

Authorized/Approved: _____
Tony Scott - Executive Director
7/22/2026



SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2025 AND 2024

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

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Independent Auditors' Report

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, 2025 and 2024, 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, 2025 and 2024, 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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
July 22, 2026

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIESConsolidated Statements of Financial Position
December 31, 2025 and 2024ASSETS

	2025	2024
CURRENT ASSETS:		
Cash	\$ 1,017,905	\$ 701,972
Grants and contributions receivable, net	159,909	173,763
Loans receivable, current portion	5,000	46,111
Prepaid expenses	16,733	88,096
Total Current Assets	1,199,547	1,009,942
PROPERTY AND EQUIPMENT, NET	2,630,961	2,138,823
OTHER ASSETS:		
Cash, restricted	6,859	- 0 -
Loans receivable	939,431	944,514
	946,290	944,514
TOTAL ASSETS	<u>\$ 4,776,798</u>	<u>\$ 4,093,279</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 136,786	\$ 55,958
Grant advances, current portion	- 0 -	94,474
Loans payable, current portion	13,382	12,858
Deferred revenue	- 0 -	2,667
Custodial funds	6,859	- 0 -
Total Current Liabilities	157,027	165,957
LONG-TERM LIABILITIES:		
Grant advances	780,000	780,000
Loans payable, less unamortized debt issuance costs	916,916	811,712
Total Long-Term Liabilities	1,696,916	1,591,712
TOTAL LIABILITIES:	<u>1,853,943</u>	<u>1,757,669</u>
NET ASSETS:		
Without donor restrictions	2,679,255	1,961,526
With donor restrictions	243,600	374,084
Total Net Assets	2,922,855	2,335,610
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,776,798</u>	<u>\$ 4,093,279</u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIESConsolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Grants and contributions	\$ 1,751,247	\$ 59,583	\$ 1,810,830
Other income	34,686	- 0 -	34,686
Contributed services	46,667	- 0 -	46,667
Net assets released from restriction	190,067	(190,067)	- 0 -
Total Support and Revenue	2,022,667	(130,484)	1,892,183
EXPENSES:			
Program services	979,604	- 0 -	979,604
Supporting services:			
Management and general	325,334	- 0 -	325,334
Total Expenses	1,304,938	- 0 -	1,304,938
CHANGE IN NET ASSETS	717,729	(130,484)	587,245
NET ASSETS AT BEGINNING OF YEAR	1,961,526	374,084	2,335,610
NET ASSETS AT END OF YEAR	\$ 2,679,255	\$ 243,600	\$ 2,922,855

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIESConsolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE:			
Grants and contributions	\$ 2,154,973	\$ 260,167	\$ 2,415,140
Contract revenue	64,032	- 0 -	64,032
Other income - loan forgiveness	38,568	- 0 -	38,568
Other income	17,549	- 0 -	17,549
Net assets released from restriction	392,436	(392,436)	- 0 -
Total Support and Revenue	2,667,558	(132,269)	2,535,289
EXPENSES:			
Program services	2,302,347	- 0 -	2,302,347
Supporting services:			
Management and general	434,916	- 0 -	434,916
Total Expenses	2,737,263	- 0 -	2,737,263
CHANGE IN NET ASSETS	(69,705)	(132,269)	(201,974)
NET ASSETS AT BEGINNING OF YEAR	2,031,231	506,353	2,537,584
NET ASSETS AT END OF YEAR	\$ 1,961,526	\$ 374,084	\$ 2,335,610

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2025

	Program Services	Management and General	Total
Salaries	\$ 304,839	\$ 101,613	\$ 406,452
Payroll taxes	25,698	8,566	34,264
Benefits	4,782	1,594	6,376
	335,319	111,773	447,092
Accounting and audit	- 0 -	44,820	44,820
Community repairs and improvements	440,109	- 0 -	440,109
Community services and outreach	5,487	- 0 -	5,487
Computer equipment and software	3,861	11,584	15,445
Contract services	550	550	1,100
Credit loss expense	- 0 -	11,667	11,667
Insurance	24,908	8,303	33,211
Legal services	12,311	36,931	49,242
Maintenance and repairs	1,436	4,310	5,746
Marketing and events	- 0 -	5,246	5,246
Meetings	- 0 -	147	147
Member dues and fees	- 0 -	1,122	1,122
Miscellaneous	579	5,208	5,787
Poppleton recreation center	147,111	16,346	163,457
Postage, printing and copying	562	1,686	2,248
Professional development	- 0 -	1,524	1,524
Supplies	2,536	7,608	10,144
Transportation and accomodation	- 0 -	419	419
Utilities	- 0 -	12,358	12,358
	979,604	281,602	1,261,206
Depreciation	- 0 -	24,594	24,594
Interest	- 0 -	19,138	19,138
Total Expenses	<u>\$ 979,604</u>	<u>\$ 325,334</u>	<u>\$ 1,304,938</u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2024

	Program Services	Management and General	Total
Salaries	\$ 347,434	\$ 115,812	\$ 463,246
Payroll taxes	28,090	9,364	37,454
Benefits	11,223	3,741	14,964
	386,747	128,917	515,664
Accounting and audit	- 0 -	43,608	43,608
Community repairs and improvements	582,726	- 0 -	582,726
Community services and outreach	78,397	- 0 -	78,397
Computer equipment and software	4,568	13,705	18,273
Consultants	9,239	9,240	18,479
Contract services	1,262	1,263	2,525
Downpayment assistance program	160,000	- 0 -	160,000
Food and entertainment	- 0 -	3,337	3,337
Insurance	23,239	7,747	30,986
Legal services	749	2,247	2,996
Maintenance and repairs	3,742	11,225	14,967
Marketing and events	- 0 -	1,715	1,715
Meetings	- 0 -	700	700
Member dues and fees	- 0 -	2,935	2,935
Miscellaneous	781	7,029	7,810
Poppleton recreation center	1,047,140	116,349	1,163,489
Postage, printing and copying	691	2,073	2,764
Professional development	- 0 -	10,836	10,836
Supplies	3,066	9,199	12,265
Transportation and accomodation	- 0 -	139	139
Utilities	- 0 -	15,827	15,827
	2,302,347	388,091	2,690,438
Depreciation	- 0 -	26,223	26,223
Interest	- 0 -	20,602	20,602
Total Expenses	<u>\$ 2,302,347</u>	<u>\$ 434,916</u>	<u>\$ 2,737,263</u>

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows For the Year Ended December 31, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 587,245	\$ (201,974)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	24,594	26,223
Amortization included in interest expense	2,576	3,535
Credit loss expense	11,667	- 0 -
(Increase) decrease in current assets:		
Grants and contributions receivable	13,854	669,515
Contracts receivable	- 0 -	18,263
Prepaid expenses	71,363	(70,012)
Increase (decrease) in current liabilities:		
Accounts payable and accrued expenses	80,828	(239,331)
Grant advances, current	(94,474)	94,474
Deferred revenue	(2,667)	(8,000)
Custodial funds	6,859	- 0 -
Net cash provided by operating activities	<u>701,845</u>	<u>292,693</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to construction in progress	(444,321)	(18,000)
Repayments on loan receivable	34,527	30,639
Purchase of property and equipment	<u>(72,411)</u>	<u>- 0 -</u>
Net cash provided by (used in) investing activities	<u>(482,205)</u>	<u>12,639</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Acquisition of loan payable	116,000	- 0 -
Repayment of loan payable	<u>(12,848)</u>	<u>(92,346)</u>
Net cash provided by (used in) financing activities	<u>103,152</u>	<u>(92,346)</u>
NET CHANGE IN CASH	322,792	212,986
CASH AT BEGINNING OF YEAR	<u>701,972</u>	<u>488,986</u>
CASH AT END OF YEAR	<u><u>\$ 1,024,764</u></u>	<u><u>\$ 701,972</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	\$ 16,562	\$ 17,067
Capitalized interest	\$ 22,000	\$ 18,000
SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES:		
Contributed services	\$ 46,667	\$ - 0 -
SUPPLEMENTAL DISCLOSURE OF NON-CASH FINANCING ACTIVITIES:		
Forgiveness of debt obligation	\$ - 0 -	\$ 38,568

See accompanying notes to consolidated financial statements

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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.

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. This corporation had no assets or liabilities as of December 31, 2025.

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 4) to this LLC. Southwest Partnership holds a 100% membership interest in the LLC. This LLC had no other assets or liabilities as of December 31, 2025.

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. This LLC holds an interest in said property, which is included in construction in progress in the Malachi Mills properties (see Note 4). This LLC had no other assets or liabilities as of December 31, 2025.

Invest Southwest LLC, is a limited liability company formed in 2025 for the purpose of acquiring a property to rehabilitate. Southwest Partnership holds a 100% membership interest in the LLC. This LLC holds an interest in said property, which is included in construction in progress in the BVRI/MCIC properties (see Note 4). This LLC had no other assets or liabilities as of December 31, 2025.

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.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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

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.

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. 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. The Organization provides an allowance for doubtful accounts for grants and contributions, as needed, for amounts deemed uncollectible. The allowance for grants and contributions 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 doubtful accounts was \$-0- and \$1,403 for the years ended December 31, 2025 and 2024.

Loans Receivable - Loans receivable represent amounts due from various real estate developers.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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

Allowance for Credit Losses - The Organization provides losses on contracts receivable and loans receivable using the allowance method. The allowance for contracts receivable is based on management's evaluation individual receivables and considering the individual's financial condition, credit history and current economic conditions. 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. During 2025, the remaining \$11,667 balance of one loan deemed uncollectible was written off. For the years ended December 31, 2025 and 2024, credit loss expense was \$11,667 and \$-0-, respectively. As of December 31, 2025 and 2024, the remaining contracts and loans receivable were deemed fully collectible by management and, as such, no allowance has been deemed necessary.

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:

<u>Category</u>	<u>Years</u>
Buildings	39
Building improvements	5 - 20
Furniture and equipment	3 - 5

Valuation of Long-Lived Assets - The Organization assesses its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the carrying value amount of the asset exceeds its fair value. Fair value is determined using either the discounted cash flows or market value approach, depending on the nature of the asset. If an impairment loss is recognized, the carrying amount of the asset is reduced to its fair value, and depreciation is adjusted prospectively based on the new carrying amount and the remaining useful life of the asset. No impairment changes were required to be recognized for the years ended December 31, 2025 and 2024.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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

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 6).

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.

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.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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

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, 2025 and 2024, were \$46,667 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.

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. The Organization did not receive any contributions of nonfinancial assets during the years ended December 31, 2025 and 2024.

The Organization benefits from several different revenue streams. The disaggregation of revenue for the years ended December 31, 2025 and 2024 is included in the chart below:

<u>Revenue Type</u>	<u>Timing of Revenue Recognition</u>	<u>2025</u>	<u>2024</u>
Grants and contributions	Upon receipt, period earned	\$ 1,810,830	\$ 2,415,140
Contract revenue	Period earned	- 0 -	\$ 64,032
Other income - loan forgiveness	Point in time	- 0 -	38,568
Other income	Point in time	34,686	17,549
Contributed services	Upon receipt	46,667	- 0 -
		<u>\$ 1,892,183</u>	<u>\$ 2,535,289</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.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

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

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.

Invest Southwest 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 2022.

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, 2025 and 2024 totaled \$159,909 and \$173,763, respectively, and are expected to be collected within one year. The allowance for doubtful accounts for grants and contributions was \$-0- and \$1,403 for the years ended December 31, 2025 and 2024.

3. Property and Equipment

Property and equipment consisted of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Buildings and improvements	\$ 557,879	\$ 485,468
Furniture and equipment	34,422	34,422
Construction in Progress	<u>2,171,644</u>	<u>1,727,323</u>
	2,763,945	2,247,213
Less: accumulated depreciation	<u>(132,984)</u>	<u>(108,390)</u>
	<u>\$ 2,630,961</u>	<u>\$ 2,138,823</u>

Depreciation expense for the years ended December 31, 2025 and 2024 was \$24,594 and \$26,223, respectively.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

4. Construction in Progress

Construction in progress consisted of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Lord Baltimore Theatre (SoWeBo Lord Baltimore, LLC)	\$ 1,418,766	\$ 1,396,766
Malachi Mills properties (1506 W Baltimore LLC)	274,624	197,873
Land bank properties (Southwest Partnership, Inc.)	396,433	132,684
BVRI/MCIC properties (Invest Southwest LLC)	<u>81,821</u>	<u>- 0 -</u>
	<u>\$ 2,171,644</u>	<u>\$ 1,727,323</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.

The changes in construction in progress for the years ended December 31, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Construction in progress at beginning of year	\$ 1,727,323	\$ 1,709,323
Additions to construction in progress	<u>444,321</u>	<u>18,000</u>
Construction in progress at end of year	<u>\$ 2,171,644</u>	<u>\$ 1,727,323</u>

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. As of December 31, 2025 and 2024 the balance of the loan receivable was \$204,431 and \$209,514, respectively.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

5. 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 8). 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, 2025 and 2024 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 8). 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, 2025 and 2024 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 8). 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, 2025 and 2024 the balance of the loan receivable for each year was \$281,312.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

5. 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 8). 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, 2025 and 2024 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. During 2025, the Organization deemed the remaining \$11,667 balance uncollectible. This amount was written off and is included in credit loss expense in the consolidated statements of functional expenses. As of December 31, 2025 and 2024 the balance of the loan receivable was \$-0- and \$31,111, 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. The remaining principal balance was repaid in 2025. As of December 31, 2025 and 2024 the balance of the loan receivable was \$-0- and \$10,000, respectively.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

5. Loans Receivable (continued)

Principal payments are due as are follows:

Years Ending December 31:

2026	\$	5,000
2027		5,000
2028		5,000
2029		5,000
2030		5,000
Thereafter		919,431
	\$	944,431

6. 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 lease payments during 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, 2025 and 2024, deferred revenue was \$0- and \$2,667, 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 tenant vacated the office space during 2025. The associated lease income was \$2,667 and \$8,000 for the years ended December 31, 2025 and 2024, respectively, and is reflected in other income on the consolidated statements of activities and changes in net assets.

7. 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. The loan bears an interest rate of 3% per annum to be paid in monthly installments. In April 2024, the Organization agreed to a modification of this mortgage. Under this modification, \$80,000 of principal was immediately due and paid. The remaining principal is due in full on April 30, 2027. The interest rate was modified to 5.71% per year and monthly interest payments of \$2,000 are required under this modification. Additionally, \$38,568 of outstanding accrued interest was forgiven under this modification and is included as other income - loan forgiveness in the statements of activities for the year ended December 31, 2024. The outstanding principal balance of the loan at December 31, 2025 and 2024 was \$420,000. The Organization incurred debt issuance costs of \$19,167 in connection with this loan during the year ended December 31, 2023. These costs are being amortized over the life of the original loan. Amortization of debt issuance costs was \$0- and \$958 for the years ended December 31, 2025 and 2024, respectively.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

7. 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, 2025 and 2024 was \$407,610, and \$420,458, 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 each of the years ended December 31, 2025 and 2024.

The loan is subject to certain restrictions and covenants. Under the covenants, the Organization must maintain certain financial ratios. As of December 31, 2025, the Organization was in compliance with these covenants. As of December 31, 2024, 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.

In September 2025, the Organization acquired a note payable allowing the Organization to borrow up to an amount of \$500,000. The loan bears an interest rate of 2% per annum. Repayment of the loan is deferred until the sale or transfer of any eligible property, failure to use the loan for eligible activities, an event of default, or twenty-four months from the date of the note. The Lender may forgive an amount due under the loan not to exceed \$150,000 for each eligible property sold. The outstanding principal balance of the loan at December 31, 2025 and 2024 was \$116,000 and \$-0-, respectively.

Maturities of loans payable are as follows:

Years Ending December 31:

2026	\$ 13,382
2027	129,927
2028	434,495
2029	15,085
2030	15,700
Thereafter	<u>335,021</u>
	<u>943,610</u>
Less unamortized debt issuance costs	<u>(13,312)</u>
Loans payable less unamortized debt issuance costs	<u>\$ 930,298</u>

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

8. 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. The Organization has a loan receivable with a developer for \$240,000 and has disbursed the other \$40,000 received through this grant to two other developers. The Organization has deemed the conditions by those two developers satisfied, and therefore does not have a corresponding loan receivable for the remaining \$40,000 (see Note 5). 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, 2025 and 2024, 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. The Organization has corresponding loans receivable with three developers in the amount of \$160,000, \$281,312, and \$58,688 (see Note 5). 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, 2025 and 2024, 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, 2025 and 2024, the Organization has received an additional \$-0- and \$94,474, respectively in grant advances. These grant advances are for projects to be completed within the next year.

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

9. Net Assets with Donor Restrictions

Net assets with donor restrictions as of December 31, 2025 and 2024 are restricted for the following purposes:

	2025	2024
Purpose restrictions:		
Business district and public safety	\$ 7,344	\$ 95,924
Cleaning programs	2,765	2,765
Community school	5,956	5,956
Housing organizer	15,361	15,361
Other	6,076	6,076
Workforce development programs	67,348	68,835
	104,850	194,917
Time restrictions:		
Grants and contributions restricted for future periods	138,750	179,167
	<u>\$ 243,600</u>	<u>\$ 374,084</u>

Net assets with donor restrictions were released from restriction during the years ended December 31, 2025 and 2024 by satisfying various restrictions as follows:

	2025	2024
Purpose restrictions:		
Business district and public safety	\$ 88,580	\$ - 0 -
Cleaning programs	- 0 -	73,400
Community school	- 0 -	3,887
Other	- 0 -	5,000
Parks and recreation projects	- 0 -	77,062
Poppleton recreation center	- 0 -	38,378
Workforce development programs	1,487	9,263
Youth internship program	- 0 -	7,113
	90,067	214,103
Time restrictions		
Grants and contributions restricted for future periods	100,000	178,333
	<u>\$ 190,067</u>	<u>\$ 392,436</u>

SOUTHWEST PARTNERSHIP, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements December 31, 2025 and 2024

10. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2025 and 2024, 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>2025</u>	<u>2024</u>
Financial assets at year end	\$ 2,129,104	\$ 1,866,360
Less those unavailable for general expenditures within one year, due to:		
Portion of loan receivable not expected to be collected within one year	(939,431)	(944,514)
Grant advance collected but not yet disbursed in accordance with the project agreement	- 0 -	(94,474)
Restricted by donors with purpose or time restrictions	<u>(104,850)</u>	<u>(274,084)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,077,964</u>	<u>\$ 553,288</u>

The Organization maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2025 and 2024, net assets with purpose and time restrictions of \$104,850 and \$100,000, respectively, 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.

11. Concentrations of Revenue

During the years ended December 31, 2025 and 2024, 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 2025 and 2024, income recognized under these grant arrangements represented 58% and 60%, 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.

12. 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, 2025 and 2024

13. 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, and Poppleton NOW!, (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 \$291,250 and \$261,250 during the years ended December 31, 2025 and 2024, 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, 2025 and 2024.

14. Contingency

During 2025, the Organization had been named as a defendant in a lawsuit and in a claim with the United States Equal Employment Opportunity Commission brought by a former employee. The lawsuit and claim were reported to the Organization's insurance carrier, and the Organization retained panel counsel. In August 2025, a settlement agreement was received in the lawsuit and claim brought forth by the former employee and was covered by the Organization's insurance policy.

15. Subsequent Events

The Organization has evaluated subsequent events through July 22, 2026, the date the financial statements were available to be issued.