Reviewed and approved by: Anthony Scott

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

CONTENTS

Independent Auditors' Report

Board of Directors
Southwest Partnership, Inc. and Subsidiaries
Baltimore, Maryland

We have audited the accompanying consolidated financial statements of Southwest Partnership, Inc. (a nonprofit organization) and Subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Southwest Partnership, Inc. and Subsidiaries as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Wegrich, Cronin & Sorra, LLC

Hunt Valley, Maryland
June 29, 2021

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Financial Position
December 31, 2019 and 2018

ASSETS

	2019	2018
CURRENT ASSETS:		
Cash	$ 500,834	$ 389,207
Grants and contributions receivable	191,060	161,861
Loans receivable, current portion	5,069	4,930
Prepaid expenses	1,298	375
Total Current Assets	698,261	556,373
PROPERTY AND EQUIPMENT, NET	1,627,409	4,151
OTHER ASSETS:		
Loans receivable	415,786	235,029
Security deposits	3,500	3,500
	419,286	238,529
TOTAL ASSETS	$ 2,744,956	$ 799,053

LIABILITIES AND NET ASSETS

	2019	2018
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 150,875	$ 26,629
Capital lease obligation, current portion	973	916
Custodial funds	6,769	15,000
Total Current Liabilities	158,617	42,545
LONG-TERM LIABILITIES:		
Capital lease obligation	769	1,742
Grant advance	280,000	180,000
Loans payable, less unamortized debt issuance costs	878,503	- 0 -
Total Long-Term Liabilities	1,159,272	181,742
Total Liabilities	1,317,889	224,287
NET ASSETS:		
Without donor restrictions	1,334,676	503,953
With donor restrictions	92,391	70,813
Total Net Assets	1,427,067	574,766
TOTAL LIABILITIES AND NET ASSETS	$ 2,744,956	$ 799,053

See accompanying notes to consolidated financial statements.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Grants	$ 1,970,052	$ 71,578	$ 2,041,630
Contributions	3,291	- 0 -	3,291
Tax sale program	34,825	- 0 -	34,825
Other income	17,018	- 0 -	17,018
Net assets released from restriction	50,000	(50,000)	- 0 -
Total Support and Revenue	2,075,186	21,578	2,096,764
EXPENSES:			
Program services	1,043,182	- 0 -	1,043,182
Supporting services:			
Management and general	149,934	- 0 -	149,934
Fundraising	51,347	- 0 -	51,347
Total Expenses	1,244,463	- 0 -	1,244,463
CHANGE IN NET ASSETS	830,723	21,578	852,301
NET ASSETS AT BEGINNING OF YEAR	503,953	70,813	574,766
NET ASSETS AT END OF YEAR	$ 1,334,676	$ 92,391	$ 1,427,067

See accompanying notes to consolidated financial statements.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Grants	$ 800,897	$ 60,000	$ 860,897
Contributions	14,287	- 0 -	14,287
Loss on disposal of subsidiary	(110,957)	- 0 -	(110,957)
Other income	1,684	- 0 -	1,684
Net assets released from restriction	28,187	(28,187)	- 0 -
Total Support and Revenue	734,098	31,813	765,911
EXPENSES:			
Program services	618,726	- 0 -	618,726
Supporting services:			
Management and general	88,405	- 0 -	88,405
Fundraising	20,862	- 0 -	20,862
Total Expenses	727,993	- 0 -	727,993
CHANGE IN NET ASSETS	6,105	31,813	37,918
NET ASSETS AT BEGINNING OF YEAR	497,848	39,000	536,848
NET ASSETS AT END OF YEAR	$ 503,953	$ 70,813	$ 574,766

See accompanying notes to consolidated financial statements.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2019

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 213,093	$ 51,022	$ 36,016	$ 300,131
Payroll taxes	16,930	4,054	2,862	23,846
	230,023	55,076	38,878	323,977
Accounting and audit	- 0 -	23,868	- 0 -	23,868
Community repairs and improvements	560,855	- 0 -	- 0 -	560,855
Computer equipment and software	1,546	908	- 0 -	2,454
Consultants	31,615	- 0 -	- 0 -	31,615
Educational resource program	15,000	- 0 -	- 0 -	15,000
Insurance	690	165	117	972
Interest	- 0 -	12,457	- 0 -	12,457
Marketing and events	- 0 -	25,382	- 0 -	25,382
Meetings	- 0 -	3,487	- 0 -	3,487
Miscellaneous	1,444	12,992	- 0 -	14,436
Postage	97	32	32	161
Printing and copying	2,904	968	968	4,840
Rent	15,610	3,737	2,638	21,985
Special events	20,949	- 0 -	- 0 -	20,949
Supplies	9,294	3,098	3,098	15,490
Tax sale program	121,272	- 0 -	- 0 -	121,272
Travel	1,383	461	461	2,305
Utilities	7,059	1,690	1,193	9,942
	1,019,741	144,321	47,385	1,211,447
Depreciation	23,441	5,613	3,962	33,016
Total Expenses	$ 1,043,182	$ 149,934	$ 51,347	$ 1,244,463

See accompanying notes to consolidated financial statements.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2018

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Salaries	$ 178,213	$ 28,333	$ 13,497	$ 220,043
Payroll taxes	13,374	2,126	1,013	16,513
	191,587	30,459	14,510	236,556
Accounting and audit	- 0 -	2,661	- 0 -	2,661
Community repairs and improvements	354,804	- 0 -	- 0 -	354,804
Computer equipment and software	- 0 -	3,521	- 0 -	3,521
Consultants	750	- 0 -	- 0 -	750
Educational Resource Program	5,000	- 0 -	- 0 -	5,000
Insurance	741	118	56	915
Interest	- 0 -	28	- 0 -	28
Marketing and events	- 0 -	24,877	- 0 -	24,877
Meetings	- 0 -	5,056	- 0 -	5,056
Miscellaneous	6,783	13,449	- 0 -	20,232
Postage	261	87	87	435
Printing and copying	9,298	3,100	3,100	15,498
Rent	15,590	2,479	1,181	19,250
Special events	22,172	- 0 -	- 0 -	22,172
Supplies	3,754	1,251	1,251	6,256
Travel	280	94	94	468
Utilities	6,846	1,088	518	8,452
	617,866	88,268	20,797	726,931
Depreciation	860	137	65	1,062
Total Expenses	$ 618,726	$ 88,405	$ 20,862	$ 727,993

See accompanying notes to consolidated financial statements.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 852,301	$ 37,918
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	33,016	1,062
Interest	9,382	- 0 -
Loss on disposal of subsidiary	- 0 -	110,957
(Increase) decrease in operating assets:		
Grants and contributions receivable	(29,199)	(26,007)
Prepaid expenses	(923)	540
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	124,246	(218)
Grant refund payable	- 0 -	(14,800)
Custodial funds	(8,231)	15,000
Net cash provided by operating activities	980,592	124,452
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds on sale of subsidiary	- 0 -	9,364
Payments for improvements to building held for sale	- 0 -	(27,482)
Acquisition of note receivable	(180,896)	- 0 -
Purchase of property and equipment	(1,656,274)	- 0 -
Net cash used in investing activities	(1,837,170)	(18,118)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on loan receivable	- 0 -	5,068
Repayment of capital lease obligation	(916)	(235)
Acquisition of loan payable	900,000	- 0 -
Borrowing on loan payable	- 0 -	27,482
Repayment of loan payable	- 0 -	(100,000)
Proceeds of grant advance	100,000	180,000
Payment of debt issuance costs	(30,879)	- 0 -
Net cash provided by financing activities	968,205	112,315
NET INCREASE IN CASH	111,627	218,649
CASH AT BEGINNING OF YEAR	389,207	170,558
CASH AT END OF YEAR	$ 500,834	$ 389,207
SUPPLEMENTAL CASH FLOW INFORMATION:		
Acquisition of equipment under capital lease	$ - 0 -	$ 2,893
Capitalized interest	$ - 0 -	$ 6,738
Capitalized amortization costs	$ 9,382	$ 3,992

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Nature of Organization - Southwest Partnership, Inc. and Subsidiaries (the Organization) is a nonprofit organization, incorporated in the State of Maryland, that works to improve and develop the neighborhoods and communities of the southwest area of Baltimore, Maryland. It was formed in 2014 as coalition of seven neighborhood associations and six anchor institutions. The Organization's focus area includes the neighborhoods of Barre Circle, Franklin Square, Hollins Roundhouse, Mount Clare, Pigtown, Poppleton, and Union Square.

1518WBaltimore, LLC (the LLC), is a limited liability company formed in 2017 for the purpose of acquiring a development property to be held for sale. Southwest Partnership held a 100% membership interest in the LLC as of December 31, 2017. In 2018, Southwest Partnership sold its entire interest in the LLC (see Note 12).

1528 W Lexington, LLC, is a limited liability company formed in 2019 for the purpose of acquiring a development property to be held for sale. Southwest Partnership holds a 100% membership interest in the LLC as of December 31, 2019. This LLC had no assets or liabilities as of December 31, 2019.

SoWeBo Lord Baltimore, Inc., is a non-stock corporation formed in 2019 in conjunction with the purchase of the Lord Baltimore Theatre building. Southwest Partnership holds a 100% membership interest in the LLC as of December 31, 2019. This LLC had no assets or liabilities as of December 31, 2019.

Basis of Accounting - The accompanying consolidated financial statements are presented in accordance with the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. As such, revenue is recognized when earned and expenditures when incurred.

Financial Statement Presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent the portion of net assets that is not subject to donor-imposed restrictions. Such net assets are available for use at the discretion of management and/or the Board of Directors for general operating purposes. The Board of Directors may designate a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions represent the portion of net assets that is subject to donor-imposed restrictions. Such restrictions may specify a purpose for which, or time in which, resources can be used. Some net assets with donor restrictions include stipulations that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy.

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of the Organization and its wholly owned subsidiaries, collectively referred to as the Organization. All interorganization transactions have been eliminated in consolidation.

1. Organization and Summary of Significant Accounting Policies (continued)

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Grants and Contributions Receivable - Grants and contributions receivable represent amounts due from government agencies, foundations, and other organizations and are recorded at their net realizable value. No allowance has been deemed necessary. Long-term grants and contracts receivable represent amounts due in more than one year. Grants and contracts made to the Organization are recorded as a receivable and as revenue as of the date the grants are awarded, if the awards are unconditional or if the conditions for recognition have been met. These amounts are recorded at the present value of such future payments.

Property and Equipment - Property and equipment are stated at cost, if purchased, or at fair market value at the date of the gift, if donated. Such donations are reported as contributions without donor restrictions 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 contributions with donor restrictions. 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. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Expenditures for maintenance and repairs are charged against operations as expended. Renewals and betterments that materially extend the life of the assets are capitalized. The Organization's policy is to capitalize all property expenditures and renewals and betterments greater than $1,000 with a useful life of a year or more. The cost or fair market value of property and equipment is depreciated over the estimated useful lives of the related assets using the straight-line method. The following represents the estimated useful lives:

Category	Years
Buildings	39
Building improvements	5 - 20
Furniture and equipment	3 - 5

Custodial Funds - The Organization acts as custodian of funds for certain other organizations, which are primarily contributions raised by or on behalf of these organizations. As an agent, the Organization receives, holds, and disburses the custodial funds as directed by the other organizations. The Organization does not exercise discretionary control over the use of these funds. These intermediary transactions are included in the statements of cash flows and are shown as a liability in the statements of financial position.

Debt Issuance Costs - The Organization records all costs incurred in the process of acquiring debt as a discount against the debt. These costs are then amortized over the term of the debt. Amortization during the development period was capitalized to building held for sale.

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue and Support - Grants and contributions received are recorded as revenue with or without donor restrictions depending on the existence and nature of any such restrictions. All donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions. Contributions and support that are restricted by donors are recorded as revenue without donor restrictions if the restriction is satisfied in the same year as the contribution is received. Revenue under grants and contributions is recognized when unconditional promises to give are made by donors or when conditions are substantially met.

When grants are treated as exchange transactions, wherein the Organization has to perform services in order to earn the income, revenue is recognized when the services are performed or other conditions are met. Accordingly, deferred revenue is recorded on these types of grants when funds are received but revenue has not been earned. Such amounts are reflected as grant advances in the statements of financial position.

Contributed Services - Contributed professional services are recognized if the services received (a) create or enhance long-lived 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. No amounts relating to donated services have been recognized in the consolidated statements of activities and changes in net assets as contributions because the criteria for recognition have not been satisfied.

The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2019 and 2018 is included in the chart below:

Revenue Type	Timing of Revenue Recognition	2019	2018
Grants	Upon receipt, period earned	$ 2,041,630	$ 860,897
Contributions	Upon receipt	3,291	14,287
Loss on disposal of subsidiary	Point in time	- 0 -	(110,957)
Tax sale program	Period earned	34,825	- 0 -
Other income	Point in time	17,018	1,684
		$ 2,096,764	$ 765,911

Functional Allocation of Expenses - Expenses are presented by both function and natural classification in the statements of functional expenses. Expenses that are directly identifiable with a particular function are charged to the program or supporting service benefited. Other expenses may benefit more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include salaries and payroll taxes, which are allocated on the basis of estimates of time and effort. Occupancy costs, such as rent and utilities, have also been allocated based on these estimates as the Organization’s facilities consist primarily of offices used by Organization personnel.

1. Organization and Summary of Significant Accounting Policies (continued)

Income Tax Status - Southwest Partnership, Inc. has received a letter of determination from the Internal Revenue Service advising that it qualifies as a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. Southwest Partnership, Inc. is not a private foundation.

1518WBaltimore, LLC (the LLC) is a for-profit entity. Because Southwest Partnership, Inc. owned the LLC 100%, all transactions were consolidated with the activity of the parent organization (up through the date of sale of the LLC in April 2018) and, consequently, were exempt from income taxation.

1528 W Lexington, LLC, is a for-profit entity. Because Southwest Partnership, Inc. owned the LLC 100%, all transactions were consolidated with the activity of the parent organization and, consequently, were exempt from taxation.

SoWeBo Lord Baltimore, Inc., is a tax-exempt nonstock corporation. All transactions were consolidated with the activity of the parent organization and, consequently, were exempt from income taxation.

The Organization is generally no longer subject to examination by the Internal Revenue Service for fiscal years before 2016.

Changes in Accounting Principle - The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirements in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a new customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the "new guidance." This update requires entities to make new judgements and estimates, and also provides expanded disclosures about revenue.

The Organization adopted the new standard effective January 1, 2019, using the modified retrospective approach. The Organization also elected the following transition practical expedients (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

1. Organization and Summary of Significant Accounting Policies (continued)

Additionally, in June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances the comparability of financial information among not-for-profit entities. The change in accounting principle was adopted retrospectively in 2019. For the year ended December 31, 2018, no reclassifications or other adjustments were necessary in adopting this new standard. As a result, there was no cumulative-effect adjustment to opening net assets with or without donor restrictions as of January 1, 2019.

Certain amounts in the prior period financial statements have been reclassified for comparative purposes to conform to the current period presentation.

2. Grants and Contributions Receivable

The Organization receives grants and contributions from various organizations, some of which include donor-stipulated restrictions as to the purpose for which the funds can be spent, or which carry time restrictions related to when the funds will be received by the Organization. Grants and contributions receivable as of December 31, 2019 and 2018 totaled $191,060 and $161,861, respectively, and are expected to be collected within one year.

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2019 and 2018:

	2019	2018
Buildings and improvements	$ 1,656,274	$ - 0 -
Furniture and equipment	5,954	5,954
Less: accumulated depreciation	(34,819)	(1,803)
	$ 1,627,409	$ 4,151

Depreciation expense for the years ended December 31, 2019 and 2018 was $33,016 and $1,062, respectively.

4. Building Held for Sale

In May 2017, the Organization acquired a building, as part of its ongoing community development efforts, with the intention of holding the property for sale. Title to this property is held by the subsidiary, 1518WBaltimore, LLC. The building was stated at cost, including capitalized interest on the loan used to acquire the property and amortization of related debt issuance costs (see Note 7), of $332,149 at December 31, 2017. In April 2018, when then stated at a cost of $372,861, this building was sold as part of the sale of the Organization's subsidiary (see Note 12).

5. Loans Receivable

The Organization has a loan receivable, dated July 8, 2016, in the original amount of $250,000, due from a real estate developer in connection with the acquisition and development of a property in Baltimore City. The loan carries a stated interest rate of 2% with payments of interest-only due semi-annually. However, all payments made are treated as a reduction of principal due at maturity, which occurs on the earlier of July 7, 2046 or sale of the associated property.

The Organization has an additional loan receivable, dated September 16, 2019, in the amount of up to $240,000, due from a real estate developer in connection with the acquisition and stabilization of properties in Baltimore City. The funds received are awarded by the Maryland Department of Housing and Community Development (DHCD). Under this agreement, payments of principal and interest are deferred for 15 years until 2034 unless the properties are sold, transferred, refinanced, or otherwise disposed of prior to that date. However, the entire sum provided under the agreement may be forgiven if the Organization determines that the project has been completed in accordance with the terms, conditions, and requirements set forth in the agreement.

Principal payments are due as are follows:

Years Ending December 31:	
2020	$ 5,069
2021	4,581
2022	4,490
2023	4,401
2024	4,313
Thereafter	398,001
	$ 420,855

6. Capital Lease Obligation

The Organizations leases a photocopier under a capital lease arrangement, which began in October 2018 with a 36 month term. The cost of this lease obligation consists of a capital lease, payable in 36 monthly installments of $88, including interest, collateralized by the related photocopier.

Future minimum future lease payments at December 31, 2019 are as follows:

Years Ending December 31:	
2020	$ 1,051
2021	788
	1,839
Less amount representing interest	(97)
Present value of net minimum lease payments	$ 1,742
Current portion of capital leases payable	$ 973
Long-term portion of capital leases payable	769
	$ 1,742

6. Capital Lease Obligation (continued)

The following is a schedule of the carrying values of equipment acquired under this capital lease:

	2019	2018
Cost	$ 2,893	$ 2,893
Less: accumulated depreciation	(1,206)	(241)
	$ 1,687	$ 2,652

These balances are in included in the statements of financial position within property and equipment, net of accumulated depreciation. Annual depreciation expense relating to this equipment totaled $965 and $241 during the years ended December 31, 2019 and 2018, respectively.

7. Loans Payable

The Organization had a loan payable with a financial institution, in connection with the acquisition of a property acquired for development and held for sale (see Note 4), in the original amount of $331,164. In 2018, a portion of the interest payments were made on the Organization's behalf by a developer who ultimately acquired a 100% interest in the Organization's subsidiary, 1518WBaltimore, LLC, in April 2018 (see Notes 12 and 15). In April 2018, just prior to the sale of 1518WBaltimore, LLC, the loan had a balance of $270,500, after additional borrowings and repayments during 2018. Principal and any unpaid interest were due in November 2019, 30 months after the closing date of the associated property. The loan was secured by the associated real property. The obligation was guaranteed up to $60,000 by a not-for-profit foundation.

The Organization incurred debt issuance costs of $29,934 in connection with this loan. These costs were being amortized over the life of the loan. Debt issuance costs are reported on the consolidated statements of financial position as a direct deduction from the face amount of the loan payable. Amortization of debt issuance costs in the amount of $3,992 for the year ended December 31, 2018 was capitalized as part of the building held for sale prior to its sale in April 2018. As Southwest Partnership, Inc. no longer has any interest in 1518WBaltimore, LLC at December 31, 2018, the Organization has no further obligation under this agreement.

In February 2019, the Organization acquired a property in Baltimore City for a contract sales price of $400,000. In September 2019, the Organization obtained a $400,000 loan in connection with this purchase. Principal is due in full at maturity in 2021. The loan bears variable interest equal to prime rate based on the prevailing rate published in the Wall Street Journal ("Prime") plus two percent but no less than six percent. The outstanding principal balance of the loan at December 31, 2019 was $400,000. The Organization incurred debt issuance costs of $11,712 in connection with this loan. These costs are being amortized over the life of the loan. Amortization of debt issuance costs was $6,507 and $ - 0 - for the years ended December 31, 2019 and 2018, respectively.

7. Loans Payable (continued)

In April 2019, the Organization acquired an additional property in Baltimore City for a contract sales price of $1,000,000 and obtained a $500,000 mortgage in connection with this purchase. The Organization intends to develop the properties or to sell them to an interested developer. Principal is due in full at maturity in 2024. The loan bares an interest rate of 3% per annum. The outstanding principal balance of the loan at December 31, 2019 was $500,000. The Organization incurred debt issuance costs of $19,167 in connection with this loan. These costs are being amortized over the life of the loan. Amortization of debt issuance costs was $2,875 and $ - 0 - for the years ended December 31, 2019 and 2018, respectively.

Maturities of loans payable for the years ended December 31 are as follows:

2020	$ - 0 -
2021	400,000
2022	- 0 -
2023	- 0 -
2024	500,000
	900,000
Less unamortized debt issuance costs	21,497
Loans payable less unamortized debt issuance costs	$ 878,503

8. Grant Advance

In August 2017, the Organization entered into a loan agreement with the Maryland Department of Housing and Community Development (DHCD) in connection with a development project in Baltimore City, Maryland. Under this agreement, the Organization is able to borrow up to $280,000 as part of a joint project with a real estate developer to acquire and renovate a number of housing units within the city. Payments of principal and interest are deferred for 15 years until 2032 unless the properties are sold, transferred, refinanced, or otherwise disposed of prior to that date. However, the entire sum provided under the agreement may be forgiven if the DHCD determines that the project has been completed in accordance with the terms, conditions, and requirements set forth in the agreement. The Organization received $100,000 and $180,000 during the years ended December 31, 2019 and 2018, respectively, under this agreement. These amounts have been reflected as grant advance liability within the statements of financial position. The project remains in the construction phase at December 31, 2019.

9. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2019 and 2018 are restricted for the following purposes:

	2019	2018
Purpose restrictions:		
Cleaning programs	$ 6,485	$ 5,813
Lord Baltimore Theater project	- 0 -	30,000
School partnership planning support	35,000	30,000
Workforce development programs	- 0 -	5,000
1515-19 W Baltimore Street project	10,000	- 0 -
Steuart Hill Academic Academy community space	20,000	- 0 -
Community planning consultant for Southwest Baltimore Charter School	9,909	- 0 -
Opioid Workforce Innovation Fund	10,997	- 0 -
	$ 92,391	$ 70,813

Net assets with donor restrictions were released from restriction during the years ended December 31, 2019 and 2018 by satisfying various restrictions as follows:

	2019	2018
Purpose restrictions:		
Cleaning programs	$ - 0 -	$ 9,187
Lord Baltimore Theater project	30,000	- 0 -
Program planning and management of community supervisors	- 0 -	4,000
School partnership planning support	15,000	10,000
Workforce development programs	5,000	5,000
	$ 50,000	$ 28,187

10. Liquidity and Availability of Financial Assets

The following reflects the Organization’s financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date:

10. Liquidity and Availability of Financial Assets (continued)

	2019	2018
Financial assets at year end	$ 1,116,249	$ 794,527
Less those unavailable for general expenditures within one year, due to:		
Portion of loan receivable not expected to be collected within one year	(415,786)	(235,029)
Security deposits	(3,500)	(3,500)
Custodial funds held on behalf of others	(6,769)	(15,000)
Grant advance collected but not yet disbursed in accordance with the project agreement	(280,000)	(180,000)
Restricted by donors with purpose or time restrictions	(92,391)	(70,813)
Financial assets available to meet cash needs for general expenditures within one year	$ 317,803	$ 290,185

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

11. Lease Commitment

The Organization leased office equipment under a three-year operating lease that began January 1, 2016. This agreement provided for monthly base rental payments of $104 and was set to expire on December 31, 2018. Rent expense under this lease, including usage charges, was $4,046 for the year ended December 31, 2018 and is included within printing and copying expense within the consolidated statement of functional expenses. In October 2018, the lease was terminated early and the associated equipment was replaced with office equipment acquired under a capital lease arrangement (see Note 6). No future minimum rental commitments remained on this lease at December 31, 2018.

12. Sale of Subsidiary

Southwest Partnership, Inc., by contract dated August 28, 2017, agreed to sell its 100% interest in 1518WBaltimore, LLC to Social Impact Development, LLC (SID). Under this agreement, the purchase price would be determined prior to closing and was not to exceed any out of pocket expenses incurred by the Organization related to acquisition of the property held by the LLC. Closing was expected to occur within 120 days; however, the sale of the membership interest did not ultimately occur until April 2018. Pursuant to this agreement, the Organization was required to apply a $100,000 grant received from the Maryland Department of Housing and Community Development toward the acquisition cost of the property and ongoing development efforts. This amount is reflected in grants receivable within the consolidated statement of financial position at December 31, 2017. In January 2018, the Organization collected this receivable and paid this $100,000 toward the loan associated with this project (see Note 7).

In April 2018, Southwest Partnership, Inc. completed the sale of its interest in 1518WBaltimore, LLC to Social Impact Development, LLC. Effective April 27, 2018, the loan payable connected with the property held for sale at December 31, 2017 was modified to permit the transfer of the membership interest and to release the Organization from its obligations under the loan agreement. Once executed at a sale price of $9,364, this transaction resulted in the removal of assets and liabilities from the Organization’s consolidated statement of financial position, which included the building held for sale (see Note 4) and a loan payable, less unamortized debt issuance costs (see Note 7). The sale resulted in a loss on disposal of $110,957, which is recognized within the statement of activities and changes in net assets for the year ended December 31, 2018.

13. Tax Sale Program

The Organization assists prospective property owners with acquiring tax lien certificates and foreclosing to acquire title on those respective properties. The Organization generates revenue in connection with these services, which is reported on the consolidated statements of activities and changes in net assets as tax sale program revenue. Tax sale program revenue was $34,825 and $-0- for the years ended December 31, 2019 and 2018, respectively. Expenses incurred with these services are reported as tax sale program expense in the consolidated statements of functional expenses. Legal services expense incurred in connection with this program was $87,392 and $-0- for the years ended December 31, 2019 and 2018, respectively. Expenses incurred relating to lien releases and tax sale certificates were $33,880 and $-0- for the years ended December 31, 2019 and 2018, respectively.

14. Concentrations of Revenue

During the years ended December 31, 2019 and 2018, the Organization received a significant portion of its support and revenue from the State of Maryland through the Department of Housing and Community Development. In 2019 and 2018, income recognized under these grant arrangements represented 57% and 81% of the Organization’s total support and revenue. The Organization’s operations and program services may be impacted should there be a significant reduction in funding from this source.

15. Concentrations of Credit Risk

The Organization, at times throughout the year, has funds on deposit with a financial institution in excess of federally insured amounts. The Organization has not experienced any losses on cash accounts and believes it is not exposed to significant credit risk on cash and cash equivalents. The Organization continually reviews credit concentrations as part of its risk assessment process.

16. Related Party Transactions

The Organization's member entities consists of seven neighborhood associations and six anchor institutions: the Barre Circle Community Association, the Hollins Roundhouse Neighborhood Association, the Franklin Square Neighborhood Association, the Mount Clare Community Council, Citizens of Pigtown, Poppleton NOW!, and the Union Square Association (neighborhood associations); as well as the B&O Railroad Museum, Bon Secours Baltimore Health System, the University of Maryland Baltimore, the University of Maryland BioPark, the University of Maryland Medical Center, and Wexford Science and Technology (anchor institutions). Financial support from the anchor institutions totaled $175,000 and $55,000 during the years ended December 31, 2019 and 2018, respectively, and is included within grants on the consolidated statements of activities and changes in net assets.

The Organization partnered with Social Impact Development, LLC (SID) in connection with the Organization's acquisition of development property during the year ended December 31, 2017 (see Note 4). In 2018, in connection with the loan on this property (see Note 7), SID made interest payments on the Organization's behalf totaling $3,304. In April 2018, SID acquired a 100% interest in 1518WBaltimore, LLC, Southwest Partnership, Inc.'s subsidiary, through which it owned the property (see Note 12).

17. Subsequent Events

The Organization has evaluated subsequent events through June 29, 2021, the date the financial statements were available to be issued.

Subsequent to year end, 317 N Gilmor, LLC, 300 Block North Gilmor, LLC and 300 Block South Gilmor, LLC were formed for the purpose of acquiring a development property to be held for sale.

In March 2020, significant mitigation efforts began taking effect in the United States in an attempt to curtail the spread of the coronavirus (COVID-19) pandemic. Such efforts have included travel restrictions, business closures, and event cancellations. Capital markets have seen significant volatility in the wake of the pandemic and significant economic disruptions are likely to occur. In response, the Organization has altered its operations by reducing personnel on-site and by working remotely where possible. Management cannot reasonably estimate the related financial impact and duration of the situation at this time. However, the Organization believes it has sufficient cash reserves to sustain operations in the event of continued disruption. Management intends to monitor the situation on an ongoing basis and to continue efforts to reduce its impact on the Organization's operations and financial resources.

In May 2020, as a result of mitigating efforts to reduce the spread of coronavirus (COVID-19), which included the closure of all non-essential businesses, a reduction in cash flow to cover operating expenses was anticipated. As a result, the Organization applied for and received a $76,200 loan under the Paycheck Protection Program. The loan is for a term of two years and bears interest at a fixed rate of 1% per annum. Payment on this loan are deferred for a period of ten months. This loan qualified for forgiveness after twenty-four weeks, if all criteria for forgiveness are satisfied.

17. Subsequent Events (continued)

The Organization applied for forgiveness and in May 2021, received notification that their request for forgiveness regarding the Paycheck Protection Program loan was formally approved. The Organization's obligations under the note has been satisfied.

In July 2020, The Organization transferred full ownership of 1528 W Lexington, LLC to a third party. At the time of transfer of ownership, the LLC had no assets or liabilities.

The Organization entered into an agreement to lease office space effective November 1, 2020, at 1317 W. Baltimore Street for $667 per month for one year.

The Organization entered into an agreement to lease office space effective June 1, 2021, at 1317 W. Baltimore Street for $640 per month for one year.

The Organization paid off the $400,000 note payable at maturity in March 2021 (see Note 7) with proceeds from a corresponding $465,000 note payable entered into February 2021.