership

Notes to Financial Statements
June 30, 2021 and 2020

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, 2021 and 2020:

	2021	2020
Cash	\$ 80,365	\$ 53,220
Restricted cash	222,664	233,861
Total cash and restricted cash shown in the statement of cash flows	\$ 303,029	\$ 287,081

Note 4 Partner's Equity (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:

	2021	2020
Investment in capital assets, net of related debt	\$ (2,777,540)	\$ (2,914,022)
Restricted net assets	198,809	209,930
Unrestricted deficit	(6,039,512)	(5,567,809)
	\$ (8,618,243)	\$ (8,271,901)

Note 5 Replacement Reserve

In accordance with the loan agreement, the Partnership is required to make monthly deposits of \$4,599 and \$4,422 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020 was as follows:

	2021	2020
Balance, January 1	\$ 208,682	\$ 155,561
Deposit	55,188	53,064
Withdrawal	(65,960)	-
Interest	21	57
Balance, December 31	\$ 197,931	\$ 208,682

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

Strathmore Court Associates Limited Partnership

Notes to Financial Statements
June 30, 2021 and 2020

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 and Strathmore Court of 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.

The Partnership incurred interest expense of \$194,240 and \$215,078 for the years ended June 30, 2021 and 2020, respectively. Outstanding principal as of June 30, 2021 and 2020 was \$2,391,738 and \$2,679,203, respectively. Accrued interest as of June 30, 2021 and 2020 was \$15,187 and \$17,012, respectively.

Debt issuance costs net of accumulated amortization totaled \$24,481 and \$-0- as of June 30, 2021 and 2020, respectively.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter following June 30, 2021 are as follows:

June 30, 2022	\$ 314,274
2023	343,586
2024	374,229
2025	408,595
2026	444,319
Thereafter	506,735
Total	2,391,738
Less unamortized debt issuance costs	(24,481)
Total	<u>\$ 2,367,257</u>

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 \$168,224 and \$174,133 for the years ended June 30, 2021 and 2020, respectively. Outstanding principal as of June 30, 2021 and 2020 was \$2,181,008 and \$2,258,599, respectively. Accrued interest as of June 30, 2021 and 2020, was \$13,940 and \$14,436, respectively.

Aggregate annual maturities of the mortgage payable over each of the next five years and thereafter following June 30, 2021 are as follows:

Strathmore Court Associates Limited Partnership

Notes to Financial Statements
June 30, 2021 and 2020

June 30, 2022	\$	83,756
2023		90,411
2024		97,594
2025		105,348
2026		113,719
Thereafter		1,690,180
Total	\$	<u>2,181,008</u>

Note 8 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, 2021 and 2020 was \$6,099,594 and \$5,559,833, 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, 2021 and 2020, \$26,612 and \$32,189 respectively, has been charged to operations.

Note 10 Payment in Lieu 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. 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, 2021.

Strathmore Court Associates Limited Partnership

Notes to Financial Statements
June 30, 2021 and 2020

Note 12 Commitments and Contingencies

The deed of trust and Covenant require that all 51 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 January 14, 2022, 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, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Rental income		
Rental revenue	\$ (597,311)	\$ (602,088)
Gross potential subsidy rent	(55,854)	(45,937)
Apartments vacancies	13,876	8,455
Concessions	-	512
Total rental income	<u>\$ (639,289)</u>	<u>\$ (639,058)</u>
Other income		
Tenant charges	\$ (3,299)	\$ (2,689)
Excess income retention	(8,379)	(4,108)
Miscellaneous other income	(2,860)	(2,396)
Total other income	<u>\$ (14,538)</u>	<u>\$ (9,193)</u>
Administrative		
Salaries - administrative	\$ 59,049	\$ 59,285
Telephone	5,641	6,132
Office supplies and expense	11,019	13,092
Professional fees	531	942
Accounting and auditing fees	4,427	8,305
Property management fee	26,612	32,189
Licenses and fees	2,762	2,673
Coronavirus expense	1,695	1,097
Miscellaneous administrative	1,709	2,525
Total administrative	<u>\$ 113,445</u>	<u>\$ 126,240</u>
Utilities		
Electricity	\$ 22,044	\$ 21,415
Water	39,861	31,177
Gas	2,393	1,761
Trash removal	8,802	8,234
Total utilities	<u>\$ 73,100</u>	<u>\$ 62,587</u>
Maintenance		
Salaries and related expenses	\$ 33,613	\$ 33,550
Repair and grounds contracts	61,901	54,994
Repairs materials and supplies	25,883	30,716
Total maintenance	<u>\$ 121,397</u>	<u>\$ 119,260</u>
Other		
Security	\$ 29,925	\$ 31,092
Property insurance	16,229	11,311
Real estate taxes	9,940	9,940
PILOT	7,569	9,295
Other taxes and fees	2,078	2,031
Total other	<u>\$ 65,741</u>	<u>\$ 63,669</u>

See independent auditor's report



Report on Internal Control Over Financial Reporting and on Compliance and Other Matters on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Independent Auditors' Report

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 statement audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Strathmore Court Associated Limited Partnership (the "Partnership") which comprise the balance sheet as of June 30, 2021 and the related statements of operations, partners' deficit and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Partnership's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Partnership's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Partnership's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or 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 and deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with these 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 material 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 Partnership'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 Partnership's internal control and compliance. Accordingly, this report is not suitable for any other purposes.

Luxemburg + Bronfin, LLC

Baltimore, Maryland
January 14, 2022