

SOUTHEAST COMMUNITY  
DEVELOPMENT CORPORATION  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

**SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION  
AND SUBSIDIARIES**

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For the Years Ended June 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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  
April 18, 2024

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,	2023	2022
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,016,104	\$ 1,099,678
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$6,710 and \$6,857, Respectively)	14,473	8,714
Accounts Receivable - Other	40,378	79,421
Grants Receivable	1,011,275	832,815
Investments, at Fair Value	1,810,109	1,313,496
Prepaid Expenses	6,567	4,770
Accrued Interest and Dividends Receivable on Investments	14,925	4,788
Security Deposits	16,630	16,015
Mortgage Escrow Deposits and Funded Reserves	95,314	94,929
Loans Receivable	70,099	-
<b>TOTAL CURRENT ASSETS</b>	<b>4,095,874</b>	<b>3,454,626</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	106,631	106,631
Buildings	3,145,799	3,133,563
Furniture and Equipment	126,352	126,352
Leasehold Improvements	457,696	457,696
Less: Accumulated Depreciation	(1,580,734)	(1,469,410)
<b>NET PROPERTY AND EQUIPMENT</b>	<b>2,255,744</b>	<b>2,354,832</b>
<b>PROPERTIES HELD FOR RESALE</b>		
Cost	1,147,861	550,148
Less: Allowance for Impairment	(227,345)	(123,222)
<b>NET PROPERTIES HELD FOR RESALE</b>	<b>920,516</b>	<b>426,926</b>
<b>OTHER ASSETS</b>		
Right of Use Assets	60,352	21,531
<b>TOTAL ASSETS</b>	<b>\$ 7,332,486</b>	<b>\$ 6,257,915</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,	2023	2022
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$ 119,825	\$ 114,542
Prepaid Rents	3,897	4,755
Accrued Salaries, Wages and Taxes	28,418	19,215
Tenants' Security Deposits (Contra)	19,361	18,597
Fiscal Agent Liability	58,049	1,200
Refundable Advances	624,699	214,017
Lines-of-Credit	555,000	455,000
Operating Lease Liability - Current	40,476	1,213
Mortgage Payable - Current	99,809	116,415
	<u>1,549,534</u>	<u>944,954</u>
<b>TOTAL CURRENT LIABILITIES</b>		
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable	46,723	70,835
Debt Issuance Costs (Net of Accumulated Amortization of \$5,387 and \$2,231, Respectively)	(5,085)	(8,241)
Mortgages Payable - BNLP	656,090	657,229
Debt Issuance Costs - BNLP (Net of Accumulated Amortization of \$12,340 and \$11,843, Respectively)	(7,535)	(8,032)
Other Loans and Notes Payable - BNLP	50,000	50,000
Operating Lease Liability	20,835	20,318
Accrued Interest Payable	1,970,311	1,815,685
	<u>2,731,339</u>	<u>2,597,794</u>
<b>TOTAL LONG-TERM LIABILITIES</b>		
<b>TOTAL LIABILITIES</b>		
	<u>4,280,873</u>	<u>3,542,748</u>
<b>NET ASSETS</b>		
Without Donor Restrictions	2,495,596	2,365,446
With Donor Restrictions	556,017	349,721
	<u>3,051,613</u>	<u>2,715,167</u>
<b>TOTAL NET ASSETS</b>		
<b>TOTAL LIABILITIES AND NET ASSETS</b>		
	<u>\$ 7,332,486</u>	<u>\$ 6,257,915</u>

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SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUES</b>			
Grants from Government Agencies	\$ 1,613,765	\$ 275,000	\$ 1,888,765
Other Grants	1,107,506	2,936	1,110,442
Contributions	244,693	-	244,693
Rental Revenue	227,908	-	227,908
Counseling Revenue	11,207	-	11,207
Lead Agency Service Fees	143,096	-	143,096
Other Revenue	18,504	-	18,504
Investment Return, Net	164,993	-	164,993
Sale of Properties Held for Resale	284,079	-	284,079
Net Assets Released from Restrictions	71,640	(71,640)	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>3,887,391</b>	<b>206,296</b>	<b>4,093,687</b>
<b>EXPENSES</b>			
Program Expenses			
Neighborhood/Commercial Revitalization	1,930,975	-	1,930,975
Community Schools	458,195	-	458,195
Broadway North Limited Partnership	346,117	-	346,117
Homeownership/Financial Stability	747,832	-	747,832
Total Program Expenses	3,483,119	-	3,483,119
Management and General	274,122	-	274,122
<b>TOTAL EXPENSES</b>	<b>3,757,241</b>	<b>-</b>	<b>3,757,241</b>
<b>CHANGE IN NET ASSETS</b>	<b>130,150</b>	<b>206,296</b>	<b>336,446</b>
Net Assets - Beginning of Year	2,365,446	349,721	2,715,167
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,495,596</b>	<b>\$ 556,017</b>	<b>\$ 3,051,613</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, 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	(291,834)	-	(291,834)
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>2,934,949</b>	<b>175,762</b>	<b>3,110,711</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	210,784	-	210,784
<b>TOTAL EXPENSES</b>	<b>3,225,877</b>	<b>-</b>	<b>3,225,877</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 FUNCTIONAL EXPENSES**

For the Year Ended June 30, 2023

	Community Development				Total Program Expenses	Management and General	Total
	Neighborhood/ Commercial Revitalization	Community Schools	Broadway North Limited Partnership	Homeownership/ Financial Stability			
Salaries, Wages and Related Taxes	\$ 289,855	\$ 422,275	\$ -	\$ 538,786	\$ 1,250,916	\$ 22,893	\$ 1,273,809
Depreciation and Amortization	51,178	-	43,985	15,488	110,651	673	111,324
Contract Labor	819,558	350	-	18,038	837,946	6,810	844,756
Equipment Expense	5,122	1,591	-	5,220	11,933	855	12,788
Fringe Benefits	21,780	12,589	-	57,829	92,198	1,724	93,922
Insurance	6,637	2,747	9,634	8,633	27,651	981	28,632
Meetings and Conference	3,460	417	-	558	4,435	5,733	10,168
Office Expense	36,423	-	294	942	37,659	8,862	46,521
Professional Fees	4,264	2,424	11,730	12,549	30,967	133,975	164,942
Supplies	28	2,319	12,955	167	15,469	7,391	22,860
Advertising, Marketing and Promotion	3,002	3,834	-	3,053	9,889	1,121	11,010
Dues	18,443	293	-	2,556	21,292	7,599	28,891
Travel	1,754	-	-	-	1,754	527	2,281
Miscellaneous Expense	3,119	1,723	386	4,214	9,442	14,502	23,944
Cost of Properties Sold	294,524	-	-	-	294,524	-	294,524
Impairment of Properties Held for Resale	227,345	-	-	-	227,345	-	227,345
Printing	1,401	224	-	54	1,679	6,679	8,358
Rent	24,045	-	3,072	2,700	29,817	1,755	31,572
Property Maintenance	9,575	2,214	-	11,659	23,448	7,291	30,739
Staff Development	3,574	-	-	11,949	15,523	6,534	22,057
Telephone	1,029	270	-	1,871	3,170	11,172	14,342
Utilities	7,860	-	19,027	-	26,887	16,797	43,684
Community Development	-	-	-	-	-	-	-
Community Events	-	-	-	2,943	2,943	-	2,943
Client Assistance Expense	96,999	4,925	-	39,116	141,040	1,628	142,668
Credit Reports	-	-	-	9,507	9,507	-	9,507
Management Fees	-	-	5,100	-	5,100	-	5,100
Interest Expense	-	-	157,433	-	157,433	8,620	166,053
Contracts	-	-	70,769	-	70,769	-	70,769
Bad Debt Expense	-	-	2,689	-	2,689	-	2,689
Taxes	-	-	9,043	-	9,043	-	9,043
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 1,930,975</b>	<b>\$ 458,195</b>	<b>\$ 346,117</b>	<b>\$ 747,832</b>	<b>\$ 3,483,119</b>	<b>\$ 274,122</b>	<b>\$ 3,757,241</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, 2022

	Community Development				Total Program Expenses	Management and General	Total
	Neighborhood/ Commercial Revitalization	Community Schools	Broadway North Limited Partnership	Homeownership/ Financial Stability			
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	5,783	153,483
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>\$ 210,784</b>	<b>\$ 3,225,877</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,	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Grants, Other Support and Sale of Properties Held for Resale	\$ 4,434,982	\$ 3,685,234
Cash Paid to Providers and Support Services and for Properties Held for Resale	(4,194,143)	(3,551,297)
Interest Received	11,753	30,374
Interest Paid	(7,774)	(8,319)
Cash (Paid) Received from Agency Transactions	56,849	(8,800)
	<u>301,667</u>	<u>147,192</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(12,237)	(7,506)
Purchase of Investments	(360,048)	(358,261)
Proceeds from Sale of Investments	-	450,830
(Increase) Decrease in Loans Receivable	(70,099)	-
	<u>(442,384)</u>	<u>85,063</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Mortgage Payable	(41,857)	(43,985)
Proceeds from Origination of Mortgage Payable	-	73,832
Advances on Line-of-Credit	100,000	305,000
	<u>58,143</u>	<u>334,847</u>
<b>NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS, AND RESTRICTED CASH</b>	<b>(82,574)</b>	<b>567,102</b>
Cash, Cash Equivalents, and Restricted Cash - Beginning of Year	<u>1,210,622</u>	<u>643,520</u>
<b>CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b><u>\$ 1,128,048</u></b>	<b><u>\$ 1,210,622</u></b>
Cash and Cash Equivalents	\$ 1,016,104	\$ 1,099,678
Security Deposits	16,630	16,015
Mortgage Escrow Deposits and Funded Reserves	95,314	94,929
<b>TOTAL CASH, CASH EQUIVALENTS, AND RESTRICTED CASH - END OF YEAR</b>	<b><u>\$ 1,128,048</u></b>	<b><u>\$ 1,210,622</u></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, 2023 and 2022

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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, 2022, 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, 2023 and 2022

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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, liabilities, 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, 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, 2023 and 2022, conditional promises to give totaled \$2,908,978 and \$107,700, 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, 2023 and 2022. 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, 2022 and 2021, the allowance for doubtful accounts was \$6,710 and \$6,857, respectively.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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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 \$111,324 and \$111,567 for the years ended June 30, 2023 and 2022, respectively.

**Leases**

The Organization leases a commercial building, copier and garage and determines if an arrangement is a lease at inception. Operating leases are included in right-of-use (ROU) assets and operating lease liabilities on the statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term. Lease liabilities represent the obligation to make lease payments arising from the leases. ROU assets and operating lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The Organization's lease did not provide an implicit rate, therefore the Organization elected to use the risk-free rate, which is used to determine the present value of lease payments. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The lease agreements do not contain any variable lease payments. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if all of the rights to the underlying asset were substantially obtained through exclusivity, if the Organization has the right to direct the use of the asset and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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

**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 in which impairment is identified and is included on the consolidated statements of functional expenses. For the year ended June 30, 2023, impairment was \$227,345.

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, 2023 was \$10,445. 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 - BNL P**

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, 2022 and 2021 was \$12,340 and \$11,843, respectively. Amortization expense was \$497 for each of the years ended December 31, 2022 and 2021. Amortization expense is expected to be \$497 per year for each of the next five (5) years.

**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, 2023 and 2022 was \$5,387 and \$2,231, respectively. Amortization expense was \$3,156 and \$2,104 for the years ended June 30, 2023 and 2022, respectively. Amortization expense is expected to be \$2,104 per year for each of the next two (2) years and \$877 in the third (3rd) 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, 2023 and 2022.

# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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

#### **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, 2023 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, 2023 and 2022 amounted \$11,010 and \$16,643, 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.

#### **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.



# SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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

#### **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.

#### **Adoption of New Accounting Pronouncement**

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective July 1, 2022, and has recognized and measured leases existing at, or entered into after, July 1, 2021 (the beginning of the earliest period presented) using a modified retrospective approach, with certain practical expedients available.

The Organization elected the available practical expedients to account for the existing operating leases as operating leases under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement. The Organization elected not to apply the recognition requirements of ASC 842 to all short-term leases, defined as leases with a term of twelve (12) months or less at commencement.

As a result of the adoption of the new lease accounting guidance, the Organization recognized on July 1, 2021 an operating lease liability of \$22,835, which represents the present value of the remaining operating lease payments of \$27,900 discounted using the risk-free rate of 2.80%, and a right-of-use asset of \$27,900.

The standard had a material impact on the Organization's statements of financial position, but did not have an impact on the Organization's statements of activities or statements of cash flows. The most significant impact was the recognition of ROU assets and operating lease liabilities.

#### **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 April 18, 2024, 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.

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

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June 30, 2023 and 2022

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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, 2023 and 2022: 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, US Treasury securities and corporate bonds. It uses quoted prices in active markets for identical assets or liabilities to determine fair value. Corporate bonds and US Treasury Securities 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, 2023 and 2022.

Assets measured at fair value on a recurring basis at June 30, 2023 are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 907,415	\$ -	\$ -	\$ 907,415
ETFs	146,431	-	-	146,431
Agency Securities	59,890	-	-	59,890
US Treasury Securities	83,061	-	-	83,061
Corporate Bonds	613,312	-	-	613,312
<b>TOTAL</b>	<b><u>\$ 1,810,109</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,810,109</u></b>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

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

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
Agency Securities	-	-	-	-
US Treasury Securities	-	-	-	-
Corporate Bonds	484,119	-	-	484,119
<b>TOTAL</b>	<b>\$ 1,313,496</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,313,496</b>

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

	2023	2022
Interest and Dividends	\$ 31,634	\$ 36,022
Realized Gains (Losses), Net	-	68,667
Unrealized Gains (Losses), Net	136,565	(386,369)
Investment Fees	(3,206)	(9,272)
<b>INVESTMENT RETURN, NET</b>	<b>\$ 164,993</b>	<b>\$ (290,952)</b>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

**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,	
	2023	2022
Financial Assets at Year End		
Cash and Cash Equivalents	\$ 1,016,104	\$ 1,099,678
Accounts Receivable - Other	54,851	88,135
Accrued Interest Receivable and Dividends Receivable on Investments	14,925	4,788
Grants Receivable	1,011,275	832,815
Investments, at Fair Value	1,810,109	1,313,496
Total Financial Assets at Year End	3,907,264	3,338,912
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	5,208	6,500
Donor-Restricted to Clean Streets Partnership	37,741	37,578
Donor-Restricted to Storefront Improvement, Streetscaping and Interior Fit-Out Projects	227,307	250,000
Donor-Restricted to Family Stability and Eviction Prevention	7,445	32,060
Donor-Restricted to Housing Assistance Programs	3,316	543
Donor-Restricted to Neighborhood Revitalization	275,000	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One (1) Year	\$ 3,351,247	\$ 2,989,191

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, 2023 and 2022

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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 is to 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, 2022 and 2021, the balance in the operating reserve was \$39,449 and \$39,226, 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, 2022 and 2021, the balance in the replacement reserve was \$43,801 and \$44,118, 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

June 30, 2023 and 2022

**Note 7: Grants Receivable**

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

	June 30,	
	2023	2022
Mayor's Office of Children and Family Success	\$ 399,462	\$ 342,205
Mayor and City Council	199,500	217,692
Baltimore Development Corporation	-	25,354
Banner Neighborhoods Community Corp	-	9,733
DHCD Operations	37,500	60,000
DHCD Homeowner Assistance Fund	67,338	68,181
DHCD Housing Counseling Fund	10,000	10,000
Family League of Baltimore	33,000	65,936
HUD Housing Counseling Assistance Program	-	26,000
Maryland State Arts Council	18,478	-
Other	-	7,714
Abell Foundation	56,775	-
Baltimore Civic Fund	55,222	-
Goldseker Foundation	100,000	-
Joseph and Harvey Meyerhoff Foundation	30,000	-
University of Maryland Baltimore County	4,000	-
TOTAL	<u>\$ 1,011,275</u>	<u>\$ 832,815</u>

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

**Note 8: Long-Term Debt - BNL**

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

On December 30, 1996, BNL entered into a loan agreement with CDA. Under the terms of the loan agreement, BNL 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, 2022 and 2021, the balance on the mortgage was \$206,090 and \$226,225, respectively. Interest expense for the year ended December 31, 2022 and 2021 amounted to \$2,061 and \$2,262, respectively. Accrued interest at December 31, 2022 and 2021 was \$3,200 and \$3,449, 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,	
	2022	2021
Principal Amount	\$ 206,090	\$ 207,229
Less: Unamortized Debt Issuance Costs	7,535	8,032
Long-Term Debt Less Unamortized Debt Issuance Costs	\$ 198,555	\$ 199,197

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. Under these agreements, the Organization 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, 2023 and 2022

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**Note 8: Long-Term Debt - BNLN (Continued)**

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

On December 30, 1996, BNLN entered into a loan and grant agreement with the Mayor and City Council of Baltimore, Department of Housing and Community Development. Under the terms of the loan and grant agreements, BNLN borrowed \$450,000 under the HOME Loan and \$50,000 under the HOME Grant. The term of the loan is forty (40) years commencing at the end of the construction loan period (which will not exceed twelve (12) months). Interest does not accrue on the grant portion (\$50,000) of the loan, but 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, and 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, 2022 and 2021, the outstanding balances amounted to \$450,000 under the HOME Loan and \$50,000 for the HOME Grant. As of December 31, 2022 and 2021, the deferred accrued interest under the HOME loan amounted to \$1,967,111 and \$1,812,236, respectively. Interest expense for the year ended December 31, 2022 and 2021 amounted to \$155,372 and \$145,438, 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:

<u>For the Years Ending December 31,</u>	
2022	\$ -
2023	-
2024	-
2025	-
2026	-
Thereafter	<u>706,090</u>
TOTAL	<u>\$ 706,090</u>

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 - BNLN**

BNLN has entered into a management agreement with Hersch-Lauren, LLC. The fee is \$425 per month. Total management fees amounted to \$5,100 as of December 31, 2022 and 2021. 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 for each of the years ending December 31, 2022 and 2021, and is included on the accounts payable and accrued expenses line items on the consolidated statements of financial position.



SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 and 2022

**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, 2023 and 2022, the balance on the mortgage was \$72,700 and \$94,422, 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,	
	2023	2022
Principal Amount	\$ 46,723	\$ 70,835
Less: Unamortized Debt Issuance Costs	5,085	8,241
Long-Term Debt Less Unamortized Debt Issuance Costs	\$ 41,638	\$ 62,594

The Organization reflects amortization of debt issuance costs as interest expense. Interest expense for the years ended June 30, 2023 and 2022 amounted to \$8,620 and \$3,784, 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, 2023 the interest rate is nine and one-half percent (9.50%). The principal balance and all accrued interest was repaid in March 2024. The balance on the loan at June 30, 2023 and 2022 was \$73,832. Interest expense for the years ended June 30, 2023 and 2022 amounted to \$6,668 and \$1,011, respectively. 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, 2023 and 2022

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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, 2023 are as follows:

<u>For the Years Ending June 30,</u>	
2024	\$ 99,809
2025	25,064
2026	21,659
2027	-
2028	-
	<hr/>
TOTAL	<u>\$ 146,532</u>

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. The line-of-credit was subsequently renewed through May 2024. 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, 2023 and 2022 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. The maturity date of the line-of-credit was subsequently extended to May 2024. 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, 2023 and 2022 was \$480,000 and \$380,000, respectively.

Interest expense on the lines-of-credit for the years ended June 30, 2023 and 2022 amounted to \$32,190 and \$12,023, 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, 2023 and 2022

**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:

	<u>2023</u>	<u>2022</u>
Federal Government		
Community Development Block Grant	\$ 256,755	\$ 504,205
Housing and Urban Development	<u>18,999</u>	<u>26,000</u>
TOTAL FEDERAL GOVERNMENT	<u>275,754</u>	<u>530,205</u>
State Government		
State of Maryland DHCD - BRNI Community Projects	755,819	762,726
State of Maryland DHCD - BRNI Operating	125,000	60,000
Maryland State Arts Council	59,377	16,571
State of Maryland DHCD - Homeowner Assistance Fund	72,675	93,431
State of Maryland DHCD - Health and Social Care Partnership	-	9,219
State of Maryland DHCD - Viva Baltimore	5,000	-
State of Maryland DHCD - Community Safety Works	173,050	-
State of Maryland DHCD - Community Catalyst	75,000	-
State of Maryland DHCD - Project Restore	30,000	-
State of Maryland DHCD - Housing Counseling Fund	<u>75,110</u>	<u>33,500</u>
TOTAL STATE GOVERNMENT	<u>1,371,031</u>	<u>975,447</u>
County Government		
Baltimore City Planning Department	50,000	50,000
Baltimore Development Corporation	126,299	27,104
Baltimore City Mayor and City Council	-	15,383
Baltimore City Main Street	41,250	-
Baltimore Mayor's Office of Recovery Programs (ARPA)	24,431	-
Blue Water Baltimore	-	1,560
Baltimore Civic Fund	<u>-</u>	<u>51,298</u>
TOTAL COUNTY GOVERNMENT	<u>241,980</u>	<u>145,345</u>
TOTAL	<u>\$ 1,888,765</u>	<u>\$ 1,650,997</u>

**Note 13: Reclassification**

Certain amounts in the 2022 consolidated financial statements have been reclassified for comparative purposes to conform with the 2023 presentation.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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**Note 14: Operating Leases**

On July 1, 2020, the Organization entered into a lease agreement, effective December 1, 2020, with L & R Garage, LLC to lease garage space for a fifteen (15) year term. The lease has no renewal options. Beginning on December 1, 2020, lease payments are \$150 per month through November 30, 2025. Subsequently, lease payments increase \$10 per month every five (5) years. At June 30, 2023 and 2022, the operating lease liability was \$20,442 and \$21,655, respectively. At June 30, 2023 and 2022, the right of use asset was \$20,194 and \$21,531, respectively. Lease expense for the each of the years ended June 30, 2023 and 2022 was \$1,924 and is included in rent on the consolidated statements of functional expenses.

On November 10, 2022, the Organization entered into a lease agreement, effective February 13, 2023, with AVM Real Estate, LLC to lease a commercial building for twelve (12) months. In February 2024 the leases was extended six (6) months. The lease has no remaining renewal options. Beginning on February 13, 2023, lease payments are \$3,346 per month for the term of the lease. At June 30, 2023 and 2022, the operating lease liability was \$40,869 and \$-0-, respectively. At June 30, 2023 and 2022, the right of use asset was \$40,158 and \$-0-, respectively. Lease expense for the years ended June 30, 2023 and 2022 was \$15,802 and \$-0-, respectively, and is included in rent on the consolidated statements of functional expenses.

The weighted average remaining lease term is sixty (60) months. The weighted average discount rate is 4.08%.

The following is a maturity analysis of the annual undiscounted cash flows of the operating lease liabilities as of June 30, 2023:

For the Years Ending June 30,

2024	\$	41,957
2025		3,441
2026		1,860
2027		1,920
2028		1,920
Thereafter		15,000
Total Future Minimum Lease Payments		66,098
Less: Imputed Interest		(4,787)
TOTAL	\$	61,311

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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**Note 14: Operating Leases (Continued)**

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 (4%) 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 was for twelve (12) months, which expired in August 2022. The lease is currently month to month. 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, 2023 would be immaterial.

Rental income for the years ended June 30, 2023 and 2022 was \$68,490 and \$58,312, respectively, for the above leases.

**Note 15: Commitments and Contingencies - BNL**

BNL 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 - BNL**

BNL's primary asset is its seventeen (17) unit rental housing project. BNL's operations are concentrated in the multifamily real estate market. In addition, BNL operates in a heavily regulated environment. The operations of BNL are subject to the administrative directives, rules and regulations of state and local regulatory agencies, including, but not limited to, DHCD. Such administrative directives, rules and regulations are subject to change by an act of the state or an administrative change mandated by DHCD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**Note 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 from various grantors that have not been expended as of June 30, 2023. Such funds are expected to be used during the following fiscal year. Refundable advances totaled \$624,699 and \$214,017 as of June 30, 2023 and 2022, respectively.

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

June 30, 2023 and 2022

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

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

	<u>2023</u>	<u>2022</u>
Baltimore Bike Experience Community Bicycle Workshop	\$ -	\$ 23,040
Attendance Monitors at Tench Tilghman	5,208	6,500
Clean Streets Partnership	37,741	37,578
Storefront Improvement, Streetscaping and Interior Fit-Out Projects	227,307	250,000
Family Stability and Eviction Prevention	7,445	32,060
Housing Assistance Programs	3,316	543
Community Financial Assistance	275,000	-
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 556,017</u></b>	<b><u>\$ 349,721</u></b>

**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:

	<u>2023</u>	<u>2022</u>
COVID Response and Food Stability	\$ -	\$ 49,921
Housing Counseling	-	23,288
Southeast Youth Collaborative	-	27,417
Community Financial Assistance	-	73,333
Attendance Monitors at Tench Tilghman	1,292	-
Baltimore Bike Experience Community Bicycle Workshop	23,040	-
Family Stability and Eviction Prevention	24,615	-
Storefront Improvement, Streetscaping and Interior Fit-Out Projects	22,693	-
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 71,640</u></b>	<b><u>\$ 173,959</u></b>

**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, 2023 and 2022.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2023 and 2022

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**Note 21: Loan Receivable**

The Organization executed a loan agreement on June 20, 2022 with Charm City Land Trusts, Inc. (Borrower), a not-for-profit, in the amount of \$60,000. The Borrower will use the proceeds to purchase real estate in southeast Baltimore, which will serve as collateral for the loan. The loan will bear no interest rate for the first six (6) months. Subsequently, interest will accrue on the unpaid balance of the loan at four-percent (4%). The initial maturity date was June 20, 2023, which was extended to December 31, 2023. The loan was repaid in January 2024.

SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2023

	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	\$ 742,498	\$ -	\$ 266,395	\$ 7,211	\$ -	\$ -	\$ 1,016,104
Accounts Receivable - Tenants (Net of Allowance for Doubtful Accounts of \$6,710)	-	-	-	14,473	-	-	14,473
Accounts Receivable - Other	40,378	-	-	-	-	-	40,378
Grants Receivable	1,011,275	-	-	-	-	-	1,011,275
Investments, at Fair Value	1,810,109	-	-	-	-	-	1,810,109
Prepaid Expenses	2,283	-	-	4,284	-	-	6,567
Accrued Interest and Dividends Receivable on Investments	14,925	-	-	-	-	-	14,925
Security Deposits	854	-	-	15,776	-	-	16,630
Due from Related Party	1,582,676	-	-	-	-	(1,582,676)	-
Mortgage Escrow Deposits and Funded Reserves	-	-	-	95,314	-	-	95,314
Loans Receivable	70,099	-	-	-	-	-	70,099
<b>TOTAL CURRENT ASSETS</b>	<b>5,275,097</b>	<b>-</b>	<b>266,395</b>	<b>137,058</b>	<b>-</b>	<b>(1,582,676)</b>	<b>4,095,874</b>
<b>PROPERTY AND EQUIPMENT</b>							
Land	-	-	-	106,631	-	-	106,631
Buildings	180,594	1,239,689	-	1,725,516	-	-	3,145,799
Furniture and Equipment	77,561	-	-	48,791	-	-	126,352
Leasehold Improvements	457,696	-	-	-	-	-	457,696
Less: Accumulated Depreciation	(185,032)	(315,560)	-	(1,080,142)	-	-	(1,580,734)
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>530,819</b>	<b>924,129</b>	<b>-</b>	<b>800,796</b>	<b>-</b>	<b>-</b>	<b>2,255,744</b>
<b>PROPERTIES HELD FOR RESALE</b>							
Cost	-	-	1,147,861	-	-	-	1,147,861
Less: Allowance for Impairment	-	-	(227,345)	-	-	-	(227,345)
<b>NET PROPERTIES HELD FOR RESALE</b>	<b>-</b>	<b>-</b>	<b>920,516</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>920,516</b>
<b>OTHER ASSETS</b>							
Investments in Private Company	(1,302,905)	-	-	(96,902)	96,902	1,302,905	-
Right of Use Assets	60,352	-	-	-	-	-	60,352
<b>TOTAL OTHER ASSETS</b>	<b>(1,242,553)</b>	<b>-</b>	<b>-</b>	<b>(96,902)</b>	<b>96,902</b>	<b>1,302,905</b>	<b>60,352</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,563,363</b>	<b>\$ 924,129</b>	<b>\$ 1,186,911</b>	<b>\$ 840,952</b>	<b>\$ 96,902</b>	<b>\$ (279,771)</b>	<b>\$ 7,332,486</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, 2023

	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	\$ 111,775	\$ -	\$ -	\$ 8,050	\$ -	\$ -	\$ 119,825
Prepaid Rents	-	-	-	3,897	-	-	3,897
Accrued Salaries, Wages and Taxes	28,418	-	-	-	-	-	28,418
Tenants' Security Deposits (Contra)	4,883	-	-	14,478	-	-	19,361
Fiscal Agent Liability	58,049	-	-	-	-	-	58,049
Refundable Advances	624,699	-	-	-	-	-	624,699
Lines-of-Credit	555,000	-	-	-	-	-	555,000
Due to Related Party	-	-	1,582,676	-	-	(1,582,676)	-
Operating Lease Liability - Current	40,476	-	-	-	-	-	40,476
Mortgage Payable - Current	25,977	-	73,832	-	-	-	99,809
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,449,277</b>	<b>-</b>	<b>1,656,508</b>	<b>26,425</b>	<b>-</b>	<b>(1,582,676)</b>	<b>1,549,534</b>
<b>LONG-TERM LIABILITIES</b>							
Mortgage Payable	46,723	-	-	-	-	-	46,723
Debt Issuance Costs (Net of Accumulated Amortization of \$2,231)	(5,085)	-	-	-	-	-	(5,085)
Mortgages Payable - BNL	-	-	-	656,090	-	-	656,090
Debt Issuance Costs - BNL (Net of Accumulated Amortization of \$11,843)	-	-	-	(7,535)	-	-	(7,535)
Other Loans and Notes Payable - BNL	-	-	-	50,000	-	-	50,000
Operating Lease Liability	20,835	-	-	-	-	-	20,835
Accrued Interest Payable	-	-	-	1,970,311	-	-	1,970,311
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>62,473</b>	<b>-</b>	<b>-</b>	<b>2,668,866</b>	<b>-</b>	<b>-</b>	<b>2,731,339</b>
<b>TOTAL LIABILITIES</b>	<b>1,511,750</b>	<b>-</b>	<b>1,656,508</b>	<b>2,695,291</b>	<b>-</b>	<b>(1,582,676)</b>	<b>4,280,873</b>
<b>NET ASSETS/EQUITY (DEFICIT)</b>							
Without Donor Restrictions	2,495,596	-	-	-	-	-	2,495,596
With Donor Restrictions	556,017	-	-	-	-	-	556,017
Members'/Partners' Equity (Deficit)	-	924,129	(469,597)	(1,854,339)	96,902	1,302,905	-
<b>TOTAL NET ASSETS/EQUITY (DEFICIT)</b>	<b>3,051,613</b>	<b>924,129</b>	<b>(469,597)</b>	<b>(1,854,339)</b>	<b>96,902</b>	<b>1,302,905</b>	<b>3,051,613</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,563,363</b>	<b>\$ 924,129</b>	<b>\$ 1,186,911</b>	<b>\$ 840,952</b>	<b>\$ 96,902</b>	<b>\$ (279,771)</b>	<b>\$ 7,332,486</b>

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SOUTHEAST COMMUNITY DEVELOPMENT CORPORATION AND SUBSIDIARIES  
CONSOLIDATING STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023

	WITH DONOR RESTRICTIONS	WITHOUT DONOR RESTRICTIONS					Intercompany Eliminations	Total
	Southeast Community Development Corporation	Southeast Community Development Corporation	3323 Eastern Avenue, LLC	Hope Development Company	Wolfe Street Enterprises, LLC	Wolfe Street Development Company		
<b>SUPPORT AND REVENUES</b>								
Grants from Government Agencies	\$ 275,000	\$ 1,613,765	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,888,765
Other Grants	2,936	1,107,506	-	-	-	-	-	1,110,442
Contributions	-	244,693	-	-	-	-	-	244,693
Rental Revenue	-	68,490	-	-	159,418	-	-	227,908
Housing Counseling	-	11,207	-	-	-	-	-	11,207
Lead Agency Service Fees	-	143,096	-	-	-	-	-	143,096
Other Revenue	-	18,504	-	-	-	-	-	18,504
Investment Return, Net	-	164,770	-	-	223	-	-	164,993
Sale of Properties Held for Resale	-	-	-	284,079	-	-	-	284,079
Net Assets Released from Restrictions	(71,640)	71,640	-	-	-	-	-	-
<b>TOTAL SUPPORT AND REVENUES</b>	<b>206,296</b>	<b>3,443,671</b>	<b>-</b>	<b>284,079</b>	<b>159,641</b>	<b>-</b>	<b>-</b>	<b>4,093,687</b>
<b>EXPENSES</b>								
Program Expenses								
Neighborhood/Commercial Revitalization	-	1,378,114	30,992	521,869	-	-	-	1,930,975
Community Schools	-	458,195	-	-	-	-	-	458,195
Broadway North Limited Partnership	-	-	-	-	346,117	-	-	346,117
Homeownership/Financial Stability	-	747,832	-	-	-	-	-	747,832
<b>Total Program Expenses</b>	<b>-</b>	<b>2,584,141</b>	<b>30,992</b>	<b>521,869</b>	<b>346,117</b>	<b>-</b>	<b>-</b>	<b>3,483,119</b>
Management and General	-	274,122	-	-	-	-	-	274,122
<b>TOTAL EXPENSES</b>	<b>-</b>	<b>2,858,263</b>	<b>30,992</b>	<b>521,869</b>	<b>346,117</b>	<b>-</b>	<b>-</b>	<b>3,757,241</b>
<b>OTHER INCOME (EXPENSES)</b>								
Investment Income (Loss) from Private Company	-	(455,258)	-	-	186	(186)	455,258	-
<b>CHANGES IN NET ASSETS</b>	<b>206,296</b>	<b>130,150</b>	<b>(30,992)</b>	<b>(237,790)</b>	<b>(186,290)</b>	<b>(186)</b>	<b>455,258</b>	<b>336,446</b>
Net Assets - Beginning of Year	349,721	2,365,446	-	-	-	-	-	2,715,167
Members'/Partners' Equity (Deficit) - Beginning of Year	-	-	955,121	(231,807)	(1,668,049)	97,088	847,647	-
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<b>\$ 556,017</b>	<b>\$ 2,495,596</b>	<b>\$ 924,129</b>	<b>\$ (469,597)</b>	<b>\$ (1,854,339)</b>	<b>\$ 96,902</b>	<b>\$ 1,302,905</b>	<b>\$ 3,051,613</b>

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