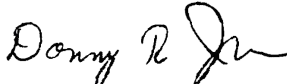


APPROVED: 

8/29/2024

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

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

Opinion

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, 2023 and 2022, 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.

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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Southwest Partnership, Inc. 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 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 statement 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 Southwest Partnership, Inc. and Subsidiaries' ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Independent Auditors' Report (continued)

Auditors' Responsibilities for the Audit of the 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Southwest Partnership, Inc. 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 Southwest Partnership, Inc. 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.

Weyrich, Cronin & Serra, LLC

Hunt Valley, Maryland
August 19, 2024

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Financial Position December 31, 2023 and 2022

ASSETS

	2023	2022
CURRENT ASSETS:		
Cash	\$ 488,986	\$ 1,449,385
Grants and contributions receivable, net	843,278	592,491
Contracts receivable	18,263	72,303
Loans receivable, current portion	37,649	38,402
Prepaid expenses	18,084	15,908
Total Current Assets	1,406,260	2,168,489
PROPERTY AND EQUIPMENT, NET	2,147,046	2,044,945
OTHER ASSETS:		
Cash, restricted	- 0 -	10,905
Loans receivable	983,615	1,021,264
	983,615	1,032,169
TOTAL ASSETS	\$ 4,536,921	\$ 5,245,603

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 295,289	\$ 60,506
Grant advances, current portion	- 0 -	26,513
Loans payable, current portion	512,355	11,871
Deferred revenue	10,667	18,667
Custodial funds	- 0 -	10,905
Total Current Liabilities	818,311	128,462
LONG-TERM LIABILITIES:		
Grant advances	780,000	780,000
Loans payable, less unamortized debt issuance costs	401,026	907,469
Total Long-Term Liabilities	1,181,026	1,687,469
TOTAL LIABILITIES:	1,999,337	1,815,931
NET ASSETS:		
Without donor restrictions	2,031,231	2,112,984
With donor restrictions	506,353	1,316,688
Total Net Assets	2,537,584	3,429,672
TOTAL LIABILITIES AND NET ASSETS	\$ 4,536,921	\$ 5,245,603

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, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants and contributions	\$ 1,599,230	\$ 256,834	\$ 1,856,064
Contract revenue	139,024	- 0 -	139,024
Tax sale program	6,497	- 0 -	6,497
Other income	26,187	- 0 -	26,187
Contributed services	23,989	- 0 -	23,989
Net assets released from restriction	<u>1,067,169</u>	<u>(1,067,169)</u>	<u>- 0 -</u>
 Total Support and Revenue	 <u>2,862,096</u>	 <u>(810,335)</u>	 <u>2,051,761</u>
EXPENSES:			
Program services	2,492,045	- 0 -	2,492,045
Supporting services:			
Management and general	440,442	- 0 -	440,442
Fundraising	<u>11,362</u>	<u>- 0 -</u>	<u>11,362</u>
 Total Expenses	 <u>2,943,849</u>	 <u>- 0 -</u>	 <u>2,943,849</u>
 CHANGE IN NET ASSETS	 <u>(81,753)</u>	 <u>(810,335)</u>	 <u>(892,088)</u>
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,112,984</u>	 <u>1,316,688</u>	 <u>3,429,672</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 2,031,231</u></u>	 <u><u>\$ 506,353</u></u>	 <u><u>\$ 2,537,584</u></u>

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, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE:			
Grants and contributions	\$ 1,395,478	\$ 1,252,229	\$ 2,647,707
Contract revenue	200,519	- 0 -	200,519
Receivership and homeownership zone income	415,636	- 0 -	415,636
Tax sale program	907	- 0 -	907
Other income	17,386	- 0 -	17,386
Contributions of nonfinancial assets	7,000	- 0 -	7,000
Net assets released from restriction	<u>267,528</u>	<u>(267,528)</u>	<u>- 0 -</u>
 Total Support and Revenue	 <u>2,304,454</u>	 <u>984,701</u>	 <u>3,289,155</u>
EXPENSES:			
Program services	2,251,280	- 0 -	2,251,280
Supporting services:			
Management and general	235,195	- 0 -	235,195
Fundraising	<u>18,149</u>	<u>- 0 -</u>	<u>18,149</u>
 Total Expenses	 <u>2,504,624</u>	 <u>- 0 -</u>	 <u>2,504,624</u>
 CHANGE IN NET ASSETS	 <u>(200,170)</u>	 <u>984,701</u>	 <u>784,531</u>
 NET ASSETS AT BEGINNING OF YEAR	 <u>2,313,154</u>	 <u>331,987</u>	 <u>2,645,141</u>
 NET ASSETS AT END OF YEAR	 <u><u>\$ 2,112,984</u></u>	 <u><u>\$ 1,316,688</u></u>	 <u><u>\$ 3,429,672</u></u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2023

	Supporting Services			Total
	Program Services	Management and General	Fundraising	
Salaries	\$ 324,902	\$ 108,301	\$ - 0 -	\$ 433,203
Payroll taxes	26,248	8,750	- 0 -	34,998
Benefits	18,752	6,251	- 0 -	25,003
	<u>369,902</u>	<u>123,302</u>	<u>- 0 -</u>	<u>493,204</u>
Accounting and audit	- 0 -	43,316	- 0 -	43,316
Bad debt expense	- 0 -	1,403	- 0 -	1,403
Community repairs and improvements	581,966	- 0 -	- 0 -	581,966
Community services and outreach	134,743	- 0 -	- 0 -	134,743
Computer equipment and software	3,808	11,426	- 0 -	15,234
Consultants	102,075	- 0 -	- 0 -	102,075
Contract services	46,266	46,266	- 0 -	92,532
Downpayment assistance program	60,000	- 0 -	- 0 -	60,000
Food and entertainment	- 0 -	2,728	- 0 -	2,728
Insurance	14,969	4,990	- 0 -	19,959
Legal services	- 0 -	27,764	- 0 -	27,764
Maintenance and repairs	3,629	1,210	- 0 -	4,839
Marketing and events	- 0 -	3,054	- 0 -	3,054
Meetings	- 0 -	292	- 0 -	292
Member dues and fees	- 0 -	1,946	- 0 -	1,946
Miscellaneous	388	3,850	- 0 -	4,238
Poppleton recreation center	1,100,640	122,293	- 0 -	1,222,933
Postage	1,234	411	411	2,056
Printing and copying	3,767	1,255	1,255	6,277
Professional development	- 0 -	256	- 0 -	256
Special events	7,104	- 0 -	- 0 -	7,104
Supplies	29,087	9,696	9,696	48,479
Tax sale program	6,497	- 0 -	- 0 -	6,497
Transportation and accomodation	- 0 -	5,198	- 0 -	5,198
Utilities	7,597	2,532	- 0 -	10,129
	<u>2,473,672</u>	<u>413,188</u>	<u>11,362</u>	<u>2,898,222</u>
Depreciation	18,373	6,124	- 0 -	24,497
Interest	- 0 -	21,130	- 0 -	21,130
Total Expenses	<u>\$ 2,492,045</u>	<u>\$ 440,442</u>	<u>\$ 11,362</u>	<u>\$ 2,943,849</u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2022

	<u>Supporting Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
Salaries	\$ 463,784	\$ 83,816	\$ 11,176	\$ 558,776
Payroll taxes	36,000	6,506	867	43,373
Benefits	29,612	5,352	714	35,678
	<u>529,396</u>	<u>95,674</u>	<u>12,757</u>	<u>637,827</u>
Accounting and audit	- 0 -	49,340	- 0 -	49,340
Community repairs and improvements	755,444	- 0 -	- 0 -	755,444
Community services and outreach	12,910	- 0 -	- 0 -	12,910
Computer equipment and software	7,181	4,218	- 0 -	11,399
Consultants	119,285	- 0 -	- 0 -	119,285
Contract services	35,965	8,584	- 0 -	44,549
Food and entertainment	- 0 -	146	- 0 -	146
Insurance	14,048	2,539	339	16,926
Maintenance and repairs	6,079	1,099	146	7,324
Marketing and events	- 0 -	23,295	- 0 -	23,295
Meetings	- 0 -	3,995	- 0 -	3,995
Member dues and fees	- 0 -	2,051	- 0 -	2,051
Miscellaneous	1,559	2,219	- 0 -	3,778
Postage	123	41	41	205
Printing and copying	1,504	502	502	2,508
Professional development	- 0 -	6,197	- 0 -	6,197
Special events	6,803	- 0 -	- 0 -	6,803
Stabilization and rehabilitation	722,234	- 0 -	- 0 -	722,234
Supplies	10,199	3,399	3,399	16,997
Tax sale program	907	- 0 -	- 0 -	907
Transportation and accomodation	965	322	322	1,609
Utilities	10,315	1,864	249	12,428
	<u>2,234,917</u>	<u>205,485</u>	<u>17,755</u>	<u>2,458,157</u>
Depreciation	16,363	2,957	394	19,714
Interest	- 0 -	26,753	- 0 -	26,753
Total Expenses	<u><u>\$ 2,251,280</u></u>	<u><u>\$ 235,195</u></u>	<u><u>\$ 18,149</u></u>	<u><u>\$ 2,504,624</u></u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (892,088)	\$ 784,531
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,497	19,714
Amortization included in interest expense	6,410	6,410
Contributed leasehold improvements	- 0 -	(7,000)
Disposal of construction in progress associated with LLCs and building	- 0 -	442,234
(Increase) decrease in operating assets:		
Grants and contributions receivable	(250,787)	(383,173)
Contracts receivable	54,040	52,292
Prepaid expenses	(2,176)	(8,034)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	234,783	(62,155)
Grant advances, current	(26,513)	26,513
Deferred revenue	(8,000)	(8,000)
Custodial funds	(10,905)	(5,922)
Net cash provided by (used in) operating activities	<u>(870,739)</u>	<u>857,410</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to construction in progress	(106,371)	(477,306)
Advances on loans receivable	- 0 -	(100,000)
Repayments on loan receivable	38,402	5,070
Proceeds from sale of building	- 0 -	3,251
Proceeds from sale of construction in progress	- 0 -	85,377
Redemption of capitalized tax sale certificates	- 0 -	5,506
Purchase of property and equipment	(20,227)	(16,069)
Net cash used in investing activities	<u>(88,196)</u>	<u>(494,171)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loan payable	<u>(12,369)</u>	<u>(11,397)</u>
Net cash used in financing activities	<u>(12,369)</u>	<u>(11,397)</u>
NET CHANGE IN CASH AND RESTRICTED CASH	(971,304)	351,842
CASH AND RESTRICTED CASH AT BEGINNING OF YEAR	<u>1,460,290</u>	<u>1,108,448</u>
CASH AND RESTRICTED CASH AT END OF YEAR	<u><u>\$ 488,986</u></u>	<u><u>\$ 1,460,290</u></u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2023 and 2022

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.

300 Block North Gilmor, LLC, is a limited liability company formed in 2020 for the purpose of acquiring a development property. Southwest Partnership held a 100% membership interest in the LLC which was transferred during the year ended December 31, 2022. This LLC held an interest in said development properties, which was included in construction in progress. At the time of the transfer of ownership, the LLC held \$416,363 in assets and no liabilities (see Note 5).

300 Block South Gilmor, LLC, is a limited liability company formed in 2020 for the purpose of acquiring a development property. Southwest Partnership held a 100% membership interest in the LLC which was transferred during the year ended December 31, 2022. This LLC held an interest in said development properties, which was included in construction in progress. At the time of the transfer of ownership, the LLC held \$160,923 in assets and no liabilities (see Note 5).

317 N Gilmor, LLC, is a limited liability company formed in 2020 for the purpose of acquiring a development property. Southwest Partnership held a 100% membership interest in the LLC which was transferred during the year ended December 31, 2022. This LLC held an interest in said development properties, which was included in construction in progress. At the time of the transfer of ownership, the LLC held \$64,986 in assets and no liabilities (see Note 5).

SoWeBo Lord Baltimore, Inc., is a non-stock corporation formed in 2019 for the purpose of acquiring a property in the future to rehabilitate. Southwest Partnership holds a 100% membership interest in the corporation as of December 31, 2023. This corporation had no assets or liabilities as of December 31, 2023.

SoWeBo Lord Baltimore, LLC, is a limited liability company formed in 2021 for the purpose of acquiring a property to rehabilitate. In August 2022, the Organization transferred the Lord Baltimore Theatre building (see Note 5) to this LLC. Southwest Partnership holds a 100% membership interest in the LLC as of December 31, 2023. This LLC had no other assets or liabilities as of December 31, 2023.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

1506 W Baltimore LLC, is a limited liability company formed in 2021 for the purpose of acquiring a property to rehabilitate. Southwest Partnership holds a 100% membership interest in the LLC as of December 31, 2023. This LLC holds an interest in said property, which is included in construction in progress in the Malachi Mills properties (see Note 5). This LLC had no other assets or liabilities as of December 31, 2023.

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 interorganizational transactions have been eliminated in consolidation.

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.

Restricted Cash - Restricted cash represents the custodial funds the Organization holds on behalf of other organizations.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

Grants, Contracts, and Loans Receivable - Grants and contributions receivable represent amounts due from government agencies, foundations, and other organizations and are recorded at their net realizable value. Long-term grants and other receivables represent amounts due in more than one year. Grants and other amounts promised 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.

Contracts receivable represent amounts due under service and consulting agreements with certain institutions. Such receivables are uncollateralized obligations that do not accrue interest and are stated at the invoice amount. The Organization provides an allowance for doubtful accounts based on an estimate of probable uncollectible accounts. As of December 31, 2023 and 2022, all contracts receivable were deemed fully collectible by management and, as such, no allowance has been deemed necessary.

Loans receivable represent amounts due from various real estate developers.

Allowance for Credit Losses - The Organization provides losses on accounts receivable and loans receivable using the allowance method. The allowance for grants and contributions receivable and contracts receivable is based on a review of specific accounts, taking into consideration the age of past due accounts and assessment of the payor's ability to meet its obligation. The allowance for loan losses is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, and trends in historical loss experience. As of December 31, 2023 and 2022, an allowance of \$1,403 and \$-0-, respectively, had been established for grants and contributions receivable. No allowance for contracts receivable or loans receivable is provided because management does not deem it necessary based on historical collection experience.

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.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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:

<u>Category</u>	<u>Years</u>
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 consolidated statements of financial position.

Deferred Revenue - The Organization leases office space to a tenant that provided leasehold improvements in lieu of rent. The value of the leasehold improvements exceeded earned rent. The excess value of the leasehold improvements will be applied against future rental payment (see Note 7).

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 is capitalized to buildings held for sale and expensed to interest expense.

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.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

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 when 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 consolidated statements of financial position.

Contract revenue represents fees earned in connection with service agreements that typically span an extended period of time. Services rendered by the Organization include consulting, research, and the development of resources for institutions engaged in the furtherance of goals similar to the Organization's mission. Performance obligations under these contracts are generally considered to be satisfied over time as services are provided to customers. Revenues received in advance of services performed are recorded as deferred revenue.

The receivership and homeownership zone program enables cities to undertake large-scale, single-family developments in inner city neighborhoods. Homeownership zones reserve the majority of the new units for low- and moderate-income families, but also attract middle-income families to inner cities to help form more stable communities. In addition to increasing the supply of safe and decent housing in urban areas, the program will support new jobs in the home building industry and stimulate new investment in revitalized communities. The Organization receives grant revenue in connection with acquiring properties and rehabilitating properties as part of the homeownership zone 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.

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. Contributed legal services are valued at the current fair market rates at standard industry pricing for similar services. Total contributed legal services for the years ended December 31, 2023 and 2022, were \$23,989 and \$-0-, respectively. Contributed legal services are included in the statements of activities and changes in net assets as contributed services and are included in legal services in the statements of functional expenses.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2023 and 2022

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

Contributions of Nonfinancial Assets - Occasionally, the Organization receives donations of nonfinancial assets. The Organization's policy is to use the assets in carrying out the Organization's programs. Total contributions of nonfinancial assets for the years ended December 31, 2023 and 2022, were \$-0- \$7,000, respectively, and consisted of leasehold improvements. Contributed leasehold improvements are valued at the cost of materials and permits provided by the vendor at market rates.

The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2023 and 2022 is included in the chart below:

Revenue Type	Timing of Revenue Recognition	2023	2022
Grants and contributions	Upon receipt, period earned	\$ 1,856,064	\$ 2,647,707
Contract revenue	Period earned	139,024	\$ 200,519
Receivership and homeownership zone income	Period earned	- 0 -	415,636
Tax sale program	Period earned	6,497	907
Other income	Point in time	26,187	17,386
Contributed services	Upon receipt	23,989	- 0 -
Contributions of nonfinancial assets	Upon receipt	- 0 -	7,000
		<u>\$ 2,051,761</u>	<u>\$ 3,289,155</u>

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.

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.

300 Block North Gilmer, 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 transfer of the LLC in June 2022) and, consequently, were exempt from taxation.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

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

300 Block South Gilmor, 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 transfer of the LLC in September 2022) and, consequently, were exempt from taxation.

317 N Gilmor, 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 (up through the date of transfer of the LLC in June 2022), 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.

SoWeBo Lord Baltimore, 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.

1506 W Baltimore 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.

The Organization is generally no longer subject to examination by the Internal Revenue Service for fiscal years before 2020.

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

2. Cash and Restricted Cash

The following table provides a reconciliation of cash and restricted cash reported within the statements of financial position to the total of the same such amounts in the consolidated statements of cash flows.

	<u>2023</u>	<u>2022</u>
Cash	\$ 488,986	\$ 1,449,385
Restricted cash	- 0 -	10,905
	<u>\$ 488,986</u>	<u>\$ 1,460,290</u>

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

3. 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, 2023 and 2022 totaled \$843,278 and \$592,491, respectively, and are expected to be collected within one year.

4. Property and Equipment

Property and equipment consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Buildings and improvements	\$ 485,468	\$ 477,388
Furniture and equipment	34,422	22,275
Construction in Progress	<u>1,709,323</u>	<u>1,602,952</u>
	2,229,213	2,102,615
Less: accumulated depreciation	<u>(82,167)</u>	<u>(57,670)</u>
	<u>\$ 2,147,046</u>	<u>\$ 2,044,945</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$24,497 and \$19,714, respectively.

5. Construction in Progress

Construction in progress consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Lord Baltimore Theatre (SoWeBo Lord Baltimore, LLC)	\$ 1,378,766	\$ 1,318,049
Malachi Mills properties (1506 W Baltimore LLC)	197,873	192,344
Land bank properties (Southwest Partnership, Inc.)	<u>132,684</u>	<u>92,559</u>
	<u>\$ 1,709,323</u>	<u>\$ 1,602,952</u>

As a result of the Organization's development efforts, the Organization holds title to various vacant buildings within their neighborhood focus area, whether directly or through various LLCs. These buildings represent various stabilization and rehabilitation projects in progress, with the ultimate goal to transfer ownership to community developers and homeowners once the projects are completed. Acquisition and development costs are capitalized until the respective buildings are transferred to their ultimate owners, upon which the Organization will reflect the gain or loss on the transaction on the consolidated statements of activities and changes in net assets.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2023 and 2022

5. Construction in Progress (continued)

During the year ended December 31, 2022, the Organization transferred 317 N Gilmor, LLC and its assets to a real estate developer for a sale price of \$10,429, transferred 300 Block North Gilmor, LLC and its assets to a real estate developer for a sale price of \$56,141, and transferred 300 Block South Gilmor, LLC and its assets to a real estate developer for a sale price of \$18,807. As part of the transfer of 300 Block North Gilmor LLC and 300 Block South Gilmor, LLC, \$58,688 and \$83,812, respectively, of construction in progress transferred were converted to loans receivable from the real estate developers (see Note 6). The loss incurred on these transactions is reflected in stabilization and rehabilitation expense in the statement of functional expenses for the year ended December 31, 2022.

The changes in construction in progress for the years ended December 31, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Construction in progress at beginning of year	\$ 1,602,952	\$ 1,773,423
Additions to construction in progress	106,371	477,306
Proceeds from sale of construction in progress	- 0 -	(85,377)
Redemption of capitalized tax sale certificates	- 0 -	(5,506)
Transfer of construction in progress to real estate developers converted to loans receivable	- 0 -	(142,500)
Loss on disposal of construction in progress included in stabilization and rehabilitation expense	- 0 -	(414,394)
Construction in progress at end of year	<u>\$ 1,709,323</u>	<u>\$ 1,602,952</u>

6. 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. As of December 31, 2023 and 2022 the balance of the loan receivable was \$214,597 and \$219,666, respectively.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. Loans Receivable (continued)

The Organization has a 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 (see Note 9). 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. As of December 31, 2023 and 2022 the balance of the loan receivable for each year was \$240,000.

The Organization has a loan receivable, dated April 13, 2020, in the amount of up to \$160,000, 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 2035 unless the properties are sold, transferred, refinanced, or otherwise disposed of prior to that date (see Note 9). 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. As of December 31, 2023 and 2022 the balance of the loan receivable for each year was \$160,000.

The Organization has a loan receivable, dated August 26, 2020, in the amount of up to \$340,000, 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 2035 unless the properties are sold, transferred, refinanced, or otherwise disposed of prior to that date (see Note 9). 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. The Organization had previously advanced the real estate developer an additional cumulative amount of \$83,812 under the terms of this agreement for acquisition and stabilization of a property that is owned by the Organization. This amount was included in construction in progress and reflected in property and equipment, net in the consolidated statements of financial position prior to the year ended December 31, 2022. During 2022, the Organization transferred the property, 300 Block South Gilmore, LLC, to the real estate developer (see Note 5) and the \$83,812 in construction in progress converted to a loan receivable. As of December 31, 2023 and 2022 the balance of the loan receivable for each year was \$281,312.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. Loans Receivable (continued)

The Organization has a loan receivable, dated October 6, 2021, in the amount of up to \$58,688, 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 2035 unless the properties are sold, transferred, refinanced, or otherwise disposed of prior to that date (see Note 9). 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. The Organization had previously advanced the real estate developer an additional cumulative amount of \$58,688 as of December 31, 2021 under the terms of this agreement for acquisition and stabilization of a property that is owned by the Organization. This amount is included in construction in progress and reflected in property and equipment, net in the consolidated statements of financial position prior to the year ended December 31, 2022. During 2022, the Organization transferred the property, 300 Block North Gilmore, LLC, to the real estate developer (see Note 5) and the \$58,688 in construction in progress converted to a loan receivable. As of December 31, 2023 and 2022 the balance of the loan receivable for each year was \$58,688.

The Organization has a loan receivable, dated April 27, 2022, in the amount of \$70,000, due from a real estate developer in connection with the rehabilitation and stabilization of properties in Baltimore City. The funds received are awarded by the Maryland Department of Housing and Community Development (DHCD) in connection with Commercial Tenant Improvement Program. The loan term is 36 months with an interest rate of 4%. However, 50% of the interest paid under the agreement may be forgiven if the Organization determines that the terms, conditions, and requirements set forth in the agreement have been met. As of December 31, 2023 and 2022 the balance of the loan receivable was \$46,667 and \$70,000, respectively.

The Organization has a loan receivable, dated June 7, 2022, in the amount of \$30,000, due from a real estate developer in connection with the rehabilitation and stabilization of properties in Baltimore City. The funds received are awarded by the Maryland Department of Housing and Community Development (DHCD) in connection with Commercial Tenant Improvement Program. The loan term is 36 months with an interest rate of 4%. However, 50% of the interest paid under the agreement may be forgiven if the Organization determines that the terms, conditions, and requirements set forth in the agreement have been met. As of December 31, 2023 and 2022 the balance of the loan receivable was \$20,000 and \$30,000, respectively.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

6. Loans Receivable (continued)

Principal payments are due as are follows:

Years Ending December 31:

2024	\$	37,649
2025		37,544
2026		4,136
2027		4,054
2028		3,973
Thereafter		<u>933,908</u>
		<u>\$ 1,021,264</u>

7. Deferred Revenue

In November 2020, the Organization began to lease office space in its building to a tenant for \$8,000 per year. The tenant had provided \$36,000 of contracting services and materials in lieu of rent payments as of the year ended December 31, 2020. This amount has been recognized as building improvements within property and equipment, net of accumulated depreciation, on the consolidated statements of financial position. As of December 31, 2023 and 2022, deferred revenue was \$10,667 and \$18,667, respectively, is reflected as deferred revenue on the consolidated statements of financial position and will be recognized as income as earned over the remaining lease term. The associated rental income of \$8,000 for both of the years ended December 31, 2023 and 2022, is reflected in other income on the consolidated statements of activities and changes in net assets.

8. Loans Payable

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 bears an interest rate of 3% per annum. The outstanding principal balance of the loan at December 31, 2023 and 2022 was \$0. 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 \$3,834 for the years ended December 31, 2023 and 2022. Subsequent to year end, this loan was refinanced with the same developer (see Note 17).

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

8. Loans Payable (continued)

In March 2021, the Organization acquired an additional loan in the amount of \$465,000 collateralized by real property at 1313-19 West Baltimore Street. The loan bears an interest rate of 4% per annum. Equal monthly payments of principal and interest in the amount of \$2,454 are to be made beginning April 1, 2021 through March 1, 2031. The remaining unpaid principal and accrued interest are to be paid on March 9, 2031. The outstanding principal balance of the loan at December 31, 2023 and 2022 was \$932,804, and \$445,173, respectively. The Organization incurred debt issuance costs of \$25,764 in connection with this loan. These costs are being amortized over the life of the loan. Amortization of debt issuance costs was \$2,576 for the years ended December 31, 2023 and 2022.

The loan is subject to certain restrictions and covenants. Under the covenants, the Organization must maintain certain financial ratios. As of December 31, 2023, the Organization did not maintain the required financial ratios under these covenants. However, the Organization has adequate financial assets to cover the outstanding balance of the loan. As of December 31, 2022, the Organization was in compliance with these covenants.

Maturities of loans payable are as follows:

Years Ending December 31:

2024	\$ 512,355
2025	12,858
2026	13,382
2027	13,927
2028	14,495
Thereafter	<u>365,787</u>
	<u>932,804</u>
Less unamortized debt issuance costs	<u>19,423</u>
Loans payable less unamortized debt issuance costs	<u>\$ 913,381</u>

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

9. Grant Advances

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 (see Note 6). 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. As December 31, 2023 and 2022, the Organization has a balance of \$280,000, the full amount of the advance under this agreement. These amounts have been reflected in grant advance liabilities within the statements of financial position. The project completed the construction phase as of December 31, 2020.

In October 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 \$500,000 as part of a joint project with a real estate developer to acquire and renovate a number of housing units within the city (see Note 6). Payments of principal and interest are deferred for 15 years until 2035 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. As December 31, 2023 and 2022, the Organization has a balance of \$500,000, the full amount of the advance under this agreement. These amounts have been reflected in grant advance liabilities within the statements of financial position. The project completed the construction phase as of December 31, 2022.

As December 31, 2023 and 2022, the Organization has received an additional \$-0- and \$26,513, respectively in grant advances.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

10. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2023 and 2022 are restricted for the following purposes:

	2023	2022
Purpose restrictions:		
Business district and public safety	\$ 14,924	\$ 62,051
Cleaning programs	76,165	16,058
Community school	9,843	16,092
Housing organizer	15,361	25,000
Lincoln Institute	- 0 -	6,409
Other	11,076	6,997
Parks and recreation projects	77,062	246,774
Poppleton recreation center	38,378	612,500
Tech library lending	- 0 -	6,400
Workforce development programs	78,098	207,295
Youth internship program	7,113	6,112
	328,020	1,211,688
Time restrictions:		
Grants and contributions restricted for future periods	178,333	105,000
	\$ 506,353	\$ 1,316,688

Net assets with donor restrictions were released from restriction during the years ended December 31, 2023 and 2022 by satisfying various restrictions as follows:

	2023	2022
Purpose restrictions:		
Business district and public safety	\$ 47,127	\$ - 0 -
Cleaning programs	9,893	10,902
Community school	6,249	1,000
Housing organizer	9,639	- 0 -
Lincoln Institute	6,409	19,000
Lord Baltimore consulting	- 0 -	8,775
Other	3,421	- 0 -
Parks and recreation projects	169,712	184,531
Poppleton recreation center	574,122	- 0 -
Tech library lending	6,400	3,600
Workforce development programs	129,197	3,755
Youth internship program	- 0 -	35,965
	962,169	267,528
Time restrictions		
Grants and contributions restricted for future periods	105,000	- 0 -
	\$ 1,067,169	\$ 267,528

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

11. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, 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:

	<u>2023</u>	<u>2022</u>
Financial assets at year end	\$ 2,371,791	\$ 3,184,750
Less those unavailable for general expenditures within one year, due to:		
Portion of loan receivable not expected to be collected within one year	(983,615)	(1,021,264)
Custodial funds held on behalf of others	- 0 -	(10,905)
Grant advance collected but not yet disbursed in accordance with the project agreement	- 0 -	(26,513)
Restricted by donors with purpose or time restrictions	<u>(328,020)</u>	<u>(1,211,688)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,060,156</u>	<u>\$ 914,380</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Net assets with time restrictions of \$178,333 that will be available for general use within one year of the consolidated statement of financial position date have been excluded from the amount restricted by donors with purpose or time restrictions in the table presented above.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

12. 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 \$6,497 and \$907 for the years ended December 31, 2023 and 2022, respectively. Expenses incurred with these services are reported as tax sale program expense in the consolidated statements of functional expenses. Expenses incurred relating to lien releases and tax sale certificates were \$6,497 and \$907 for the years ended December 31, 2023 and 2022, respectively.

13. Concentrations of Revenue

During the years ended December 31, 2023 and 2022, 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 2023 and 2022, income recognized under these grant arrangements represented 39% and 29%, respectively, of the Organization's total support and revenue. The Organization also received a significant portion of its support and revenue from the City of Baltimore through the American Rescue Plan Act. In 2023 and 2022, income recognized under these grant arrangements represented 0% and 15%, respectively, of the Organization's total support and revenue. Significant concentrations of support have also been received through the Maryland Bond Bill program. In 2023 and 2022, income recognized under these grant arrangements represented 15% and 0%, respectively, 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 these sources.

14. 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.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2023 and 2022

15. 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 Community 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, Wexford Science and Technology, and Lifebridge Health (anchor institutions). Financial support from the anchor institutions totaled \$175,000 and \$210,000 during the years ended December 31, 2023 and 2022, respectively, and is reflected in grants and contributions in the consolidated statements of activities and changes in net assets. There were no receivables from the anchor institutions at December 31, 2023 and 2022.

16. Supplemental Cash Flow Information

Interest paid for the years ended December 31, 2023 and 2022 totaled \$14,720 and \$20,343, respectively. Interest capitalized for the years ended December 31, 2023 and 2022 totaled \$43,068 and \$4,200, respectively. The Organization had noncash financing activity related to the amortization of debt issuance costs in the amount of \$6,410 and \$6,410 for the years ended December 31, 2023 and 2022, respectively. These amounts are considered interest expense and are included in the statement of functional expense as interest expense.

During the year ended December 31, 2023, the Organization had supplemental noncash activity related to contributed services. The Organization received contributed services valued at \$23,989 (see Note 1).

During the year ended December 31, 2022, the Organization supplemental noncash activity related to the disposal of construction in progress, net of sale proceeds, associated with 317 N Gilmor, LLC of \$54,556 (see Note 5), 300 Block North Gilmor, LLC of \$301,529 (see Note 5), 300 Block South Gilmor, LCC of \$58,309 (see Note 5), and a building in the amount of \$27,840. These amounts are included in stabilization and rehabilitation expense in the statements of functional expenses.

During the year ended December 31, 2022, the Organization had a noncash investing transaction related to the transfer of \$83,812 in construction in progress included in the assets of 300 Block South Gilmor, LLC to a real estate developer for the acquisition of a loan receivable in the amount of \$83,812.

During the year ended December 31, 2022, the Organization had a noncash investing transaction related to the transfer of \$58,688 in construction in progress included in the assets of 300 Block North Gilmor, LLC to a real estate developer for the acquisition of a loan receivable in the amount of \$58,688.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2023 and 2022

16. Supplemental Cash Flow Information (continued)

During the year ended December 31, 2022, the Organization had a noncash investing transaction related to the acquisition of leasehold improvements in the amount of \$7,000 that were obtained from contributions of a nonfinancial assets.

17. Subsequent Events

The Organization has evaluated subsequent events through August 19, 2024, the date the financial statements were available to be issued.

In May 2024, the Organization received notice that a \$100,000 grant subawarded to the Organization in 2023 would be reduced to \$70,000. The grant award was reduced due to subgrantor's inability to administrate a portion of grant funds due to internal staffing issues. Grants and contributions receivable and corresponding revenue have been adjusted to reflect this reduction.

In April 2024, the Organization agreed to a modification of its \$500,000 mortgage (see Note 8). Under the modification, \$80,000 of principal was immediately due and paid. The remaining principal (\$420,000) matures on April 30, 2027. The interest rate was modified to be 5.71% per year. Monthly interest payments of \$2,000 are required under the modification.