

**SOUTHEAST COMMUNITY  
DEVELOPMENT CORPORATION  
AND SUBSIDIARIES**

**FINANCIAL STATEMENTS**

**JUNE 30, 2015 AND 2014**

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
AND SUBSIDIARIES**

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Consolidated Financial Statements

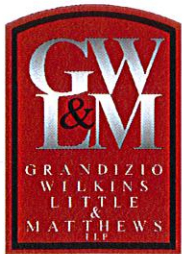
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## INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors  
Southeast Community Development Corporation and Subsidiaries  
Baltimore, Maryland

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Southeast Community Development Corporation (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities and cash flows for the years then ended, and the related consolidated statement of functional expenses for the year ended June 30, 2015, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southeast Community Development Corporation and Subsidiaries, as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Southeast Community Development Corporation and Subsidiaries' consolidated statement of functional expenses for the year ended June 30, 2014, and we expressed an unmodified opinion on that audited consolidated statement of functional expenses in our report dated February 11, 2015. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2014, is consistent, in all material respects, with the audited consolidated statement of functional expenses from which it has been derived.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, on our consideration of Southeast Community Development Corporation and Subsidiaries' internal control over financial reporting and on our tests of their 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 control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Southeast Community Development Corporation and Subsidiaries' internal control over financial reporting and compliance.



Grandizio, Wilkins, Little & Matthews, LLP

January 7, 2016  
Millersville, Maryland



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of June 30,	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 242,326	\$ 181,735
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$43,270 and \$32,852 for 2015 and 2014, Respectively)	28,413	22,163
Accounts Receivable - Other	158,237	4,000
Grants Receivable	317,115	387,597
Investments	1,094,623	1,023,169
Prepaid Expenses	10,449	11,416
Loan Receivable	-	19,054
Employee Loans Receivable	300	74
Security Deposits	14,967	11,409
Mortgage Escrow Deposits and Funded Reserves	<u>67,578</u>	<u>101,323</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>1,934,008</b></u>	<u><b>1,761,940</b></u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,631	106,631
Buildings	3,108,822	3,108,822
Furniture and Equipment	111,464	106,578
Less: Accumulated Depreciation	<u>(847,230)</u>	<u>(783,965)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u><b>2,479,687</b></u>	<u><b>2,538,066</b></u>
<b>OTHER ASSETS</b>		
Development Costs	299,498	69,362
Deferred Financing Fees (Net of Accumulated Amortization of \$8,364 and \$7,867 for 2015 and 2014, Respectively)	<u>25,011</u>	<u>25,508</u>
<b>TOTAL OTHER ASSETS</b>	<u><b>324,509</b></u>	<u><b>94,870</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 4,738,204</b></u>	<u><b>\$ 4,394,876</b></u>

See independent auditor's report and accompanying notes.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As of June 30,	2015	2014
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 91,805	\$ 67,217
Prepaid Rents	3,577	1,311
Accrued Salaries, Wages and Taxes	19,701	26,471
Fiscal Agent Liability	199,418	78,341
Security Deposits (Contra)	24,721	11,601
Mortgage Payable - Current	<u>20,202</u>	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>359,424</u></b>	<b><u>184,941</u></b>
<b>LONG-TERM LIABILITIES (Rental Property)</b>		
Mortgage Payable	213,603	-
Mortgages Payable - BNLP	701,797	701,797
Other Loans and Notes Payable	50,000	50,000
Accrued Interest Payable	<u>983,351</u>	<u>896,203</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>1,948,751</u></b>	<b><u>1,648,000</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>2,308,175</u></b>	<b><u>1,832,941</u></b>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<u>2,430,029</u>	<u>2,561,935</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,430,029</u></b>	<b><u>2,561,935</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,738,204</u></b>	<b><u>\$ 4,394,876</u></b>

See independent auditor's report and accompanying notes.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**

**For the Years Ended June 30, 2015 and 2014**

	<u><b>2015</b></u>	<u><b>2014</b></u>
<b>SUPPORT AND REVENUES</b>		
Grants from Government Agencies	\$ 172,011	\$ 175,912
Other Grants	787,011	494,609
Contributions	83,925	1,905
Rental Income	150,226	140,927
Housing Counseling	25,495	8,714
Events Income	13,676	22,430
Interest Income	1,062	1,502
Income (Losses) from Investments	76,746	189,967
Miscellaneous Income	1,358	293
<b>TOTAL SUPPORT AND REVENUES</b>	<u><b>1,311,510</b></u>	<u><b>1,036,259</b></u>
<b>EXPENSES</b>		
Program Expenses		
Main Street	233,291	252,507
Housing Counseling	402,370	379,123
Healthy Neighborhood	707,679	566,980
Total Program Expenses	<u>1,343,340</u>	<u>1,198,610</u>
Management and General	100,076	107,467
<b>TOTAL EXPENSES</b>	<u><b>1,443,416</b></u>	<u><b>1,306,077</b></u>
<b>INCOME (LOSS) BEFORE ASSIGNMENT OF NET ASSETS</b>	<b>(131,906)</b>	<b>(269,818)</b>
Assignment of Net Assets	<u>-</u>	<u>(240,294)</u>
<b>CHANGE IN NET ASSETS</b>	<b>(131,906)</b>	<b>(510,112)</b>
Unrestricted Net Assets - Beginning of Year	2,561,935	3,170,465
Change in Reporting	<u>-</u>	<u>(98,418)</u>
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<b>\$ <u>2,430,029</u></b>	<b>\$ <u>2,561,935</u></b>

See independent auditor's report and accompanying notes.



SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2015 (With Comparative Summarized Total For the Year Ended June 30, 2014)						
	Community Development			Management and General	June 30, 2015 Total	Summarized Total June 30, 2014
	Main Street Program	Healthy Neighborhoods Program	Housing Counseling Program			
Salaries, Wages and Related Taxes	\$ 109,150	\$ 212,856	\$ 283,821	\$ 64,005	\$ 669,832	\$ 622,350
Depreciation Expense	2,034	44,247	32,140	4,475	82,896	78,272
Contract Labor	1,473	3,999	11,579	-	17,051	26,873
Equipment Expense	715	2,693	2,855	574	6,837	7,036
Fringe Benefits	11,144	13,495	16,133	4,531	45,303	51,347
Insurance	2,194	11,257	2,823	-	16,274	16,381
Meetings and Conference	540	2,825	4,296	-	7,661	3,979
Office Expense	572	1,219	4,043	228	6,062	5,958
Professional Fees	28,210	22,655	3,214	11,151	65,230	46,912
Supplies	173	29,425	676	-	30,274	21,363
Advertising, Marketing and Promotion	9,000	6,847	4,249	-	20,096	26,704
Dues	610	2,250	3,032	278	6,170	4,908
Travel	1,072	168	366	-	1,606	1,305
Miscellaneous Expense	1,457	613	358	190	2,618	6,693
Printing	426	1,693	7,872	-	9,991	12,724
Rent	-	3,072	929	-	4,001	870
Property Maintenance	7,560	6,708	12,182	1,987	28,437	28,106
Staff Development	1,043	515	2,586	-	4,144	4,029
Telephone	2,993	2,496	4,244	-	9,733	10,460
Loss on property and equipment disposal	-	-	-	1,041	1,041	-
Utilities	5,790	5,039	4,702	-	15,531	23,927
Community Development	47,135	112,716	270	-	160,121	161,123
Bad Debt	-	5,467	-	-	5,467	1,530
Management Fees	-	5,100	-	-	5,100	5,100
Amortization	-	497	-	-	497	497
Interest Expense	-	87,148	-	11,616	98,764	94,325
Contracts	-	115,069	-	-	115,069	34,849
Taxes	-	7,610	-	-	7,610	8,456
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 233,291</b>	<b>\$ 707,679</b>	<b>\$ 402,370</b>	<b>\$ 100,076</b>	<b>\$ 1,443,416</b>	<b>\$ 1,306,077</b>

See independent auditor's report and accompanying notes.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

<b>For the Years Ended June 30,</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (131,906)	\$ (510,112)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used In) Operating Activities:		
Depreciation and Amortization	83,393	78,769
Loss on Property and Equipment Disposal	1,041	-
(Income) Losses from Investment	(76,746)	(189,967)
Accrued Interest Expense	87,148	94,325
Assignment of Net Assets in Private Company	-	245,986
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Tenant	(6,250)	(7,016)
Accounts Receivable - Other	(154,237)	29,494
Grants Receivable	70,482	(11,840)
Prepaid Expenses	967	(3,258)
Employee Loans Receivable	(226)	3,228
Security Deposits	(3,558)	(3)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	24,588	(30,428)
Prepaid Rents	2,266	(29)
Accrued Salaries, Wages and Taxes	(6,770)	16,325
Fiscal Agent Liability	121,077	55,615
Security Deposits (Contra)	13,120	969
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>24,389</u></b>	<b><u>(227,942)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Buildings	-	(120,927)
Purchase of Furniture and Equipment	(25,558)	(5,970)
Purchase of Rental Property Fixed Assets	-	(86,605)
Purchase of Investments	(373,266)	(88,427)
Proceeds from Investments	378,558	535,263
(Increase) Decrease in Development Costs	(230,136)	(69,362)
(Increase) Decrease in Loans Receivable	19,054	14,946
(Increase) Decrease in Deposits and Reserves	33,745	35,557
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b><u>(197,603)</u></b>	<b><u>214,475</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Mortgage Loan Proceeds	250,000	-
Mortgage Loan Repayment	(16,195)	-
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b><u>233,805</u></b>	<b><u>-</u></b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>60,591</b>	<b>(13,467)</b>
Cash and Cash Equivalents - Beginning of Year	<u>181,735</u>	<u>195,202</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b><u>\$ 242,326</u></b>	<b><u>\$ 181,735</u></b>

See independent auditor's report and accompanying notes.



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 1: Organization and Summary of Significant Accounting Policies**

**Nature of the Organization**

Southeast Community Development Corporation (Organization) is a non-profit corporation, organized under the laws of the State of Maryland, to plan, design, develop and assist in initiating real estate, residential and commercial projects in the southeast community of Baltimore City, Maryland. The organization provides support to area citizenry in identifying affordable housing and business opportunities. The Organization controls one hundred percent (100%) of the equity of the following entities, which were incorporated or organized under Maryland law:

Wolfe Street Enterprises, LLC (WSE)  
Wolfe Street Development Company (WSD)

WSE includes Broadway North Limited Partnership (BNLP) because it exercises significant control over major operating decisions, such as approval of budgets, selection of property managers, asset management, investment activity and changes in financing. When WSD does not exercise significant control over major operating and management decisions, but it exercises significant influence, it uses the equity method of accounting and does not consolidate BNLP for financial reporting purposes.

The balances of BNLP reflected in WSE are as of December 31, 2014, the entity's year end.

During 2013, WSE received a 99.9% limited partner interest in BNLP.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of Presentation**

The Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The classes of net assets are determined by restrictions, if any, imposed by the donor.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Southeast Community Development Corporation's wholly-owned subsidiaries listed in Note 1 above. All material intercompany investments, advances and transactions have been eliminated in consolidation.



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**Use of Estimates in Preparing Financial Statements**

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 of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, Southeast Community Development Corporation considers all highly liquid investments with an initial maturity of three (3) months or less to be cash equivalents. At June 30, 2015 and 2014, cash and cash equivalents are composed of demand deposits and time deposits.

**Grants and Accounts Receivable - Other**

The majority of the grants received by the Organization are on a reimbursement basis. Grants receivable reflects costs that had not been reimbursed as of fiscal year end. The Organization uses the direct write-off method and has concluded that all receivable balances are collectible as of the statement of financial position dates. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Accounts Receivable – Tenants - BNLP**

Accounts receivable represents amounts due from tenants. Management has established an allowance for bad debts for those tenants whose outstanding balances are not likely to be collected.

**Deferred Financing Fees - BNLP**

Deferred financing fees are being amortized using the straight-line method over the life of the related loan. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense is expected to be \$497 per year for each of the next five (5) years.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**June 30, 2015 and 2014**

**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 40 years. Furniture and equipment purchases in excess of \$250 are generally capitalized.

The major classifications of property and equipment as of June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>	<u>Useful Life</u>
Land	\$ 106,631	\$ 106,631	
Buildings	3,108,822	3,108,822	40 Years
Furniture and Equipment	111,464	106,578	5 to 7 Years
Total Property and Equipment	<u>3,326,917</u>	<u>3,322,031</u>	
Less: Accumulated Depreciation	<u>(847,230)</u>	<u>(783,965)</u>	
	<u>\$ 2,479,687</u>	<u>\$ 2,538,066</u>	

Depreciation expense was \$82,896 and \$78,272 for the years ended June 30, 2015 and 2014, respectively.

**Deposits and Reserves - BNLP**

Under the terms of the Partnership Agreement, BNLP is required to establish an operating reserve account. The operating reserve may be used only to fund operating deficits and may be used before the General Partner makes any operating deficit contribution as required in the Partnership Agreement. The Limited Partner must approve any withdrawals from this account.



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**Deposits and Reserves – BNLP (Continued)**

Under the terms of the loan agreement with DHCD, BNLP is required to establish a reserve for replacements account. The required monthly payment amounts to \$354, which commenced in April 1998. The funds can only be released upon the approval of DHCD.

**Development Costs**

The Organization is currently involved in the development of two properties in the Highlandtown area.

**Donated Services**

The Organization receives a substantial amount of services donated by citizens interested in the Organization's Programs. The kinds of services provided generally involved the contribution of time to organize community programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in accompanying financial statements. However, when the value of donated services is ascertainable, the amounts thereof are reflected in the financial statements as revenue and expenses. No amount for donated services is recorded for the years ended June 30, 2015 and 2014, since the value for such services is not readily determinable.

**Expense Allocation**

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Restricted and Unrestricted Revenue**

The Organization reports grants and contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the time period or manner of use of the grant or contribution. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**Rental Revenue**

Rental revenue is recognized as rentals become due. Rental payments received in advance are recorded as prepaid rents. All leases between the Organization and the tenants of the property are operating leases.

**Income Taxes**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes is reflected in the financial statement. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

No provision or benefit for income taxes related to BNLP has been included in these financial statements since taxable income or loss deduction and credits pass through to, and are reportable by, the partners on their respective tax returns.

The 2011 through 2013 tax years remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

**Advertising**

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2015 and 2014 amounted \$20,096 and \$26,704, respectively.

**Program Descriptions**

**Main Street** – works to attract and retain retail businesses and customers to the Highlandtown historic district.

**Housing Counseling** – offers comprehensive housing counseling services including: pre purchase, foreclosure, reverse mortgage and financial coaching to help existing residents obtain and maintain homeownership.

**Healthy Neighborhoods** – helps southeast Baltimore neighborhoods increase home values, market communities, offer low-interest loans for home purchase and rehabilitation, and obtain grants for block projects.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 1: Organization and Summary of Significant Accounting Policies (Continued)**

**FASB ASC No. 360**

FASB ASC No. 360 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Application of FASB ASC No. 360 has not materially affected the Organization's reported earnings, financial condition or cash flows.

**Date of Management Review**

The Organization has evaluated events and transactions that occurred during the period from the date of the consolidated financial statements through January 7, 2016, the date the Organization's consolidated financial statements were available to be issued. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Organization's consolidated financial statements.

**Note 2: Investments**

The Organization invests in common stocks, corporate bonds and U.S. Government securities. It uses quoted prices in active markets for identical assets or liabilities to determine fair value. This pricing methodology applies to all Level 1 investments.

Assets measured at fair value on a recurring basis at June 30, 2015 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 19,879	\$ -	\$ -	\$ 19,879
Corporate Stocks	662,654	-	-	662,654
Fixed Income	412,090	-	-	412,090
	<u>\$ 1,094,623</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,094,623</u>

Assets measured at fair value on a recurring basis at June 30, 2014 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 6,026	\$ -	\$ -	\$ 6,026
Corporate Stocks	645,581	-	-	645,581
Fixed Income	371,562	-	-	371,562
	<u>\$ 1,023,169</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,023,169</u>



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 2: Investments (Continued)**

The following schedule summarizes the investment return for the years ended:

	<b>June 30, <u>2015</u></b>	<b>June 30, <u>2014</u></b>
Interest and Dividends	\$ 33,023	\$ 48,634
Realized Gains (Losses), Net	175,681	158,763
Unrealized Gains (Losses), Net	(131,958)	(4,593)
Investment Fees	<u>(5,292)</u>	<u>(12,837)</u>
TOTAL	<b><u>\$ 71,454</u></b>	<b><u>\$ 189,967</u></b>

**Note 3: Concentration of Credit Risk**

At various times during the year, the Organization maintained cash balances in one financial institution in excess of \$250,000, the limit of federal insurance. The Organization's investments are maintained by an investment brokerage firm. Although the firm has a diversified investment portfolio, the value of the portfolio is subject to certain market risks. The portfolio is insured up to \$500,000 by the Securities Investor Protection Corporation.

**Note 4: Long-Term Debt – BNLP**

**Maryland Department of Housing and Community Development (CDA)**

On December 30, 1996, BNLP entered into a loan agreement with CDA. Under the terms of the loan agreement, BNLP borrowed \$325,000. The term of the loan is forty (40) years commencing at the end of the construction loan period (which will not exceed fifteen (15) months). The loan was interest free during the construction period and carries a rate of one percent (1%) during the permanent period. Beginning at the end of the first year of the permanent loan period, principal and interest are payable at the end of each year, thereafter, from the lesser of surplus cash or scheduled payments as defined in the Regulatory Agreement. Any interest and principal not paid because of insufficient surplus cash shall be deferred and paid on the next annual payment date to the extent of surplus cash. Any unpaid principal and accrued interest will be payable on the maturity date or on the occurrence of any of several conditions as defined in the loan



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**June 30, 2015 and 2014**

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**Note 4: Long-Term Debt - BNLP (Continued)**

agreement. Annual payments shall be applied first to current interest, second to principal and third to the repayment of previously unpaid principal and interest. The loan matures April 1, 2038. The loan is secured by a Deed of Trust, which represents a first lien on the real property. As of December 31, 2014 and 2013, the balance on the mortgage was \$251,797. Deferred interest expense for 2014 and 2013 amounted to \$2,518, per year.

Under agreements with the mortgage lender and DHCD, BNLP is required to make monthly deposits for replacement of project assets and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions.

**Mayor and City Council of Baltimore, Department of Housing and Community Development – HOME Loan and Grant Program**

On December 30, 1996, BNLP entered into a loan and grant agreement with the Mayor and City Council of Baltimore, Department of Housing and Community Development. Under the terms of the loan and grant agreements, BNLP borrowed \$450,000 under the HOME Loan and \$50,000 under the HOME Grant. The term of the loan is forty (40) years commencing at the end of the construction loan period (which will not exceed twelve (12) months). Interest does not accrue on the grant portion (\$50,000) of the loan and will accrue on each advance of the loan portion at the applicable federal rate in effect on the date of each advance. If all terms of the loan documents are met, then the grant portion of the loan shall be forgiven at the maturity date. Beginning at the end of the first year of the permanent loan period, principal and interest are payable at the end of each year, thereafter, out of surplus cash as defined in the Regulatory Agreement. Any interest and principal not paid because of insufficient surplus cash shall be deferred and paid on the next annual payment date to the extent of surplus cash.

Any unpaid principal and accrued interest will be payable on the maturity date or on the occurrence of any of several conditions as defined in the loan agreement. The note is secured by a Deed of Trust, which constitutes a second lien on the real property. The maturity date for both is April 1, 2038. As of December 31, 2013, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. Deferred interest expense for 2014 and 2013 amounted to \$84,630 and \$91,807, respectively, and is classified as accrued interest.

Due to the inability to determine surplus cash each year, there have been no annual maturities of the CDA Loan, HOME Loan, or HOME Grant estimated for each of the next five (5) years.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**June 30, 2015 and 2014**

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**Note 5: Mortgage Payable and Line of Credit**

The Organization took out a term mortgage loan from a local financial institution in August, 2014 for \$250,000. The loan is secured by the underlying property. The interest rate is 5.29% with a ten year term. Monthly payments are \$2,709.36. Future minimum payments are as follows:

<u>June 30,</u>	
2016	\$ 20,202
2017	21,368
2018	22,565
2019	23,830
2020	25,146
Thereafter	120,694

The Organization also established a line of credit at that time for \$100,000. The rate is 1.5% over prime rate. The line is secured by all assets of the Organization. The balance on the line of credit at June 30, 2015 was \$-0-.

**Note 6: Fees and Grants from Government Agencies**

A portion of the Organization's revenue is derived from government agencies. The expendability of these funds is subject to various restrictions imposed by the specific program through which funds are obtained. The following summarizes revenue provided by government agencies for the year ended June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<b><u>Federal Government</u></b>		
Community Development Block Grant	\$ 108,738	\$ 104,210
Housing and Urban Development	18,273	18,102
Nation Foreclosure Mitigation Counseling	-	8,600
	<u>127,011</u>	<u>130,912</u>
<b><u>County Government</u></b>		
Baltimore County	45,000	45,000
	<u>45,000</u>	<u>45,000</u>
	<u><u>\$ 172,011</u></u>	<u><u>\$ 175,912</u></u>



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**June 30, 2015 and 2014**

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**Note 7: Lease Expense**

The Organization leased office space under an operating lease prior to moving into new office space they own and developed. Rent expense for the years ended June 30, 2015 and 2014 was \$4,001 and \$870, respectively.

The Organization also leases a copier under a 60 month lease that expires in September, 2018. Future minimum payments are as follows:

<u>June 30,</u>		
2016	\$	4,740
2017		4,740
2018		4,740
2019		1,185

**Note 8: Management Agent - BNLP**

BNLP has entered into a management agreement with Hersch-Lauren, LLC. The fee is \$425 per month. Total management fees amounted to \$5,100 for 2014 and 2013. The agreement has been approved by DHCD and remains in effect until termination by, or with the consent of, DHCD.

During 2013, the management agent erroneously charged BNLP for costs for Druid Hill, another managed property. At December 31, 2013, BNLP was owed \$4,000 from Druid Hill. During 2014, BNLP was repaid in full.

**Note 9: Loan Receivable**

The Organization loaned funds on June 3, 2011 to two individuals unrelated to the Organization for the purchase of a property in southeast Baltimore. The loan has a fixed annual rate of 10.0%, a maturity date of February 1, 2015, and is guaranteed by an outside third party. The loan was fully collected by February 1, 2015.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**June 30, 2015 and 2014**

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**Note 10: Grants Receivable**

Grants receivable are deemed to be fully collectible by management and are composed of the following:

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Baltimore Community Foundation	\$ 6,739	\$ 44,821
State of Maryland	94,843	14,490
HomeFree	15,000	11,727
DHCD Housing Counseling Fund	73,750	85,625
Baltimore Development Corporation	13,719	6,250
Enterprise Community Partners	3,292	-
Highlandtown Elementary	16,500	-
Stephen Gondol	490	-
Healthy Neighborhoods, Inc.	6,948	23,730
Community Legacy	16,610	-
Baltimore Office of Promotion and Arts	-	44,375
NFMC	20,000	28,100
Mayor & City Council	19,870	37,212
CitiBank	-	500
Baltimore County Maryland	13,767	31,532
Housing and Urban Development	-	50,690
United Way	4,026	-
Parks and People Foundation	92	25
Family League of Baltimore	11,469	7,500
	<b>\$ <u>317,115</u></b>	<b>\$ <u>387,597</u></b>



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

---

**June 30, 2015 and 2014**

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**Note 11: Commitments and Contingencies - BNLP**

BNLP received through WSD, a Community Development Block Grant in the amount of \$100,000. The funds were used toward the acquisition costs of the land. Performance of the conditions of the grant is secured by a third lien covering the Project. In the event the Project is sold, the grant funds must be returned to DHCD.

**Note 12: Transaction with Affiliates and Related Parties - BNLP**

**Development and Overhead Fee**

BNLP entered into a development services agreement with WSD. Under the terms of the agreement, BNLP paid a developer's fee to the WSD in the amount of \$219,682 and a partial reimbursement of development overhead in the amount of \$73,415. The fees have been capitalized as part of the building costs.

**Note 13: Current Vulnerability Due to Certain Concentrations - BNLP**

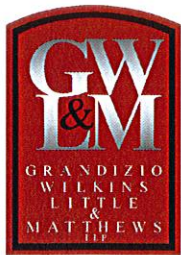
BNLP's sole asset is its rental housing project. BNLP's operations are concentrated in the multifamily real estate market. In addition, BNLP operates in a heavily regulated environment. The operations of BNLP are subject to the administrative directives, rules and regulations of state and local regulatory agencies, including, but not limited to, DHCD. Such administrative directives, rules and regulations are subject to change by an act of the state or an administrative change mandated by DHCD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 14: 3323 Eastern Avenue, LLC**

The Organization is the sole owner of 3323 Eastern Avenue, LLC. This LLC owns the building from which the Organization currently operates. The Organization is also the sole owner of Hope Development, LLC which is inactive at this time.

**Note 15: Change in Reporting**

Due to the assignment of the limited partner interest in BNLP to WSE, the June 30, 2015 and 2014 financial statements have been consolidated. WSD's interest in BNLP is no longer accounted for by the equity method on the Organization's consolidated financial statements.



Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATING INFORMATION

The Board of Directors  
Southeast Community Development Corporation and Subsidiaries  
Baltimore, Maryland

### Report on the Consolidating Financial Statements

We have audited the consolidated financial statements of Southeast Community Development Corporation and Subsidiaries as of and for the years ended June 30, 2015 and 2014, and our report thereon dated January 7, 2016 which contained an unmodified opinion on those consolidated financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21 through 22 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Accordingly, we do not express an opinion on the financial position, and results of operations of the individual companies.

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

Grandizio, Wilkins, Little & Matthews, LLP

January 7, 2016  
Millersville, Maryland



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**

As of June 30, 2015

	<u>Southeast Community Development Corporation</u>	<u>3323 Eastern Avenue, LLC</u>	<u>Wolfe Street Enterprises, LLC</u>	<u>Wolfe Street Development Company</u>	<u>Intercompany Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 239,969	\$ -	\$ 2,357	\$ -	\$ -	242,326
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$43,270)	-	-	28,413	-	-	28,413
Accounts Receivable - Other	158,237	-	-	-	-	158,237
Grants Receivable	317,115	-	-	-	-	317,115
Investments	1,094,623	-	-	-	-	1,094,623
Prepaid Expenses	6,165	-	4,284	-	-	10,449
Employee Loans Receivable	300	-	-	-	-	300
Security Deposits	854	-	14,113	-	-	14,967
Mortgage Escrow Deposits and Funded Reserves	-	-	67,578	-	-	67,578
<b>TOTAL CURRENT ASSETS</b>	<b>1,817,263</b>	<b>-</b>	<b>116,745</b>	<b>-</b>	<b>-</b>	<b>1,934,008</b>
<b>PROPERTY AND EQUIPMENT</b>						
Land	-	-	106,631	-	-	106,631
Buildings	180,594	1,239,689	1,688,539	-	-	3,108,822
Furniture and Equipment	62,673	-	48,791	-	-	111,464
Less: Accumulated Depreciation	(43,887)	(67,623)	(735,720)	-	-	(847,230)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>199,380</b>	<b>1,172,066</b>	<b>1,108,241</b>	<b>-</b>	<b>-</b>	<b>2,479,687</b>
<b>OTHER ASSETS</b>						
Development Costs	299,498	-	-	-	-	299,498
Investments	635,734	-	-	98,122	(733,856)	-
Deferred Financing Fees (Net of Accumulated Amortization of \$8,364)	-	-	25,011	-	-	25,011
<b>TOTAL OTHER ASSETS</b>	<b>935,232</b>	<b>-</b>	<b>25,011</b>	<b>98,122</b>	<b>(733,856)</b>	<b>324,509</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,951,875</b>	<b>\$ 1,172,066</b>	<b>\$ 1,249,997</b>	<b>\$ 98,122</b>	<b>\$ (733,856)</b>	<b>\$ 4,738,204</b>

See independent auditor's report and accompanying notes

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of June 30, 2015

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
<b>CURRENT LIABILITIES</b>						
Accounts Payable	\$ 60,022	\$ -	\$ 31,783	\$ -	\$ -	91,805
Prepaid Rents	-	-	3,577	-	-	3,577
Accrued Salaries, Wages and Taxes	19,701	-	-	-	-	19,701
Fiscal Agent Liability	199,418	-	-	-	-	199,418
Tenants' Security Deposits (Contra)	8,900	-	15,821	-	-	24,721
Mortgage Payable - Current	20,202	-	-	-	-	20,202
<b>TOTAL CURRENT LIABILITIES</b>	<b>308,243</b>	<b>-</b>	<b>51,181</b>	<b>-</b>	<b>-</b>	<b>359,424</b>
<b>LONG-TERM LIABILITIES (Rental Property)</b>						
Mortgage Payable	213,603	-	-	-	-	213,603
Mortgages Payable - BNL P	-	-	701,797	-	-	701,797
Other Loans and Notes Payable	-	-	50,000	-	-	50,000
Accrued Interest Payable	-	-	983,351	-	-	983,351
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>213,603</b>	<b>-</b>	<b>1,735,148</b>	<b>-</b>	<b>-</b>	<b>1,948,751</b>
<b>TOTAL LIABILITIES</b>	<b>521,846</b>	<b>-</b>	<b>1,786,329</b>	<b>-</b>	<b>-</b>	<b>2,308,175</b>
<b>NET ASSETS/EQUITY</b>						
Unrestricted Net Assets	2,430,029	-	-	-	-	2,430,029
Partners' Equity (Deficit)	-	1,172,066	(536,332)	98,122	(733,856)	-
<b>TOTAL NET ASSETS/EQUITY (DEFICIT)</b>	<b>2,430,029</b>	<b>1,172,066</b>	<b>(536,332)</b>	<b>98,122</b>	<b>(733,856)</b>	<b>2,430,029</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,951,875</b>	<b>\$ 1,172,066</b>	<b>\$ 1,249,997</b>	<b>\$ 98,122</b>	<b>\$ (733,856)</b>	<b>\$ 4,738,204</b>

See independent auditor's report and accompanying notes

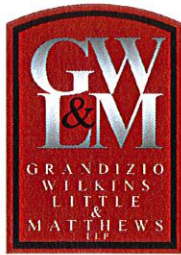


SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2015

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
<b>SUPPORT AND REVENUES</b>						
Grants from Government Agencies	\$ 172,011	\$ -	\$ -	\$ -	\$ -	172,011
Other Grants	787,011	-	-	-	-	787,011
Contributions	83,925	-	-	-	-	83,925
Rental Income	5,100	-	145,126	-	-	150,226
Housing Counseling	25,495	-	-	-	-	25,495
Events Income	13,676	-	-	-	-	13,676
Interest Income	1,062	-	-	-	-	1,062
Income (Losses) from Investments	76,746	-	-	-	-	76,746
Miscellaneous Income	1,351	-	7	-	-	1,358
<b>TOTAL SUPPORT AND REVENUES</b>	<b>1,166,377</b>	<b>-</b>	<b>145,133</b>	<b>-</b>	<b>-</b>	<b>1,311,510</b>
<b>EXPENSES</b>						
Program Expenses						
Main Street	233,291	-	-	-	-	233,291
Housing Counseling	402,370	-	-	-	-	402,370
Healthy Neighborhood	341,426	30,992	335,261	-	-	707,679
Total Program Expenses	977,087	30,992	335,261	-	-	1,343,340
Management and General	100,076	-	-	-	-	100,076
<b>TOTAL EXPENSES</b>	<b>1,077,163</b>	<b>30,992</b>	<b>335,261</b>	<b>-</b>	<b>-</b>	<b>1,443,416</b>
<b>OTHER INCOME (EXPENSES)</b>						
Investment Income (Loss) From Private Company	(221,120)	-	-	(190)	221,310	-
<b>CHANGES IN NET ASSETS AND PARTNERS' EQUITY (DEFICIT)</b>	<b>(131,906)</b>	<b>(30,992)</b>	<b>(190,128)</b>	<b>(190)</b>	<b>221,310</b>	<b>(131,906)</b>
Unrestricted Net Assets - Beginning of Year	2,561,935	-	-	-	-	2,561,935
Partners' Equity (Deficit) - Beginning of Year	-	1,203,058	(346,204)	98,312	(955,166)	-
<b>UNRESTRICTED NET ASSETS AND PARTNERS' EQUITY (DEFICIT) - END OF YEAR</b>	<b>\$ 2,430,029</b>	<b>\$ 1,172,066</b>	<b>\$ (536,332)</b>	<b>\$ 98,122</b>	<b>\$ (733,856)</b>	<b>\$ 2,430,029</b>

See independent auditor's report and accompanying notes.



Certified Public Accountant

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## 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 Board of Directors  
Southeast Community Development Corporation and Subsidiaries  
Baltimore, Maryland

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 consolidated financial statements of Southeast Community Development Corporation and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 7, 2016.

### Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Southeast Community Development Corporation and Subsidiaries' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Community Development Corporation and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of Southeast Community Development Corporation and Subsidiaries' 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 entities' consolidated 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.



## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Community Development Corporation and Subsidiaries' consolidated financial statements are free from material misstatement, we performed tests of their 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 consolidated 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 entities' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entities' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Grandizio, Wilkins, Little & Matthews, LLP

January 7, 2016  
Millersville, Maryland