

**SOUTHEAST COMMUNITY
DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2019 AND 2018

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION
AND SUBSIDIARIES**

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For the Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT ON 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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, 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, 2018, and we expressed an unmodified audit opinion on that audited consolidated statement of functional expenses in our report dated August 28, 2019. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2018, 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 May 19, 2020 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.

Effect of Adopting New Accounting Standard

As discussed in Note 1, Southeast Community Development Corporation and Subsidiaries adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.



Grandizio, Wilkins, Little & Matthews, LLP
May 19, 2020

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of June 30,	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 178,765	\$ 93,180
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$43,270)	48,257	39,434
Accounts Receivable - Fiscal Agent	157,190	-
Accounts Receivable - Other	9,631	5,643
Grants Receivable	536,490	682,725
Investments	1,358,536	1,183,810
Prepaid Expenses	10,497	9,292
Accrued Interest and Dividends Receivable on Investments	13,396	-
Loans Receivable	10,816	3,017
Security Deposits	26,665	22,439
Mortgage Escrow Deposits and Funded Reserves	<u>84,486</u>	<u>73,209</u>
TOTAL CURRENT ASSETS	<u>2,434,729</u>	<u>2,112,749</u>
PROPERTY AND EQUIPMENT		
Land	106,631	106,631
Buildings	3,135,385	3,110,644
Furniture and Equipment	121,989	120,316
Less: Accumulated Depreciation	<u>(1,191,488)</u>	<u>(1,106,293)</u>
NET PROPERTY AND EQUIPMENT	<u>2,172,517</u>	<u>2,231,298</u>
OTHER ASSETS		
Development Costs	<u>314,855</u>	<u>314,855</u>
TOTAL ASSETS	<u>\$ 4,922,101</u>	<u>\$ 4,658,902</u>

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

As of June 30,	2019	(As Restated) 2018
LIABILITIES		
CURRENT LIABILITIES		
Accounts Payable	\$ 166,098	\$ 176,051
Prepaid Rents	2,095	483
Accrued Salaries, Wages and Taxes	32,637	39,479
Tenants' Security Deposits (Contra)	29,128	24,330
Line-of-Credit	184,501	190,081
Fiscal Agent Liability	157,190	14,431
Mortgage Payable - Current	<u>25,146</u>	<u>23,830</u>
TOTAL CURRENT LIABILITIES	<u>596,795</u>	<u>468,685</u>
LONG-TERM LIABILITIES (Rental Property)		
Mortgage Payable	120,694	145,840
Mortgages Payable - BNL	701,797	701,797
Debt Issuance Costs (Net of Accumulated Amortization of \$10,352 and \$9,855, Respectively)	(9,523)	(10,020)
Other Loans and Notes Payable - BNL	50,000	50,000
Accrued Interest Payable	<u>1,410,681</u>	<u>1,302,204</u>
TOTAL LONG-TERM LIABILITIES	<u>2,273,649</u>	<u>2,189,821</u>
TOTAL LIABILITIES	2,870,444	2,658,506
NET ASSETS		
Without Donor Restrictions	<u>2,051,657</u>	<u>2,000,396</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,922,101</u>	<u>\$ 4,658,902</u>

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

For the Years Ended June 30,	2019	(As Restated) 2018
WITHOUT DONOR RESTRICTIONS		
SUPPORT AND REVENUES		
Grants from Government Agencies	\$ 993,794	\$ 1,154,853
Other Grants	713,117	672,513
Contributions	366,535	266,355
Rental Income	186,362	175,688
Housing Counseling	29,165	36,586
Events Income	11,039	11,335
Other Income	153	67
Investment Return, Net	<u>189,919</u>	<u>111,306</u>
TOTAL SUPPORT AND REVENUES	<u>2,490,084</u>	<u>2,428,703</u>
EXPENSES		
Program Expenses		
Community Development	1,727,754	1,713,906
Homeownership/ Financial Stability	378,923	416,556
Rental Properties Expenses	<u>286,062</u>	<u>314,580</u>
Total Program Expenses	2,392,739	2,445,042
Management and General	<u>46,084</u>	<u>52,421</u>
TOTAL EXPENSES	<u>2,438,823</u>	<u>2,497,463</u>
CHANGE IN NET ASSETS	51,261	(68,760)
Net Assets - Beginning of Year	<u>2,000,396</u>	<u>2,069,156</u>
NET ASSETS - END OF YEAR	<u>\$ 2,051,657</u>	<u>\$ 2,000,396</u>

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, 2019 (With Comparative Summarized Total For the Year Ended June 30, 2018)

	Community Development		Homeownership/	Total	Management	June 30,	Summarized
	Community	Broadway North	Financial	Program	and	2019	Total
	<u>Development</u>	<u>Partnership</u>	<u>Stability</u>	<u>Expenses</u>	<u>General</u>	<u>Total</u>	<u>June 30, 2018</u>
Salaries, Wages and Related Taxes	\$ 588,772	\$ -	\$ 257,619	\$ 846,391	\$ 15,894	\$ 862,285	\$ 912,840
Depreciation and Amortization	31,352	42,213	11,031	84,596	600	85,196	100,014
Contract Labor	4,000	-	8,391	12,391	-	12,391	16,715
Equipment Expense	34	-	9,184	9,218	-	9,218	6,941
Fringe Benefits	43,610	-	13,839	57,449	349	57,798	54,083
Insurance	6,394	9,885	3,197	19,476	-	19,476	16,225
Meetings and Conference	1,922	-	7,303	9,225	128	9,353	7,583
Office Expense	1,408	238	4,408	6,054	-	6,054	1,150
Professional Fees	21,568	10,353	13,884	45,805	7,791	53,596	44,331
Supplies	1,169	4,751	3,664	9,584	-	9,584	26,298
Advertising, Marketing and Promotion	13,945	-	2,983	16,928	-	16,928	18,230
Dues	4,478	-	1,406	5,884	-	5,884	8,080
Travel	815	-	101	916	-	916	58
Miscellaneous Expense	1,794	3,466	2,076	7,336	519	7,855	5,120
Printing	2,460	-	7,256	9,716	-	9,716	7,673
Rent	-	2,816	250	3,066	-	3,066	3,897
Property Maintenance	24,725	-	15,928	40,653	-	40,653	36,201
Staff Development	7,446	-	4,418	11,864	-	11,864	9,140
Telephone	6,449	-	5,455	11,904	-	11,904	11,296
Utilities	13,502	2,576	5,067	21,145	-	21,145	20,243
Community Development	951,911	15,433	1,463	968,807	-	968,807	976,744
Management Fees	-	5,100	-	5,100	-	5,100	5,100
Interest Expense	-	123,139	-	123,139	20,803	143,942	129,008
Contracts	-	57,010	-	57,010	-	57,010	71,086
Taxes	-	9,082	-	9,082	-	9,082	9,407
TOTAL FUNCTIONAL EXPENSES	\$ 1,727,754	\$ 286,062	\$ 378,923	\$ 2,392,739	\$ 46,084	\$ 2,438,823	\$ 2,497,463

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

For the Years Ended June 30,	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grants and Other Support	\$ 2,565,373	\$ 2,320,123
Cash Paid to Providers and Support Services	(2,467,552)	(2,420,433)
Interest Received	28,259	29,532
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	126,080	(70,778)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Furniture and Equipment	-	(2,397)
Purchase of Investments	(215,740)	(465,566)
Sale of Investments	215,962	334,262
(Increase) Decrease in Development Costs	-	40,000
(Increase) Decrease in Intangible Assets	-	13,500
(Increase) Decrease in Escrow Deposits and Reserves	(11,277)	(6,110)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	(11,055)	(86,311)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgages	(23,830)	(22,565)
Advances (Payments) on Line-of-Credit	(5,610)	100,000
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(29,440)	77,435
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	85,585	(79,654)
Cash and Cash Equivalents - Beginning of Year	93,180	172,834
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 178,765	\$ 93,180

SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

Purchase of improvements through a \$26,415 trade account.

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

June 30, 2019 and 2018

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, 2018, the entity's year end.

3323 Eastern Avenue, LLC

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

Program Descriptions

Homeownership/ Financial Stability - offers comprehensive housing counseling services including: pre purchase, foreclosure, reverse mortgage and financial coaching to help existing residents obtain and maintain homeownership.

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

June 30, 2019 and 2018

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

Program Descriptions (Continued)

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

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 two (2) classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Principles of Consolidation

The consolidated financial statements include the accounts of Southeast Community Development Corporation and its 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. 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, 2019 and 2018, cash and cash equivalents are composed of demand deposits and time deposits.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

Grants and Accounts Receivable - Other

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. 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 and Bad Debts - BNLP

Accounts receivable represents amounts due from tenants. Management reviews accounts receivable on an annual basis to determine whether an allowance for uncollectible accounts is necessary. For each of the years ended December 31, 2018 and 2017, the allowance for doubtful accounts was \$43,270.

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 December 31, 2018 and 2017 was \$10,352 and \$9,855, respectively. 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 net assets with donor restrictions to net assets without donor restrictions 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

June 30, 2019 and 2018

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

The major classifications of property and equipment as of June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>	<u>Useful Life</u>
Land	\$ 106,631	\$ 106,631	
Buildings	3,135,385	3,108,822	40 Years
Furniture and Equipment	121,989	122,138	5 to 7 Years
Total Property and Equipment	<u>3,364,005</u>	<u>3,337,591</u>	
Less: Accumulated Depreciation	<u>(1,191,488)</u>	<u>(1,106,293)</u>	
TOTAL	<u><u>\$ 2,172,517</u></u>	<u><u>\$ 2,231,298</u></u>	

Depreciation expense was \$85,196 and \$86,514 for the years ended June 30, 2019 and 2018, respectively.

Development Costs

The Organization is involved in development of the first floor of its building.

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, 2019 and 2018.

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 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 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

June 30, 2019 and 2018

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

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 net assets without donor restrictions 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 net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

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.

Advertising

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2019 and 2018 amounted \$16,928 and \$18,230, respectively.

Investments

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

Income Tax Uncertainties

The Organization's evaluation at June 30, 2019 revealed no uncertain tax positions that would have a material impact on the consolidated financial statements.

The June 30, 2016 through June 30, 2018 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.

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.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Non-for Profit Entities* (Topic 958), which is effective for fiscal years beginning after December 15, 2017, with early application of the amendments in the update permitted. The main provisions of the update require: a) the presentation of two (2) classes of net assets, rather than three (3), b) enhanced disclosures about board designations, composition of net assets with donor restrictions and how the restrictions affect the use of resources, qualitative information about how the Organization manages its liquid resources, quantitative information that communicates the availability of financial assets at the date of the statements of financial position, information about the amount of expenses by both their natural and functional classification, and c) report investment return, net of expenses. Such adoption is applied retrospectively for all periods presented.

A key change required by ASU 2016-14 are the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. All of the net assets of the Organization are without donor restrictions.

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 May 19, 2020, the date the Organization's consolidated financial statements were available to be issued. There were no events or transactions, except for those disclosed in Note 19, that occurred during the period that materially impacted the amounts or disclosures in the Organization's consolidated financial statements.

Note 2: Concentration of Credit Risk

At various times during the year, the Organization maintained a cash balance in three (3) financial institutions 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.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 3: Investments

The Organization invests in equities, ETFs, agency securities and corporate bonds. 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, except for cash and money market, whose cost approximates fair value.

Assets measured at fair value on a recurring basis at June 30, 2019 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Money Market	\$ 59,523	\$ -	\$ -	\$ 59,523
Equities	826,573	-	-	826,573
ETFs	74,404	-	-	74,404
Agency Securities	51,302	-	-	51,302
Corporate Bonds	<u>346,734</u>	<u>-</u>	<u>-</u>	<u>346,734</u>
TOTAL	<u>\$ 1,358,536</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,358,536</u>

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
Equities	722,121	-	-	722,121
ETFs	61,330	-	-	61,330
Corporate Bonds	<u>360,034</u>	<u>-</u>	<u>-</u>	<u>360,034</u>
TOTAL	<u>\$ 1,183,810</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,183,810</u>

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

	<u>June 30,</u> <u>2019</u>	<u>June 30,</u> <u>2018</u>
Interest and Dividends	\$ 33,414	\$ 29,523
Realized Gains (Losses), Net	22,883	107,571
Unrealized Gains (Losses), Net	139,757	(20,178)
Investment Fees	<u>(6,135)</u>	<u>(5,610)</u>
INVESTMENT RETURN, NET	<u>\$ 189,919</u>	<u>\$ 111,306</u>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 4: Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the date of the consolidated statements of financial position.

	June 30,	
	2019	2018
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 178,765	\$ 93,180
Accounts Receivable	57,888	45,077
Accrued Interest Receivable	13,396	-
Grants Receivable	536,490	682,725
Investments	<u>1,358,536</u>	<u>1,183,810</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One (1) Year	<u>\$ 2,145,075</u>	<u>\$ 2,004,792</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 5: Restricted Deposits and Funded Reserves

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. As of December 31, 2018 and 2017, the balance in the operating reserve was \$38,666 and \$38,525, respectively.

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. In April 2015, the monthly deposit was increased to \$725. The funds can only be released upon the approval of DHCD. As of December 31, 2018 and 2017, the balance in the replacement reserve was \$33,832 and \$24,835, respectively.

Mortgage escrow deposits amounted to \$11,988 and \$9,849 as of December 31, 2018 and 2017, respectively.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 6: Tenants' Security Deposits - Funded

Tenants' security deposits are segregated into a separate bank account, in order to comply with state law.

Note 7: Grants Receivable

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

	June 30, <u>2019</u>	June 30, <u>2018</u>
State of Maryland	\$ 86,729	\$ 314,325
HomeFree	26,000	37,887
DHCD Housing Counseling Fund	38,250	41,500
Baltimore Development Corporation	13,750	6,250
Birdland Community Heroes	2,500	-
Goldseker	20,000	-
Abell Foundation	-	22,500
Healthy Neighborhoods, Inc.	20,000	28,917
Baltimore Equitable Insurance	-	30,000
NFMC	-	13,000
Mayor and City Council	124,020	113,380
Banner Neighborhoods Community Corp	21,648	2,610
PNC	-	5,000
Johns Hopkins University	110,093	-
Chesapeake Bay Trust	7,500	2,631
John Rurah Elementary/Middle School	-	20,200
Family League of Baltimore	<u>66,000</u>	<u>44,525</u>
TOTAL	\$ <u>536,490</u>	\$ <u>682,725</u>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 8: 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 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, 2018 and 2017, the balance on the mortgage was \$251,797. As of December 31, 2018 and 2017, the accrued interest under this loan amounted to \$5,979 and \$17,626, respectively. Interest expense for both 2018 and 2017 amounted to \$2,518.

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

	June 30,	
	2019	2018
Principal Amount	\$ 251,797	\$ 251,797
Less: Unamortized Debt Less Unamortized Issuance Costs	<u>9,523</u>	<u>10,020</u>
Long-Term Debt Less Unamortized Issuance Costs	<u><u>\$ 242,274</u></u>	<u><u>\$ 241,777</u></u>

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

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, 2019 and 2018

Note 8: Long-Term Debt - BNLP (Continued)

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, 2018 and 2017, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. As of December 31, 2018 and 2017, the accrued interest under this loan amounted to \$1,404,702 and \$1,284,578, respectively. Interest expense for 2018 and 2017 amounted to \$120,621 and \$110,713, 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 9: 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 both 2018 and 2017. 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, 2019 and 2018

Note 10: 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 (10) year term. Monthly payments are \$2,709.36. Future minimum payments are as follows:

<u>June 30,</u>	
2020	\$ 25,146
2021	26,574
2022	28,063
2023	29,636
2024	31,294
Thereafter	<u>5,127</u>
TOTAL	<u>\$ 145,840</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 percent (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, 2019 and 2018 was \$85,501 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 and one-half percent (6.5%) at June 20, 2019. The line is secured by all assets of the Organization. The balance on the line-of-credit at June 30, 2019 and 2018 was \$99,000 and \$100,000, respectively, and is due on demand.

Note 11: Functional Allocation of Expenses

The costs 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. Certain categories of expenses are attributable to program and support functions. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Such allocated expenses include salaries, wages and related taxes, fringe benefits, depreciation and amortization. Salaries, wages and related taxes, and fringe benefits are allocated based on estimates of time and effort. Depreciation and amortization are allocated based on estimated use of property and equipment by category of operations.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 12: 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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Federal Government</u>		
Community Development Block Grant	\$ 119,220	\$ 113,380
Housing and Urban Development	<u>19,103</u>	<u>40,231</u>
TOTAL	<u>138,323</u>	<u>153,611</u>
<u>State Government</u>		
DHCD - HC	-	83,000
DHCD - NFMC	-	13,000
DHCD - TAG	-	13,000
DHCD – Project Core	-	3,500
DHCD – MHCF	51,000	-
BRNI Community Projects	691,074	688,772
BRNI Operating	100,000	100,000
Pass through City of Baltimore - CAMP	<u>-</u>	<u>9,600</u>
TOTAL	<u>842,074</u>	<u>910,872</u>
<u>County Government</u>		
Baltimore County	<u>13,397</u>	<u>-</u>
TOTAL	<u><u>\$ 993,794</u></u>	<u><u>\$ 1,064,483</u></u>

Note 13: Reclassification

Certain amounts in the 2018 consolidated financial statements have been reclassified for comparative purposes to conform with the 2019 presentation.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 14: Lease Expense

The Organization leased office space under an operating lease prior to moving into the office space they now own and develop. Rent expense for the years ended June 30, 2019 and 2018 was \$3,066 and \$3,897, respectively. The previous lease is no longer in existence.

The Organization also leases a copier under a sixty-three (63) months lease that expires in January 2024. Future minimum payments are as follows:

<u>June 30,</u>	
2020	\$ 12,459
2021	12,459
2022	12,459
2023	12,459
2024	7,268
TOTAL	<u><u>\$ 57,104</u></u>

Note 15: 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 16: Current Vulnerability Due to Certain Concentrations - BNLP

BNLP's primary asset is its seventeen (17) unit 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.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 17: Prior Period Adjustment

During 2019, it was discovered that certain 2018 transactions were reported as exchange transactions rather than revenue. Therefore, refundable advances of \$173,606 that were previously reported on the consolidated statements of financial position are now included with revenue on the consolidated statements of activities. As a result, 2018 total support and revenues, change in net assets, and net assets end of year each increased by \$173,606 and liabilities decreased by \$173,606, as shown following.

	<u>As Previously Stated</u>	<u>Change</u>	<u>As Restated</u>
Total Current Liabilities	\$ 642,291	\$ (173,606)	\$ 468,685
Total Liabilities	\$ 2,832,112	\$ (173,606)	\$ 2,658,506
Net Assets	\$ 1,826,790	\$ 173,606	\$ 2,000,396
Grants from Government Agencies	\$ 1,064,483	\$ 90,370	\$ 1,154,853
Other Grants	589,277	83,236	672,513
Total Support and Revenue	<u>\$ 2,255,097</u>	<u>\$ 173,606</u>	<u>\$ 2,428,703</u>
Change in Net Assets	<u>\$ (242,366)</u>	<u>\$ 173,606</u>	<u>\$ (68,760)</u>

Note 18: Fiscal Agent Accounts Receivable and Liability

In July, 2015 the Organization entered into a fiscal agent liability agreement with Casa de Maryland as a grant consultant for community revitalization funding sources, and to assist in process of obtaining funds for a purchase and renovation of its Baltimore headquarters. Related fiscal agent receivable and liability amounted to \$157,190 and \$-0- as of June 30, 2019 and 2018, respectively.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2019 and 2018

Note 19: Subsequent Events

C.A.R.E Housing Initiative Loan Funds

In August, 2019 the Organization received \$315,197 from the Reinvestment Fund. The proceeds were a result of a grant that supported a developer in the C.A.R.E. Neighborhood. The developer went bankrupt and the State of Maryland authorized the Organization to retain the funds to support future home development in the Southeast CDC focus area.

COVID-19

The COVID-19 outbreak is disrupting business operations across a range of industries. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our grantors, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.



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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, 2019 and 2018, and our report thereon dated May 19, 2020, 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 on pages 23 through 24 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 changes in net assets 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
May 19, 2020

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
CURRENT ASSETS						
Cash and Cash Equivalents	\$ 138,900	\$ -	\$ 39,865	\$ -	\$ -	\$ 178,765
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$43,270)	-	-	48,257	-	-	48,257
Accounts Receivable - Fiscal Agent	157,190	-	-	-	-	157,190
Accounts Receivable - Other	9,631	-	-	-	-	9,631
Grants Receivable	536,490	-	-	-	-	536,490
Investments	1,358,536	-	-	-	-	1,358,536
Prepaid Expenses	6,213	-	4,284	-	-	10,497
Accrued Interest and Dividends Receivable on Investments	13,396	-	-	-	-	13,396
Loans Receivable	10,816	-	-	-	-	10,816
Security Deposits	854	-	25,811	-	-	26,665
Mortgage Escrow Deposits and Funded Reserves	-	-	84,486	-	-	84,486
TOTAL CURRENT ASSETS	<u>2,232,026</u>	<u>-</u>	<u>202,703</u>	<u>-</u>	<u>-</u>	<u>2,434,729</u>
PROPERTY AND EQUIPMENT						
Land	-	-	106,631	-	-	106,631
Buildings	180,594	1,239,689	1,715,102	-	-	3,135,385
Furniture and Equipment	75,020	-	46,969	-	-	121,989
Less: Accumulated Depreciation	(95,326)	(191,591)	(904,571)	-	-	(1,191,488)
TOTAL PROPERTY AND EQUIPMENT	<u>160,288</u>	<u>1,048,098</u>	<u>964,131</u>	<u>-</u>	<u>-</u>	<u>2,172,517</u>
OTHER ASSETS						
Development Costs	314,855	-	-	-	-	314,855
Investments	6,325	-	-	97,617	(103,942)	-
TOTAL OTHER ASSETS	<u>321,180</u>	<u>-</u>	<u>-</u>	<u>97,617</u>	<u>(103,942)</u>	<u>314,855</u>
TOTAL ASSETS	<u>\$ 2,713,494</u>	<u>\$ 1,048,098</u>	<u>\$ 1,166,834</u>	<u>\$ 97,617</u>	<u>\$ (103,942)</u>	<u>\$ 4,922,101</u>

See independent auditors' report.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2019

	<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>
CURRENT LIABILITIES						
Accounts Payable	\$ 136,786	\$ -	\$ 29,312	\$ -	\$ -	\$ 166,098
Prepaid Rents	-	-	2,095	-	-	2,095
Accrued Salaries, Wages and Taxes	32,637	-	-	-	-	32,637
Tenants' Security Deposits (Contra)	4,883	-	24,245	-	-	29,128
Line-of-Credit	184,501	-	-	-	-	184,501
Fiscal Agent Liability	157,190	-	-	-	-	157,190
Mortgage Payable - Current	25,146	-	-	-	-	25,146
TOTAL CURRENT LIABILITIES	541,143	-	55,652	-	-	596,795
LONG-TERM LIABILITIES (Rental Property)						
Mortgage Payable	120,694	-	-	-	-	120,694
Mortgages Payable - BNL P	-	-	701,797	-	-	701,797
Debt Issuance Costs (Net of Accumulated Amortization of \$10,352)	-	-	(9,523)	-	-	(9,523)
Other Loans and Notes Payable - BNL P	-	-	50,000	-	-	50,000
Accrued Interest Payable	-	-	1,410,681	-	-	1,410,681
TOTAL LONG-TERM LIABILITIES	120,694	-	2,152,955	-	-	2,273,649
TOTAL LIABILITIES	661,837	-	2,208,607	-	-	2,870,444
NET ASSETS/EQUITY (DEFICIT)						
Without Donor Restrictions	2,051,657	-	-	-	-	2,051,657
Partners' Equity (Deficit)	-	1,048,098	(1,041,773)	97,617	(103,942)	-
TOTAL NET ASSETS/EQUITY (DEFICIT)	2,051,657	1,048,098	(1,041,773)	97,617	(103,942)	2,051,657
TOTAL LIABILITIES AND NET ASSETS	\$ 2,713,494	\$ 1,048,098	\$ 1,166,834	\$ 97,617	\$ (103,942)	\$ 4,922,101

See independent auditors' report.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
WITHOUT DONOR RESTRICTIONS						
SUPPORT AND REVENUES						
Grants from Government Agencies	\$ 993,794	\$ -	\$ -	\$ -	\$ -	\$ 993,794
Other Grants	713,117	-	-	-	-	713,117
Contributions	366,535	-	-	-	-	366,535
Rental Income	12,383	-	173,979	-	-	186,362
Housing Counseling	29,165	-	-	-	-	29,165
Events Income	11,039	-	-	-	-	11,039
Other Income	153	-	-	-	-	153
Investment Return, Net	188,323	-	1,596	-	-	189,919
TOTAL SUPPORT AND REVENUES	2,314,509	-	175,575	-	-	2,490,084
EXPENSES						
Program Expenses						
Community Development	1,696,762	30,992	-	-	-	1,727,754
Homeownership/ Financial Stability	378,923	-	-	-	-	378,923
Rental Properties Expenses	-	-	286,062	-	-	286,062
Total Program Expenses	2,075,685	30,992	286,062	-	-	2,392,739
Management and General	46,084	-	-	-	-	46,084
TOTAL EXPENSES	2,121,769	30,992	286,062	-	-	2,438,823
OTHER INCOME (EXPENSES)						
Investment Income (Loss) From Private Company	(141,479)	-	-	(110)	141,589	-
CHANGES IN NET ASSETS	51,261	(30,992)	(110,487)	(110)	141,589	51,261
Net Assets - Beginning of Year	2,000,396	-	-	-	-	2,000,396
Partners' Equity (Deficit) - Beginning of Year	-	1,079,090	(931,286)	97,727	(245,531)	-
NET ASSETS - END OF YEAR	\$ 2,051,657	\$ 1,048,098	\$ (1,041,773)	\$ 97,617	\$ (103,942)	\$ 2,051,657

See independent auditors' report.



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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, 2019, 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 May 19, 2020.

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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southeast Community Development Corporation and Subsidiaries' internal control over financial reporting.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entities' internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Grandizio, Wilkins, Little & Matthews, LLP
May 19, 2020