GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
Financial Statements (With Reports of Independent Public Accountants)
For Fiscal Years Ended September 30, 2019 and 2018

Guiding Principles
Workforce Engagement * Stakeholders Engagement * Process-oriented * Innovation
* Accountability * Professionalism * Objectivity and Independence * Communication * Collaboration
* Diversity * Measurement * Continuous Improvement
Mission

Our mission is to independently audit, inspect, and investigate matters pertaining to the District of Columbia government in order to:

- prevent and detect corruption, mismanagement, waste, fraud, and abuse;
- promote economy, efficiency, effectiveness, and accountability;
- inform stakeholders about issues relating to District programs and operations; and
- recommend and track the implementation of corrective actions.

Vision

Our vision is to be a world-class Office of the Inspector General that is customer-focused, and sets the standard for oversight excellence!

Core Values

Excellence * Integrity * Respect * Creativity * Ownership
* Transparency * Empowerment * Courage * Passion
* Leadership
January 31, 2020

The Honorable Muriel Bowser  
Mayor of the District of Columbia  
Mayor’s Correspondence Unit  
1350 Pennsylvania Avenue, N.W., Suite 316  
Washington, D.C. 20004

The Honorable Phil Mendelson  
Chairman  
Council of the District of Columbia  
John A. Wilson Building  
1350 Pennsylvania Avenue, N.W., Suite 504  
Washington, D.C. 20004

Dear Mayor Bowser and Chairman Mendelson:

Enclosed is the final report entitled Government of the District of Columbia Home Purchase Assistance Program Fund 0602 for the Fiscal Years Ended September 30, 2019 and 2018 (OIG No. 20-1-09DB). SB & Company, LLC (SBC) conducted the audit and submitted this component report as part of our overall contract for the audit of the District of Columbia’s general-purpose financial statements for fiscal year 2019.

On December 20, 2019, SBC issued its opinion and concluded that the financial statements are presented fairly in all material respects, in accordance with accounting principles generally accepted in the United States of America. SBC identified no material weaknesses in internal control over financial reporting.

If you have questions about this report, please contact me or Benjamin Huddle, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

Daniel W. Lucas  
Inspector General

DWL/ws  

Enclosure

cc: See Distribution List  

717 14th Street, N.W., Washington, D.C. 20005 (202) 727-2540
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GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602

FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018
(With Reports of Independent Public Accountants)
GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602

FINANCIAL STATEMENTS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Mayor and Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of the Government of the District of Columbia Home Purchase Assistance Program Fund 0602 (the Fund), as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

The Fund’s 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 Government of the District of Columbia Home Assistance Program Fund 0602, as of September 30, 2019 and 2018, and the changes in its financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Fund and do not purport to, and do not, present fairly the financial position of the Government of the District of Columbia, as of September 30, 2019 and 2018, or the changes in its financial position for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2019, on our consideration of the Fund’s internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls 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 Fund’s internal controls over financial reporting and compliance.

Washington, D.C.
December 20, 2019
The following is a discussion and analysis of the Government of the District of Columbia’s (District) Home Purchase Assistance Program Fund 0602 (the Fund) financial performance for the fiscal years ended September 30, 2019 and 2018. The financial statements and accompanying notes on pages 6 through 10 should be read in conjunction with this discussion.

Basic Financial Statements

The Fund’s basic financial statements are comprised of two components: fund financial statements and notes to the financial statements.

- **Fund financial statements.** The governmental financial statements focus primarily on the sources, uses, and balances of current financial resources. The financial statements consist of a balance sheet and statement of revenues, expenditures, and changes in fund balances.

- **Notes to the financial statements.** The notes provide additional information that is essential to fully understand the data provided in the fund financial statements.

2019 Financial Highlights

- Net loans receivable increased by $1,946,039 or 20%.
- 47 new loans were issued in 2019 totaling $1,217,080.
- The Fund’s allowance for uncollectible loans receivable as of September 30, 2019 was 45% for amortized loans, and 100% for deferred loans without expected repayments. The allowance for amortized and deferred loans with expected repayments was based on a 5 years historical collection experience.
- Unearned revenue recorded for the Fund was $11,472,203 which corresponds to the net loans receivable.

2018 Financial Highlights

- Net loans receivable decreased by $309,165 or 3%.
- 43 new loans were issued in 2018 totaling $1,320,259.
- The Fund’s allowance for uncollectible loans receivable as of September 30, 2018 was 58% for amortized loans, 38% for deferred loans with expected repayments and 100% for deferred loans without expected repayments. The allowance for amortized and deferred loans with expected repayments was based on a 5 years historical collection experience and review of specific loans.
- Unearned revenue recorded for the Fund was $9,526,164, which corresponds to the net loans receivable.
### Condensed Balance Sheets as of September 30, 2019, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Assets</strong></td>
<td>$12,115,051</td>
<td>$10,501,548</td>
<td>$11,288,775</td>
<td>$1,613,503</td>
<td>$(787,227)</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>11,736,728</td>
<td>9,652,353</td>
<td>10,700,726</td>
<td>2,084,375</td>
<td>$(1,048,373)</td>
</tr>
<tr>
<td><strong>Fund Balance</strong></td>
<td>$378,323</td>
<td>$849,195</td>
<td>$588,049</td>
<td>$(470,872)</td>
<td>$261,146</td>
</tr>
</tbody>
</table>

#### 2019

**Assets**
- Net loans receivable increased by $1,946,039 or 20%. The loan allowance decreased by $2,879,480 or 11%. The allowance on amortized and deferred loans with expected repayments is based on a 5 years actual historical collection experience, and deferred loans without expected repayments are reserved at 100%. Also, 47 new loans, totaling $1,217,080, were issued from the Fund during the year.

**Liabilities**
- Liabilities increased by $2,084,375 or 22%, primarily due to increase in net loans.

#### 2018

**Assets**
- Net loans receivable decreased by $309,165 or 3%. The loan allowance decreased by $145,273 or 1%. The allowance on amortized and deferred loans with expected repayments is based on a 5 years actual historical collection experience, and deferred loans without expected repayments are reserved at 100%. Also, 43 new loans, totaling $1,320,259, were issued from the Fund during the year.

**Liabilities**
- Liabilities decreased by $1,048,373 or 10%, primarily due to decrease in net loans.

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal and Interest</td>
<td>$1,833,735</td>
<td>$1,795,905</td>
<td>$1,435,435</td>
<td>$37,830</td>
<td>2%</td>
</tr>
<tr>
<td>Other Revenue</td>
<td>-</td>
<td>85,500</td>
<td>-</td>
<td>(85,500)</td>
<td>-100%</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>1,833,735</td>
<td>1,881,405</td>
<td>1,435,435</td>
<td>(47,670)</td>
<td>-3%</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>1,217,080</td>
<td>1,320,259</td>
<td>2,060,402</td>
<td>(103,179)</td>
<td>-8%</td>
</tr>
<tr>
<td>Professional,</td>
<td>238,332</td>
<td>300,000</td>
<td>264,372</td>
<td>(61,668)</td>
<td>-21%</td>
</tr>
<tr>
<td>Contractual &amp; Other Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>1,455,412</td>
<td>1,620,259</td>
<td>2,324,774</td>
<td>(164,847)</td>
<td>-10%</td>
</tr>
<tr>
<td><strong>Excess of Revenues Over Expenditure</strong></td>
<td>378,323</td>
<td>261,146</td>
<td>(889,339)</td>
<td>117,177</td>
<td>45%</td>
</tr>
<tr>
<td><strong>Net Change in Fund Balance</strong></td>
<td>$378,323</td>
<td>$261,146</td>
<td>(889,339)</td>
<td>$117,177</td>
<td>45%</td>
</tr>
</tbody>
</table>

2019

**Revenues**

- Revenues decreased by $47,670 or 3%, primarily due to a decrease in Other Revenue recognized from prior year cost recovery.

**Expenditures**

- Expenditures decreased by $164,846 or 10%, due to smaller average loan amounts disbursed and decrease in professional, contractual and other services.

2018

**Revenues**

- Revenues increased by $445,970 or 31%, due to more repayments received.

**Expenditures**

- Expenditures decreased by $704,515 or 30%, due to fewer loans disbursed.

This report is designed to provide a general financial overview of the District of Columbia Government’s Home Purchase Assistance Program Fund 0602. If you have any questions regarding this report, please contact Beth Spooner, Agency Fiscal Officer of the Department of Housing and Community Development at (202) 442-7173.
GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
BALANCE SHEETS
SEPTEMBER 30, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pooled Cash</td>
<td>$ 560,892</td>
<td>$ 905,859</td>
</tr>
<tr>
<td>Loans Receivable, Net</td>
<td>11,472,203</td>
<td>9,526,164</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>81,956</td>
<td>69,525</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 12,115,051</td>
<td>$10,501,548</td>
</tr>
</tbody>
</table>

| **LIABILITIES**      |         |         |
| Accounts Payable     | $ 264,525 | $ 126,189 |
| Unearned Revenue     | 11,472,203 | 9,526,164 |
| **Total Liabilities**| 11,736,728 | 9,652,353 |
| **Fund Balance**     | 378,323   | 849,195  |
| **Total Liabilities and Fund Balance** | $ 12,115,051 | $10,501,548 |

The accompanying notes are an integral part of the financial statements.
GOVERNMENT OF THE DISTRICT OF COLUMBIA  
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602  
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED SEPTEMBER 30, 2019 AND 2018

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal and interest</td>
<td>$1,833,735</td>
<td>$1,795,905</td>
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<tr>
<td>Other revenue</td>
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<td>85,500</td>
</tr>
<tr>
<td><strong>Total Revenues</strong></td>
<td>1,833,735</td>
<td>1,881,405</td>
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<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EXPENDITURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>1,217,080</td>
<td>1,320,259</td>
</tr>
<tr>
<td>Professional, Contractual and Other Expenses</td>
<td>238,332</td>
<td>300,000</td>
</tr>
<tr>
<td><strong>Total Expenditures</strong></td>
<td>1,455,412</td>
<td>1,620,259</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Excess of Revenues Over Expenditures</strong></td>
<td>378,323</td>
<td>261,146</td>
</tr>
<tr>
<td>Designated Fund Transfer Out</td>
<td>(849,195)</td>
<td>-</td>
</tr>
<tr>
<td>Change in Fund balance</td>
<td>(470,872)</td>
<td>261,146</td>
</tr>
<tr>
<td>Fund Balance, Beginning</td>
<td>849,195</td>
<td>588,049</td>
</tr>
<tr>
<td>Fund Balance, Ending</td>
<td>$378,323</td>
<td>$849,195</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- **Organization**

The Home Purchase Assistance Program Fund 0602 was established under the District of Columbia Home Purchase Assistance Fund Act of 1978, which was amended by D.C. Law 21-139, Home Purchase Assistance Program Amendment Act of 2016. The Home Purchase Assistance Fund 0602 is accounted for in the General Fund as a separate allocable revenue to provide financial assistance to low and moderate income persons, and District of Columbia Government employees participating in the District of Columbia Employer-Assisted Housing Program, and families seeking to purchase homes in the District of Columbia, for the purposes of enabling them to purchase decent, safe, and sanitary homes in the District of Columbia. Any unexpended balance at the end of the year shall be reserved as a restricted fund balance and used to provide authorization to expend for subsequent years subject to the direction of the Mayor. Title 14 Chapter 25 of the D.C. Municipal Regulations (DCMR) provides rules for loans made under the Home Purchase Assistance Program Fund 0602. The Department of Housing and Community Development (DHCD) is responsible for the administration of the program.

The purpose of the District of Columbia Home Purchase Assistance Program Fund 0602 is to:

- Provide financial assistance to lower and moderate-income residents of the District;
- Enable lower and moderate-income residents to purchase decent, safe, and sanitary homes within the District;
- Enable lower and moderate-income residents to make payments toward the purchase of a home within the District; and
- Enable lower and moderate-income residents to make a shared payment or other payment to a housing cooperative to secure occupancy rights to a home within the District as his or her principal place of residence.

The maximum amount of down payment and closing costs assistance that an eligible participant can receive under the program is $80,000 and $4,000, respectively.

- **Reporting Entity**

The financial statements present only the District’s Home Purchase Assistance Program Fund 0602 and do not purport to, and do not present the financial position of the District or the Home Purchase Assistance Program.
GOVERNMENT OF THE DISTRICT OF COLUMBIA
HOME PURCHASE ASSISTANCE PROGRAM FUND 0602
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Basis of Accounting and Measurement Focus**

  The Fund’s activities are accounted for in the District’s general fund, a governmental fund type, which is accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (that is when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which is considered by District to be 60 days per District’s policy. Expenditures are recorded when the related liabilities are incurred.

- **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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

- **Fund Balance**

  The Fund’s fund balance is classified as unassigned. As of September 30, 2019, and 2018, the cumulative revenue exceeded the cumulative expenditures, resulting in positive net revenue.

  Under the Fiscal Year 2019 Revised Local Budget Emergency Adjustment Act of 2019, D.C. Act 23-75, dated July 8, 2019, the Fund Balance of the Fund as of September 30, 2018 was transferred to the General Fund of the District during the fiscal year ended September 30, 2019.

NOTE 2 POOLED CASH

The Fund’s cash is deposited into an invested pooled account with the District. In accordance with District policies, substantially all its deposits were insured or collateralized with securities held by the District or by its agent in the name of the District.

NOTE 3 ACCOUNTS RECEIVABLE

The District has a service provider that receives and tracks loan repayments and balances. As of September 30, 2019, and 2018, the service provider had not remitted the September loan and interest payments to the District, totaling $81,946 and $69,525, respectively.
NOTE 4  LOANS RECEIVABLE

The Fund’s loans consist of two types: deferred and amortized.

- Deferred loans allow the borrower to defer payment of the principal until the property purchased ceases to be their principal residence. Except for employee deferred loans, deferred loans with a closing date subsequent to March 14, 1997, require repayment to begin after five years. Employee loans are provided under Employee Assisted Housing Program (EAHP) to employees of the District of Columbia who are first time homebuyers purchasing in the District. Repayments on employee loans are deferred until the housing unit is sold, transferred or cease to be the borrower’s principal residence. In fiscal year 2019 and 2018, the Fund total principal amount of employee deferred loans were $2,137,531 and $2,151,133, respectively.

- Amortized loans are required to be paid-off over a specific period of time at a predetermined interest rate.

As of September 30, 2019 and 2018, loans receivable consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Loan Amount</th>
<th>Allowance</th>
<th>Net Loan Receivable</th>
<th>Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortized Loans</td>
<td>$20,764,215</td>
<td>$(9,343,897)</td>
<td>$11,420,318</td>
<td>-45%</td>
</tr>
<tr>
<td>Deferred Loans, with expected payments</td>
<td>51,885</td>
<td>-</td>
<td>51,885</td>
<td>0%</td>
</tr>
<tr>
<td>Deferred Loans, with no expected payments</td>
<td>14,227,586</td>
<td>$(14,227,586)</td>
<td>-</td>
<td>-100%</td>
</tr>
<tr>
<td>Total</td>
<td>$35,043,686</td>
<td>$(23,571,482)</td>
<td>$11,472,203</td>
<td>-67%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Loan Amount</th>
<th>Allowance</th>
<th>Net Loan Receivable</th>
<th>Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2018</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Amortized Loans</td>
<td>$22,604,751</td>
<td>$(13,110,755)</td>
<td>$9,493,996</td>
<td>-58%</td>
</tr>
<tr>
<td>Deferred Loans, with expected payments</td>
<td>51,884</td>
<td>$(19,716)</td>
<td>32,168</td>
<td>-38%</td>
</tr>
<tr>
<td>Deferred Loans, with no expected payments</td>
<td>13,320,491</td>
<td>$(13,320,491)</td>
<td>-</td>
<td>-100%</td>
</tr>
<tr>
<td>Total</td>
<td>$35,977,126</td>
<td>$(26,450,962)</td>
<td>$9,526,164</td>
<td>-74%</td>
</tr>
</tbody>
</table>

In 2019, allowance for amortized and deferred loans with expected payment was assessed at 45% and 100%, respectively, based on a 5 years actual collections experience, and deferred loans with no expected payment were assessed at 100% of the total outstanding loans balance. In 2018, allowance for amortized and deferred loans with expected payment was assessed at 58% and 38%, respectively, based on a 5 years actual collections experience, and deferred loans with no expected payment were assessed at 100% of the total outstanding loans balance.
REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Mayor and Council of the Government of the District of Columbia
Inspector General of the Government of the District of Columbia

We have audited, 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, the accompanying financial statements of the Government of the District of Columbia Home Purchase Assistance Program Fund 0602 (the Fund), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Fund’s basic financial statements, and have issued our report thereon dated December 20, 2019.

Internal Controls over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Fund’s internal controls over financial reporting (internal controls) 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 Fund’s internal controls. Accordingly, we do not express an opinion on the effectiveness of the Fund’s internal controls.

A deficiency in internal controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls over financial reporting 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 Fund’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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Washington, D.C.
December 20, 2019