

DUNDALK RENAISSANCE CORPORATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

# DUNDALK RENAISSANCE CORPORATION

## Table of Contents

For the Years Ended December 31, 2016 and 2015

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	<u>PAGE</u>
Independent Auditors' Report .....	1-1A
Financial Statements	
Statements of Financial Position .....	2-2A
Statements of Activities .....	3
Statements of Functional Expenses .....	4
Statements of Cash Flows.....	5
Notes to Financial Statements.....	5-12
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13-13A



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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Dundalk Renaissance Corporation  
Dundalk, Maryland

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Dundalk Renaissance Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and functional expenses for the year ended December 31, 2016, and the related statements of cash flows for the years ended December 31, 2016 and 2015, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dundalk Renaissance Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Dundalk Renaissance Corporation's statements of activities and functional expenses for the year ended December 31, 2015, and we expressed an unmodified audit opinion on those audited statements of activities and functional expenses in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2015, is consistent, in all material respects, with the audited statements of activities and functional expenses from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of Dundalk Renaissance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dundalk Renaissance Corporation's internal control over financial reporting and compliance.



Grandizio, Wilkins, Little & Matthews, LLP  
October 10, 2017

DUNDALK RENAISSANCE CORPORATION  
STATEMENTS OF FINANCIAL POSITION

December 31,	2016	Restated 2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 347,922	\$ 123,858
Grants Receivable	<u>172,151</u>	<u>169,347</u>
<b>TOTAL CURRENT ASSETS</b>	<u>520,073</u>	<u>293,205</u>
<b>PROPERTY AND EQUIPMENT</b>		
Office Building	200,000	200,000
Office Equipment	8,069	7,869
Computers	<u>11,960</u>	<u>11,960</u>
<b>Total</b>	220,029	219,829
Less: Accumulated Depreciation	<u>(34,419)</u>	<u>(27,645)</u>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<u>185,610</u>	<u>192,184</u>
<b>OTHER ASSETS</b>		
Property Development Costs	-	411,396
Home Renovation & Purchase Incentive Loans	647,596	399,774
Loan Receivable from Portside Development, LLC	1,061,455	1,061,455
Prepaid Expenses	<u>11,669</u>	<u>11,669</u>
<b>TOTAL OTHER ASSETS</b>	<u>1,720,720</u>	<u>1,884,294</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,426,403</u></u>	<u><u>\$ 2,369,683</u></u>

The independent auditors' report and accompanying notes are  
an integral part of these financial statements.

DUNDALK RENAISSANCE CORPORATION  
STATEMENTS OF FINANCIAL POSITION

December 31,	2016	Restated 2015
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ -	\$ 45,505
Grants Payable	20,005	20,005
Loan Fees Payable	3,365	3,365
Mortgage Payable - Office Building	11,012	9,715
Line-of-Credit	-	50,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>34,382</b>	<b>128,590</b>
<b>LONG-TERM LIABILITIES</b>		
Mortgage Payable - Office Building	157,172	169,085
Loan Payable to State of Maryland	1,061,455	1,061,455
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>1,218,627</b>	<b>1,230,540</b>
<b>TOTAL LIABILITIES</b>	<b>1,253,009</b>	<b>1,359,130</b>
<b>NET ASSETS</b>		
Temporarily Restricted	277,469	570,043
Unrestricted	895,925	440,510
<b>TOTAL NET ASSETS</b>	<b>1,173,394</b>	<b>1,010,553</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,426,403</b>	<b>\$ 2,369,683</b>

The independent auditors' report and accompanying notes are  
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DUNDALK RENAISSANCE CORPORATION  
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016  
(With Comparative Totals For Year Ended December 31, 2015)

	2016		Total	
	Unrestricted	Temporarily Restricted	2016	Restated 2015
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 94,469	\$ -	\$ 94,469	\$ 87,262
Fees and Grants from Government Agencies	938,542	117,477	1,056,019	954,464
Events Income	8,566	-	8,566	10,944
Interest Income	14	-	14	282
Merchandise Income	60	-	60	720
Sale of Houses Held for Resale	652,000	-	652,000	-
Other Income	1,597	-	1,597	3,099
<b>TOTAL SUPPORT AND REVENUE</b>	<b>1,695,248</b>	<b>117,477</b>	<b>1,812,725</b>	<b>1,056,771</b>
<b>EXPENSES</b>				
Program Expenses				
Housing Initiatives	1,264,273	-	1,264,273	229,095
Marketing Dundalk	145,489	-	145,489	263,677
Community Building and Engagement	119,016	-	119,016	117,883
Watershed Improvement	73,657	-	73,657	39,988
<b>Total Program Expenses</b>	<b>1,602,435</b>	<b>-</b>	<b>1,602,435</b>	<b>650,643</b>
Management and General Fundraising	33,553	-	33,553	42,387
	13,896	-	13,896	16,914
<b>TOTAL EXPENSES</b>	<b>1,649,884</b>	<b>-</b>	<b>1,649,884</b>	<b>709,944</b>
<b>CHANGE IN NET ASSETS</b>	<b>45,364</b>	<b>117,477</b>	<b>162,841</b>	<b>346,827</b>
Net Assets Released from Restrictions	410,051	(410,051)	-	-
Net Assets - Beginning of Year	440,510	570,043	1,010,553	663,726
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 895,925</b>	<b>\$ 277,469</b>	<b>\$ 1,173,394</b>	<b>\$ 1,010,553</b>

The independent auditors' report and accompanying notes are an integral part of these financial statements.

DUNDALK RENAISSANCE CORPORATION  
STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016  
(With Comparative Totals For Year Ended December 31, 2015)

	Housing Initiatives	Marketing Dundalk	Community Building and Engagement	Watershed Improvement	Total Program Expenses	Management and General	Fundraising	Total	
								2016	Restated 2015
FUNCTIONAL EXPENSES									
Cost of Houses Sold	\$ 1,033,115	\$ -	\$ -	\$ -	\$ 1,033,115	\$ -	\$ -	\$ 1,033,115	\$ -
Salaries	71,956	48,676	35,978	25,396	182,006	21,163	8,465	211,634	242,202
Payroll Taxes	6,326	4,279	3,163	2,233	16,001	1,861	744	18,606	22,194
Employee Benefits	554	375	277	196	1,402	163	65	1,630	-
Advertising	1,305	883	652	460	3,300	384	153	3,837	7,267
Depreciation	2,303	1,558	1,152	813	5,826	677	271	6,774	7,133
Bank Service Charges	321	217	160	113	811	94	38	943	1,277
Branding Expense	-	5,470	-	-	5,470	228	-	5,698	10,488
Capacity Building	-	-	1,291	-	1,291	1,614	323	3,228	5,746
Community Projects	-	-	38,707	-	38,707	-	-	38,707	1,831
Community Relations	-	-	4,048	-	4,048	-	-	4,048	1,875
Consulting Expense	-	-	7,500	-	7,500	-	-	7,500	33,817
Dues and Subscriptions	1,342	908	671	474	3,395	395	158	3,948	2,640
Food	-	-	-	-	-	235	-	235	487
Funder Relationship Expense	-	-	-	-	-	105	-	105	146
Fundraising Ghost Roast	-	-	-	-	-	-	1,724	1,724	3,830
Homebuyer Incentive Grants	-	-	-	-	-	-	-	-	129
Homeowner Incentive Grants	-	45,000	-	-	45,000	-	-	45,000	150,000
Energy Retrofit Grants	122,451	-	-	-	122,451	-	-	122,451	113,868
Hiring Expense	-	-	-	-	-	1,258	-	1,258	1,310
Loan Expense	-	-	-	-	-	-	-	-	4,281
Marketing Events/Home Tours	-	26,874	-	-	26,874	-	-	26,874	25,909
Insurance	1,826	1,236	913	645	4,620	537	215	5,372	5,632
Interest Expense	7,977	-	-	-	7,977	-	-	7,977	8,051
Internet/Website	254	172	127	90	643	75	30	748	941
Loss on Property and Equipment Disposal	-	-	-	-	-	-	-	-	27
Main Street Program	-	-	14,583	-	14,583	-	-	14,583	24,196
Office Supplies	1,273	862	636	449	3,220	374	150	3,744	5,498
Greening	-	-	-	38,103	38,103	-	-	38,103	1,192
Printing and Postage	1,277	864	639	451	3,231	376	150	3,757	5,225
Professional	6,585	4,455	3,293	2,324	16,657	1,937	775	19,369	9,638
Property Taxes	1,756	1,188	878	620	4,442	517	206	5,165	-
Repairs	-	-	54	-	54	485	-	539	2,075
Technology Expense	550	372	275	194	1,391	162	65	1,618	480
Telephone	962	651	481	340	2,434	283	113	2,830	2,801
Employee Mileage and travel	801	542	401	283	2,027	236	93	2,356	2,620
Volunteer Appreciation	-	-	2,467	-	2,467	-	-	2,467	725
Utilities	1,339	907	670	473	3,389	394	158	3,941	4,413
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$1,264,273</b>	<b>\$ 145,489</b>	<b>\$ 119,016</b>	<b>\$ 73,657</b>	<b>\$1,602,435</b>	<b>\$ 33,553</b>	<b>\$ 13,896</b>	<b>\$ 1,649,884</b>	<b>\$ 709,944</b>

The independent auditors' report and accompanying notes are  
an integral part of these financial statements.



DUNDALK RENAISSANCE CORPORATION  
STATEMENTS OF CASH FLOWS

For the Years Ended December 31,	2016	Restated 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 162,841	\$ 346,827
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	6,774	7,133
Loss on Property and Equipment Disposal	-	27
(Increase) Decrease in Operating Assets:		
Grants Receivable	(2,804)	(74,344)
Property Development Costs	411,396	(61,393)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	(45,505)	24,897
Loan Fees Payable	-	(5)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>532,702</u>	<u>243,142</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Home Renovation & Purchase Incentive Loans	(247,822)	(339,634)
Purchase of Property and Equipment	<u>(200)</u>	<u>(200)</u>
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(248,022)</u>	<u>(339,834)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Note Payable Borrowings (Repayment), Net	(10,616)	(10,199)
Line of Credit Borrowings (Repayment), Net	<u>(50,000)</u>	<u>50,000</u>
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>(60,616)</u>	<u>39,801</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	224,064	(56,891)
Cash and Cash Equivalents - Beginning of Year	<u>123,858</u>	<u>180,749</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 347,922</u>	<u>\$ 123,858</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Interest	<u>\$ 7,977</u>	<u>\$ 8,051</u>

The independent auditors' report and accompanying notes are  
an integral part of these financial statements.

# DUNDALK RENAISSANCE CORPORATION

## NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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

#### **Nature of the Organization**

Dundalk Renaissance Corporation (DRC) (Organization) is a non-profit corporation, organized under the laws of the State of Maryland on April 2, 2001, to partake in various planning and development activities in the Dundalk community located in Baltimore County, Maryland.

#### **Basis of Accounting and Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) No. 958-205. Under FASB ASC No. 958-205, the Organization is required to report information regarding its financial position and activities according to three (3) classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

#### **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 certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all short-term investments with an initial maturity of three (3) months or less to be cash equivalents.

#### **Property and Equipment**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Property and equipment consists principally of buildings, improvements, furniture and equipment, and is recorded at cost. Depreciation is recorded on a straight-line basis over estimated useful lives of the respective assets ranging from three (3) to forty (40) years.

#### **Functional Allocation of Expenses**

The cost of providing various programs and other activities has been summarized on a functional basis in the statements of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### **Donated Services and In-Kind Revenue**

A portion of the Organization's functions related to organizing community programs are conducted by unpaid volunteers. The value of this contributed time is not reflected in the accompanying financial statements since the volunteers' time does not meet the criteria for recognition under FASB ASC No. 958-605.

DUNDALK RENAISSANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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

**Program Descriptions**

*Housing Initiative* - The DRC spurs investments by current homeowners through a renovation loan program, curb appeal façade grants, and an energy retrofit grant program. The DRC renovates houses for sale to new homeowners and partners with small developers to incentivize them to renovate more homes for homeownership, boosting the supply of renovations buyers want, boosting appraised values by enabling renovations to serve as comparable for each other, and boosting home values.

*Marketing Dundalk* - The DRC works to attract Dundalk's next generation through a series of events that show off the community's twenty-four (24) unique neighborhoods and their variety of housing types and price points. Home purchase incentive grants attract buyer's attention, and our wide range of partners including lenders, real estate professionals, and housing counseling agencies assist an economically, racially, and ethnically diverse group of home buyers in choosing Dundalk.

*Community Building and Engagement* - The DRC engages local leaders to work together to improve their streets and neighborhoods and to identify needs for new programs. DRC's Main Street improvement activities include a commercial improvement grant program, business incubation activities including pop-up shops and mentoring, and hosting and/or promoting community building events including Family Fall Festival, Holiday Hoopla, and the Makers Market that bring people to the main street shop and reconnect with one another.

*Watershed Improvement* - Greening Dundalk's community through tree planting, clean-ups, storm drain stenciling, and rain barrel distribution has both environmental and community development benefits in beautifying the neighborhoods, reducing polluted runoff, raising environmental awareness, and boosting home values.

**Revenue Recognition**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net unrestricted assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restricting ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Income Tax and Uncertainties**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes is reflected in the financial statement. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an Organization that is not a private foundation under Section 509(a)(2).

The 2013 through 2015 tax years remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

DUNDALK RENAISSANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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

**Advertising**

Advertising costs are charged to expenses when incurred. Advertising expense for the years ended December 31, 2016 and 2015 amounted \$3,837 and \$7,267, respectively.

**Impairment of Long-Lived Assets**

Financial Accounting Standards Board Accounting Codification (FASB ASC) No. 360 requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Application of FASB ASC No. 360 has not materially affected the Organization's reported earnings, financial condition or cash flows.

**Grants and Other Receivables**

Grants and other receivables are carried at their estimated collectible amounts. Grant receivables consist of uncollected funds for which the Organization has been awarded during the year. Other receivables consist of amounts advanced by the Organization. The other receivables do not have repayment terms and are not interest bearing. The Organization considers the grant and other receivables to be collectible in the future; therefore, no allowance has been created.

**Comparative Financial Information**

The statements of activities include certain prior-year summarized comparative information in total but not by net asset class. The statements of functional expenses include certain prior-year summarized comparative information in total but not by program. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

**Date of Management Review**

The Organization evaluated events and transactions that occurred during the period from the date of the financial statements through October 10 2017, the date the Organization's financial statements were available to be issued. There were no events or transactions that occurred during the period that materially impacted the amounts or disclosures in the Organization's financial statements.

DUNDALK RENAISSANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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**Note 2: Fees and Grants from Government Agencies**

A significant portion of the Organization's revenue is derived from government agencies. The expendability of these funds is subject to various restrictions imposed by the specific program through which funds are obtained. The following summarizes revenue provided by government agencies for the years ended December 31, 2016 and 2015:

	2016	2015
MARYLAND STATE GOVERNMENT		
DHCD Division of Neighborhood Revitalization	\$ 429,233	\$ 566,499
BALTIMORE COUNTY		
Department of Environmental Protection	30,000	30,000
Department of Planning	596,786	357,965
TOTAL BALTIMORE COUNTY	626,786	387,965
TOTAL REVENUE	\$ 1,056,019	\$ 954,464

**Note 3: Line-of-Credit**

The Organization has a line-of-credit with a local financial institution in the amount of \$50,000. The line is secured by business assets and the rate of interest is four and one quarter percent (4.25%). The line-of-credit matures on October 12, 2021. The balance at December 31, 2016 and 2015 was \$-0- and \$50,000, respectively.

**Note 4: Property Development Costs**

The Organization capitalizes its costs for the rehabilitation of properties. Property development costs, net of related loans, are considered temporarily restricted net assets. For the years ended December 31, 2016 and 2015, total costs capitalized amounted to \$-0- and \$350,003, respectively. During 2016, the Organization sold all properties held for rehabilitation.

DUNDALK RENAISSANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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**Note 5: Mortgage Payable - Office Building**

On January 9, 2014, the Organization purchased the building they were then leasing for \$200,000. The seller took back a note at four percent (4%) for \$198,000. Payments are \$1,465 monthly with a balloon payment due after sixty (60) months. Principal debt obligation on this mortgage for each of the next three (3) years is as follows:

<u>For the Years Ending December 31,</u>	
2017	\$ 11,012
2018	11,461
2019	<u>145,711</u>
 TOTAL	 <u><u>\$ 168,184</u></u>

**Note 6: Prepaid Expenses**

The Organization renovated portions of the building purchased in 2014. The renovations have not yet been completed and expenses incurred thus far have been recorded as prepaid expenses.

**Note 7: Temporarily Restricted Net Assets**

For the years ended December 31, 2016 and 2015, temporarily restricted net assets consist of capitalized property development costs and also funding received through Maryland Department of Housing and Community Development's Vibrant Neighborhoods Home Renovation Loan Program. At December 31, 2016 and 2015, temporarily restricted net assets amounted to \$277,469 and \$570,043, respectively.

**Note 8: Home Renovation & Purchase Incentive Loans**

The Organization provided for deferred payment loans under their Vibrant Neighborhood Program, bearing 0% interest, to local homeowners to encourage improvements to their properties. The loans do not require repayment until the home is sold or refinanced. For the years ended December 31, 2016 and 2015, the Organization advanced deferred payment loans of \$133,822 and \$98,506, respectively. At December 31, 2016 and 2015, the balance was \$277,469 and \$158,647, respectively, and is included in Home Renovation Loans on the statements of financial position.

The Organization provided for deferred payment loans under their Home Buyer Grant and Golden Key Grant Programs, accruing interest at 5% per annum in the first year, to local homeowners to encourage improvements to their properties. The loans are forgiven at 30% of the loan balance after three (3) years and 100% of the loan balance after the fifth (5) year. For the years ended December 31, 2016 and 2015, the Organization advanced deferred payment loans of \$129,000 and \$241,127, respectively. At December 31, 2016 and 2015, the balance was \$370,127 and \$241,127, respectively, and is included in Home Renovation Loans on the statements of financial position.

DUNDALK RENAISSANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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**Note 9: Loan Payable and Receivable - Portside Development**

The Organization acts as a fiscal agent for and joint venture partner with Portside Development, LLC. Loan funds were passed through the Organization to Portside Development, LLC to provide low income housing tax credit for one hundred fifty (150) units. The renovations are complete and the apartments are fully leased. Both the asset and liability will be eliminated when restrictions expire in 2046.

**Note 10: Concentration of Risk**

The Organization maintains its cash in bank deposit accounts which, as of December 31, 2016, exceeded FDIC of \$250,000. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk due to cash and cash equivalents.

**Note 11: Reclassifications**

Certain 2015 amounts have been reclassified to conform with the 2016 financial statement presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

**Note 12: Restatement**

During the current year, the Organization discovered that it was not appropriately accounting for its home renovation loan receivables. Total assets, liabilities and net assets as of December 31, 2015 have been restated as follows:

	<u>As Originally Reported</u>	<u>Change</u>	<u>As Restated</u>
OTHER ASSETS			
Home Renovation & Purchase Incentive Loans	\$ 158,647	\$ 241,127	\$ 399,774
NET INCREASE IN TOTAL ASSETS		<u>\$ 241,127</u>	
NET ASSETS			
Unrestricted	\$ 199,383	\$ 241,127	\$ 440,510
NET INCREASE IN TOTAL LIABILITIES AND NET ASSETS		<u>\$ 241,127</u>	

DUNDALK RENAISSANCE CORPORATION  
NOTES TO FINANCIAL STATEMENTS

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December 31, 2016 and 2015

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**Note 12: Restatement (Continued)**

In addition, the following items from the statements of activities and functional expenses have been restated for the year ended December 31, 2015.

STATEMENT OF ACTIVITIES

	<u>As Originally Reported</u>	<u>Change</u>	<u>As Restated</u>
EXPENSES			
Program Expenses			
Community Building and Engagement	<u>\$ 359,010</u>	<u>\$ 241,127</u>	<u>\$ 117,883</u>
NET INCREASE (DECREASE) IN NET ASSETS		<u>\$ 241,127</u>	
TOTAL NET ASSETS - END OF YEAR	<u><u>\$ 769,426</u></u>	<u><u>\$ 241,127</u></u>	<u><u>\$ 1,010,553</u></u>

STATEMENT OF FUNCTIONAL EXPENSES

	<u>As Originally Reported</u>	<u>Change</u>	<u>As Restated</u>
PROGRAM EXPENSES			
Homebuyer Incentive Grants	<u>\$ 241,256</u>	<u>\$ (241,127)</u>	<u>\$ 129</u>
CHANGE IN TOTAL FUNCTIONAL EXPENSES		<u><u>\$ (241,127)</u></u>	





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## INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors  
Dundalk Renaissance Corporation  
Dundalk, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dundalk Renaissance Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and functional expenses for the year ended December 31, 2016, and the related statements of cash flows for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Dundalk Renaissance Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dundalk Renaissance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Dundalk Renaissance Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

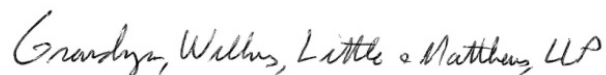
As part of obtaining reasonable assurance about whether Dundalk Renaissance Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Report on Summarized Comparative Information**

We have previously audited the Dundalk Renaissance Corporation's statements of activities and functional expenses for the year ended December 31, 2015, and we expressed an unmodified audit opinion on those audited statements of activities and functional expenses in our report dated June 15, 2016. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2015, is consistent, in all material respects, with the audited statements of activities and functional expenses from which it has been derived.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Grandizio, Wilkins, Little & Matthews, LLP  
October 10, 2017