

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

Financial Statements
With Independent Auditors' Reports

June 30, 2018 and 2017

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(A Segment of Housing Opportunities
Commission of Montgomery County, Maryland)**

Financial Statements
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Independent Auditors' Report

The Commissioners
Housing Opportunities Commission
Montgomery County, Maryland

Report on the Financial Statements

We have audited the accompanying financial statements of Strathmore Court at White Flint (a Segment of Housing Opportunities Commission of Montgomery County, Maryland) (the "Property") which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities, change in net assets, and cash flows for the years 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 audits. 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. 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 property'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 property'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 the Property as of June 30, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 14 through 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2018 on our consideration of the Property'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 property'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 Property's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Bethesda, Maryland
November 14, 2018

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

Statements of Financial Position

	June 30,	
	2018	2017
ASSETS		
Current Assets		
Cash	\$ 377,098	\$ 407,795
Accounts receivable and other assets	40,869	42,725
Accrued interest receivable	15,321	15,716
Total Current Assets	433,288	466,236
Restricted Cash		
Tenant deposits	69,648	62,142
Restricted deposits	1,377,054	1,310,820
Total Restricted Cash	1,446,702	1,372,962
Fixed and Non-Current Assets		
Property and equipment, net	9,839,415	10,114,830
Note receivable	2,397,067	2,458,755
Bond interest fund	274,278	274,278
Advances to limited partnership	4,584,478	4,063,291
Total Fixed and Non-Current Assets	17,095,238	16,911,154
TOTAL ASSETS	\$ 18,975,228	\$ 18,750,352

See notes to financial statements

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

Statements of Financial Position *(continued)*

	June 30,	
	2018	2017
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued liabilities	\$ 87,012	\$ 57,432
Accrued interest payable	58,661	60,533
Mortgage payable, current	492,713	474,609
Prepaid rent	12,680	18,296
Total Current Liabilities	651,066	610,870
Restricted Current Liabilities Payable		
Tenant deposits payable	68,701	58,135
Non-Current Liabilities		
Mortgage payable, net	12,904,324	13,382,445
Interfund payable	527,217	537,159
Deferred revenue	1,510	2,265
Total Non-Current Liabilities	13,433,051	13,921,869
Total Liabilities	14,152,818	14,590,874
Net Assets		
Investment in capital assets, net of related debt	(3,758,263)	(3,957,457)
Restricted net assets	1,378,001	1,314,827
Unrestricted net assets	7,202,672	6,802,108
Total Net Assets	4,822,410	4,159,478
TOTAL LIABILITIES AND NET ASSETS	\$ 18,975,228	\$ 18,750,352

See notes to financial statements

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

Statements of Activities

	Year Ended June 30,	
	2018	2017
REVENUE		
Dwelling rental revenue	\$ 3,418,460	\$ 3,340,648
Other income	9,124	8,523
Total Revenue	3,427,584	3,349,171
 EXPENSES		
Administrative	470,861	441,434
Utilities	180,366	183,371
Maintenance	464,600	413,910
Other expenses	311,569	261,340
Depreciation	392,720	400,850
Fringe benefits	70,242	64,715
Interest expense	728,902	751,100
Bad debt expense	-	1,034
Total Expenses	2,619,260	2,517,754
Change in Net Assets before Non-operating Changes	808,324	831,417
Non-Operating Income (Expense)		
Interest income	186,054	190,623
Investment expense, net	11,551	2,008
Change in Net Assets	\$ 1,005,929	\$ 1,024,048

See notes to financial statements

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

Statements of Change in Net Assets
Year Ended June 30, 2018

	Investment in Capital Assets, Net of Related Debt	Restricted Net Assets	Unrestricted Net Assets	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at July 1, 2016	\$ (4,014,012)	\$ 1,296,953	\$ 6,235,346	\$ 3,518,287
Transfer to Housing Opportunities Commission of Montgomery County, Maryland	-	-	(382,857)	(382,857)
Change in net assets	<u>56,555</u>	<u>17,874</u>	<u>949,619</u>	<u>1,024,048</u>
Balance at June 30, 2017	(3,957,457)	1,314,827	6,802,108	4,159,478
Transfer to Housing Opportunities Commission of Montgomery County, Maryland	-	-	(342,997)	(342,997)
Change in net assets	<u>199,194</u>	<u>63,174</u>	<u>743,561</u>	<u>1,005,929</u>
Balance at June 30, 2018	<u>\$ (3,758,263)</u>	<u>\$ 1,378,001</u>	<u>\$ 7,202,672</u>	<u>\$ 4,822,410</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

	Year Ended June 30,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,005,929	\$ 1,024,048
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation	392,720	400,850
Amortization of debt issuance costs	14,592	14,592
Bad debt expense	-	1,034
Changes in operating assets and liabilities		
Accounts receivable and other assets	2,144	(6,770)
Accrued interest receivable	395	365
Prepaid expenses	(288)	-
Tenant deposits	(7,506)	5,266
Accrued liabilities	29,580	24,619
Accrued interest payable	(1,872)	(1,824)
Deferred revenue	(755)	(755)
Prepaid rent	(5,616)	(17,360)
Tenant deposits payable	10,566	(8,399)
Net Cash from Operating Activities	1,439,889	1,435,666
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress	(101,592)	-
Equipment purchases	(15,713)	-
Notes receivable	61,688	57,147
Deposit to operating reserves, net	(12,454)	(3,247)
Deposit to replacement reserves, net	(53,780)	(11,494)
Net Cash from Investing Activities	(121,851)	42,406
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions	(342,997)	(382,857)
Mortgage principal payments	(474,609)	(457,402)
Advances from HOC	(9,942)	10,840
Advances to limited partnership	(521,187)	(532,825)
Net Cash from Financing Activities	(1,348,735)	(1,362,244)
Net Change in Cash	(30,697)	115,828
CASH		
Beginning of year	407,795	291,967
End of year	\$ 377,098	\$ 407,795
SUPPLEMENTAL CASH FLOW INFORMATION		
See notes to financial statements		
Interest paid	\$ 716,182	\$ 738,333

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

Notes to Financial Statements
June 30, 2018 and 2017

1. Organization

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 Limited Partnership (“Strathmore LP”) which is part of the same complex.

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 require 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 statement 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, impairment loss, and depreciation expense.

Allowance for Doubtful Accounts

All tenant receivables that are ninety or more days past due are charged to this account. At June 30, 2018 and 2017 no allowance for doubtful accounts has been deemed necessary.

Capitalization and Depreciation

Property and equipment 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. Costs incurred in relation to development of the project for interest, property taxes and insurance are capitalized only during periods in which activities necessary to prepare the property for its intended use are in progress. Improvements are capitalized if they extend an assets life by at least one year, while expenditures for maintenance and repairs are charged to expense as incurred.

The estimated service life of the assets for depreciation purposes is as follows:

Building	40 years
Building renovations	10 years
Site improvements	15 years
Furniture and equipment	5-10 years

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

Notes to Financial Statements
June 30, 2018 and 2017

2. Summary of Significant Accounting Policies (*continued*)

Investment in Real Estate

The Property reviews its investment in real estate 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, 2018 and 2017.

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 Property and the tenants of the property are operating leases and are no longer than one year in duration.

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 provision for income taxes has been included in these 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 year ended June 30, 2018 and 2017 were \$65,611 and \$71,471.

Debt Issuance Costs

Debt issuance costs are reported on the statements of financial position 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 within interest expense.

Evaluation of Subsequent Events by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 14, 2018.

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
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Notes to Financial Statements
June 30, 2018 and 2017

3. Restricted Deposits

Reserve for Replacement

The Deed of Trust requires an annual deposit to the reserve for replacement of \$22,650. Commencing January 1, 1997, the annual deposit will be increased 4% per year. The Property will deposit the greater of the pre-audited monthly deposits or one-twelfth of 1.35 times the annual gross revenue.

Operating Reserve

The operating reserve account consists of US 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 restricted deposits are held in cash and have been deposited into separate Federal Deposit Insurance Corporation ("FDIC") accounts. All withdrawals from the reserves must be approved by HOC.

The activity in these funds for the year ended June 30, 2018 is as follows:

	<u>Reserve for Replacement</u>	<u>Operating Reserve</u>	<u>Total</u>
Beginning balance	\$ 39,461	\$ 1,271,359	\$ 1,310,820
Interest earned	22	12,454	12,476
Withdrawals	(14)	-	(14)
Deposits	<u>53,772</u>	<u>-</u>	<u>53,772</u>
Ending Balance	<u>\$ 93,241</u>	<u>\$ 1,283,813</u>	<u>\$ 1,377,054</u>

The activity in these funds for the year ended June 30, 2017 is as follows:

	<u>Reserve for Replacement</u>	<u>Operating Reserve</u>	<u>Total</u>
Beginning balance	\$ 27,967	\$ 1,268,112	\$ 1,296,079
Interest earned	11	3,247	3,258
Withdrawals	(42,289)	-	(42,289)
Deposits	<u>53,772</u>	<u>-</u>	<u>53,772</u>
Ending Balance	<u>\$ 39,461</u>	<u>\$ 1,271,359</u>	<u>\$ 1,310,820</u>

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

Notes to Financial Statements
June 30, 2018 and 2017

4. Fixed Assets

Fixed assets consist of the following at June 30:

	2018	2017
Land	\$ 3,000,000	\$ 3,000,000
Building	14,464,108	14,464,108
Building renovations	1,173,140	1,173,140
Site improvements	3,581	3,581
Furniture and equipment	181,125	165,412
Construction in Progress	101,592	-
Accumulated depreciation	(9,084,131)	(8,691,411)
	\$ 9,839,415	\$ 10,114,830

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 Associates Limited Partnership 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 Associates Limited Partnership'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. Interest expense for the years ended June 30, 2018 and 2017 is \$714,310 and \$736,508. Accrued interest at June 30, 2018 and 2017 is \$58,661 and \$60,533.

Principal payments as of June 30, 2018 for the next five years and thereafter are payable as follows:

2019	\$ 492,713
2020	513,030
2021	532,369
2022	553,009
2023	573,898
2024-2028	3,714,323
2029-2033	7,218,336
	\$ 13,597,678

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

Notes to Financial Statements
June 30, 2018 and 2017

5. Mortgage Payable (continued)

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

	2018	2017
Mortgage payable	\$13,597,678	\$14,072,287
Debt issuance costs	(200,641)	(215,233)
	\$13,397,037	\$13,857,054

6. Management Fees

The Property is managed by Bozzuto Management for a flat rate of \$63 and \$64 per unit per month for the years ended June 30, 2018 and 2017. Management fees charged to operations for the years ended June 30, 2018 and 2017 are \$114,953 and \$119,356.

7. Related Party Transactions

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 both years ended June 30, 2018 and 2017 is \$162,590 and \$113,670.

Interfund Amounts

During the compliance period of Strathmore Court Associates Limited Partnership, 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 at June 30, 2018 and 2017 totaled \$4,584,478 and \$4,063,291. The advances from HOC at June 30, 2018 and 2017 are \$527,217 and \$537,159.

Note Receivable

A note receivable in the original amount of \$1,000,000 is due from Strathmore Court Associates Limited Partnership. 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, 2018 and 2017, the note receivable balance is \$2,397,067 and \$2,458,755, and the interest receivable totals \$15,321 and \$15,716.

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

Notes to Financial Statements
June 30, 2018 and 2017

8. Commitments and Contingencies

An amount of no less than 75 units in 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 Metropolitan 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.

9. Operating Risk

The Property's sole asset is 151 units of rental housing. The Property's operations are concentrated in the multifamily real estate market.

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

Supplementary Schedules
June 30, 2018 and 2017

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

Selected Line Item Detail

	June 30,	
	2018	2017
Accounts Receivable and Other Assets		
Resident receivables	\$ 19	\$ 2,163
Prepaid insurance	40,850	40,562
Total Accounts Receivable and Other Assets	\$ 40,869	\$ 42,725
Restricted Deposits		
Operating reserve	\$ 1,283,813	\$ 1,271,359
Replacement reserve	93,241	39,461
Total Restricted Deposits	\$ 1,377,054	\$ 1,310,820
Accrued Liabilities		
Accrued salaries and benefits	\$ 21,294	\$ 9,950
Accrued expenses	65,718	47,482
Total Accrued Liabilities	\$ 87,012	\$ 57,432
Tenant Deposits Payable		
Tenant deposits	\$ 63,796	\$ 53,530
Accrued interest on tenant deposits	4,905	4,605
Total Tenant Deposits Payable	\$ 68,701	\$ 58,135

See independent auditors' report

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

Selected Line Item Detail *(continued)*

	Year Ended June 30,	
	2018	2017
Dwelling Rental Revenue		
Gross potential tenant rent	\$ 3,539,384	\$ 3,496,106
Tenant charges	37,975	31,912
Vacancy	(157,710)	(184,996)
Concessions	(1,189)	(2,374)
	\$ 3,418,460	\$ 3,340,648
 Administrative		
Salaries	\$ 167,770	\$ 141,910
Telephone	17,704	13,251
Office supplies and expenses	71,743	66,136
Professional fees	1,171	2,833
Accounting and auditing fees	14,110	13,289
Property management fees	114,953	119,356
Advertising	65,611	71,471
Licenses and fees	7,643	6,882
Miscellaneous administrative expenses	10,156	6,306
	\$ 470,861	\$ 441,434
 Utilities		
Water	\$ 80,996	\$ 88,692
Electricity	83,098	79,534
Gas	2,402	2,655
Trash removal	13,870	12,490
	\$ 180,366	\$ 183,371
 Maintenance		
Salaries and related expenses	\$ 100,507	\$ 101,425
Repair and grounds contracts	275,660	203,591
Appliances	23,185	17,559
Repairs materials and supplies	65,248	91,335
	\$ 464,600	\$ 413,910

See independent auditors' report

**Strathmore Court at White Flint
(A Segment of Housing Opportunities
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Selected Line Item Detail *(continued)*

	Year Ended	
	June 30,	
	2018	2017
Other Expenses		
Security	\$ 70,814	\$ 71,528
Insurance - property	75,157	73,134
Other taxes and fees	3,008	3,008
Asset management fee	162,590	113,670
	\$ 311,569	\$ 261,340

**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**

Independent Auditors' Report

**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 statement 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) (the "Property") which comprise the statement of financial position as of June 30, 2018 and the related statements of activities, change in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Property'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 the Property's internal control. Accordingly, we do not express an opinion on the effectiveness of the Property'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 Property'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 any 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 Property'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 Property'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 Property's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

Bethesda, Maryland
November 14, 2018