

**THE METROPOLITAN**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**  
**YEAR ENDED JUNE 30, 2021**  
**(WITH COMPARATIVE INFORMATION**  
**FOR YEAR ENDED JUNE 30, 2020)**



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

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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 financial statements of The Metropolitan, which are comprised of the balance sheets of Metropolitan Development Corporation and Metropolitan of Bethesda Limited Partnership as of June 30, 2021, and the related 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 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.

### ***Auditors' 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. Those standards require that we plan and perform the audit 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 auditors' 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.

Board of Commissioners  
Housing Opportunities Commission of  
Montgomery County, Maryland

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the position of The Metropolitan as of June 30, 2021, 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 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 2020 financial statements of The Metropolitan, and we expressed an unmodified opinion on those audited financial statements in our report dated April 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent in all material respects, with the audited financial statements from which it has been derived.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
February 16, 2022

**THE METROPOLITAN  
BALANCE SHEET  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 280,016	\$ 3,322,388	\$ 3,602,404	\$ 4,111,366
Accounts Receivable and Other Assets	24,724	947,948	972,672	340,106
Operating Advance Receivable	-	12,933,683	12,933,683	12,907,283
Due From Commission	-	84,747	84,747	696,392
Total Current Assets	<u>304,740</u>	<u>17,288,766</u>	<u>17,593,506</u>	<u>18,055,147</u>
<b>RESTRICTED CASH AND CASH EQUIVALENTS</b>				
Customer Deposits - Funded Security Deposits	46,955	193,835	240,790	267,292
Restricted Deposits	<u>28,299</u>	<u>984,174</u>	<u>1,012,473</u>	<u>1,273,862</u>
Total Restricted Cash and Cash Equivalents	75,254	1,178,009	1,253,263	1,541,154
<b>NONCURRENT ASSETS</b>				
Property and Equipment, Net of Accumulated Depreciation	5,042,028	15,092,632	20,134,660	21,014,913
Deferred Charges, Net of Accumulated Amortization	-	277,884	277,884	315,260
Total Noncurrent Assets	<u>5,042,028</u>	<u>15,370,516</u>	<u>20,412,544</u>	<u>21,330,173</u>
Total Assets	<u>\$ 5,422,022</u>	<u>\$ 33,837,291</u>	<u>\$ 39,259,313</u>	<u>\$ 40,926,474</u>
<b>LIABILITIES AND PARTNERS' EQUITY (DEFICIT)</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable and Accrued Liabilities	\$ 27,246	\$ 68,513	\$ 95,759	\$ 1,019,171
Accrued Interest Payable	27,175	114,314	141,489	146,680
Mortgage Payable, Current	199,975	841,229	1,041,204	977,064
Prepaid Rent	<u>11,795</u>	<u>124,376</u>	<u>136,171</u>	<u>107,647</u>
Total Current Liabilities	266,191	1,148,432	1,414,623	2,250,562
<b>RESTRICTED CURRENT LIABILITIES</b>				
Customer Deposits Payable	45,960	192,711	238,671	262,574
<b>NONCURRENT LIABILITIES</b>				
Mortgage Payable	4,915,255	20,265,691	25,180,946	26,179,825
Operating Advance Payable	12,933,683	-	12,933,683	12,907,283
Due to Commission	1,082,993	-	1,082,993	510,859
Note Payable - HOC	977,000	-	977,000	977,000
Accrued Asset Management Fee	<u>60,471</u>	<u>-</u>	<u>60,471</u>	<u>60,471</u>
Total Noncurrent Liabilities	<u>19,969,402</u>	<u>20,265,691</u>	<u>40,235,093</u>	<u>40,635,438</u>
Total Liabilities	20,281,553	21,606,834	41,888,387	43,148,574
<b>PARTNERS' EQUITY (DEFICIT)</b>				
	<u>(14,859,531)</u>	<u>12,230,457</u>	<u>(2,629,074)</u>	<u>(2,222,100)</u>
Total Liabilities and Partners' Equity (Deficit)	<u>\$ 5,422,022</u>	<u>\$ 33,837,291</u>	<u>\$ 39,259,313</u>	<u>\$ 40,926,474</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN  
STATEMENT OF OPERATIONS  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR YEAR ENDED JUNE 30, 2020)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
<b>OPERATING REVENUE</b>				
Dwelling Rental Revenue	\$ 799,357	\$ 6,045,584	\$ 6,844,941	\$ 7,036,012
Other Income	33,321	559,754	593,075	589,632
Total Operating Revenue	<u>832,678</u>	<u>6,605,338</u>	<u>7,438,016</u>	<u>7,625,644</u>
<b>EXPENSES</b>				
Administrative	216,408	800,242	1,016,650	1,070,245
Utilities	153,091	411,822	564,913	590,520
Maintenance	242,219	614,568	856,787	995,455
Other Expenses	97,692	1,908,473	2,006,165	1,649,345
Depreciation and Amortization	319,071	1,123,307	1,442,378	1,465,892
Fringe Benefits	51,265	138,671	189,936	193,941
Interest Expense, Operating	331,642	1,437,426	1,769,068	1,828,610
Total Expenses	<u>1,411,388</u>	<u>6,434,509</u>	<u>7,845,897</u>	<u>7,794,008</u>
<b>OPERATING INCOME (LOSS)</b>	(578,710)	170,829	(407,881)	(168,364)
<b>NONOPERATING REVENUE (EXPENSE)</b>				
Investment Income	17	890	907	25,639
Total Nonoperating Revenue	<u>17</u>	<u>890</u>	<u>907</u>	<u>25,639</u>
<b>NET INCOME (LOSS)</b>	<u>\$ (578,693)</u>	<u>\$ 171,719</u>	<u>\$ (406,974)</u>	<u>\$ (142,725)</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN  
STATEMENT OF PARTNERS' EQUITY (DEFICIT)  
YEAR ENDED JUNE 30, 2021**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan
<b>BALANCE - JULY 1, 2019</b>	\$ (13,594,524)	\$ 12,515,149	\$ (1,079,375)
Net (Loss) Income	(686,314)	543,589	(142,725)
Partner Distributions	<u>-</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
<b>BALANCE - JUNE 30, 2020</b>	(14,280,838)	12,058,738	(2,222,100)
Net (Loss) Income	<u>(578,693)</u>	<u>171,719</u>	<u>(406,974)</u>
<b>BALANCE - JUNE 30, 2021</b>	<u>\$ (14,859,531)</u>	<u>\$ 12,230,457</u>	<u>\$ (2,629,074)</u>

See accompanying Notes to Financial Statements.

**THE METROPOLITAN  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR YEAR ENDED JUNE 30, 2020)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net Income (Loss)	\$ (578,693)	\$ 171,719	\$ (406,974)	\$ (142,725)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	319,071	1,085,931	1,405,002	1,432,193
Amortization of Debt Issuance Costs	-	42,324	42,324	42,321
Amortization of Deferred Charges	-	37,376	37,376	32,736
Changes in Operating Assets and Liabilities:				
Accounts Receivable and Other Assets	19,968	(652,534)	(632,566)	(107,212)
Deferred Charges	-	-	-	(319,292)
Customer Deposits	1,730	(25,633)	(23,903)	696
Accounts Payable and Accrued Expense	(16,220)	(907,192)	(923,412)	682,846
Accrued Interest Payable	(997)	(4,194)	(5,191)	(4,870)
Prepaid Rent	2,287	26,237	28,524	27,479
Net Cash Provided (Used) by Operating Activities	<u>(252,854)</u>	<u>(225,966)</u>	<u>(478,820)</u>	<u>1,644,172</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Fixed Assets	<u>(158,780)</u>	<u>(365,969)</u>	<u>(524,749)</u>	<u>(32,991)</u>
Net Cash Used by Investing Activities	<u>(158,780)</u>	<u>(365,969)</u>	<u>(524,749)</u>	<u>(32,991)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Mortgage Principal Payments	(187,657)	(789,406)	(977,063)	(916,873)
Partner Distributions	-	-	-	(1,000,000)
Due From Commission	-	611,645	611,645	(700,763)
Interfund Payable - Operating Loan Deficit	598,534	(26,400)	572,134	30,846
Net Cash Provided (Used) by Financing Activities	<u>410,877</u>	<u>(204,161)</u>	<u>206,716</u>	<u>(2,586,790)</u>
<b>NET DECREASE IN CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS</b>				
	(757)	(796,096)	(796,853)	(975,609)
Cash, Cash Equivalents, and Restricted Deposits - Beginning of Year	<u>356,027</u>	<u>5,296,493</u>	<u>5,652,520</u>	<u>6,628,129</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED DEPOSITS - END OF YEAR</b>	<u>\$ 355,270</u>	<u>\$ 4,500,397</u>	<u>\$ 4,855,667</u>	<u>\$ 5,652,520</u>
<b>RECONCILIATION OF CASH AND RESTRICTED DEPOSITS - END OF YEAR PER THE CASH FLOW STATEMENT TO CASH AND RESTRICTED DEPOSITS PER THE BALANCE SHEET</b>				
Cash	\$ 280,016	\$ 3,322,388	\$ 3,602,404	\$ 4,111,366
Restricted Deposits	75,254	1,178,009	1,253,263	1,541,154
	<u>\$ 355,270</u>	<u>\$ 4,500,397</u>	<u>\$ 4,855,667</u>	<u>\$ 5,652,520</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Interest Paid	<u>\$ 332,639</u>	<u>\$ 1,399,296</u>	<u>\$ 1,731,935</u>	<u>\$ 1,792,123</u>

See accompanying Notes to Financial Statements.



**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**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 financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expense during the reporting period. Accordingly, actual results could differ from those estimates. Some of the more significant estimates required to be made by management include allowance for doubtful accounts and depreciation expense.

**Reporting Entity**

These financial statements include the accounts of the Corporation (wholly owned by HOC) and the Partnership to present the full operations and accounts of the Entity. Neither the Corporation nor the Partnership are considered component units of each other.

Both the Corporation's and Partnership's permanent financing is under the HUD Shared Risk Program.

**Prior Year Comparative Financial Information**

The financial statements include certain prior year summarized comparative information that is not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with The Metropolitan's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**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, 2021 and 2020 there was an allowance for doubtful accounts recorded of \$18,277 and \$-0-, respectively.

**Advertising**

Advertising costs are charged to operations when incurred. Advertising costs for the Entity for the years ended June 30, 2021 and 2020 are \$86,783 and \$106,472, 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, 2021 and 2020.

**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Debt Issuance Costs**

Debt issuance costs are reported on the balance sheet as a direct deduction from the face amount of the debt. The debt issuance costs are being amortized over the term of the debt on a method that approximates the interest method. The Entity reflects amortization of debt issuance costs as interest expense.

**Rental Income and Prepaid Rent**

Rental income is recognized as it becomes due. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Partnership and the Entity with the tenants of the property are operating leases and are no longer than one year.

**Income Taxes**

No provision or benefit for income taxes have been included in these financial statements for the Partnership since taxable income or loss passes through to, and is reportable by, the partners individually. The Corporation is a component unit of HOC and is therefore exempt from income taxation. Accordingly, the financial statements do not include a provision for income taxes.

The preparation of the financial statements in accordance with U.S. GAAP requires the Corporation to report information regarding its exposure to various tax positions taken by the Corporation. Management has determined whether any tax positions have met the recognition threshold and has measured the Corporation's exposure to those tax positions. Management believes that the Corporation has adequately addressed all relevant tax positions and that there are no unrecorded tax liabilities.

The Corporation's and Partnership's last three years of tax returns remain subject to examination by taxing authorities.

**NOTE 3 RESTRICTED DEPOSITS**

**Reserve for Replacements**

In accordance with the deed of trust, the Entity is required to maintain a reserve for replacement account. The required monthly deposit into this account is \$8,100 for the Corporation and \$3,450 for the Partnership. All withdrawals from the reserve for replacements require approval from HOC. The Corporation and the Partnership both made the required deposits for the years ended June 30, 2021 and 2020.

**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**NOTE 3 RESTRICTED DEPOSITS (CONTINUED)**

**Mortgage Escrow**

Pursuant to the terms of the mortgage note, the Partnership and Corporation are required to make monthly deposits with the mortgagee for payment of the mortgage insurance premium so that a sufficient amount is on deposit with the mortgagee when actual payment of such expense is due.

The reserve for replacements and mortgage escrow are kept in the same account.

**Other Reserve**

The Corporation had set aside a reserve of \$725,000 to enable the Commission to acquire the 99.00% limited partnership interests in three partnerships unrelated to the Corporation. This amount was disbursed to the Commission during the year ended June 30, 2020, in connection with the acquisition of the limited partnership interests from Manufacturers and Traders Trust Company on November 15, 2019, with an effective date of November 1, 2019.

**Renovation Escrow**

The Corporation holds a renovation escrow in the amount of \$6,071.

The activity in these funds for the year ended June 30, 2021 and 2020 is as follows:

	June 30, 2021						
	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	\$ 114,637	\$ 17,298	\$ 1,062,815	\$ -	\$ 73,041	\$ 6,071	\$ 1,273,862
Interest Earned	5	-	10	-	-	-	15
Withdrawals	(145,677)	(25,375)	(257,663)	-	(106,720)	-	(535,435)
Deposits	41,400	26,011	97,200	-	109,420	-	274,031
Balance - End of Year	<u>\$ 10,365</u>	<u>\$ 17,934</u>	<u>\$ 902,362</u>	<u>\$ -</u>	<u>\$ 75,741</u>	<u>\$ 6,071</u>	<u>\$ 1,012,473</u>
	June 30, 2020						
	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	\$ 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>

**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**NOTE 4 FIXED ASSETS**

Fixed assets consist of the following at June 30, 2021 and 2020:

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
Buildings and Improvements	\$ 12,256,722	\$ 36,374,977	\$ 48,631,699	\$ 48,606,226
Fixed Building Equipment	179,971	669,356	849,327	849,327
Furniture and Equipment	61,149	200,885	262,034	245,437
Leasehold Improvements	-	503,497	503,497	444,066
Construction in Progress	128,328	294,920	423,248	-
Accumulated Depreciation	(7,584,142)	(22,951,003)	(30,535,145)	(29,130,143)
Total	<u>\$ 5,042,028</u>	<u>\$ 15,092,632</u>	<u>\$ 20,134,660</u>	<u>\$ 21,014,913</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, 2021 and 2020 is \$141,489 and \$146,680, respectively.

Interest expense for the years ended June 30, 2021 and 2020 is \$1,726,744 and \$1,787,252, respectively, on this mortgage.

Principal payments over the next five years as of June 30, 2021 and thereafter are payable as follows:

Years Ending June 30,	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan
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	257,887	1,084,841	1,342,728
2027-2031	1,566,721	6,590,663	8,157,384
2032-2036	2,153,063	8,928,633	11,081,696
2037	255,389	1,202,857	1,458,246
Total	<u>\$ 5,115,230</u>	<u>\$ 21,517,987</u>	<u>\$ 26,633,217</u>

**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**NOTE 5 MORTGAGE PAYABLE (CONTINUED)**

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

	2021	2020
Mortgage Payable	\$ 26,633,217	\$ 27,610,280
Debt Issuance	(411,067)	(453,391)
Total	\$ 26,222,150	\$ 27,156,889

**NOTE 6 MANAGEMENT FEES**

The Entity is managed by Bozzuto Management, pursuant to a management agreement, which provides for a management fee of a flat rate per unit month of \$60 per unit per month for fiscal year 2019. An amendment to the management fee agreement effective December 1, 2019 changed the calculation of the management fee. As of December 1, 2019, the management fee equals 3% of the adjusted gross receipts. Management fees charged to operations for the years ended June 30, 2021 and 2020 were \$226,422 and \$212,975, 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, 2021 and 2020 are \$12,933,683 and \$12,907,283, respectively.

**Asset Management Fee**

In accordance with the asset management agreement, an annual fee was to be paid to HOC by the Partnership during its compliance period. The accrued asset management fee of the Partnership at both June 30, 2021 and 2020 is \$60,471.

The Corporation incurred fees for the services rendered in providing advice regarding administering the assets of the Entity. The fee incurred by the Corporation as of June 30, 2021 and 2020 are \$65,470 and \$63,630, respectively.

**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, 2021 and 2020 were \$977,000.

**THE METROPOLITAN  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**NOTE 7 RELATED PARTY TRANSACTIONS (CONTINUED)**

**Development Corporation Fee**

HOC received a development corporation fee from the Corporation for the years ended June 30, 2021 and 2020 of \$1,277,247 and \$842,289, 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, 2021 and 2020 totaled \$998,246 and \$185,533, 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 2021 and 2020 totaled \$251,109 and \$317,674, 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, 2021  
(WITH COMPARATIVE INFORMATION  
FOR JUNE 30, 2020)**

**NOTE 12 OPERATING RISK**

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

**NOTE 13 RISKS AND UNCERTAINTIES**

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Partnership and the Corporation, COVID-19 may impact various part of their 2022 operations and financial results including, but not limited to, costs for emergency preparedness and rental revenue. Management believes the Partnership is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonable estimated as these events are still developing.



## **OTHER INFORMATION**

**THE METROPOLITAN  
DETAILED SCHEDULE OF REVENUES AND EXPENSES  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2020)  
(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	The Metropolitan Development Corporation				Metropolitan of Bethesda Limited Partnership	The Metropolitan	
	Office Space	Retail	Housing	Total		2021	2020
<b>REVENUE</b>							
Rental Income:							
Gross Rent Potential	\$ -	\$ 462,169	\$ 6,076,475	\$ 6,538,644	\$ 830,017	\$ 7,368,661	\$ 7,490,859
Vacancy Loss and Concessions	-	(36,872)	(563,424)	(600,296)	(30,660)	(630,956)	(557,274)
Net Rental Income	-	425,297	5,513,051	5,938,348	799,357	6,737,705	6,933,585
Parking	-	-	255,667	255,667	21,825	277,492	269,219
County Reimbursed Expenses	107,236	-	-	107,236	-	107,236	102,428
Miscellaneous Income	-	51,775	252,312	304,087	11,496	315,583	320,412
Total Revenue	107,236	477,072	6,021,030	6,605,338	832,678	7,438,016	7,625,644
<b>EXPENSES</b>							
Operating Expenses:							
Advertising and Promotions	-	-	86,783	86,783	-	86,783	106,472
Salaries and Related Expenses	46,354	32,154	600,227	678,735	256,298	935,033	978,188
General and Administrative	60	(2,652)	118,659	116,067	38,430	154,497	227,477
Management Fees	-	22,542	178,988	201,530	24,892	226,422	212,975
Development Corporation Fee	-	-	1,277,247	1,277,247	-	1,277,247	842,289
Maintenance	17,356	25,548	416,817	459,721	181,097	640,818	734,039
Insurance	-	-	165,025	165,025	53,745	218,770	226,793
Audit Fees	-	-	10,645	10,645	9,175	19,820	9,860
Air Rights Expense	-	-	251,109	251,109	-	251,109	317,674
Pilot and Other Taxes	-	-	3,510	3,510	2,433	5,943	28,434
Loan Management Fees	-	-	55,609	55,609	13,219	68,828	71,133
Asset Management Fees	-	-	65,470	65,470	-	65,470	63,630
Utilities	38,444	28,984	344,394	411,822	153,091	564,913	590,520
Security Contract	5,022	4,029	64,495	73,546	26,975	100,521	88,225
Bad Debt Expense	-	-	16,957	16,957	1,320	18,277	1,797
Total Operating Expenses	107,236	110,605	3,655,935	3,873,776	760,675	4,634,451	4,499,506
Other Expenses:							
Interest Expense, Operating	-	-	1,437,426	1,437,426	331,642	1,769,068	1,828,610
Depreciation and Amortization	-	-	1,123,307	1,123,307	319,071	1,442,378	1,465,892
Total Other Expenses	-	-	2,560,733	2,560,733	650,713	3,211,446	3,294,502
Total Expenses	107,236	110,605	6,216,668	6,434,509	1,411,388	7,845,897	7,794,008
<b>OPERATING INCOME (LOSS)</b>	-	366,467	(195,638)	170,829	(578,710)	(407,881)	(168,364)
<b>NONOPERATING REVENUE (LOSS)</b>							
Investment Income	-	-	890	890	17	907	25,639
Total Nonoperating Revenue	-	-	890	890	17	907	25,639
<b>NET INCOME (LOSS)</b>	\$ -	\$ 366,467	\$ (194,748)	\$ 171,719	\$ (578,693)	\$ (406,974)	\$ (142,725)

**THE METROPOLITAN  
BALANCE SHEET  
SELECTED LINE ITEM DETAIL  
JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION FOR JUNE 30, 2020)  
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
<b>ACCOUNTS RECEIVABLE AND OTHER ASSETS</b>				
Resident Tenant Receivable	\$ 7,807	\$ 19,423	\$ 27,230	\$ 59,891
Montgomery County Receivable	-	107,236	107,236	102,428
Prepaid Mortgage Insurance	16,917	71,146	88,063	91,364
Other Assets	-	750,143	750,143	86,423
Total Accounts Receivable and Other Assets	<u>\$ 24,724</u>	<u>\$ 947,948</u>	<u>\$ 972,672</u>	<u>\$ 340,106</u>
<b>RESTRICTED DEPOSITS</b>				
Mortgage Escrow	\$ 17,934	\$ 75,741	\$ 93,675	\$ 90,339
Renovation Escrow	-	6,071	6,071	6,071
Replacement Reserve	10,365	902,362	912,727	1,177,452
Customer Deposits - Funded Security Deposits	46,955	193,835	240,790	267,292
Total Restricted Deposits	<u>\$ 75,254</u>	<u>\$ 1,178,009</u>	<u>\$ 1,253,263</u>	<u>\$ 1,541,154</u>
<b>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</b>				
Accounts Payable	\$ 5	\$ 2,029	\$ 2,034	\$ 17,598
Accrued Salaries and Benefits	13,293	8,864	22,157	73,529
Accrued Expenses	13,948	57,620	71,568	928,044
Total Accounts Payable and Accrued Liabilities	<u>\$ 27,246</u>	<u>\$ 68,513</u>	<u>\$ 95,759</u>	<u>\$ 1,019,171</u>
<b>CUSTOMER DEPOSITS PAYABLE</b>				
Customer Deposits	\$ 37,584	\$ 184,049	\$ 221,633	\$ 237,952
Accrued Interest on Customer Deposits	8,376	8,662	17,038	24,622
Total Customer Deposits Payable	<u>\$ 45,960</u>	<u>\$ 192,711</u>	<u>\$ 238,671</u>	<u>\$ 262,574</u>

**THE METROPOLITAN  
STATEMENT OF OPERATIONS  
SELECTED LINE ITEM DETAIL  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2020)  
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
<b>DWELLING RENTAL REVENUE</b>				
Gross Potential Tenant Rent	\$ 830,017	\$ 6,682,124	\$ 7,512,141	\$ 7,597,577
Vacancies and Concessions	(30,660)	(636,540)	(667,200)	(561,565)
Total Dwelling Rental Revenue	<u>\$ 799,357</u>	<u>\$ 6,045,584</u>	<u>\$ 6,844,941</u>	<u>\$ 7,036,012</u>
<b>OTHER INCOME</b>				
Tenant Charges	\$ 9,154	\$ 299,117	\$ 308,271	\$ 305,937
Parking	21,825	255,667	277,492	269,219
Miscellaneous Income	2,342	4,970	7,312	14,476
Total Other Income	<u>\$ 33,321</u>	<u>\$ 559,754</u>	<u>\$ 593,075</u>	<u>\$ 589,632</u>
<b>ADMINISTRATIVE</b>				
Salaries and Related Expenses	\$ 143,911	385,217	\$ 529,128	\$ 522,835
Telephone	-	19,510	19,510	20,284
Office Supplies and Expenses	2,757	7,525	10,282	15,377
Professional Fees	11,276	11,401	22,677	38,262
Accounting and Auditing Fees	9,175	10,645	19,820	9,860
Property Management Fees	24,892	201,530	226,422	212,975
Licenses and Fees	404	9,706	10,110	25,893
Tenant Security Deposit Interest Expense	-	(4,162)	(4,162)	3,108
Advertising	-	86,783	86,783	106,472
Program Supplies	19,975	12,455	32,430	37,837
Miscellaneous Administrative Expenses	4,018	59,632	63,650	77,342
Total Administrative	<u>\$ 216,408</u>	<u>\$ 800,242</u>	<u>\$ 1,016,650</u>	<u>\$ 1,070,245</u>
<b>UTILITIES</b>				
Water	\$ 54,467	\$ 149,098	\$ 203,565	\$ 204,097
Electricity	58,003	163,419	221,422	251,582
Gas	22,125	51,682	73,807	78,194
Trash Removal	18,496	47,623	66,119	56,647
Total Utilities	<u>\$ 153,091</u>	<u>\$ 411,822</u>	<u>\$ 564,913</u>	<u>\$ 590,520</u>

**THE METROPOLITAN  
STATEMENT OF OPERATIONS  
SELECTED LINE ITEM DETAIL  
YEAR ENDED JUNE 30, 2021  
(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2020)  
(UNAUDITED – SEE INDEPENDENT AUDITORS’ REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
<b>MAINTENANCE</b>				
Salaries and Related Expenses	\$ 61,122	\$ 154,847	\$ 215,969	\$ 261,412
Repair and Grounds Contracts	119,398	364,400	483,798	536,936
Appliance	9,914	12,803	22,717	81,026
Repairs Materials and Supplies	51,785	82,518	134,303	116,081
	<u>\$ 242,219</u>	<u>\$ 614,568</u>	<u>\$ 856,787</u>	<u>\$ 995,455</u>
<b>OTHER EXPENSES</b>				
Security	\$ 26,975	\$ 73,546	\$ 100,521	\$ 88,225
Insurance - Property	11,480	55,639	67,119	65,510
Mortgage Insurance	26,010	109,386	135,396	140,144
Liability Insurance	13,140	-	13,140	21,139
Real Estate Taxes	2,433	-	2,433	24,665
Asset Management Fee	-	65,470	65,470	63,630
Development Corporation Fee	-	1,277,247	1,277,247	842,289
Loan Management Fees	13,219	55,609	68,828	71,133
Capital Lease Payment	-	251,109	251,109	317,674
Bad Debts - Tenants	1,320	16,957	18,277	1,797
Other Taxes and Expenses	3,115	3,510	6,625	13,139
	<u>\$ 97,692</u>	<u>\$ 1,908,473</u>	<u>\$ 2,006,165</u>	<u>\$ 1,649,345</u>

**THE METROPOLITAN**  
**SCHEDULE OF RELATED PARTY RECEIVABLES/PAYABLES**  
**YEAR ENDED JUNE 30, 2021**  
**(WITH COMPARATIVE INFORMATION FOR YEAR ENDED JUNE 30, 2020)**  
**(UNAUDITED – SEE INDEPENDENT AUDITORS' REPORT)**

	Metropolitan of Bethesda Limited Partnership	Metropolitan Development Corporation	The Metropolitan	
			2021	2020
Related Party (Payable) Receivable	\$ -	\$ 12,933,683	\$ 12,933,683	\$ 12,907,283
Operating Deficit Advance	(12,933,683)	-	(12,933,683)	(12,907,283)
Due to (from) HOC Central Cash	(1,082,993)	84,747	(998,246)	185,533
	<u>\$ (14,016,676)</u>	<u>\$ 13,018,430</u>	<u>\$ (998,246)</u>	<u>\$ 185,533</u>