

SOUTHEAST COMMUNITY  
DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

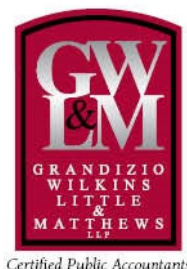
SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

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For the Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, 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. 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.

Southeast Community Development Corporation and Subsidiaries

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 consolidated financial position of Southeast Community Development Corporation and Subsidiaries as of June 30, 2020 and 2019, 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.

*Grandizio, Wilkins, Little & Matthews, LLP*

Grandizio, Wilkins, Little & Matthews, LLP  
May 12, 2021

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2020	2019
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 450,969	\$ 238,288
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$39,613 and \$43,270, Respectively)	49,134	48,257
Accounts Receivable - Fiscal Agent	-	157,190
Accounts Receivable - Other	23,387	9,631
Grants Receivable	838,178	536,490
Investments, at Fair Value	1,338,181	1,299,013
Prepaid Expenses	13,724	10,497
Accrued Interest and Dividends Receivable on Investments	5,356	13,396
Loans Receivable	11,650	10,816
Security Deposits	22,926	26,665
Mortgage Escrow Deposits and Funded Reserves	<u>79,984</u>	<u>84,486</u>
<b>TOTAL CURRENT ASSETS</b>	<u><b>2,833,489</b></u>	<u><b>2,434,729</b></u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,631	106,631
Buildings	3,135,385	3,135,385
Furniture and Equipment	121,989	121,989
Less: Accumulated Depreciation	<u>(1,276,699)</u>	<u>(1,191,488)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u><b>2,087,306</b></u>	<u><b>2,172,517</b></u>
<b>OTHER ASSETS</b>		
Development Costs	<u>324,875</u>	<u>314,855</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 5,245,670</b></u>	<u><b>\$ 4,922,101</b></u>

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2020	(As Restated) 2019
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 223,733	\$ 166,098
Prepaid Rents	2,046	2,095
Accrued Salaries, Wages and Taxes	48,633	32,637
Tenants' Security Deposits (Contra)	25,494	29,128
Refundable Advances	228,724	160,867
Line-of-Credit	-	184,501
Fiscal Agent Liability	-	157,190
Mortgage Payable - Current	<u>26,574</u>	<u>25,146</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>555,204</u>	<u>757,662</u>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	94,120	120,694
Mortgages Payable - BNL	697,763	701,797
Debt Issuance Costs (Net of Accumulated Amortization of \$10,849 and \$10,352, Respectively)	(9,026)	(9,523)
Other Loans and Notes Payable - BNL	50,000	50,000
Accrued Interest Payable	<u>1,534,113</u>	<u>1,410,681</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>2,366,970</u>	<u>2,273,649</u>
<b>TOTAL LIABILITIES</b>	<u>2,922,174</u>	<u>3,031,311</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	1,984,569	1,890,790
With Donor Restrictions	<u>338,927</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>2,323,496</u>	<u>1,890,790</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 5,245,670</u></u>	<u><u>\$ 4,922,101</u></u>

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants from Government Agencies	\$ 1,293,378	\$ 30,000	\$ 1,323,378
Other Grants	729,215	277,791	1,007,006
Contributions	270,417	31,136	301,553
Rental Revenue	157,506	-	157,506
Housing Counseling	31,947	-	31,947
Events Revenue	9,139	-	9,139
Other Revenue	966	-	966
Investment Return, Net	57,969	-	57,969
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,550,537</b>	<b>338,927</b>	<b>2,889,464</b>
<b>EXPENSES</b>			
Program Expenses			
Neighborhood/Commercial Revitalization	1,129,070	-	1,129,070
Community Schools	381,531	-	381,531
Homeownership/Financial Stability	503,849	-	503,849
Broadway North Limited Partnership	351,462	-	351,462
<b>Total Program Expenses</b>	<b>2,365,912</b>	<b>-</b>	<b>2,365,912</b>
Management and General	100,846	-	100,846
<b>TOTAL EXPENSES</b>	<b>2,466,758</b>	<b>-</b>	<b>2,466,758</b>
<b>CHANGE IN NET ASSETS</b>	<b>83,779</b>	<b>338,927</b>	<b>422,706</b>
Net Assets - Beginning of Year (As Restated)	1,890,790	-	1,890,790
Capital Contributions (Distributions)	10,000	-	10,000
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,984,569</b>	<b>\$ 338,927</b>	<b>\$ 2,323,496</b>

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF ACTIVITIES (CONTINUED)

For the Year Ended June 30, 2019 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants from Government Agencies	\$ 884,928	\$ -	\$ 884,928
Other Grants	661,116	-	661,116
Contributions	366,535	-	366,535
Rental Revenue	186,362	-	186,362
Housing Counseling	29,165	-	29,165
Events Revenue	11,039	-	11,039
Other Revenue	153	-	153
Investment Return, Net	189,919	-	189,919
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,329,217</b>	<b>-</b>	<b>2,329,217</b>
<b>EXPENSES</b>			
Program Expenses			
Neighborhood/Commercial Revitalization	1,727,754	-	1,727,754
Community Schools	-	-	-
Homeownership/Financial Stability	378,923	-	378,923
Broadway North Limited Partnership	286,062	-	286,062
<b>Total Program Expenses</b>	<b>2,392,739</b>	<b>-</b>	<b>2,392,739</b>
Management and General	46,084	-	46,084
<b>TOTAL EXPENSES</b>	<b>2,438,823</b>	<b>-</b>	<b>2,438,823</b>
<b>CHANGE IN NET ASSETS</b>	<b>(109,606)</b>	<b>-</b>	<b>(109,606)</b>
Net Assets - Beginning of Year	2,000,396	-	2,000,396
Capital Contributions (Distributions)	-	-	-
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 1,890,790</b>	<b>\$ -</b>	<b>\$ 1,890,790</b>

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



SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Community Development				Total Program Expenses	Management and General	June 30, 2020 Total
	Neighborhood/ Commercial Revitalization	Community Schools	Broadway North Limited Partnership	Homeownership/ Financial Stability			
Salaries, Wages and Related Taxes	\$ 290,064	\$ 284,454	\$ -	\$ 304,722	\$ 879,240	\$ 20,073	\$ 899,313
Depreciation and Amortization	31,303	-	43,862	9,528	84,693	518	85,211
Contract Labor	5,641	-	-	8,434	14,075	-	14,075
Equipment Expense	1,299	50,065	-	7,240	58,604	69	58,673
Fringe Benefits	27,207	21,199	-	20,453	68,859	(2,981)	65,878
Insurance	6,500	112	9,426	4,746	20,784	916	21,700
Meetings and Conference	4,468	1,799	-	3,201	9,468	43	9,511
Office Expense	4,439	-	234	3,267	7,940	459	8,399
Professional Fees	34,004	14,559	10,780	27,345	86,688	63,288	149,976
Supplies	4,751	5,226	24,117	3,223	37,317	246	37,563
Advertising, Marketing and Promotion	13,505	300	-	2,997	16,802	-	16,802
Dues	4,067	119	-	2,360	6,546	919	7,465
Travel	293	53	-	511	857	18	875
Miscellaneous Expense	(145)	3,105	4,547	745	8,252	3,644	11,896
Printing	245	-	-	7,895	8,140	-	8,140
Rent	1,500	-	3,072	-	4,572	-	4,572
Property Maintenance	17,696	-	-	20,376	38,072	-	38,072
Staff Development	1,852	(78)	-	10,358	12,132	85	12,217
Telephone	6,689	595	-	6,286	13,570	2,021	15,591
Utilities	7,476	-	5,319	4,620	17,415	-	17,415
Community Development	558,063	-	14,596	340	572,999	-	572,999
Community Events	9,853	-	-	14,599	24,452	-	24,452
Youthworks Expenses	1,855	23	-	-	1,878	-	1,878
Client Assistance Expense	96,445	-	-	34,004	130,449	-	130,449
Credit Reports	-	-	-	6,599	6,599	-	6,599
Management Fees	-	-	5,100	-	5,100	-	5,100
Interest Expense	-	-	129,919	-	129,919	11,528	141,447
Contracts	-	-	81,624	-	81,624	-	81,624
Bad Debt Expense	-	-	9,471	-	9,471	-	9,471
Taxes	-	-	9,395	-	9,395	-	9,395
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,129,070</b>	<b>\$ 381,531</b>	<b>\$ 351,462</b>	<b>\$ 503,849</b>	<b>\$ 2,365,912</b>	<b>\$ 100,846</b>	<b>\$ 2,466,758</b>

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

For the Year Ended June 30, 2019

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

The independent auditors' report and 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,	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Grants and Other Support	\$ 2,410,992	\$ 2,577,398
Cash Paid to Providers and Support Services	(2,181,378)	(2,467,552)
Interest Received	35,070	28,259
	<u>264,684</u>	<u>138,105</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	<u>264,684</u>	<u>138,105</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Investments	(144,250)	(196,542)
Proceeds from Sale of Investments	169,142	215,962
(Increase) Decrease in Loans Receivable	(834)	(7,799)
(Increase) Decrease in Development Costs	(10,020)	-
	<u>14,038</u>	<u>11,621</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
	<u>14,038</u>	<u>11,621</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Mortgage Payable	(29,180)	(23,830)
Paycheck Protection Plan Loan Proceeds	129,399	-
Capital Contribution	10,000	-
Advances (Payments) on Line-of-Credit	(184,501)	(5,610)
	<u>(74,282)</u>	<u>(29,440)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	<u>(74,282)</u>	<u>(29,440)</u>
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH	204,440	120,286
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>349,439</u>	<u>229,153</u>
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 553,879</u>	<u>\$ 349,439</u>
Cash and Cash Equivalents	\$ 450,969	\$ 238,288
Security Deposits	22,926	26,665
Mortgage Escrow Deposits and Funded Reserves	<u>79,984</u>	<u>84,486</u>
TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR	<u>\$ 553,879</u>	<u>\$ 349,439</u>

See independent auditors' report of the combined financial statements.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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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 Broadway North Limited Partnership (BNLP). WSE includes 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, 2019, 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 enrichment and supportive services to children and families in K-8 schools in southeast Baltimore.

*Neighborhood/Commercial Revitalization* - 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.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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

#### **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, Cash Equivalents, and Restricted Cash**

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. Cash and restricted cash includes amounts in an operating cash account, tenants' security deposits, escrow deposits, reserve for replacement, and operating reserves.

#### **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 that management expects to collect from outstanding balances. Management reviews accounts receivable on an annual basis to determine whether an allowance for uncollectible accounts is necessary. For the years ended December 31, 2019 and 2018, the allowance for doubtful accounts was \$39,613 and \$43,270, respectively.

#### **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 capitalized.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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

#### **Property and Equipment (Continued)**

The major classifications of property and equipment as of June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>	<u>Useful Life</u>
Land	\$ 106,631	\$ 106,631	
Buildings	3,135,385	3,135,385	40 Years
Furniture and Equipment	<u>121,989</u>	<u>121,989</u>	5 - 7 Years
 Total Property and Equipment	 3,364,005	 3,364,005	
 Less: Accumulated Depreciation	 <u>(1,276,699)</u>	 <u>(1,191,488)</u>	
 TOTAL	 <u><u>\$ 2,087,306</u></u>	 <u><u>\$ 2,172,517</u></u>	

Depreciation expense was \$85,211 and \$85,196 for the years ended June 30, 2020 and 2019, respectively.

#### **Development Costs**

The Organization is involved in development of the first floor of its building. As of June 30, 2020 and 2019 the development is in progress.

#### **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, 2019 and 2018 was \$10,849 and \$10,352, respectively. Amortization expense was \$497 for each of the years ended December 31, 2019 and 2018. Amortization expense is expected to be \$497 per year for each of the next five (5) years.

#### **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, 2020 and 2019.

#### **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

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June 30, 2020 and 2019

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

#### **Advertising**

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2020 and 2019 amounted \$16,802 and \$16,928, 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.

#### **Revenue Recognition**

Unconditional grants are recognized in the period when funds are received or promised, and conditional grants are recognized as conditions are met, which is generally commensurate with the extent to which associated costs have been expended. Refundable advances result from receiving funds in which there are unmet conditions at year-end.

Contributions received are recorded as net assets without donor restrictions and net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. 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.

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 Tax Uncertainties**

The Organization's evaluation at June 30, 2020 revealed no uncertain tax positions that would have a material impact on the consolidated financial statements.

Tax returns for the previous three (3) 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

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June 30, 2020 and 2019

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

#### **Recent Accounting Pronouncements**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs were adopted by the Organization on a retrospective basis. The majority of the Organization's revenue is derived from contributions and grants. The modifications were applied to all of the Organization's contracts with customers. No practical expedients were applied. These ASU's are effective for fiscal years beginning after December 31, 2019, with early adoption permitted. The Organization has elected to early adopt such ASUs for the year ended June 30, 2020. Adoption of this new guidance had no impact on revenue during the period or the opening balance of net assets.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization adopted the ASU on a modified prospective basis. The objective of this standard is to assist entities in a) evaluating whether transactions should be accounted for as contributions or as exchange transactions subject to other guidance and b) determining whether a contribution is conditional.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statements of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents, and restricted cash between the balance sheets and the statements of cash flows. ASU 2016-18 was adopted retrospectively during the year ended June 30, 2020.

Consequently, the statements of cash flows were affected as follows. June 30, 2019 beginning of year cash, cash equivalents, and restricted cash increased from \$133,505 to \$229,153 and June 30, 2019 end of year cash, cash equivalents, and restricted cash increased from \$238,288 to \$349,439. The 2019 net increase (decrease) in cash, cash equivalents, and restricted cash increased from \$104,783 to \$120,286 due to changes in restricted cash now being included with cash and cash equivalents. Such adoption had no impact on net assets herein.

#### **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 12, 2021, 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.



# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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### **Note 2: Concentration of Credit Risk**

The Organization maintains cash balances at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and may, at times, exceed insurable limits. The Organization believes that no significant concentration of credit risk exists with respect to these cash balances.

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 against fraud, but not loss of value, by the Securities Investor Protection Corporation.

### **Note 3: Investments and Fair Value Measurements**

The Organization uses a framework for measuring fair value that prioritizes the inputs to valuation techniques used to measure fair value using a fair value hierarchy. The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2020: using quoted prices in active markets for identical assets (Level 1); using significant other observable inputs (Level 2); and using significant unobservable inputs (Level 3). The Organization has no investments categorized as Level 2 or Level 3.

The assets' fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. 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.

Assets measured at fair value on a recurring basis at June 30, 2020 are as follows:

	Level 1	Level 2	Level 3	Total
Equities	\$ 862,488	\$ -	\$ -	\$ 862,488
ETF's	68,464	-	-	68,464
Agency Securities	51,668	-	-	51,668
Corporate Bonds	355,561	-	-	355,561
<b>TOTAL</b>	<b>\$ 1,338,181</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,338,181</b>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

**Note 3: Investments and Fair Value Measurements (Continued)**

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

	Level 1	Level 2	Level 3	Total
Equities	\$ 826,573	\$ -	\$ -	\$ 826,573
ETF's	74,404	-	-	74,404
Agency Securities	51,302	-	-	51,302
Corporate Bonds	346,734	-	-	346,734
<b>TOTAL</b>	<b>\$ 1,299,013</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,299,013</b>

The following schedule summarizes the investment return for the years ended June 30,:

	2020	2019
Interest and Dividends	\$ 27,187	\$ 33,414
Realized Gains (Losses), Net	(26,451)	22,883
Unrealized Gains, Net	64,060	139,757
Investment Fees	(6,827)	(6,135)
<b>INVESTMENT RETURN, NET</b>	<b>\$ 57,969</b>	<b>\$ 189,919</b>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

**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,	
	2020	2019
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 450,969	\$ 238,288
Accounts Receivable	72,521	57,888
Accrued Interest Receivable	5,356	13,396
Grants Receivable	838,178	536,490
Investments	<u>1,338,181</u>	<u>1,299,013</u>
Total Financial Assets at Year End	<u>2,705,205</u>	<u>2,145,075</u>
Less Those Unavailable to General Expenditures Within One (1) Year, Due to:		
Donor-Restricted to Security Cameras	204,585	-
Donor-Restricted to HighlandTown MainStreet Preservation	20,000	-
Donor-Restricted to COVID Response and Food Stability	86,952	-
Donor-Restricted to Tench Tilghman Green Space	<u>27,390</u>	<u>-</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One (1) Year	<u>\$ 2,366,278</u>	<u>\$ 2,145,075</u>

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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**Note 5: Restricted Deposits and Funded 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. As of December 31, 2019 and 2018, the balance in the operating reserve was \$38,824 and \$38,666, respectively.

Under the terms of the Loan and Regulatory 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, 2019 and 2018, the balance in the replacement reserve was \$31,171 and \$33,832, respectively.

Mortgage escrow deposits amounted to \$9,989 and \$11,988 as of December 31, 2019 and 2018, respectively.

**Note 6: Tenants' Security Deposits - Funded**

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

**Note 7: Grants Receivable**

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

	June 30,	
	2020	2019
State of Maryland	\$ 159,215	\$ 86,729
Home Free	17,400	26,000
DHCD Housing Counseling Fund	54,500	38,250
Baltimore Development Corporation	6,250	13,750
Birdland Community Heroes	-	2,500
Goldseker	-	20,000
Abell Foundation	212,085	-
Healthy Neighborhoods, Inc.	20,000	20,000
CareFirst BlueCross BlueShield	25,000	-
Fund for Educational Excellence	5,000	-
Mayor and City Council	119,196	124,020
Banner Neighborhoods Community Corp	43,984	21,648
Meyerhoff	5,000	-
Johns Hopkins University	52,470	110,093
Chesapeake Bay Trust	2,916	7,500
Baltimore City Planning Department	10,000	-
Baltimore City Schools	70,685	-
Family League of Baltimore	34,477	66,000
TOTAL	<u>\$ 838,178</u>	<u>\$ 536,490</u>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

**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, 2019 and 2018, the balance on the mortgage was \$247,763 and \$251,797, respectively. As of December 31, 2019 and 2018, the accrued interest under this loan amounted to \$2,467 and \$5,979, respectively. As of December 31, 2019 and 2018, the interest expense amounted to \$2,478 and \$2,518, respectively.

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

	June 30,	
	2020	2019
Principal Amount	\$ 247,763	\$ 251,797
Less: Unamortized Debt Less Unamortized Issuance Costs	9,026	9,523
Long-Term Debt Less Unamortized Issuance Costs	<u>\$ 238,737</u>	<u>\$ 242,274</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

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June 30, 2020 and 2019

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### **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, 2019 and 2018, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. As of December 31, 2019 and 2018, the accrued interest under this loan amounted to \$1,531,646 and \$1,404,702, respectively. Interest expense for 2019 and 2018 amounted to \$127,441 and \$120,621, 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 2019 and 2018. 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

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June 30, 2020 and 2019

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**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 5.39% with a ten (10) year term. Monthly payments are \$2,709.36. Interest expense for the years ended June 30, 2020 and 2019 amounted to \$8,069 and \$8,683, respectively. Future minimum payments are as follows:

For the Years Ending June 30,

2021	\$ 26,574
2022	28,063
2023	29,636
2024	31,294
2025	<u>5,127</u>
 TOTAL	 <u>\$ 120,694</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, 2020 and 2019 was \$-0- and \$85,501, respectively, and is due on demand.

In November 2016, the Organization established a line-of-credit for \$400,000 with WesBanco. 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, 2020 and 2019 was \$-0- and \$99,000, respectively, and is due on demand.

Interest expense on the lines-of-credit for the years ended June 30, 2020 and 2019 amounted to \$3,459 and \$12,120, respectively.

**Note 11: Functional Allocation of Expenses**

The costs of providing various programs and other activities have 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. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.



SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

**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, 2020 and 2019:

	2020	(As Restated) 2019
Federal Government		
Community Development Block Grant	\$ 119,195	\$ 119,220
Housing and Urban Development	17,400	19,103
	<u>136,595</u>	<u>138,323</u>
TOTAL FEDERAL GOVERNMENT		
State Government		
DHCD - MHCF	46,000	51,000
BRNI Community Projects	534,992	530,208
BRNI Operating	100,000	100,000
Maryland State Arts Council	15,000	-
C.A.R.E. Neighborhood	315,197	-
	<u>1,011,189</u>	<u>681,208</u>
TOTAL STATE GOVERNMENT		
County Government		
Baltimore County	-	13,397
Baltimore City Public Schools	110,685	52,000
Baltimore City Planning Department	10,000	-
Baltimore Development Corporation	10,000	-
Banner Neighborhoods Community Corporation	24,909	-
Baltimore City DHCD	20,000	-
	<u>175,594</u>	<u>65,397</u>
TOTAL COUNTY GOVERNMENT		
TOTAL	<u>\$ 1,323,378</u>	<u>\$ 884,928</u>

**Note 13: Reclassification**

Certain amounts in the 2019 consolidated financial statements have been reclassified for comparative purposes to conform with the 2020 presentation.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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### **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, 2020 and 2019 was \$4,572 and \$3,066, respectively. The previous lease is no longer in existence.

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

For the Years Ending June 30,

2021	\$ 12,459
2022	12,459
2023	12,459
2024	<u>7,268</u>
TOTAL	<u><u>\$ 44,645</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.

### **Note 17: 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 \$-0- and \$157,190 as of June 30, 2020 and 2019, respectively.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2020 and 2019

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### **Note 18: Refundable Advances**

Contributions which include donor-imposed conditions are accounted for as liabilities. As the conditions are met, the contributions are recognized in the consolidated statements of activities.

The Organization receives advances from the Maryland Department of Housing and Community Development for several Baltimore Regional Neighborhood Initiative (BRNI) projects that have not been expended as of June 30, 2020. Such funds are expected to be used during the following fiscal year. Additionally, the Organization received loan proceeds from the United States Small Business Association ("SBA") as part of the Paycheck Protection Program ("PPP"). Because the Organization sought forgiveness of the loan, the transaction is accounted for as a contribution in lieu of debt. Furthermore, because the Organization has not met the conditions for forgiveness set by the SBA as of June 30, 2020, the transaction is classified as a refundable advance. Refundable advances totaled \$228,724 and \$160,867 as of June 30, 2020 and 2019, respectively.

### **Note 19: Other Matters**

The COVID-19 outbreak is disrupting operations across a range of industries. The extent of the impact of COVID-19 on operational and financial performance will depend on certain developments, including the duration and speed of the outbreak, impact on individuals, 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.

As part of the CARES Act signed into law in March 2020 the Organization obtained a loan PPP loan in the amount of \$129,257 in May 2020. The loan was accruing interest at one percent (1%), but payments were not required to begin for ten (10) months after the end of a twenty-four (24) week loan forgiveness covered period. The loan was uncollateralized and fully guaranteed by the SBA. The Organization was eligible for the loan forgiveness of up to one hundred percent (100%) of the loan, upon meeting certain requirements during the covered period. In January 2021, the loan was fully forgiven.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

**Note 20: Net Assets With Donor Restrictions**

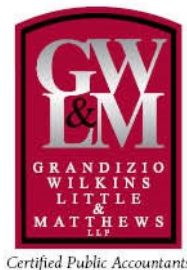
The following are net assets with donor restrictions and their purposes at June 30:

	2020	2019
Security Cameras	\$ 204,585	\$ -
HighlandTown Mainstreet Preservation	20,000	-
COVID Response and Food Stability	86,952	-
Tench Tilghman Green Space	27,390	-
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b>\$ 338,927</b>	<b>\$ -</b>

**Note 21: Prior Period Adjustment**

During 2020, it was discovered that certain 2019 transactions were reported as revenue rather than refundable advances. Therefore, revenue of \$160,867 that was previously reported on the consolidated statements of activities is now included with refundable advances on the consolidated statements of financial position. The result of this adjustment is disclosed below as follows:

	As Previously Stated	Change	As Restated
Total Current Liabilities	\$ 596,795	\$ 160,867	\$ 757,662
Total Liabilities	\$ 2,870,444	\$ 160,867	\$ 3,031,311
Net Assets Without Donor Restrictions	\$ 2,051,657	\$ (160,867)	\$ 1,890,790
Grants from Government Agencies	\$ 1,045,795	\$ (160,867)	\$ 884,928
Total Support and Revenue	\$ 2,490,084	\$ (160,867)	\$ 2,329,217
Change in Net Assets	\$ 51,261	\$ (160,867)	\$ (109,606)



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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, 2020 and 2019, and have issued our report thereon dated May 12, 2021, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole.

The consolidating information on pages 24 through 25 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 12, 2021

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	\$ 447,938	\$ -	\$ 3,031	\$ -	\$ -	\$ 450,969
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$39,613)	-	-	49,134	-	-	49,134
Accounts Receivable - Fiscal Agent	-	-	-	-	-	-
Accounts Receivable - Other	23,387	-	-	-	-	23,387
Grants Receivable	838,178	-	-	-	-	838,178
Investments, at Fair Value	1,338,181	-	-	-	-	1,338,181
Prepaid Expenses	9,440	-	4,284	-	-	13,724
Accrued Interest and Dividends Receivable on Investments	5,356	-	-	-	-	5,356
Loans Receivable	11,650	-	-	-	-	11,650
Security Deposits	854	-	22,072	-	-	22,926
Mortgage Escrow Deposits and Funded Reserves	-	-	79,984	-	-	79,984
<b>TOTAL CURRENT ASSETS</b>	<b>2,674,984</b>	<b>-</b>	<b>158,505</b>	<b>-</b>	<b>-</b>	<b>2,833,489</b>
<b>PROPERTY AND EQUIPMENT</b>						
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	(105,683)	(222,583)	(948,433)	-	-	(1,276,699)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>149,931</b>	<b>1,017,106</b>	<b>920,269</b>	<b>-</b>	<b>-</b>	<b>2,087,306</b>
<b>OTHER ASSETS</b>						
Development Costs	324,875	-	-	-	-	324,875
Investments in Private Company	(213,565)	-	-	107,418	106,147	-
<b>TOTAL OTHER ASSETS</b>	<b>111,310</b>	<b>-</b>	<b>-</b>	<b>107,418</b>	<b>106,147</b>	<b>324,875</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,936,225</b>	<b>\$ 1,017,106</b>	<b>\$ 1,078,774</b>	<b>\$ 107,418</b>	<b>\$ 106,147</b>	<b>\$ 5,245,670</b>

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

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2020

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
<b>CURRENT LIABILITIES</b>						
Accounts Payable and Accrued Expenses	\$ 209,795	\$ -	\$ 13,938	\$ -	\$ -	\$ 223,733
Prepaid Rents	-	-	2,046	-	-	2,046
Accrued Salaries, Wages and Taxes	48,633	-	-	-	-	48,633
Tenants' Security Deposits (Contra)	4,883	-	20,611	-	-	25,494
Refundable Advances	228,724	-	-	-	-	228,724
Mortgage Payable - Current	26,574	-	-	-	-	26,574
<b>TOTAL CURRENT LIABILITIES</b>	<b>518,609</b>	<b>-</b>	<b>36,595</b>	<b>-</b>	<b>-</b>	<b>555,204</b>
<b>LONG-TERM LIABILITIES</b>						
Mortgage Payable	94,120	-	-	-	-	94,120
Mortgages Payable - BNLP	-	-	697,763	-	-	697,763
Debt Issuance Costs (Net of Accumulated Amortization of \$10,849)	-	-	(9,026)	-	-	(9,026)
Other Loans and Notes Payable - BNLP	-	-	50,000	-	-	50,000
Accrued Interest Payable	-	-	1,534,113	-	-	1,534,113
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>94,120</b>	<b>-</b>	<b>2,272,850</b>	<b>-</b>	<b>-</b>	<b>2,366,970</b>
<b>TOTAL LIABILITIES</b>	<b>612,729</b>	<b>-</b>	<b>2,309,445</b>	<b>-</b>	<b>-</b>	<b>2,922,174</b>
<b>NET ASSETS/EQUITY (DEFICIT)</b>						
Without Donor Restrictions	1,984,569	-	-	-	-	1,984,569
With Donor Restrictions	338,927	-	-	-	-	338,927
Partners' Equity (Deficit)	-	1,017,106	(1,230,671)	107,418	106,147	-
<b>TOTAL NET ASSETS/EQUITY (DEFICIT)</b>	<b>2,323,496</b>	<b>1,017,106</b>	<b>(1,230,671)</b>	<b>107,418</b>	<b>106,147</b>	<b>2,323,496</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,936,225</b>	<b>\$ 1,017,106</b>	<b>\$ 1,078,774</b>	<b>\$ 107,418</b>	<b>\$ 106,147</b>	<b>\$ 5,245,670</b>

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SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020

	WITH DONOR RESTRICTIONS		WITHOUT DONOR RESTRICTIONS				
	Southeast Community Development Corporation	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
SUPPORT AND REVENUES							
Grants from Government Agencies	\$ 30,000	\$ 1,293,378	\$ -	\$ -	\$ -	\$ -	\$ 1,323,378
Other Grants	277,791	729,215	-	-	-	-	1,007,006
Contributions	31,136	270,417	-	-	-	-	301,553
Rental Revenue	-	5,100	-	152,406	-	-	157,506
Housing Counseling	-	31,947	-	-	-	-	31,947
Events Revenue	-	9,139	-	-	-	-	9,139
Other Revenue	-	966	-	-	-	-	966
Investment Return, Net	-	57,811	-	158	-	-	57,969
TOTAL SUPPORT AND REVENUES	338,927	2,397,973	-	152,564	-	-	2,889,464
EXPENSES							
Program Expenses							
Neighborhood/Commercial Revitalization	-	1,098,078	30,992	-	-	-	1,129,070
Community Schools	-	381,531	-	-	-	-	381,531
Homeownership/Financial Stability	-	503,849	-	-	-	-	503,849
Broadway North Limited Partnership	-	-	-	351,462	-	-	351,462
Total Program Expenses	-	1,983,458	30,992	351,462	-	-	2,365,912
Management and General	-	100,846	-	-	-	-	100,846
TOTAL EXPENSES	-	2,084,304	30,992	351,462	-	-	2,466,758
OTHER INCOME (EXPENSES)							
Investment Income (Loss) From Private Company	-	(229,890)	-	-	(199)	230,089	-
CHANGES IN NET ASSETS	338,927	83,779	(30,992)	(198,898)	(199)	230,089	422,706
Net Assets - Beginning of Year (As Restated)	-	1,890,790	-	-	-	-	1,890,790
Partners' Equity (Deficit) - Beginning of Year	-	-	1,048,098	(1,041,773)	97,617	(103,942)	-
Capital Contributions (Distributions)	-	10,000	-	10,000	10,000	(20,000)	10,000
NET ASSETS (DEFICIT) - END OF YEAR	\$ 338,927	\$ 1,984,569	\$ 1,017,106	\$ (1,230,671)	\$ 107,418	\$ 106,147	\$ 2,323,496

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