

STRATHMORE COURT AT WHITE FLINT
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2022 and 2021

Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)

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INDEPENDENT AUDITOR'S REPORT

**The Commissioners
Housing Opportunities Commission
Montgomery County, Maryland**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Strathmore Court at White Flint (a Segment of Housing Opportunities Commission of Montgomery County, Maryland), which comprise the statements of net position as of June 30, 2022 and 2021, respectively, and the related statements of revenues, expenses, and changes in net position, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Strathmore Court at White Flint as of June 30, 2022 and 2021, respectively, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Strathmore Court at White Flint and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Strathmore Court at White Flint's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement

resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Strathmore Court at White Flint's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Senior Housing of Hazel Street Urban Renewal's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on page 17 is presented for the purposes of additional analysis and is not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2023 on our consideration of Strathmore Court at White Flint's internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Strathmore Court at White Flint's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Strathmore Court at White Flint's internal control over financial reporting and compliance.

Luxenburg + Bronfin, LLC

Baltimore, Maryland
January 25, 2023

Strathmore Court at White Flint
(A Segment of Housing Opportunities Commission of Montgomery County, Maryland)

Statements of Net Position
June 30, 2022 and 2021

ASSETS

	2022	2021
Current assets		
Cash	\$ 97,471	\$ 859,659
Tenant accounts receivable	-	1,765
Accrued interest receivable	27,378	13,940
Other receivables	-	27,302
Total current assets	124,849	902,666
Restricted deposits and funded reserves		
Tenant security deposits	24	75,589
Replacement reserve	32,132	38,083
Operating reserve	1,327,313	1,326,696
Total restricted deposits and funded reserves	1,359,469	1,440,368
Rental property		
Land	-	3,000,000
Building	-	14,464,108
Building improvements	1,173,140	1,376,640
Furniture and equipment	140,932	443,337
Construction in progress	-	12,794
	1,314,072	19,296,879
Less: accumulated depreciation	(1,314,072)	(10,302,069)
Total rental property	-	8,994,810
Non current assets		
Note receivable	2,104,479	2,181,008
Advances to limited partnerships	1,806	6,112,640
Total non-current assets	2,106,285	8,293,648
Total assets	\$ 3,590,603	\$ 19,631,492

See notes to financial statements

Strathmore Court at White Flint
(A Segment of Housing Opportunities Commission of Montgomery County, Maryland)

Statements of Net Position
June 30, 2022 and 2021

LIABILITIES AND NET POSITION

	2022	2021
Current liabilities		
Accounts payable and accrued expenses	\$ 61,894	\$ 42,115
Accrued interest payable	-	52,735
Prepaid rent	-	46,418
Current maturities of long-term debt	-	553,010
Total current liabilities	61,894	694,278
Deposits and prepaid liability		
Tenant security deposits	-	74,838
Long term liabilities		
Mortgage payable, net of unamortized debt issuance costs	-	11,226,258
Interfund payable	-	792,417
Total long-term liabilities	-	12,018,675
Total liabilities	61,894	12,787,791
Net position		
Investment in capital assets, net of related debt	-	(3,064,759)
Restricted net position	1,359,469	1,365,530
Unrestricted net position	2,169,240	8,542,930
Total net position	3,528,709	6,843,701
Total liabilities and net position	\$ 3,590,603	\$ 19,631,492

See notes to financial statements

Strathmore Court at White Flint
(A Segment of Housing Opportunities Commission of Montgomery County, Maryland)

Statements of Revenues, Expenses, and Changes in Net Position
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Rental income	\$ 3,041,482	\$ 3,265,882
Interest income	164,501	170,166
Other operating income	31,740	23,875
	<u>3,237,723</u>	<u>3,459,923</u>
Expenses		
Administrative	571,276	489,623
Utilities	172,084	223,333
Maintenance	485,331	463,058
Other	271,761	292,588
Depreciation	379,728	403,282
Fringe benefits	66,079	72,023
Interest	588,045	939,414
Bad debt expense	17,948	8,335
	<u>2,552,252</u>	<u>2,891,656</u>
Change in net position	<u>\$ 685,471</u>	<u>\$ 568,267</u>

See notes to financial statements

Strathmore Court at White Flint
(A Segment of Housing Opportunities Commission of Montgomery County, Maryland)

Statements of Changes in Net Position
Years ended June 30, 2022 and 2021

	Investment in capital assets, net of related debt	Restricted net position	Unrestricted net position	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance July 1, 2020	\$(3,343,919)	\$ 1,560,541	\$ 8,062,287	\$ 6,278,909
Transfer to Housing Opportunities Commission of Montgomery County, Maryland	-	-	(133,405)	(133,405)
Contributions	-	-	129,930	129,930
Change in net position	<u>279,160</u>	<u>(195,011)</u>	<u>484,118</u>	<u>568,267</u>
Balance June 30, 2021	(3,064,759)	1,365,530	8,542,930	6,843,701
Transfer to Housing Opportunities Commission of Montgomery County, Maryland	-	-	(488,021)	(488,021)
Transfer to Strathmore Court LP	-	-	(3,512,442)	(3,512,442)
Change in net position	<u>3,064,759</u>	<u>(6,061)</u>	<u>(2,373,227)</u>	<u>685,471</u>
Balance June 30, 2022	<u>\$ -</u>	<u>\$ 1,359,469</u>	<u>\$ 2,169,240</u>	<u>\$ 3,528,709</u>

See notes to financial statements

**Strathmore Court at White Flint
(A Segment of Housing Opportunities Commission of Montgomery County, Maryland)**

**Statements of Cash Flows
Years ended June 30, 2022 and 2021**

	2022	2021
Cash flows from operating activities		
Change in net position	\$ 685,471	\$ 568,267
Adjustments to reconcile net change in net position to net cash provided by operating activities:		
Depreciation	379,728	403,282
Amortization of debt issuance costs	19,331	21,089
Bad debt expense	17,948	8,335
Changes in:		
Tenant accounts receivable	(4,711)	(4,127)
Other receivables	-	1,994
Accrued interest receivable	(12,916)	496
Tenant security deposits	7,617	5,054
Accounts payable and accrued expenses	20,905	(23,182)
Prepaid rent	(42,312)	19,049
Accrued interest payable	(1,904)	(2,028)
Net cash provided by operating activities	1,069,157	998,229
Cash flows from investing activities		
Expenditures on rental property	(26,338)	(150,075)
Cash transfer to Strathmore Court LP	(644,396)	-
Note receivable	76,529	77,591
Change in bond interest fund	-	274,278
Net cash (used in) provided by investing activities	(594,205)	201,794
Cash flows from financing activities		
Principal payments on mortgage payable	(505,969)	(532,370)
Interfund payable	122,623	47,827
Advances to limited partnership	(446,632)	(527,763)
Mortgage costs	(40)	(129,930)
Contributions	-	129,930
Transfer to HOC general fund	(488,021)	(133,405)
Net cash used in financing activities	(1,318,039)	(1,145,711)
Net (decrease) increase in cash and restricted cash	(843,087)	54,312
Cash and restricted cash, beginning of year	2,300,027	2,245,715
Cash and restricted cash, end of year	\$ 1,456,940	\$ 2,300,027
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 570,618	\$ 646,075

See notes to financial statements

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Notes to Financial Statements
June 30, 2022 and 2021

Note 1 Organization and Nature of Operations

Nature of Operations

Strathmore Court at White Flint (a Segment of Housing Opportunities Commission of Montgomery County, Maryland) (the “Property”) was developed by The Housing Opportunities Commission (“HOC”) of Montgomery County, Maryland as a mixed use rental housing complex. The Property consists of 75 units that are market-rate and 76 affordable units for tenants with annual income of no more than 100% area median income. Certain project expenses are allocated between the Property and Strathmore Court Associates LP (“Strathmore LP”) which is part of the same complex.

As of June 1, 2022, the Property transferred over a large portion of its assets and all liabilities other than accounts payable to the Strathmore LP for refinancing purposes.

Note 2 Summary of Significant Accounting Policies

Method of Accounting

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

As a component of HOC, the Property has adopted presentation features of the Governmental Accounting Standards Board.

Restricted net position represents the portion of the total net assets restricted for capital projects and tenant security deposits. All restricted amounts are net of related liabilities.

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. Some of the more significant estimates required to be made by management include allowance for doubtful accounts, impairment loss, and depreciation expense.

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

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2022 and 2021

estimate of the allowance will change. June 30, 2022 and 2021, the allowance for doubtful accounts was \$-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	40 years
Building improvements	10-15 years
Furniture and equipment	5-10 years

Impairment of Long-Lived Assets

The Property 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 a method that approximates the interest 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 Property and its tenants are operating leases.

**Strathmore Court at White Flint
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Commission of Montgomery County, Maryland)**

Notes to Financial Statements
June 30, 2022 and 2021

Income Taxes

The Property is a component unit of HOC, a component unit of Montgomery County, Maryland and is therefore exempt from income taxation. No provisions for income taxes has been included in there financial statements and there are no other tax positions which must be considered for disclosure.

Advertising

Advertising costs are charged to operations when incurred. Advertising costs for the years ended June 30, 2022 and 2021, were \$57,743 and \$66,140, respectively

Cash and Restricted Cash

The Property considers all highly liquid debt instruments with a maturity of three months or less at time of purchase to be cash equivalents. Restricted cash consists principally of cash held for real estate taxes, construction costs, property maintenance, insurance, minimum occupancy, and property operating income requirements as required by certain loan and regulatory agreements.

Note 3 Cash and Restricted Cash

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property, the operating reserve and mortgage escrows as required by regulatory authority. 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, 2022 and 2021:

	2022	2021
Cash	\$ 97,471	\$ 859,659
Restricted cash	1,359,469	1,440,368
Total cash and restricted cash shown in the statements of cash flows	\$ 1,456,940	\$ 2,300,027

Note 4 Restricted Deposits

Replacement Reserve

In accordance with the deed of trust, the Property is required to make annual minimum deposits of \$22,650, with an increase of 4% per year, to the replacement reserve to fund future

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2022 and 2021

repair and asset replacement costs. The Property will deposit the greater of the pre-audited monthly deposits or one-twelfth of 1.35 times the annual gross revenue. The activity in the replacement reserve for the years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Balance, July 1	\$ 38,083	\$ 232,710
Interest	4	17
Disbursements	(153,828)	(355,960)
Deposits	147,873	161,316
Balance, June 30	\$ 32,132	\$ 38,083

Operating Reserve

The operating reserve account consists of United States Treasury money market funds. The reserve was established to segregate funds from operations to be used for operating deficits as deemed appropriate by HOC.

All withdrawals from the reserves must be approved by HOC. The activity in the operating reserve for the years ended June 30, 2022 and 2021 was as follows:

	2022	2021
Balance, July 1	\$1,326,696	\$ 1,326,615
Interest	617	81
Balance, June 30	\$1,327,313	\$ 1,326,696

Note 5 Mortgage Payable

The deed of trust and an amended deed of trust notes were assumed from HOC and collateralized by a Leasehold Deed of Trust, Security Agreement and Assignment of Rents, for \$16,953,900 at an interest rate of 5.17% maturing on June 1, 2033. There is a single leasehold deed of trust covering both Strathmore Court at White Flint and the Property notes, which provides that a default on either note is a default on both notes. The amended note specified principal and interest are payable in monthly installments of \$101,040 through June 1, 2012, after which monthly payments decline on an annual basis as Strathmore Court at White Flint's payments escalate. Beginning July 1, 2027, the balance will be repaid by monthly payments of \$138,346 until June 1, 2033. The liability of the organization 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.

**Strathmore Court at White Flint
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Commission of Montgomery County, Maryland)**

Notes to Financial Statements
June 30, 2022 and 2021

As of June 1, 2022, the Property's bonds were refinanced under Strathmore Court Associates Limited Partnership. Thus, Strathmore Court at White Flint transferred 151 market-rate units to a limited partnership along with \$11,553,597 mortgage payable balance to Strathmore Court Associates Limited Partnership. Interest expense for the period July 2021 through May 2022 and the year ended June 30, 2021 was \$568,714 and \$644,047, respectively. Outstanding principal as of June 30, 2022 and 2021 was \$-0- and \$12,059,566, respectively. Accrued interest as of June 30, 2022 and 2021 was \$-0- and \$52,735, respectively.

Debt issuance costs net of accumulated amortization totaled \$-0- and \$280,298 as of June 30, 2022 and 2021, respectively.

Note 6 Related Party Transactions

Interfund Payable

During the compliance period of Strathmore Court at White Flint, the Property was required to fund operating deficits through non-interest bearing operating deficit loans. The Property has continued to fund operating deficits after the compliance period. In addition, HOC and the Property will advance funds to each other as deemed appropriate by management. The advances to the limited partnership as of June 30, 2022 and 2021 was \$1,806 and \$6,112,640, respectively. The advances from HOC as of June 30, 2022 and 2021 are \$-0- and \$792,714, respectively.

Asset Management Fee

An annual fee is to be paid to HOC for the services rendered in providing advice regarding administering the assets of the Property. The asset management fee incurred and paid for the years ended June 30, 2022 and 2021 is \$148,097 and \$161,560, respectively.

Note Receivable

A note receivable in the original amount of \$1,000,000 is due from Strathmore Court at White Flint. The loan bears interest of 7.67% per annum and repayment began on March 1, 2016, at which time the accrued interest of \$1,534,000 was capitalized into the principal balance. The note matures in 2036. As of June 30, 2022 and 2021, interest receivable was \$26,856 and \$13,940, respectively and note receivable was \$2,104,479 and \$2,181,008 respectively.

Note 7 Management Agreement

The Property 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 the managing revenues. For the years ended June 30, 2022

**Strathmore Court at White Flint
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Notes to Financial Statements
June 30, 2022 and 2021

and 2021, \$119,464 and \$132,148 respectively, has been charged to operations, of which \$-0- and \$12,094 remains payable as of June 30, 2022 and 2021, respectively.

Note 8 Concentration of Credit Risk

Financial instruments that potentially subject the Property to concentrations of credit risk consist of cash. The Property places its cash with various financial institutions. At times, the cash balances may be in excess of the FDIC insurance limits. Additionally, the Property is included with the Housing Opportunity Commission of Montgomery County, Maryland as part of the public finds, and was entirely insured or collateralized with securities held by the commission's agent on the commission's name.

Note 9 Commitments and Contingencies

An amount of no less than 75 units will be leased at market-rate rent levels based on the rent levels in similar developments in Montgomery County and will be available to households at all income levels that can afford the rental payment; and 76 units will be at rent levels which are affordable to households at an average of 100% Washington Statistical Area median income as determined from time to time by the U.S. Department of Housing and Urban Development, ("HUD") and such units must be initially occupied by households with incomes at or below 100% of the Washington Metropolitan Statistical Area median income.

Note 10 Subsequent Events

Subsequent events were evaluated through January 25, 2023, 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 at White Flint
SCHEDULES OF CERTAIN REVENUE AND EXPENSES
Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Rental income		
Rental revenue	\$ (3,150,070)	\$ (3,526,343)
Apartments vacancies	99,819	222,158
Concessions	8,769	38,303
Total rental income	<u>\$ (3,041,482)</u>	<u>\$ (3,265,882)</u>
Other operating income		
Laundry and vending		
Tenant charges	\$ (20,706)	\$ (23,650)
Miscellaneous other income	(11,034)	(225)
Total other operating income	<u>\$ (31,740)</u>	<u>\$ (23,875)</u>
Administrative		
Salaries - administrative	\$ 167,795	\$ 185,770
Telephone	14,434	16,519
Office supplies and expense	73,009	66,186
Professional fees	100,522	568
Accounting and auditing fees	10,788	1,900
Property management fee	119,464	132,148
Licenses and fees	10,570	8,171
Marketing	57,743	66,140
Coronavirus expense	12,813	5,086
Miscellaneous administrative	4,138	7,135
Total administrative	<u>\$ 571,276</u>	<u>\$ 489,623</u>
Utilities		
Electricity	\$ 46,562	\$ 69,216
Water	96,414	119,583
Gas	5,835	8,129
Trash removal	23,273	26,405
Total utilities	<u>\$ 172,084</u>	<u>\$ 223,333</u>
Maintenance		
Salaries and related expenses	\$ 93,854	\$ 100,693
Repair and grounds contracts	293,918	277,645
Repairs materials and supplies	97,559	84,720
Total maintenance	<u>\$ 485,331</u>	<u>\$ 463,058</u>
Other		
Security	\$ 80,491	\$ 89,774
Property insurance	39,877	38,115
Other taxes and fees	3,296	3,139
Asset management fee	148,097	161,560
Total other	<u>\$ 271,761</u>	<u>\$ 292,588</u>

See independent auditor's report

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

**The Commissioners
Housing Opportunities Commission**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Strathmore Court at White Flint (a Segment of Housing Opportunities Commission of Montgomery County, Maryland), which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position, changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Strathmore Court at White Flint's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Strathmore Court at White Flint's internal control. Accordingly, we do not express an opinion on the effectiveness of Strathmore Court at White Flint's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Strathmore Court at White Flint's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Luxemburg + Bronfin, LLC

Baltimore, Maryland
January 25, 2023