

SOUTHEAST COMMUNITY  
DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

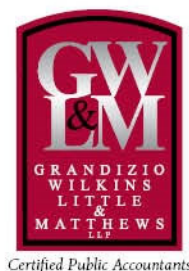
SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

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For the Years Ended June 30, 2021 and 2020

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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 and Subsidiaries (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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 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 financial position of Southeast Community Development Corporation and Subsidiaries and Subsidiaries as of June 30, 2021 and 2020, 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  
March 4, 2022

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2021	(As Restated) 2020
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 533,319	\$ 450,969
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$16,068 and \$39,613, Respectively)	28,745	49,134
Accounts Receivable - Other	180,680	23,387
Grants Receivable	596,053	818,178
Investments, at Fair Value	1,723,976	1,405,233
Prepaid Expenses	4,713	13,724
Accrued Interest and Dividends Receivable on Investments	5,699	5,356
Loans Receivable	-	11,650
Security Deposits	24,626	22,926
Mortgage Escrow Deposits and Funded Reserves	<u>85,575</u>	<u>79,984</u>
<b>TOTAL CURRENT ASSETS</b>	<u>3,183,386</u>	<u>2,880,541</u>
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,631	106,631
Buildings	3,135,385	3,135,385
Furniture and Equipment	123,524	121,989
Less: Accumulated Depreciation	<u>(1,357,843)</u>	<u>(1,276,699)</u>
<b>NET PROPERTY AND EQUIPMENT</b>	<u>2,007,697</u>	<u>2,087,306</u>
<b>OTHER ASSETS</b>		
Development Costs	451,196	324,875
Properties Held for Resale	<u>191,808</u>	<u>-</u>
<b>TOTAL OTHER ASSETS</b>	<u>643,004</u>	<u>324,875</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 5,834,087</u></u>	<u><u>\$ 5,292,722</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 FINANCIAL POSITION

June 30,	2021	(As Restated) 2020
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 206,029	\$ 223,733
Prepaid Rents	3,339	2,046
Accrued Salaries, Wages and Taxes	60,864	48,633
Tenants' Security Deposits (Contra)	27,192	25,494
Fiscal Agent Liability	10,000	-
Refundable Advances	28,331	248,724
Lines-of-Credit	150,000	-
Mortgage Payable - Current	22,694	26,574
<b>TOTAL CURRENT LIABILITIES</b>	<b>508,449</b>	<b>575,204</b>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	94,176	94,120
Debt Issuance Costs (Net of Accumulated Amortization of \$127 and \$-0-, Respectively)	(10,345)	-
Mortgages Payable - BNLP	697,763	697,763
Debt Issuance Costs - BNLP (Net of Accumulated Amortization of \$11,346 and \$10,849, Respectively)	(8,529)	(9,026)
Other Loans and Notes Payable - BNLP	50,000	50,000
Accrued Interest Payable	1,672,240	1,534,113
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>2,495,305</b>	<b>2,366,970</b>
<b>TOTAL LIABILITIES</b>	<b>3,003,754</b>	<b>2,942,174</b>
<b>NET ASSETS</b>		
Without Donor Restrictions	2,656,374	2,011,621
With Donor Restrictions	173,959	338,927
<b>TOTAL NET ASSETS</b>	<b>2,830,333</b>	<b>2,350,548</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,834,087</b>	<b>\$ 5,292,722</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

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants from Government Agencies	\$ 1,184,870	\$ -	\$ 1,184,870
Other Grants	760,686	173,959	934,645
Contributions	309,332	-	309,332
Rental Revenue	164,754	-	164,754
Counseling Revenue	20,827	-	20,827
Grant Income - Paycheck Protection Program	129,399	-	129,399
Lead Agency Service Fees	234,081	-	234,081
Other Revenue	2,907	-	2,907
Investment Return, Net	454,035	-	454,035
Net Assets Released from Restrictions	338,927	(338,927)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>3,599,818</b>	<b>(164,968)</b>	<b>3,434,850</b>
<b>EXPENSES</b>			
Program Expenses			
Neighborhood/Commercial Revitalization	1,415,008	-	1,415,008
Community Schools	449,184	-	449,184
Homeownership/Financial Stability	617,810	-	617,810
Broadway North Limited Partnership	315,444	-	315,444
<b>Total Program Expenses</b>	<b>2,797,446</b>	<b>-</b>	<b>2,797,446</b>
Management and General	147,619	-	147,619
<b>TOTAL EXPENSES</b>	<b>2,945,065</b>	<b>-</b>	<b>2,945,065</b>
<b>CHANGE IN NET ASSETS</b>	<b>654,753</b>	<b>(164,968)</b>	<b>489,785</b>
Net Assets - Beginning of Year (As Restated)	2,011,621	338,927	2,350,548
Capital Contributions (Distributions)	(10,000)	-	(10,000)
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,656,374</b>	<b>\$ 173,959</b>	<b>\$ 2,830,333</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, 2020 (As Restated)

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants from Government Agencies	\$ 1,268,469	\$ 30,000	\$ 1,298,469
Other Grants	714,124	277,791	991,915
Contributions	270,417	31,136	301,553
Rental Revenue	157,506	-	157,506
Counseling Revenue	31,947	-	31,947
Events Revenue	9,139	-	9,139
Other Revenue	966	-	966
Investment Return, Net	125,021	-	125,021
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,577,589</b>	<b>338,927</b>	<b>2,916,516</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>110,831</b>	<b>338,927</b>	<b>449,758</b>
Net Assets - Beginning of Year	1,890,790	-	1,890,790
Capital Contributions (Distributions)	10,000	-	10,000
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,011,621</b>	<b>\$ 338,927</b>	<b>\$ 2,350,548</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, 2021

	Community Development				Total Program Expenses	Management and General	June 30, 2021 Total
	Neighborhood/ Commercial Revitalization	Community Schools	Broadway North Limited Partnership	Homeownership/ Financial Stability			
Salaries, Wages and Related Taxes	\$ 266,542	\$ 389,257	\$ -	\$ 399,343	\$ 1,055,142	\$ 43,803	\$ 1,098,945
Depreciation and Amortization	28,877	-	43,862	8,739	81,478	380	81,858
Contract Labor	67,428	-	-	7,129	74,557	4,088	78,645
Equipment Expense	6,121	7,283	-	9,041	22,445	2,611	25,056
Fringe Benefits	18,329	16,451	-	30,604	65,384	1,341	66,725
Insurance	5,626	2,187	9,996	6,940	24,749	7,292	32,041
Meetings and Conference	170	-	-	487	657	103	760
Office Expense	13,606	-	227	1,989	15,822	354	16,176
Professional Fees	2,452	11,007	11,540	2,660	27,659	63,636	91,295
Supplies	60,558	11,019	4,962	2,442	78,981	-	78,981
Advertising, Marketing and Promotion	10,396	95	-	702	11,193	417	11,610
Dues	4,787	267	-	2,805	7,859	1,508	9,367
Travel	441	196	-	172	809	77	886
Miscellaneous Expense	386	535	996	241	2,158	6,225	8,383
Printing	980	524	-	268	1,772	40	1,812
Rent	3,450	-	3,072	-	6,522	-	6,522
Property Maintenance	15,730	6,053	-	19,219	41,002	3,763	44,765
Staff Development	1,505	-	-	4,040	5,545	2,899	8,444
Telephone	5,714	2,799	-	7,806	16,319	889	17,208
Utilities	2,177	845	17,291	2,966	23,279	710	23,989
Community Development	550,426	-	-	-	550,426	-	550,426
Community Events	1,399	-	-	8,000	9,399	-	9,399
Client Assistance Expense	99,908	666	-	90,404	190,978	40	191,018
Credit Reports	-	-	-	9,713	9,713	-	9,713
Management Fees	-	-	5,100	-	5,100	-	5,100
Interest Expense	-	-	138,624	-	138,624	7,443	146,067
Contracts	-	-	35,454	-	35,454	-	35,454
Bad Debt Expense	-	-	35,277	-	35,277	-	35,277
Taxes	-	-	9,043	-	9,043	-	9,043
Pass Through Grants	248,000	-	-	2,100	250,100	-	250,100
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,415,008</b>	<b>\$ 449,184</b>	<b>\$ 315,444</b>	<b>\$ 617,810</b>	<b>\$ 2,797,446</b>	<b>\$ 147,619</b>	<b>\$ 2,945,065</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, 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	-	19,915	4,620	32,011	-	32,011
Community Development	558,063	-	-	340	558,403	-	558,403
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 CASH FLOWS

For the Years Ended June 30,	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Grants, Other Support and Agency Services Rendered	\$ 2,803,450	\$ 2,410,992
Cash Paid to Providers and Support Services	(2,675,956)	(2,163,364)
Interest Received	19,625	35,070
Interest Paid	(7,940)	(18,014)
Cash Paid for Agency Transactions	10,000	-
Paycheck Protection Plan Loan Proceeds	-	129,399
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>149,179</b>	<b>394,083</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(2,247)	-
Purchase of Properties Held for Resale	(191,808)	-
Purchase of Investments	(209,848)	(144,250)
Proceeds from Sale of Investments	333,380	169,142
(Increase) Decrease in Loans Receivable	11,650	(834)
(Increase) Decrease in Development Costs	(126,321)	(10,020)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>(185,194)</b>	<b>14,038</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Mortgage Payable	(24,706)	(29,180)
Proceeds from Loan Refinance	10,362	-
Capital Contribution (Distribution)	(10,000)	10,000
Advances (Payments) on Line-of-Credit	150,000	(184,501)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>125,656</b>	<b>(203,681)</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>89,641</b>	<b>204,440</b>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	553,879	349,439
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 643,520</b>	<b>\$ 553,879</b>
Cash and Cash Equivalents	\$ 533,319	\$ 450,969
Security Deposits	24,626	22,926
Mortgage Escrow Deposits and Funded Reserves	85,575	79,984
<b>TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 643,520</b>	<b>\$ 553,879</b>
<b>NONCASH FINANCING ACTIVITIES:</b>		
Proceeds from PNC Bank	\$ 110,332	\$ -
Payment of Mortgage Payable - M & T Bank	(99,812)	-
Payment of Debt Issuance Costs	(10,520)	-
<b>TOTAL</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

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June 30, 2021 and 2020

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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, 2020, the entity's year end.

**3323 Eastern Avenue, LLC and Hope Development Company**

The Organization is the sole member of 3323 Eastern Avenue, LLC. This LLC owns the building from which the Organization currently operates. The Organization controls one-hundred percent (100%) of Hope Development Company (Hope) as the board of directors are the same as that of the Organization. Hope purchases, rehabilitates and sells residential real property in the southeast community of Baltimore City, Maryland.

**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.

*Broadway North Limited Partnership* - operates seventeen (17) rental units known as Broadway North Apartments in southeast Baltimore.

*Neighborhood/Commercial Revitalization* - stimulate private and public investment in housing, infrastructure, parks, employment and city services; mobilize and support existing residents to participate in the planning and implementation of community projects that improve their quality of life; and attract residents to homeownership while preserving good quality affordable housing.

**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.

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

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June 30, 2021 and 2020

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

**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, 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 Receivable 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. Additionally, contributions are recognized as grants receivable when the donor makes a promise to give to the Organization that is, in substance, unconditional. If promises to give are conditional, they aren't recorded until all conditions have been met. At June 30, 2021 and 2020 conditional promises to give totaled \$225,500 and \$-0-, respectively.

Accounts receivable - other consists primarily of amounts owed to the Organization from lead agency services rendered.

The Organization uses the direct write-off method and has concluded that all receivable balances are collectible as of June 30, 2021 and 2020. 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, 2020 and 2019, the allowance for doubtful accounts was \$16,068 and \$39,613, respectively.

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

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June 30, 2021 and 2020

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

**Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies 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.

Depreciation expense was \$81,858 and \$85,211 for the years ended June 30, 2021 and 2020, respectively.

**Development Costs**

The Organization is involved in development of the first floor of its building. As of June 30, 2021, the development was in progress. Subsequent to June 30, 2021, the first-floor lease and the tenant's operations commenced.

**Properties Held for Resale and Cost of Houses Sold**

The Organization purchases and renovates properties for resale to low-income families through various programs. Properties held for resale are stated at the lower of cost or net realizable value.

**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 as of December 31, 2020 and 2019 was \$11,346 and \$10,849, respectively. Amortization expense was \$497 for each of the years ended December 31, 2020 and 2019. Amortization expense is expected to be \$497 per year for each of the next five (5) years.

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

**Debt Issuance Costs**

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 as of June 30, 2021 and 2020 was \$127 and \$-0-, respectively. Amortization expense was \$127 and \$-0- for the years ended June 30, 2021 and 2020, respectively. Amortization expense is expected to be \$2,104 per year for each of the next four (4) years and \$1,929 in the fifth (5th) year.

**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, 2021 and 2020.

**Income Taxes**

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

The Organization's evaluation at June 30, 2021 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.

**Advertising**

Advertising costs are charged to expense when incurred. Advertising expense for the years ended June 30, 2021 and 2020 amounted \$11,610 and \$16,802, respectively.

**Investments and Investment Return**

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.

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

**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.

Revenue is recognized at a point in time when control of a good is transferred to a buyer or services are performed. Payments for goods not yet transferred or services not yet rendered are recognized as deferred revenue on the statements of financial position.

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

**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.

**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 March 4, 2022, the date the Organization's consolidated financial statements were available to be issued. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Organization's consolidated financial statements.



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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, 2021: 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 and there have been no changes in the methodology used at June 30, 2021 and 2020.

Assets measured at fair value on a recurring basis at June 30, 2021 are as follows:

	Level 1	Level 2	Level 3	Total
Equities	\$ 1,101,361	\$ -	\$ -	\$ 1,101,361
ETF's	100,434	-	-	100,434
Agency Securities	50,283	-	-	50,283
Corporate Bonds	471,898	-	-	471,898
<b>TOTAL</b>	<b>\$ 1,723,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,723,976</b>

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

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

	Level 1	Level 2	Level 3	Total
Equities	\$ 929,540	\$ -	\$ -	\$ 929,540
ETF's	68,464	-	-	68,464
Agency Securities	51,668	-	-	51,668
Corporate Bonds	355,561	-	-	355,561
<b>TOTAL</b>	<b>\$ 1,405,233</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,405,233</b>

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

	2021	(As Restated) 2020
Interest and Dividends	\$ 19,979	\$ 27,187
Realized Gains (Losses), Net	164,687	(26,451)
Unrealized Gains, Net	277,588	131,112
Investment Fees	(8,219)	(6,827)
<b>INVESTMENT RETURN, NET</b>	<b>\$ 454,035</b>	<b>\$ 125,021</b>

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**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,	
	2021	(As Restated) 2020
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 533,319	\$ 450,969
Accounts Receivable	209,425	72,521
Accrued Interest Receivable	5,699	5,356
Grants Receivable	596,053	818,178
Investments	1,723,976	1,405,233
Total Financial Assets at Year End	3,068,472	2,752,257
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	49,921	86,952
Donor-Restricted to Tench Tilghman Green Space	-	27,390
Donor-Restricted to Housing Counseling	23,288	-
Donor-Restricted to Southeast Youth Collaborative	27,417	-
Donor-Restricted to Community Financial Assistance	73,333	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One (1) Year	<u>\$ 3,242,431</u>	<u>\$ 3,091,184</u>

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

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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, 2020 and 2019, the balance in the operating reserve was \$39,018 and \$38,824, 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, 2020 and 2019, the balance in the replacement reserve was \$36,855 and \$31,171, respectively.

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

The obligation to refund tenants' deposits is shown as a liability on the consolidated statements of financial position. As received, the cash is deposited into a trust account and held until used for repairing damages, payment of past due rent or refunded. Tenants' security deposits are segregated into a separate bank account, in order to comply with state law.

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**Note 7: Grants Receivable**

Grants receivable are deemed to be fully collectible by management and are composed of the following for June 30:

	2021	2020
State of Maryland	\$ 153,575	\$ 159,215
Home Free	-	17,400
DHCD Housing Counseling Fund	10,000	54,500
Baltimore Development Corporation	-	6,250
Baltimore Civic Fund	2,850	-
Enterprise Community Partners	10,000	-
Abell Foundation	-	212,085
CareFirst BlueCross BlueShield	-	25,000
Fund for Educational Excellence	-	5,000
Mayor and City Council	210,000	119,196
Mayor's Office of Children and Family Success	48,000	-
Banner Neighborhoods Community Corp	32,151	43,984
Meyerhoff	-	5,000
Johns Hopkins University	-	52,470
Chesapeake Bay Trust	-	2,916
Baltimore City Planning Department	-	10,000
Baltimore City Schools	-	70,685
United Way of Central Maryland	95,000	-
Family League of Baltimore	34,477	34,477
TOTAL	\$ 596,053	\$ 818,178

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**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, 2020 and 2019, the balance on the mortgage was \$247,763. As of December 31, 2020 and 2019, the accrued interest under this loan amounted to \$4,945 and \$2,467, respectively. As of December 31, 2020 and 2019, the interest expense amounted to \$2,478.

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

	December 31,	
	2020	2019
Principal Amount	\$ 247,763	\$ 247,763
Less: Unamortized Debt Less Unamortized Issuance Costs	<u>8,529</u>	<u>9,026</u>
Long-Term Debt Less Unamortized Issuance Costs	<u><u>\$ 239,234</u></u>	<u><u>\$ 238,737</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 escrow deposits for taxes and insurance and is subject to restrictions as to operating policies, rental charges, operating expenditures and distributions.

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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, 2020 and 2019, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. As of December 31, 2020 and 2019, the accrued interest under this loan amounted to \$1,667,295 and \$1,531,646, respectively. Interest expense for 2020 and 2019 amounted to \$136,146 and \$127,441, 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 2020 and 2019. The agreement has been approved by DHCD and remains in effect until termination by, or with the consent of, DHCD.

**Note 10: Mortgage Payable and Line-of-Credit**

In August 2014, the Organization took out a term mortgage loan from M&T Bank for \$250,000. The loan was secured by the underlying property. The interest rate was 5.39% with a ten (10) year term. Monthly payments were \$2,709.

In April 2021, the above mortgage was refinanced in the amount of \$120,694 with PNC Bank. The loan is secured by the underlying property and an assignment of leases, rents and profits. The interest rate is 3.27% with a maturity date of April 2026 and monthly payments of \$2,186. As of June 30, 2021, the balance on the mortgage was \$116,870.

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**Note 10: Mortgage Payable and Line-of-Credit (Continued)**

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

	June 30,	
	2021	2020
Principal Amount	\$ 116,870	\$ -
Less: Unamortized Debt Less Unamortized Issuance Costs	10,345	-
Long-Term Debt Less Unamortized Issuance Costs	<u>\$ 106,525</u>	<u>\$ -</u>

The Organization reflects amortization of debt issuance costs as interest expense. Interest expense for the years ended June 30, 2021 and 2020 amounted to \$6,698 and \$8,069, respectively. Future minimum payments are as follows:

For the Years Ending June 30,	
2022	\$ 22,694
2023	23,457
2024	24,242
2025	25,064
2026	<u>21,413</u>
TOTAL	<u>\$ 116,870</u>

In August 2014, the Organization established a line-of-credit for \$100,000 with M&T Bank. The rate was one and one-half percent (1.5%) over prime rate. The line was secured by all assets of the Organization. The balance on the line-of-credit at June 30, 2020 was \$-0-. The line was closed during the year ended June 30, 2021.

In November 2016, the Organization established a line-of-credit for \$400,000 with WesBanco. The rate was variable and six and one-half percent (6.5%) at June 20, 2020. The line was secured by all assets of the Organization. The balance on the line-of-credit at June 30, 2020 was \$-0-. The line was closed during the year ended June 30, 2021.

In May 2021, the Organization opened an operating line-of-credit for \$100,000 with PNC Bank. The interest rate is one-quarter percent (0.25%) over the prime rate and the line-of credit has a maturity date of May 2022. The line-of-credit is secured by the property previously noted. The line-of-credit requires monthly interest-only payments with the balance of the line-of-credit due on the maturity date. The balance on the line-of-credit at June 30, 2021 was \$75,000.



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**Note 10: Mortgage Payable and Line-of-Credit (Continued)**

In May 2021, the Organization opened a development line-of-credit for \$500,000 with PNC Bank. The interest rate is the prime rate and the line-of-credit has a maturity date of May 2022. The line-of-credit is secured by the property previously noted. The line-of-credit requires monthly interest-only payments with the balance of the line-of-credit due on the maturity date. The balance on the line-of-credit at June 30, 2021 was \$75,000.

Interest expense on the lines-of-credit for the years ended June 30, 2021 and 2020 amounted to \$746 and \$3,459, 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 statements 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.

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**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, 2021 and 2020:

Federal Government		
Community Development Block Grant	\$ 268,000	\$ 119,195
Treasury's Coronavirus Relief	57,886	-
Housing and Urban Development	10,000	17,400
	<u>335,886</u>	<u>136,595</u>
TOTAL FEDERAL GOVERNMENT		
State Government		
DHCD - MHCF	-	46,000
State of Maryland DHCD - BRNI Community Projects	325,865	534,992
State of Maryland DHCD - BRNI Operating	100,000	100,000
Maryland State Arts Council	13,425	15,000
State of Maryland DHCD - NORI Grant	50,000	-
State of Maryland DHCD - Cleanup/Greenup	2,160	-
State of Maryland DHCD - SERI	257,893	-
State of Maryland DHCD - Operating	10,000	-
State of Maryland DHCD - Housing Counseling Fund	33,500	-
C.A.R.E. Neighborhood	-	315,197
	<u>792,843</u>	<u>1,011,189</u>
TOTAL STATE GOVERNMENT		
County Government		
Baltimore City Public Schools	-	110,685
Baltimore City Planning Department	50,000	10,000
Baltimore Development Corporation	6,141	10,000
Baltimore City DHCD	-	20,000
	<u>56,141</u>	<u>150,685</u>
TOTAL COUNTY GOVERNMENT		
	<u>\$ 1,184,870</u>	<u>\$ 1,298,469</u>
TOTAL		

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**Note 13: Reclassification**

Certain amounts in the 2020 consolidated financial statements have been reclassified for comparative purposes to conform with the 2021 presentation.

**Note 14: Lease Expense**

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

<u>For the Years Ending June 30,</u>	
2022	\$ 12,459
2023	12,459
2024	<u>7,268</u>
 TOTAL	 <u><u>\$ 32,186</u></u>

Rent expense for the years ended June 30, 2021 and 2020 was \$6,522 and \$4,572, respectively.

**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.

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**Note 17: 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, 2021. Such funds are expected to be used during the following fiscal year. In the fiscal year ended June 30, 2020, 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 was 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 was classified as a refundable advance. In January 2021, the PPP loan in the amount of \$129,399 was forgiven. Refundable advances totaled \$28,331 and \$228,724 as of June 30, 2021 and 2020, respectively.

**Note 18: 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.

**Note 19: Net Assets With Donor Restrictions**

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

	2021	2020
Security Cameras	\$ -	\$ 204,585
Highlandtown MainStreet Preservation	-	20,000
COVID Response and Food Stability	49,921	86,952
Tench Tilghman Green Space	-	27,390
Housing Counseling	23,288	-
Southeast Youth Collaborative	27,417	-
Client Assistance Funds	73,333	-
	<hr/>	<hr/>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 173,959</u>	<u>\$ 338,927</u>

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**Note 20: Net Assets Released from Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes. The following amounts were released from restrictions for the fiscal years ended June 30:

	<u>2021</u>	<u>2020</u>
Security Camera Grant	\$ 204,585	\$ -
Highlandtown MaintStreet Preservation	20,000	-
COVID Response and Food Stability	86,952	-
Tench Tilghman Green Space	<u>27,390</u>	<u>-</u>
 TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	 <u><u>\$ 338,927</u></u>	 <u><u>\$ -</u></u>

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**Note 21: Prior Period Adjustment**

During 2021, it was discovered that unrealized gains were understated by \$67,052 and grants receivable and other grants were overstated by \$40,000 for the year ended June 30, 2020. Therefore, the prior year statements were adjusted as follows:

	As Previously Stated	Change	As Restated
Grants Receivable	\$ 838,178	\$ (20,000)	\$ 818,178
Investments, at Fair Value	1,338,181	67,052	1,405,233
Total Current Assets	2,833,489	47,052	2,880,541
Total Assets	<u>\$ 5,245,670</u>	<u>\$ 47,052</u>	<u>\$ 5,292,722</u>
Refundable Advances	\$ 228,724	\$ 20,000	\$ 248,724
Total Current Liabilities	555,204	20,000	575,204
Total Liabilities	<u>\$ 2,922,174</u>	<u>\$ 20,000</u>	<u>\$ 2,942,174</u>
Net Assets Without Donor Restrictions	\$ 1,984,569	\$ 27,052	\$ 2,011,621
Total Liabilities and Net Assets	<u>\$ 5,245,670</u>	<u>\$ 47,052</u>	<u>\$ 5,292,722</u>
Other Grants	\$ 1,007,006	\$ (40,000)	\$ 967,006
Investment Return, Net	57,969	67,052	125,021
Total Support and Revenues	2,889,464	27,052	2,916,516
Change in Net Assets	<u>\$ 422,706</u>	<u>\$ 27,052</u>	<u>\$ 449,758</u>



Certified Public Accountants

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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, 2021 and 2020, and have issued our report thereon dated March 4, 2022, 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 23 through 24 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  
March 4, 2022

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2021

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Hope Development Company	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	\$ 504,399	\$ -	\$ -	\$ 28,920	\$ -	\$ -	\$ 533,319
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$16,068)	-	-	-	28,745	-	-	28,745
Accounts Receivable - Other	180,680	-	-	-	-	-	180,680
Grants Receivable	596,053	-	-	-	-	-	596,053
Investments, at Fair Value	1,723,976	-	-	-	-	-	1,723,976
Prepaid Expenses	429	-	-	4,284	-	-	4,713
Accrued Interest and Dividends Receivable on Investments	5,699	-	-	-	-	-	5,699
Security Deposits	854	-	-	23,772	-	-	24,626
Due from Related Party	191,808	-	-	-	-	(191,808)	-
Mortgage Escrow Deposits and Funded Reserves	-	-	-	85,575	-	-	85,575
<b>TOTAL CURRENT ASSETS</b>	<b>3,203,898</b>	<b>-</b>	<b>-</b>	<b>171,296</b>	<b>-</b>	<b>(191,808)</b>	<b>3,183,386</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	76,555	-	-	46,969	-	-	123,524
Less: Accumulated Depreciation	(111,973)	(253,575)	-	(992,295)	-	-	(1,357,843)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>145,176</b>	<b>986,114</b>	<b>-</b>	<b>876,407</b>	<b>-</b>	<b>-</b>	<b>2,007,697</b>
<b>OTHER ASSETS</b>							
Development Costs	451,196	-	-	-	-	-	451,196
Property Held for Resale	-	-	191,808	-	-	-	191,808
Investments in Private Company	(405,053)	-	-	(97,268)	97,268	405,053	-
<b>TOTAL OTHER ASSETS</b>	<b>46,143</b>	<b>-</b>	<b>191,808</b>	<b>(97,268)</b>	<b>97,268</b>	<b>405,053</b>	<b>643,004</b>
<b>TOTAL ASSETS</b>	<b>\$ 3,395,217</b>	<b>\$ 986,114</b>	<b>\$ 191,808</b>	<b>\$ 950,435</b>	<b>\$ 97,268</b>	<b>\$ 213,245</b>	<b>\$ 5,834,087</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, 2021

	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Hope Development Company	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
<b>CURRENT LIABILITIES</b>							
Accounts Payable and Accrued Expenses	\$ 204,281	\$ -	\$ -	\$ 1,748	\$ -	\$ -	\$ 206,029
Prepaid Rents	-	-	-	3,339	-	-	3,339
Accrued Salaries, Wages and Taxes	60,864	-	-	-	-	-	60,864
Tenants' Security Deposits (Contra)	4,883	-	-	22,309	-	-	27,192
Fiscal Agent Liability	10,000	-	-	-	-	-	10,000
Refundable Advances	28,331	-	-	-	-	-	28,331
Lines-of-Credit	150,000	-	-	-	-	-	150,000
Due to Related Party	-	-	191,808	-	-	(191,808)	-
Mortgage Payable - Current	22,694	-	-	-	-	-	22,694
<b>TOTAL CURRENT LIABILITIES</b>	<b>481,053</b>	<b>-</b>	<b>191,808</b>	<b>27,396</b>	<b>-</b>	<b>(191,808)</b>	<b>508,449</b>
<b>LONG-TERM LIABILITIES</b>							
Mortgage Payable	94,176	-	-	-	-	-	94,176
Debt Issuance Costs (Net of Accumulated Amortization of \$127)	(10,345)	-	-	-	-	-	(10,345)
Mortgages Payable - BNLP	-	-	-	697,763	-	-	697,763
Debt Issuance Costs - BNLP (Net of Accumulated Amortization of \$11,346)	-	-	-	(8,529)	-	-	(8,529)
Other Loans and Notes Payable - BNLP	-	-	-	50,000	-	-	50,000
Accrued Interest Payable	-	-	-	1,672,240	-	-	1,672,240
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>83,831</b>	<b>-</b>	<b>-</b>	<b>2,411,474</b>	<b>-</b>	<b>-</b>	<b>2,495,305</b>
<b>TOTAL LIABILITIES</b>	<b>564,884</b>	<b>-</b>	<b>191,808</b>	<b>2,438,870</b>	<b>-</b>	<b>(191,808)</b>	<b>3,003,754</b>
<b>NET ASSETS/EQUITY (DEFICIT)</b>							
Without Donor Restrictions	2,656,374	-	-	-	-	-	2,656,374
With Donor Restrictions	173,959	-	-	-	-	-	173,959
Partners' Equity (Deficit)	-	986,114	-	(1,488,435)	97,268	405,053	-
<b>TOTAL NET ASSETS/EQUITY (DEFICIT)</b>	<b>2,830,333</b>	<b>986,114</b>	<b>-</b>	<b>(1,488,435)</b>	<b>97,268</b>	<b>405,053</b>	<b>2,830,333</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,395,217</b>	<b>\$ 986,114</b>	<b>\$ 191,808</b>	<b>\$ 950,435</b>	<b>\$ 97,268</b>	<b>\$ 213,245</b>	<b>\$ 5,834,087</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 ACTIVITIES

For the Year Ended June 30, 2021

	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS						
	Southeast Community Development Corporation	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Hope Development Company	Wolfe Street Enterprises, LLC	Wolfe Street Development Company	Intercompany Eliminations	Total
SUPPORT AND REVENUES								
Grants from Government Agencies	\$ -	\$ 1,184,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,184,870
Other Grants	173,959	760,686	-	-	-	-	-	934,645
Contributions	-	309,332	-	-	-	-	-	309,332
Rental Revenue	-	-	-	-	164,754	-	-	164,754
Housing Counseling	-	20,827	-	-	-	-	-	20,827
Grant Income - Paycheck Protection Program	-	129,399	-	-	-	-	-	129,399
Lead Agency Service Fees	-	234,081	-	-	-	-	-	234,081
Other Revenue	-	2,907	-	-	-	-	-	2,907
Investment Return, Net	-	453,841	-	-	194	-	-	454,035
Net Assets Released from Restrictions	(338,927)	338,927	-	-	-	-	-	-
TOTAL SUPPORT AND REVENUES	(164,968)	3,434,870	-	-	164,948	-	-	3,434,850
EXPENSES								
Program Expenses								
Neighborhood/Commercial Revitalization	-	1,384,016	30,992	-	-	-	-	1,415,008
Community Schools	-	449,184	-	-	-	-	-	449,184
Homeownership/Financial Stability	-	617,810	-	-	-	-	-	617,810
Broadway North Limited Partnership	-	-	-	-	315,444	-	-	315,444
Total Program Expenses	-	2,451,010	30,992	-	315,444	-	-	2,797,446
Management and General	-	147,619	-	-	-	-	-	147,619
TOTAL EXPENSES	-	2,598,629	30,992	-	315,444	-	-	2,945,065
OTHER INCOME (EXPENSES)								
Investment Income (Loss) from Private Company	-	(181,488)	-	-	150	(150)	181,488	-
CHANGES IN NET ASSETS	(164,968)	654,753	(30,992)	-	(150,346)	(150)	181,488	489,785
Net Assets - Beginning of Year (As Restated)	338,927	2,011,621	-	-	-	-	-	2,350,548
Partners' Equity (Deficit) - Beginning of Year	-	-	1,017,106	-	(1,338,089)	107,418	213,565	-
Capital Contributions (Distributions)	-	(10,000)	-	-	-	(10,000)	10,000	(10,000)
NET ASSETS (DEFICIT) - END OF YEAR	\$ 173,959	\$ 2,656,374	\$ 986,114	\$ -	\$ (1,488,435)	\$ 97,268	\$ 405,053	\$ 2,830,333

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