

**SOUTHEAST COMMUNITY  
DEVELOPMENT CORPORATION  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

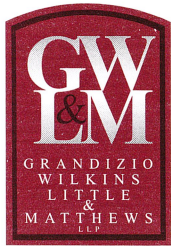
**JUNE 30, 2018 AND 2017**

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
AND SUBSIDIARIES**

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## INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

### Report on 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, 2018 and 2017, 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, 2018, 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.

### Auditors' 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 auditors' 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 auditors consider 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**

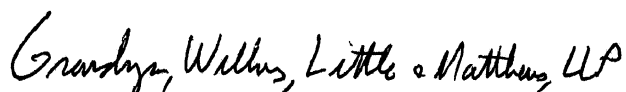
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southeast Community Development Corporation and Subsidiaries as of June 30, 2018 and 2017, and the changes in their net assets and their cash flows for the years 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, 2017, and we expressed an unmodified opinion on that audited consolidated statement of functional expenses in our report dated March 19, 2018. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2017, 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 August 28, 2019, 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 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 Southeast Community Development Corporation and Subsidiaries' 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  
August 28, 2019

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

<b>June 30,</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 93,180	\$ 172,834
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$43,270 for 2018 and 2017)	39,434	36,872
Accounts Receivable - Fiscal Agent/Other	5,643	220,056
Grants Receivable	682,725	398,723
Investments	1,183,810	1,072,684
Prepaid Expenses	9,292	13,028
Loans Receivable	3,017	-
Security Deposits	22,439	22,434
Mortgage Escrow Deposits and Funded Reserves	73,209	67,099
<b>TOTAL CURRENT ASSETS</b>	<b><u>2,112,749</u></b>	<b><u>2,003,730</u></b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,631	106,631
Buildings	3,108,822	3,108,822
Furniture and Equipment	122,138	119,741
Less: Accumulated Depreciation	<u>(1,106,293)</u>	<u>(1,019,779)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<b><u>2,231,298</u></b>	<b><u>2,315,415</u></b>
<b>OTHER ASSETS</b>		
Development Costs	314,855	354,855
Intangible Assets	<u>-</u>	<u>13,500</u>
<b>TOTAL OTHER ASSETS</b>	<b><u>314,855</u></b>	<b><u>368,355</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 4,658,902</u></b>	<b><u>\$ 4,687,500</u></b>

The independent auditors' report and the accompanying notes are an integral part of these consolidated financial statements.

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

<b>June 30,</b>	<b>2018</b>	<b>2017</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 176,051	\$ 96,483
Prepaid Rents	483	2,482
Accrued Salaries, Wages and Taxes	39,479	35,110
Fiscal Agent Liability	14,431	249,614
Refundable Advances	173,606	-
Tenants' Security Deposits (Contra)	24,330	20,266
Line-of-Credit	190,081	90,081
Mortgage Payable - Current	23,830	22,565
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>642,291</u></b>	<b><u>516,601</u></b>
<b>LONG-TERM LIABILITIES (Rental Property)</b>		
Mortgage Payable	145,840	169,670
Mortgages Payable - BNL P	701,797	701,797
Debt Issuance Costs (Net of Accumulated Amortization of \$9,855 and \$9,358, Respectively)	(10,020)	(10,517)
Other Loans and Notes Payable - BNL P	50,000	50,000
Accrued Interest Payable	1,302,204	1,190,793
<b>TOTAL LONG-TERM LIABILITIES</b>	<b><u>2,189,821</u></b>	<b><u>2,101,743</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>2,832,112</u></b>	<b><u>2,618,344</u></b>
<b>NET ASSETS</b>		
Unrestricted Net Assets	<b><u>1,826,790</u></b>	<b><u>2,069,156</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,658,902</u></b>	<b><u>\$ 4,687,500</u></b>

The independent auditors' report and the accompanying notes are an integral part of these consolidated financial statements.

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

<b>For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>SUPPORT AND REVENUES</b>		
Grants from Government Agencies	\$ 1,064,483	\$ 525,646
Other Grants	589,277	877,408
Contributions	266,355	55,691
Rental Income	175,688	163,582
Housing Counseling	36,586	44,611
Events Income	11,335	10,311
Other Income	67	-
Investment Return	111,306	104,484
<b>TOTAL SUPPORT AND REVENUES</b>	<b><u>2,255,097</u></b>	<b><u>1,781,733</u></b>
<b>EXPENSES</b>		
Program Expenses		
Main Street	221,657	266,370
Healthy Neighborhood	1,806,829	1,152,102
Housing Counseling	416,556	458,583
Total Program Expenses	2,445,042	1,877,055
Management and General	52,421	59,626
<b>TOTAL EXPENSES</b>	<b><u>2,497,463</u></b>	<b><u>1,936,681</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>(242,366)</b>	<b>(154,948)</b>
Unrestricted Net Assets - Beginning of Year	2,069,156	2,224,104
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<b><u>\$ 1,826,790</u></b>	<b><u>\$ 2,069,156</u></b>

The independent auditors' report and the accompanying notes are an integral part of these consolidated financial statements.



**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2018 (With Comparative Summarized Total For the Year Ended June 30, 2017)**

	Community Development			Housing Counseling Program	Total Program Expenses	Management and General	June 30, 2018 Total	Summarized Total June 30, 2017
	Main Street Program	Healthy Neighborhood Programs						
Salaries, Wages and Related Taxes	\$ 121,145	\$ 496,710	\$ 271,529	\$ 889,384	\$ 23,456	\$ 912,840	\$ 874,517	
Depreciation and Amortization Expense	3,000	53,007	39,006	95,013	5,001	100,014	86,046	
Contract Labor	2,780	5,920	8,015	16,715	-	16,715	29,816	
Equipment Expense	-	953	5,988	6,941	-	6,941	6,126	
Fringe Benefits	6,023	32,633	14,177	52,833	1,250	54,083	63,502	
Insurance	2,657	10,911	2,657	16,225	-	16,225	17,673	
Meetings and Conference	549	1,244	5,790	7,583	-	7,583	9,489	
Office Expense	-	319	831	1,150	-	1,150	5,240	
Professional Fees	6,850	19,804	12,243	38,897	5,434	44,331	56,818	
Supplies	369	16,339	9,590	26,298	-	26,298	13,273	
Advertising, Marketing and Promotion	-	10,079	8,151	18,230	-	18,230	8,384	
Dues	632	2,676	3,998	7,306	774	8,080	9,137	
Travel	-	-	58	58	-	58	722	
Miscellaneous Expense	(751)	4,791	664	4,704	416	5,120	7,506	
Printing	-	30	7,643	7,673	-	7,673	12,213	
Rent	-	3,747	150	3,897	-	3,897	3,222	
Property Maintenance	15,342	9,403	11,156	35,901	300	36,201	36,721	
Staff Development	-	3,243	5,884	9,127	13	9,140	7,294	
Telephone	3,458	3,928	3,910	11,296	-	11,296	11,503	
Utilities	9,184	5,951	5,108	20,243	-	20,243	21,086	
Community Development	50,419	926,317	8	976,744	-	976,744	450,859	
Bad Debt	-	-	-	-	-	-	1,296	
Management Fees	-	5,100	-	5,100	-	5,100	5,100	
Interest Expense	-	113,231	-	113,231	15,777	129,008	125,407	
Contracts	-	71,086	-	71,086	-	71,086	64,903	
Taxes	-	9,407	-	9,407	-	9,407	8,828	
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 221,657</b>	<b>\$ 1,806,829</b>	<b>\$ 416,556</b>	<b>\$ 2,445,042</b>	<b>\$ 52,421</b>	<b>\$ 2,497,463</b>	<b>\$ 1,936,681</b>	

The independent auditors' report and the accompanying notes are an integral part of these consolidated financial statements.

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

<b>For the Years Ended June 30,</b>	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (242,366)	\$ (154,948)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Amortization of Deferred Financing Costs	497	497
Depreciation	86,514	86,543
Unrealized (Gains) Losses from Investment	20,178	(6,075)
Provision for Losses on Accounts Receivable Tenants	-	1,296
(Increase) Decrease in Operating Assets:		
Accounts Receivable - Tenant	(2,562)	(2,867)
Accounts Receivable - Other	214,413	(75,623)
Grants Receivable	(284,002)	34,741
Prepaid Expenses	3,736	(8,744)
Loans Receivable	(3,017)	2,000
Security Deposits	(5)	(5,754)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	79,568	(46,493)
Prepaid Rents	(1,999)	(836)
Accrued Salaries, Wages and Taxes	4,369	5,474
Fiscal Agent Liability	(235,183)	105,168
Deferred Revenue	173,606	-
Tenants' Security Deposits (Contra)	4,064	(369)
Accrued Interest Expense	111,411	107,541
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>(70,778)</b>	<b>41,551</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Furniture and Equipment	(2,397)	(4,228)
Purchase of Investments	(465,566)	(352,960)
Proceeds from Investments	334,262	354,976
(Increase) Decrease in Development Costs	40,000	(1,391)
(Increase) Decrease in Intangible Assets	13,500	-
(Increase) Decrease in Escrow Deposits and Reserves	(6,110)	8,206
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(86,311)</b>	<b>4,603</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Mortgages	(22,565)	(21,368)
Advances on Line-of-Credit	100,000	80,000
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>77,435</b>	<b>58,632</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(79,654)</b>	<b>104,786</b>
Cash and Cash Equivalents - Beginning of Year	172,834	68,048
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 93,180</b>	<b>\$ 172,834</b>

The independent auditors' report and the accompanying notes are an integral part of these consolidated financial statements.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2018 and 2017

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

#### **Nature of the Organization**

Southeast Community Development Corporation (Organization) is a nonprofit 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 state law:

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

During 2013, WSE received a 99.9% Limited Partner interest in BNLP. 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.

The balances of BNLP reflected in WSE are as of December 31, 2017, the entity's year end.

#### **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.

#### **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.

***Community Schools*** - the community school program establishes partnerships to provide extra enrichment and supportive services to children and families in K-8 schools in southeast Baltimore.

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

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**June 30, 2018 and 2017**

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

**Basis of Accounting**

The accompanying consolidated 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 above. All material intercompany investments, advances and transactions have been eliminated in consolidation.

**Use of Estimates in Preparing Consolidated Financial Statements**

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

**Cash and Cash Equivalents**

For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three (3) months or less to be cash equivalents. At June 30, 2018 and 2017, cash and cash equivalents are composed of demand deposits and time deposits.

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

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**June 30, 2018 and 2017**

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

**Grants and Accounts Receivable - Fiscal Agent**

The majority of the grants received by the Organization are from government agencies or private foundations. Grants receivable may reflect costs that had not been reimbursed as of fiscal year end or direct grants not yet received. Accounts receivable - fiscal agent represents money not yet received from government agencies that will be used for specific projects. The Organization uses the direct write-off method and has concluded that all receivable balances are collectible as of the consolidated statements 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.

**Debt Issuance Costs - BNLP**

Debt issuance costs 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. Accumulated amortization for the years ended June 30, 2018 and 2017 was \$9,855 and \$9,358, respectively. Amortization expense was \$497 for each of the years ended June 30, 2018 and 2017. Amortization expense is expected to be \$497 per year for each of the next five (5) years.

**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 that is purchased is carried at cost. Property and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets, which range from five (5) to forty (40) years. Furniture and equipment purchases in excess of \$1,000 are generally capitalized.

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

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**June 30, 2018 and 2017**

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

The major classifications of property and equipment as of June 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>	<u>Useful Life</u>
Land	\$ 106,631	\$ 106,631	
Buildings	3,108,822	3,108,822	40 Years
Furniture and Equipment	122,138	119,741	5 to 7 Years
Total Property and Equipment	<b>3,337,591</b>	<b>3,335,194</b>	
Less: Accumulated Depreciation	(1,106,293)	(1,019,779)	
TOTAL	<b>\$ 2,231,298</b>	<b>\$ 2,397,730</b>	

Depreciation expense was \$86,514 and \$86,543 for the years ended June 30, 2018 and 2017, 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.

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 (2) properties in the Highlandtown area.

**Donated Services**

The Organization records donated services if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no such services for the years ended June 30, 2018 and 2017.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2018 and 2017

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

#### **Expense Allocation**

The cost of providing various programs and other activities has been summarized on a functional basis in the consolidated statements of activities and in the consolidated 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.

#### **Revenue Recognition**

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 net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

Revenue from government grants is recognized on the basis of allowable direct and indirect costs incurred. Revenue from government grants earned but not collected by year-end is reported as grants receivable in the accompanying statement of financial position. Conversely, revenue received in advance of incurring allowable direct and indirect costs is reported as deferred revenue in the accompanying statement of financial position.

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 a nonprofit Organization and is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes is reflected in the consolidated financial statements. 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 consolidated financial statements since taxable income or loss deduction and credits pass through to, and are reportable by, the partners on their respective tax returns.

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

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**June 30, 2018 and 2017**

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

**Income Tax Uncertainties**

The Organization's evaluation at June 30, 2018 revealed no uncertain tax positions that would have a material impact on the consolidated financial statements.

The June 30, 2015 through June 30, 2017 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 consolidated financial statements.

**Advertising**

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2018 and 2017 amounted \$18,230 and \$8,384, respectively.

**FASB ASC No. 360**

Statement of Financial Accounting Standards Codification (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.

**Investments**

Investments in money market funds and marketable securities are reported at their fair market values based upon published quotations. Investments for which the fair market values are not readily determinable are recorded at cost or, if received as contribution, at their fair market value as determined at the time of gift. Gains and losses on investments for the year are reported in the statements of activities as part of investment income.



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

---

**June 30, 2018 and 2017**

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

**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 August 28, 2019, 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, ETFs 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, 2018 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 40,325	\$ -	\$ -	\$ 40,325
Corporate Stocks	722,121	-	-	722,121
ETFs	61,330	-	-	61,330
Fixed Income	360,034	-	-	360,034
	<u>\$ 1,183,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183,810</u>

Assets measured at fair value on a recurring basis at June 30, 2017 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 89,199	\$ -	\$ -	\$ 89,199
Corporate Stocks	587,785	-	-	587,785
Fixed Income	395,700	-	-	395,700
	<u>\$ 1,072,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,072,684</u>

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

---

**June 30, 2018 and 2017**

---

**Note 2: Investments (Continued)**

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

	<b>June 30, <u>2018</u></b>	<b>June 30, <u>2017</u></b>
Interest and Dividends	\$ 29,523	\$ 31,793
Realized Gains (Losses), Net	107,571	72,083
Unrealized Gains (Losses), Net	(20,178)	6,075
Investment Fees	<u>(5,610)</u>	<u>(5,467)</u>
<b>TOTAL</b>	<b><u>\$ 111,306</u></b>	<b><u>\$ 104,484</u></b>

**Note 3: Concentration of Credit Risk**

At various times during the year, the Organization maintained a cash balance in one (1) financial institution in excess of \$250,000, the limit of federal insurance per institution. 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 - BNLN**

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

On December 30, 1996, BNLN entered into a loan agreement with CDA. Under the terms of the loan agreement, BNLN 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.

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

**June 30, 2018 and 2017**

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

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. 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, 2017 and 2016, the balance on the mortgage was \$251,797. Interest expense for 2017 and 2016 amounted to \$2,518.

Debt issuance costs are reported on the statements of financial position as a direct deduction from the face amount of debt.

	June 30,	
	2018	2017
Principal Amount	\$ 251,797	\$ 251,797
Less: Unamortized Debt Less Unamortized Issuance Costs	10,020	10,517
Long-Term Debt Less Unamortized Issuance Costs	\$ 241,777	\$ 241,280

The Organization reflects amortization of debt issuance costs as interest expense.

This change had no effect on previously-reported earnings or net assets.

Under agreements with the mortgage lender and DHCD, the Organization 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.

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

---

**June 30, 2018 and 2017**

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

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

On December 30, 1996, BNLN 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, BNLN 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, 2017 and 2016, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. As of December 31, 2017 and 2016, the deferred accrued interest under this loan amounted to \$1,284,578 and \$1,175,685, respectively. Interest expense for 2017 and 2016 amounted to \$110,713 and \$105,520, respectively, which includes \$497 of debt issuance cost amortization each year. 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.

**Note 5: Mortgage Payable and Lines-of-Credit**

The Organization took out a term mortgage loan from M&T Bank in August 2014 for \$250,000. The loan is secured by the underlying property. The interest rate is 5.39% with a ten (10) year term. Monthly payments are \$2,709.36. Future minimum payments are as follows:

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

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**June 30, 2018 and 2017**

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**Note 5: Mortgage Payable and Line-of-Credit (Continued)**

<u>June 30,</u>		
2019	\$	23,830
2020		25,146
2021		26,574
2022		28,063
2023		29,636
Thereafter		<u>36,421</u>
 TOTAL	 \$	 <u>169,670</u>

Also in August 2014, the Organization established a line-of-credit for \$100,000 with M&T Bank. The rate is one and one-half (1.5%) percent over prime rate. The line is secured by all assets of the Organization. The balance on the line-of-credit at June 30, 2018 and 2017 was \$90,081 and \$90,081, respectively and is due on demand.

In November 2016, the Organization established a line of credit for \$400,000 with Old Line Bank. The rate is variable and was six (6%) percent at June 30, 2018. The line is secured by all assets of the Organization. The balance on the line-of-credit at June 30, 2018 and 2017 was \$100,000 and \$-0-, respectively and is due on demand.

**Note 6: Lease Expense**

The Organization leased office space under an operating lease prior to moving into the office space they now own and developed. Rent expense for the years ended June 30, 2018 and 2017 was \$3,897 and \$3,222, respectively. The previous lease is no longer in existence.

The Organization also leases a copier under a sixty (60) month lease that expires in March 2019. Future minimum payments are as follows:

June 30,		
2019	\$	1,185

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

**June 30, 2018 and 2017**

**Note 7: 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 years ended June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
<b><u>Federal Government</u></b>		
Community Development Block Grant	\$ 113,380	\$ 115,662
Housing and Urban Development	40,231	55,599
	153,611	171,261
<b><u>State Government</u></b>		
DHCD - HC	83,000	82,632
DHCD - NFMC	13,000	-
DHCD - TAG	13,000	-
DHCD - Project Core	3,500	-
BRNI Community Projects	688,772	128,109
BRNI Operating	100,000	125,000
Pass through City of Baltimore - CAMP	9,600	-
	910,872	335,741
<b><u>County Government</u></b>		
Baltimore County	-	18,644
TOTAL	\$ 1,064,483	\$ 525,646

**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 2017 and 2016. The agreement has been approved by DHCD and remains in effect until termination by, or with the consent of, DHCD.

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

**June 30, 2018 and 2017**

**Note 9: Grants Receivable**

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

	<b>June 30, <u>2018</u></b>	<b>June 30, <u>2017</u></b>
Baltimore Community Foundation	\$ -	\$ 50,000
State of Maryland	314,325	59,262
HomeFree	37,887	27,000
DHCD Housing Counseling Fund	41,500	41,316
Baltimore Development Corporation	6,250	6,250
Enterprise Community Partners	-	12,414
Highlandtown Elementary	-	1,394
Abell Foundation	22,500	24,000
Healthy Neighborhoods, Inc.	28,917	25,338
Baltimore City Schools	-	5,705
Baltimore Equitable Insurance	30,000	-
NFMC	13,000	-
Mayor and City Council	113,380	13,138
Banner Neighborhoods Community Corp	2,610	-
PNC	5,000	-
Johns Hopkins University	-	62,500
Chesapeake Bay Trust	2,631	30,000
John Rurah Elementary/Middle School	20,200	20,000
Family League of Baltimore	44,525	20,406
TOTAL	<b>\$ <u>682,725</u></b>	<b>\$ <u>398,723</u></b>

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

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**June 30, 2018 and 2017**

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**Note 10: Refundable Advances**

The Organization received advances from various sources that have not been expended as of June 30, 2018. Such funds are expected to be used during the coming fiscal year. Unearned revenue as of June 30, 2018 totalled \$173,606.

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

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.

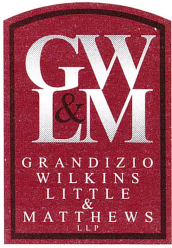
**Note 12: Current Vulnerability Due to Certain Concentrations - BNL**

BNLP's sole asset is its rental housing project. BNL's operations are concentrated in the multifamily real estate market. In addition, BNL operates in a heavily regulated environment. The operations of BNL 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 13: Reclassification**

Certain amounts in the current year financial statements have been reclassified for comparative purposes to confirm with the presentation in the current year financial statements.





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Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT ON CONSOLIDATING INFORMATION

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

We have audited the consolidated financial statements of Southeast Community Development Corporation and Subsidiaries as of and for the years ended June 30, 2018 and 2017, and our report thereon dated August 28, 2019, which expressed 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 in the statements 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 entities, 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 entities.

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*

Grandizio, Wilkins, Little & Matthews, LLP  
August 28, 2019

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

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

**June 30, 2018**

	<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	\$ 72,981	\$ -	\$ 20,199	\$ -	\$ -	\$ 93,180
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$43,270)	-	-	39,434	-	-	39,434
Accounts Receivable - Other	5,643	-	-	-	-	5,643
Grants Receivable	682,725	-	-	-	-	682,725
Investments	1,183,810	-	-	-	-	1,183,810
Prepaid Expenses	5,008	-	4,284	-	-	9,292
Loans Receivable	3,017	-	-	-	-	3,017
Security Deposits	854	-	21,585	-	-	22,439
Mortgage Escrow Deposits and Funded Reserves	-	-	73,209	-	-	73,209
<b>TOTAL CURRENT ASSETS</b>	<b><u>1,954,038</u></b>	<b><u>-</u></b>	<b><u>158,711</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,112,749</u></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	73,347	-	48,791	-	-	122,138
Less: Accumulated Depreciation	(83,336)	(160,599)	(862,358)	-	-	(1,106,293)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b><u>170,605</u></b>	<b><u>1,079,090</u></b>	<b><u>981,603</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,231,298</u></b>
<b>OTHER ASSETS</b>						
Development Costs	314,855	-	-	-	-	314,855
Investments	147,804	-	-	97,727	(245,531)	-
<b>TOTAL OTHER ASSETS</b>	<b><u>462,659</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>97,727</u></b>	<b><u>(245,531)</u></b>	<b><u>314,855</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 2,587,302</u></b>	<b><u>\$ 1,079,090</u></b>	<b><u>\$ 1,140,314</u></b>	<b><u>\$ 97,727</u></b>	<b><u>\$ (245,531)</u></b>	<b><u>\$ 4,658,902</u></b>

See independent auditors' report on consolidating information.

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

**June 30, 2018**

	<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 LIABILITIES</b>						
Accounts Payable	\$ 173,245	\$ -	\$ 2,806	\$ -	\$ -	\$ 176,051
Prepaid Rents	-	-	483	-	-	483
Accrued Salaries, Wages and Taxes	39,479	-	-	-	-	39,479
Fiscal Agent Liability	14,431	-	-	-	-	14,431
Refundable Advances	173,606	-	-	-	-	173,606
Tenants' Security Deposits (Contra)	-	-	24,330	-	-	24,330
Line-of-Credit	190,081	-	-	-	-	190,081
Mortgage Payable - Current	23,830	-	-	-	-	23,830
<b>TOTAL CURRENT LIABILITIES</b>	<b>614,672</b>	<b>-</b>	<b>27,619</b>	<b>-</b>	<b>-</b>	<b>642,291</b>
<b>LONG-TERM LIABILITIES (Rental Property)</b>						
Mortgage Payable	145,840	-	-	-	-	145,840
Mortgages Payable - BNLPP	-	-	701,797	-	-	701,797
Debt Issuance Costs (Net of Accumulated Amortization of \$9,855)	-	-	(10,020)	-	-	(10,020)
Other Loans and Notes Payable - BNLPP	-	-	50,000	-	-	50,000
Accrued Interest Payable	-	-	1,302,204	-	-	1,302,204
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>145,840</b>	<b>-</b>	<b>2,043,981</b>	<b>-</b>	<b>-</b>	<b>2,189,821</b>
<b>TOTAL LIABILITIES</b>	<b>760,512</b>	<b>-</b>	<b>2,071,600</b>	<b>-</b>	<b>-</b>	<b>2,832,112</b>
<b>NET ASSETS/EQUITY (DEFICIT)</b>						
Unrestricted Net Assets	1,826,790	-	-	-	-	1,826,790
Partners' Equity (Deficit)	-	1,079,090	(931,286)	97,727	(245,531)	-
<b>TOTAL NET ASSETS/EQUITY (DEFICIT)</b>	<b>1,826,790</b>	<b>1,079,090</b>	<b>(931,286)</b>	<b>97,727</b>	<b>(245,531)</b>	<b>1,826,790</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,587,302</b>	<b>\$ 1,079,090</b>	<b>\$ 1,140,314</b>	<b>\$ 97,727</b>	<b>\$ (245,531)</b>	<b>\$ 4,658,902</b>

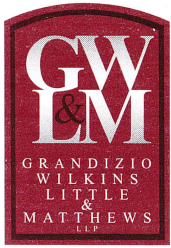
See independent auditors' report on consolidating information.

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2018**

	<b>Southeast Community Development Corporation</b>	<b>3323 Eastern Avenue, LLC</b>	<b>Wolfe Street Enterprises, LLC</b>	<b>Wolfe Street Development Company</b>	<b>Intercompany Eliminations</b>	<b>Total</b>
<b>SUPPORT AND REVENUES</b>						
Grants from Government Agencies	\$ 1,064,483	\$ -	\$ -	\$ -	\$ -	1,064,483
Other Grants	589,277	-	-	-	-	589,277
Contributions	266,355	-	-	-	-	266,355
Rental Income	5,400	-	170,288	-	-	175,688
Housing Counseling	36,586	-	-	-	-	36,586
Events Income	11,335	-	-	-	-	11,335
Other Income	67	-	-	-	-	67
Investment Return	111,127	-	179	-	-	111,306
<b>TOTAL SUPPORT AND REVENUES</b>	<b><u>2,084,630</u></b>	<b><u>-</u></b>	<b><u>170,467</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,255,097</u></b>
<b>EXPENSES</b>						
Program Expenses						
Main Street	221,657	-	-	-	-	221,657
Healthy Neighborhood	1,461,257	30,992	314,580	-	-	1,806,829
Housing Counseling	416,556	-	-	-	-	416,556
Total Program Expenses	2,099,470	30,992	314,580	-	-	2,445,042
Management and General	52,421	-	-	-	-	52,421
<b>TOTAL EXPENSES</b>	<b><u>2,151,891</u></b>	<b><u>30,992</u></b>	<b><u>314,580</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,497,463</u></b>
<b>OTHER INCOME (EXPENSES)</b>						
Investment Income (Loss) From Private Company	(175,105)	-	-	(144)	175,249	-
<b>CHANGES IN NET ASSETS AND PARTNERS' EQUITY (DEFICIT)</b>	<b>(242,366)</b>	<b>(30,992)</b>	<b>(144,113)</b>	<b>(144)</b>	<b>175,249</b>	<b>(242,366)</b>
Net Assets - Beginning of Year	2,069,156	-	-	-	-	2,069,156
Partners' Equity (Deficit) - Beginning of Year	-	1,110,082	(787,173)	97,871	(420,780)	-
<b>UNRESTRICTED NET ASSETS - END OF YEAR</b>	<b><u>\$ 1,826,790</u></b>	<b><u>\$ 1,079,090</u></b>	<b><u>\$ (931,286)</u></b>	<b><u>\$ 97,727</u></b>	<b><u>\$ (245,531)</u></b>	<b><u>\$ 1,826,790</u></b>

See independent auditors' report on consolidating information.



Certified Public Accountants

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## INDEPENDENT AUDITORS' 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, 2018, 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 August 28, 2019.

### **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.

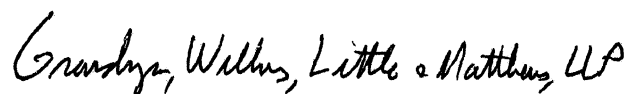
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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  
August 28, 2019