

SOUTHEAST COMMUNITY  
DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

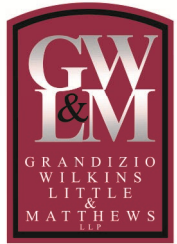
SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

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For the Years Ended June 30, 2022 and 2021

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## INDEPENDENT AUDITORS' REPORT

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

### Opinion

We have audited the consolidated financial statements of Southeast Community Development Corporation and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Southeast Community Development Corporation and Subsidiaries as of June 30, 2022 and 2021, and the change 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.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Southeast Community Development Corporation and Subsidiaries, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeast Community Development Corporation and Subsidiaries' ability to continue as a going concern for one (1) year after the date that the consolidated financial statements are issued.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southeast Community Development Corporation and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Southeast Community Development Corporation and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control - related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information is presented for purposes 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 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  
February 10, 2023

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,099,678	\$ 533,319
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$195 and \$16,068, Respectively)	8,714	28,745
Accounts Receivable - Other	79,421	180,680
Grants Receivable	832,815	596,053
Investments, at Fair Value	1,313,496	1,723,976
Prepaid Expenses	4,770	4,713
Accrued Interest and Dividends Receivable on Investments	4,788	5,699
Security Deposits	16,015	24,626
Mortgage Escrow Deposits and Funded Reserves	94,929	85,575
<b>TOTAL CURRENT ASSETS</b>	<b>3,454,626</b>	<b>3,183,386</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,631	106,631
Buildings	3,133,563	3,135,385
Furniture and Equipment	126,352	123,524
Leasehold Improvements	457,696	-
Less: Accumulated Depreciation	(1,469,410)	(1,357,843)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>2,354,832</b>	<b>2,007,697</b>
<b>PROPERTIES HELD FOR RESALE</b>		
Cost	550,148	191,808
Less: Allowance for Impairment	(123,222)	-
<b>NET PROPERTIES HELD FOR RESALE</b>	<b>426,926</b>	<b>191,808</b>
<b>OTHER ASSETS</b>		
Development Costs	-	451,196
<b>TOTAL ASSETS</b>	<b>\$ 6,236,384</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  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2022	2021
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 114,542	\$ 206,029
Prepaid Rents	4,755	3,339
Accrued Salaries, Wages and Taxes	19,215	60,864
Tenants' Security Deposits (Contra)	18,597	27,192
Fiscal Agent Liability	1,200	10,000
Refundable Advances	214,017	28,331
Lines-of-Credit	455,000	150,000
Mortgage Payable - Current	<u>116,415</u>	<u>22,694</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>943,741</u>	<u>508,449</u>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	70,835	94,176
Debt Issuance Costs (Net of Accumulated Amortization of \$2,231 and \$127, Respectively)	(8,241)	(10,345)
Mortgages Payable - BNLP	657,229	697,763
Debt Issuance Costs - BNLP (Net of Accumulated Amortization of \$11,843 and \$11,346, Respectively)	(8,032)	(8,529)
Other Loans and Notes Payable - BNLP	50,000	50,000
Accrued Interest Payable	<u>1,815,685</u>	<u>1,672,240</u>
<b>TOTAL LONG-TERM LIABILITIES</b>	<u>2,577,476</u>	<u>2,495,305</u>
<b>TOTAL LIABILITIES</b>	<u>3,521,217</u>	<u>3,003,754</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	2,365,446	2,656,374
With Donor Restrictions	<u>349,721</u>	<u>173,959</u>
<b>TOTAL NET ASSETS</b>	<u>2,715,167</u>	<u>2,830,333</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 6,236,384</u></u>	<u><u>\$ 5,834,087</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, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants from Government Agencies	\$ 1,400,997	\$ 250,000	\$ 1,650,997
Other Grants	645,359	99,721	745,080
Contributions	283,227	-	283,227
Rental Revenue	215,055	-	215,055
Counseling Revenue	12,860	-	12,860
Lead Agency Service Fees	234,160	-	234,160
Other Revenue	8,405	-	8,405
Investment Return, Net	(290,952)	-	(290,952)
Sale of Properties Held for Resale	252,761	-	252,761
Net Assets Released from Restrictions	173,959	(173,959)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>2,935,831</b>	<b>175,762</b>	<b>3,111,593</b>
<b>EXPENSES</b>			
Program Expenses			
Neighborhood/Commercial Revitalization	1,500,901	-	1,500,901
Community Schools	461,089	-	461,089
Broadway North Limited Partnership	336,745	-	336,745
Homeownership/Financial Stability	716,358	-	716,358
<b>Total Program Expenses</b>	<b>3,015,093</b>	<b>-</b>	<b>3,015,093</b>
Management and General	211,666	-	211,666
<b>TOTAL EXPENSES</b>	<b>3,226,759</b>	<b>-</b>	<b>3,226,759</b>
<b>CHANGE IN NET ASSETS</b>	<b>(290,928)</b>	<b>175,762</b>	<b>(115,166)</b>
Net Assets - Beginning of Year	2,656,374	173,959	2,830,333
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,365,446</b>	<b>\$ 349,721</b>	<b>\$ 2,715,167</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, 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
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	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
Broadway North Limited Partnership	315,444	-	315,444
Homeownership/Financial Stability	617,810	-	617,810
<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	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 FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Community Development						
	Neighborhood/ Commercial Revitalization	Community Schools	Broadway North Limited Partnership	Homeownership/ Financial Stability	Total Program Expenses	Management and General	June 30, 2022 Total
Salaries, Wages and Related Taxes	\$ 278,729	\$ 406,066	\$ -	\$ 518,104	\$ 1,202,899	\$ 22,014	\$ 1,224,913
Depreciation and Amortization	51,456	-	43,862	15,572	110,890	677	111,567
Contract Labor	477,104	-	-	6,879	483,983	700	484,683
Equipment Expense	6,639	2,062	-	6,768	15,469	1,108	16,577
Fringe Benefits	23,044	13,319	-	61,185	97,548	1,824	99,372
Insurance	5,988	2,479	9,509	7,789	25,765	885	26,650
Meetings and Conference	1,809	715	-	551	3,075	2,725	5,800
Office Expense	5,867	104	249	443	6,663	167	6,830
Professional Fees	9,996	14,504	11,330	3,695	39,525	137,706	177,231
Supplies	6,025	3,914	10,863	673	21,475	168	21,643
Advertising, Marketing and Promotion	12,201	1,620	-	287	14,108	2,535	16,643
Dues	13,517	215	-	1,873	15,605	5,569	21,174
Travel	3	-	-	540	543	44	587
Miscellaneous Expense	6,910	38	248	463	7,659	4,403	12,062
Cost of Properties Sold	361,346	-	-	-	361,346	-	361,346
Impairment of Properties Held for Resale	123,222	-	-	-	123,222	-	123,222
Printing	96	194	-	832	1,122	303	1,425
Rent	2,487	-	3,072	-	5,559	-	5,559
Property Maintenance	14,165	3,275	-	17,248	34,688	10,785	45,473
Staff Development	540	4,833	-	2,155	7,528	-	7,528
Telephone	4,889	3,198	-	8,017	16,104	653	16,757
Utilities	-	-	23,524	3,699	27,223	11,230	38,453
Community Development	450	-	-	-	450	-	450
Community Events	4,745	-	-	16,015	20,760	-	20,760
Client Assistance Expense	89,673	4,553	-	36,162	130,388	1,505	131,893
Credit Reports	-	-	-	7,408	7,408	-	7,408
Management Fees	-	-	5,100	-	5,100	-	5,100
Interest Expense	-	-	147,700	-	147,700	6,665	154,365
Contracts	-	-	53,996	-	53,996	-	53,996
Bad Debt Expense	-	-	18,249	-	18,249	-	18,249
Taxes	-	-	9,043	-	9,043	-	9,043
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,500,901</b>	<b>\$ 461,089</b>	<b>\$ 336,745</b>	<b>\$ 716,358</b>	<b>\$ 3,015,093</b>	<b>\$ 211,666</b>	<b>\$ 3,226,759</b>

The independent auditors' report and accompanying notes  
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SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES (CONTINUED)

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 CASH FLOWS

For the Years Ended June 30,	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Grants, Other Support and Sale of Properties Held for Resale	\$ 3,685,234	\$ 2,803,450
Cash Paid to Providers and Support Services and for Properties Held for Resale	(3,551,297)	(2,867,764)
Interest Received	30,374	19,625
Interest Paid	(8,319)	(7,940)
Cash (Paid) Received from Agency Transactions	(8,800)	10,000
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>147,192</b>	<b>(42,629)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(7,506)	(2,247)
Purchase of Investments	(358,261)	(209,848)
Proceeds from Sale of Investments	450,830	333,380
(Increase) Decrease in Loans Receivable	-	11,650
(Increase) Decrease in Development Costs	-	(126,321)
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>85,063</b>	<b>6,614</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Mortgage Payable	(43,985)	(24,706)
Proceeds from Loan Refinance	-	10,362
Proceeds from Origination of Mortgage Payable	73,832	-
Capital Contribution (Distribution)	-	(10,000)
Advances (Payments) on Line-of-Credit	305,000	150,000
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<b>334,847</b>	<b>125,656</b>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>567,102</b>	<b>89,641</b>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	643,520	553,879
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 1,210,622</b>	<b>\$ 643,520</b>
Cash and Cash Equivalents	\$ 1,099,678	\$ 533,319
Security Deposits	16,015	24,626
Mortgage Escrow Deposits and Funded Reserves	94,929	85,575
<b>TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b>\$ 1,210,622</b>	<b>\$ 643,520</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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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 operate several community programs, described below, in the southeast community of Baltimore City, Maryland. 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, 2021, 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 Organization's footprint.

#### **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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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, and mortgage escrow deposits and funded 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, 2022 and 2021 conditional promises to give totaled \$107,700 and \$225,500, 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, 2022 and 2021. 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, 2021 and 2020, the allowance for doubtful accounts was \$195 and \$16,068, respectively.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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 \$111,567 and \$81,858 for the years ended June 30, 2022 and 2021, respectively.

#### **Development Costs**

The Organization is involved in development of the first floor of its building. During the year ended June 30, 2022, the first-floor lease and the tenant's operations commenced. Accordingly, the cost was reclassified to leasehold improvements.

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

The Organization purchases and renovates properties for resale to low-income families through their neighborhood revitalization program. Properties held for resale are stated at the lower of cost or net realizable value. In accordance with accounting principles generally accepted in the United States of America, when properties held for resale are impaired, a charge is recorded in the period impairment is identified and included on the consolidated statements of functional expenses. For the year ended June 30, 2022 impairment was \$123,222.

Sale of properties held for resale represents the proceeds from such sales and is included on the consolidated statements of activities. Cost of properties sold includes acquisition and rehabilitation costs, interest, and taxes. Costs are expensed in the period in which the underlying properties are sold and are included on the consolidated statements of functional expenses. Loss on sale of properties held for resale during the year ended June 30, 2022 was \$108,585. Costs of acquiring and rehabilitating certain properties are funded partially or fully by certain grants. Proceeds from such grants are included in either grants from government agencies or other grants line items on the consolidated statements of activities.

#### **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, 2021 and 2020 was \$11,843 and \$11,346, respectively. Amortization expense was \$497 for each of the years ended December 31, 2021 and 2020. Amortization expense is expected to be \$497 per year for each of the next five (5) years.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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, 2022 and 2021 was \$2,231 and \$127, respectively. Amortization expense was \$2,104 and \$127 for the years ended June 30, 2022 and 2021, respectively. Amortization expense is expected to be \$2,104 per year for each of the next three (3) years and \$1,929 in the fourth (4th) 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, 2022 and 2021.

#### **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, 2022 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, 2022 and 2021 amounted \$16,643 and \$11,610, 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.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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 February 10, 2023, the date the Organization's consolidated financial statements were available to be issued. There were no events or transactions, except as disclosed in Note 21, 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, 2022 and 2021

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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 years ended June 30, 2022 and 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. Corporate bonds are classified as trading securities. This pricing methodology applies to all Level 1 investments and there have been no changes in the methodology used at June 30, 2022 and 2021.

Assets measured at fair value on a recurring basis at June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
Equities	\$ 748,339	\$ -	\$ -	\$ 748,339
ETFs	81,038	-	-	81,038
Corporate Bonds	484,119	-	-	484,119
<b>TOTAL</b>	<b>\$ 1,313,496</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,313,496</b>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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

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
ETFs	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>

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

	2022	2021
Interest and Dividends	\$ 36,022	\$ 19,979
Realized Gains (Losses), Net	68,667	164,687
Unrealized Gains (Losses), Net	(386,369)	277,588
Investment Fees	(9,272)	(8,219)
<b>INVESTMENT RETURN, NET</b>	<b>\$ (290,952)</b>	<b>\$ 454,035</b>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

**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,	
	2022	2021
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 1,099,678	\$ 533,319
Accounts Receivable - Other	88,135	209,425
Accrued Interest Receivable and Dividends Receivable on Investments	4,788	5,699
Grants Receivable	832,815	596,053
Investments, at Fair Value	1,313,496	1,723,976
Total Financial Assets at Year End	3,338,912	3,068,472
Less Those Unavailable to General Expenditures Within One (1) Year, Due to:		
Donor-Restricted to Baltimore Bike Experience Community Bicycle Workshop	23,040	-
Donor Restricted to Attendance Monitors at Tench Tilghman	6,500	-
Donor Restricted to Clean Streets Partnership	37,578	-
Donor Restricted to Storefront Improvement, Streetscaping and Interior Fit-Out Projects	250,000	-
Donor Restricted to Family Stability and Eviction Prevention	32,060	-
Donor Restricted to Housing Assistance Programs	543	-
Donor-Restricted to COVID Response and Food Stability	-	49,921
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>\$ 2,989,191</u>	<u>\$ 2,894,513</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has an unused portion of its line-of-credit available to meet cash flow needs.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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**Note 5: 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, 2021 and 2020, the balance in the operating reserve was \$39,226 and \$39,018, 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, 2021 and 2020, the balance in the replacement reserve was \$44,118 and \$36,855, 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.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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:

	June 30,	
	2022	2021
Mayor's Office of Children and Family Success	\$ 342,205	\$ 48,000
Mayor and City Council	217,692	210,000
Baltimore Development Corporation	25,354	-
Banner Neighborhoods Community Corp	9,733	32,151
DHCD Operations	60,000	-
DHCD Homeowner Assistance Fund	68,181	-
DHCD Housing Counseling Fund	10,000	10,000
Family League of Baltimore	65,936	34,477
HUD Housing Counseling Assistance Program	26,000	-
Other	7,714	-
State of Maryland	-	153,575
Baltimore Civic Fund	-	2,850
Enterprise Community Partners	-	10,000
United Way of Central Maryland	-	95,000
<b>TOTAL</b>	<b>\$ 832,815</b>	<b>\$ 596,053</b>

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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, 2021 and 2020, the balance on the mortgage was \$226,225 and \$247,763, respectively. Interest expense for 2021 and 2020 amounted to \$2,262 and \$2,478, respectively. Accrued interest at December 31, 2021 and 2020 was \$3,449 and \$4,945, respectively.

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

	December 31,	
	2021	2020
Principal Amount	\$ 207,229	\$ 227,412
Less: Unamortized Debt Less Unamortized Issuance Costs	<u>8,032</u>	<u>8,529</u>
Long-Term Debt Less Unamortized Issuance Costs	<u><u>\$ 199,197</u></u>	<u><u>\$ 218,883</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.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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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, 2021 and 2020, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. As of December 31, 2021 and 2020, the deferred accrued interest under this loan amounted to \$1,812,236 and \$1,667,295, respectively. Interest expense for 2021 and 2020 amounted to \$145,438 and \$136,146, respectively, which includes \$497 of debt issuance cost amortization each year.

Estimated annual maturities of the mortgages payable for the five (5) years subsequent to December 31, 2021 and thereafter, are as follows:

#### For the Years Ending December 31,

2022	\$ 18,996
2023	-
2024	-
2025	-
2026	-
Thereafter	<u>707,229</u>
<b>TOTAL</b>	<b><u>\$ 726,225</u></b>

Due to the inability to determine surplus cash each year, there have been no annual maturities of the 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 2021 and 2020. The agreement has been approved by DHCD and remains in effect until termination by, or with the consent of, DHCD. Management fee payable amounted to \$425 and \$-0- as of December 31, 2021 and 2020, respectively, and is included on the accounts payable and accrued expenses line item on the consolidated statements of financial position.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

**Note 10: Mortgage Payable and Lines-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, 2022 and 2021, the balance on the mortgage was \$94,422 and \$116,870, 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,	
	2022	2021
Principal Amount	\$ 70,835	\$ 94,176
Less: Unamortized Debt Less Unamortized Issuance Costs	8,241	10,345
Long-Term Debt Less Unamortized Issuance Costs	<u>\$ 62,594</u>	<u>\$ 83,831</u>

The Organization reflects amortization of debt issuance costs as interest expense. Interest expense for the years ended June 30, 2022 and 2021 amounted to \$6,665 and \$6,698, respectively.

In March 2022, the Organization took out a mortgage loan from Orrstown Bank for \$73,832. The mortgage is secured by a property held for resale. The interest rate is variable and is calculated daily based on the Wall Street Journal Prime rate plus one and one-quarter percent (1.25%). As of June 30, 2022 the interest rate is six percent (6.00%). The loan matures in March 2023, at which the entire principal balances plus accrued interest will be due. The balance on the loan at June 30, 2022 was \$73,832. Interest expense for the year ended June 30, 2022 amounted to \$1,011. Because the mortgage supports a property held for resale, the interest is capitalized into the cost of the property until sold.



# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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

Annual maturities of the mortgages payable for the five (5) years subsequent to June 30, 2022 are as follows:

<u>For the Years Ending June 30,</u>	
2023	\$ 97,419
2024	24,242
2025	25,064
2026	21,529
2027	-
	<hr/>
TOTAL	\$ 168,254
	<hr/>

In May 2021, the Organization opened an operating line-of-credit for \$100,000 with PNC Bank. The interest rate is one-quarter of one percent (0.25%) over the prime rate and the line-of credit had a maturity date of May 2022, and was subsequently renewed through May 2023. The line-of-credit is secured by the Organization's building. 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, 2022 and 2021 was \$75,000.

In May 2021, the Organization opened a development line-of-credit for \$500,000 with PNC Bank. In May 2022, the development line-of-credit was amended to increase the ceiling to \$750,000 and extend the maturity date to May 2023. The interest rate is the prime rate. 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, 2022 and 2021 was \$380,000 and \$75,000, respectively.

Interest expense on the lines-of-credit for the years ended June 30, 2022 and 2021 amounted to \$12,023 and \$746, respectively. Because the lines-of-credit support the Organization's properties held for resale program, the interest is capitalized into the cost of said properties until sold.

### **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.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

**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:

	2022	2021
Federal Government		
Community Development Block Grant	\$ 504,205	\$ 268,000
Treasury's Coronavirus Relief	-	57,886
Housing and Urban Development	26,000	10,000
	<u>530,205</u>	<u>335,886</u>
TOTAL FEDERAL GOVERNMENT		
State Government		
State of Maryland DHCD - BRNI Community Projects	762,726	325,865
State of Maryland DHCD - BRNI Operating	60,000	100,000
Maryland State Arts Council	16,571	13,425
State of Maryland DHCD - Housing Assistance Fund	93,431	-
State of Maryland DHCD - Health and Social Care Partnership	9,219	-
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	33,500
	<u>975,447</u>	<u>792,843</u>
TOTAL STATE GOVERNMENT		
County Government		
Baltimore City Planning Department	50,000	50,000
Baltimore Development Corporation	27,104	6,141
Baltimore City Mayor and City Council	15,383	-
Blue Water Baltimore	1,560	-
Baltimore Civic Fund	51,298	-
	<u>145,345</u>	<u>56,141</u>
TOTAL COUNTY GOVERNMENT		
TOTAL	<u>\$ 1,650,997</u>	<u>\$ 1,184,870</u>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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**Note 13: Reclassification**

Certain amounts in the 2021 consolidated financial statements have been reclassified for comparative purposes to conform with the 2022 presentation.

**Note 14: Commitments and Contingencies**

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>	
2023	\$ 12,459
2024	<u>7,268</u>
 TOTAL	 <u>\$ 19,727</u>

Rent expense for the years ended June 30, 2022 and 2021 was \$5,559 and \$6,522, respectively.

During the year ended June 30, 2022, the Organization began leasing the first floor of its building. The lease term is for ten (10) years and five (5) months, expiring December 2032. The lease contains four (4) options to renew for an additional five (5) years each at the tenant's option. Each renewal period is subject to a three percent (3%) increase in the minimum rent. Minimum rent is \$4,883 per month for the first two (2) years and increases four-percent in year three (3) and every other year thereafter. Additionally, the Organization will receive additional rent in the amount of five percent (5%) of the amount by which the tenant's gross sales exceeds the minimum rent during any lease year.

The Organization leased one of its properties held for resale during the year ended June 30, 2022. The lease term is for twelve (12) months, which expired in August 2022. Lease payments were \$825 per month. Accounting principles generally accepted in the United States of America require that depreciation expense be accounted for when properties are placed in service, however, management determined that the expense for the year ended June 30, 2022 would be immaterial.

Rental income for the year ended June 30, 2022 was \$58,312 for the above leases.

**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.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 and 2021

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### **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: 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 received advances various grantors that have not been expended as of June 30, 2022. Such funds are expected to be used during the following fiscal year. Refundable advances totaled \$214,017 and \$28,331 as of June 30, 2022 and 2021, respectively.

### **Note 18: Net Assets With Donor Restrictions**

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

	2022	2021
Baltimore Bike Experience Community Bicycle Workshop	\$ 23,040	\$ -
Attendance Monitors at Tench Tilghman	6,500	-
Clean Streets Partnership	37,578	-
Storefront Improvement, Streetscaping and Interior Fit-Out Projects	250,000	-
Family Stability and Eviction Prevention	32,060	-
Housing Assistance Programs	543	-
COVID Response and Food Stability	-	49,921
Housing Counseling	-	23,288
Southeast Youth Collaborative	-	27,417
Community Financial Assistance	-	73,333
	<hr/>	<hr/>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 349,721</u>	<u>\$ 173,959</u>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

**Note 19: 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:

	2022	2021
COVID Response and Food Stability	\$ 49,921	\$ -
Housing Counseling	23,288	-
Southeast Youth Collaborative	27,417	-
Community Financial Assistance	73,333	-
Security Camera Grant	-	204,585
Highlandtown MaintStreet Preservation	-	20,000
COVID Response and Food Stability	-	86,952
Tench Tilghman Green Space	-	27,390
	<u>          </u>	<u>          </u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<u><u>\$ 173,959</u></u>	<u><u>\$ 338,927</u></u>

**Note 20: Retirement Plan**

The Organization maintains a defined contribution plan for all eligible employees. Employees are eligible upon hire. Contributions to the plan are made solely at the discretion of the Organization. The Organization made no contributions to the plan in the years ended June 30, 2022 and 2021.

**Note 21: Subsequent Event**

Subsequent to June 30, 2022, the Organization signed a grant agreement in the amount of \$2,500,000 as a result of the American Rescue Plan Act. The grant funds will be received on a pre-determined payment schedule through the life of the grant, which expires June 30, 2025.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2022

	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	\$ 1,071,789	\$ -	\$ -	\$ 27,889	\$ -	\$ -	\$ 1,099,678
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$195)	-	-	-	8,714	-	-	8,714
Accounts Receivable - Other	79,421	-	-	-	-	-	79,421
Grants Receivable	832,815	-	-	-	-	-	832,815
Investments, at Fair Value	1,313,496	-	-	-	-	-	1,313,496
Prepaid Expenses	486	-	-	4,284	-	-	4,770
Accrued Interest and Dividends Receivable on Investments	4,788	-	-	-	-	-	4,788
Security Deposits	854	-	-	15,161	-	-	16,015
Due from Related Party	584,901	-	-	-	-	(584,901)	-
Mortgage Escrow Deposits and Funded Reserves	-	-	-	94,929	-	-	94,929
<b>TOTAL CURRENT ASSETS</b>	<b>3,888,550</b>	<b>-</b>	<b>-</b>	<b>150,977</b>	<b>-</b>	<b>(584,901)</b>	<b>3,454,626</b>
<b>PROPERTY AND EQUIPMENT</b>							
Land	-	-	-	106,631	-	-	106,631
Buildings	180,594	1,239,689	-	1,713,280	-	-	3,133,563
Furniture and Equipment	77,561	-	-	48,791	-	-	126,352
Leasehold Improvements	457,696	-	-	-	-	-	457,696
Less: Accumulated Depreciation	(148,685)	(284,568)	-	(1,036,157)	-	-	(1,469,410)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>567,166</b>	<b>955,121</b>	<b>-</b>	<b>832,545</b>	<b>-</b>	<b>-</b>	<b>2,354,832</b>
<b>PROPERTIES HELD FOR RESALE</b>							
Cost	-	-	550,148	-	-	-	550,148
Less: Allowance for Impairment	-	-	(123,222)	-	-	-	(123,222)
<b>NET PROPERTIES HELD FOR RESALE</b>	<b>-</b>	<b>-</b>	<b>426,926</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>426,926</b>
<b>OTHER ASSETS</b>							
Investments in Private Company	(847,647)	-	-	(97,088)	97,088	847,647	-
<b>TOTAL ASSETS</b>	<b>\$ 3,608,069</b>	<b>\$ 955,121</b>	<b>\$ 426,926</b>	<b>\$ 886,434</b>	<b>\$ 97,088</b>	<b>\$ 262,746</b>	<b>\$ 6,236,384</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, 2022

	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	\$ 112,406	\$ -	\$ -	\$ 2,136	\$ -	\$ -	\$ 114,542
Prepaid Rents	-	-	-	4,755	-	-	4,755
Accrued Salaries, Wages and Taxes	19,215	-	-	-	-	-	19,215
Tenants' Security Deposits (Contra)	4,883	-	-	13,714	-	-	18,597
Fiscal Agent Liability	1,200	-	-	-	-	-	1,200
Refundable Advances	214,017	-	-	-	-	-	214,017
Lines-of-Credit	455,000	-	-	-	-	-	455,000
Due to Related Party	-	-	584,901	-	-	(584,901)	-
Mortgage Payable - Current	23,587	-	73,832	18,996	-	-	116,415
<b>TOTAL CURRENT LIABILITIES</b>	<b>830,308</b>	<b>-</b>	<b>658,733</b>	<b>39,601</b>	<b>-</b>	<b>(584,901)</b>	<b>943,741</b>
<b>LONG-TERM LIABILITIES</b>							
Mortgage Payable	70,835	-	-	-	-	-	70,835
Debt Issuance Costs (Net of Accumulated Amortization of \$2,231)	(8,241)	-	-	-	-	-	(8,241)
Mortgages Payable - BNLN	-	-	-	657,229	-	-	657,229
Debt Issuance Costs - BNLN (Net of Accumulated Amortization of \$11,843)	-	-	-	(8,032)	-	-	(8,032)
Other Loans and Notes Payable - BNLN	-	-	-	50,000	-	-	50,000
Accrued Interest Payable	-	-	-	1,815,685	-	-	1,815,685
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>62,594</b>	<b>-</b>	<b>-</b>	<b>2,514,882</b>	<b>-</b>	<b>-</b>	<b>2,577,476</b>
<b>TOTAL LIABILITIES</b>	<b>892,902</b>	<b>-</b>	<b>658,733</b>	<b>2,554,483</b>	<b>-</b>	<b>(584,901)</b>	<b>3,521,217</b>
<b>NET ASSETS/EQUITY (DEFICIT)</b>							
Without Donor Restrictions	2,365,446	-	-	-	-	-	2,365,446
With Donor Restrictions	349,721	-	-	-	-	-	349,721
Members'/Partners' Equity (Deficit)	-	955,121	(231,807)	(1,668,049)	97,088	847,647	-
<b>TOTAL NET ASSETS/EQUITY (DEFICIT)</b>	<b>2,715,167</b>	<b>955,121</b>	<b>(231,807)</b>	<b>(1,668,049)</b>	<b>97,088</b>	<b>847,647</b>	<b>2,715,167</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,608,069</b>	<b>\$ 955,121</b>	<b>\$ 426,926</b>	<b>\$ 886,434</b>	<b>\$ 97,088</b>	<b>\$ 262,746</b>	<b>\$ 6,236,384</b>

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SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	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	\$ 250,000	\$ 1,400,997	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,650,997
Other Grants	99,721	645,359	-	-	-	-	-	745,080
Contributions	-	283,227	-	-	-	-	-	283,227
Rental Revenue	-	58,312	-	-	156,743	-	-	215,055
Housing Counseling	-	12,860	-	-	-	-	-	12,860
Lead Agency Service Fees	-	234,160	-	-	-	-	-	234,160
Other Revenue	-	8,405	-	-	-	-	-	8,405
Investment Return, Net	-	(291,160)	-	-	208	-	-	(290,952)
Sale of Properties Held for Resale	-	-	-	252,761	-	-	-	252,761
Net Assets Released from Restrictions	(173,959)	173,959	-	-	-	-	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>175,762</b>	<b>2,526,119</b>	<b>-</b>	<b>252,761</b>	<b>156,951</b>	<b>-</b>	<b>-</b>	<b>3,111,593</b>
EXPENSES								
Program Expenses								
Neighborhood/Commercial Revitalization	-	985,340	30,993	484,568	-	-	-	1,500,901
Community Schools	-	461,089	-	-	-	-	-	461,089
Broadway North Limited Partnership	-	-	-	-	336,745	-	-	336,745
Homeownership/Financial Stability	-	716,358	-	-	-	-	-	716,358
<b>Total Program Expenses</b>	<b>-</b>	<b>2,162,787</b>	<b>30,993</b>	<b>484,568</b>	<b>336,745</b>	<b>-</b>	<b>-</b>	<b>3,015,093</b>
Management and General	-	211,666	-	-	-	-	-	211,666
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>2,374,453</b>	<b>30,993</b>	<b>484,568</b>	<b>336,745</b>	<b>-</b>	<b>-</b>	<b>3,226,759</b>
OTHER INCOME (EXPENSES)								
Investment Income (Loss) from Private Company	-	(442,594)	-	-	180	(180)	442,594	-
<b>CHANGES IN NET ASSETS</b>	<b>175,762</b>	<b>(290,928)</b>	<b>(30,993)</b>	<b>(231,807)</b>	<b>(179,614)</b>	<b>(180)</b>	<b>442,594</b>	<b>(115,166)</b>
Net Assets - Beginning of Year	173,959	2,656,374	-	-	-	-	-	2,830,333
Members'/Partners' Equity (Deficit) - Beginning of Year	-	-	986,114	-	(1,488,435)	97,268	405,053	-
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<b>\$ 349,721</b>	<b>\$ 2,365,446</b>	<b>\$ 955,121</b>	<b>\$ (231,807)</b>	<b>\$ (1,668,049)</b>	<b>\$ 97,088</b>	<b>\$ 847,647</b>	<b>\$ 2,715,167</b>

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