

DUNDALK RENAISSANCE CORPORATION

FINANCIAL STATEMENTS

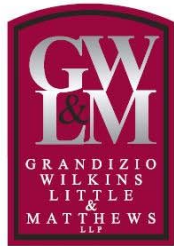
DECEMBER 31, 2017 AND 2016

DUNDALK RENAISSANCE CORPORATION

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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, 2017 and 2016, and the related statements of activities, and functional expenses for the year ended December 31, 2017, and the related statements of cash flows for the years ended December 31, 2017 and 2016, 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 audits 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 audits 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, 2017 and 2016, 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, 2016, and we expressed an unmodified audit opinion on those audited statements of activities and functional expenses in our report dated October 10, 2017. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2016, 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 November 8, 2018 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 solely 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 the effectiveness of Dundalk Renaissance Corporation's 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

Grandizio, Wilkins, Little & Matthews, LLP
November 8, 2018

DUNDALK RENAISSANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION

December 31,	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 920,442	\$ 347,922
Grants Receivable	<u>3,880</u>	<u>172,151</u>
TOTAL CURRENT ASSETS	<u>924,322</u>	<u>520,073</u>
PROPERTY AND EQUIPMENT		
Office Building	232,880	200,000
Office Equipment	8,069	8,069
Computers	<u>11,960</u>	<u>11,960</u>
Total	252,909	220,029
Less: Accumulated Depreciation	<u>(40,520)</u>	<u>(34,419)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>212,389</u>	<u>185,610</u>
OTHER ASSETS		
Home Renovation and Purchase Incentive Loans	843,421	647,596
Loan Receivable from Portside Development, LLC	-	1,061,455
Prepaid Expenses	<u>11,669</u>	<u>11,669</u>
TOTAL OTHER ASSETS	<u>855,090</u>	<u>1,720,720</u>
TOTAL ASSETS	<u><u>\$ 1,991,801</u></u>	<u><u>\$ 2,426,403</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,	2017	2016
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Grants Payable	\$ -	\$ 20,005
Loan Fees Payable	-	3,365
Mortgage Payable - Office Building	11,461	11,012
	<u>11,461</u>	<u>11,012</u>
TOTAL CURRENT LIABILITIES	<u>11,461</u>	<u>34,382</u>
LONG-TERM LIABILITIES		
Mortgage Payable - Office Building	144,916	157,172
Loan Payable to State of Maryland	-	1,061,455
	<u>144,916</u>	<u>1,218,627</u>
TOTAL LONG-TERM LIABILITIES	<u>144,916</u>	<u>1,218,627</u>
TOTAL LIABILITIES	<u>156,377</u>	<u>1,253,009</u>
NET ASSETS		
Unrestricted	1,518,744	895,925
Temporarily Restricted	316,680	277,469
	<u>1,835,424</u>	<u>1,173,394</u>
TOTAL NET ASSETS	<u>1,835,424</u>	<u>1,173,394</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,991,801</u>	<u>\$ 2,426,403</u>

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

DUNDALK RENAISSANCE CORPORATION
STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2017
(With Comparative Totals For Year Ended December 31, 2016)

	2017		Total	
	Unrestricted	Temporarily Restricted	2017	Restated 2016
SUPPORT AND REVENUE				
Contributions	\$ 90,781	\$ -	\$ 90,781	\$ 94,469
Fees and Grants from Government Agencies	759,119	39,211	798,330	1,056,019
Events Income	14,315	-	14,315	8,566
Interest Income	420,111	-	420,111	14
Merchandise Income	576	-	576	60
Sale of Houses Held for Resale	-	-	-	652,000
Other Income	74,075	-	74,075	1,597
TOTAL SUPPORT AND REVENUE	1,358,977	39,211	1,398,188	1,812,725
EXPENSES				
Program Expenses				
Housing Initiatives	110,820	-	110,820	1,264,273
Marketing Dundalk	399,085	-	399,085	145,489
Community Building and Engagement	174,814	-	174,814	119,016
Watershed Improvement	-	-	-	73,657
Total Program Expenses	684,719	-	684,719	1,602,435
Management and General	39,232	-	39,232	33,553
Fundraising	12,207	-	12,207	13,896
TOTAL EXPENSES	736,158	-	736,158	1,649,884
CHANGE IN NET ASSETS	622,819	39,211	662,030	162,841
Net Assets - Beginning of Year	895,925	277,469	1,173,394	1,010,553
NET ASSETS - END OF YEAR	\$ 1,518,744	\$ 316,680	\$ 1,835,424	\$ 1,173,394

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, 2017
(With Comparative Totals For Year Ended December 31, 2016)

	Housing Initiatives	Marketing Dundalk	Community Building and Engagement	Total Program Expenses	Management and General	Fundraising	Total	
							2017	2016
FUNCTIONAL EXPENSES								
Cost of Houses Sold	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,033,115
Salaries	69,724	47,167	59,471	176,362	20,507	8,203	205,072	211,634
Payroll Taxes	5,838	3,950	4,980	14,768	1,717	687	17,172	18,606
Employee Benefits	798	540	681	2,019	235	93	2,347	1,630
Advertising	1,893	1,281	1,615	4,789	557	223	5,569	3,837
Depreciation	2,074	1,403	1,769	5,246	610	245	6,101	6,774
Bank Service Charges	410	278	350	1,038	121	48	1,207	943
Branding Expense	-	8,085	-	8,085	337	-	8,422	5,698
Capacity Building	-	-	79	79	99	20	198	3,228
Community Projects	-	-	53,238	53,238	-	-	53,238	38,707
Community Relations	-	-	6,494	6,494	-	-	6,494	4,048
Consulting Expense	-	-	-	-	-	-	-	7,500
Dues and Subscriptions	1,195	809	1,020	3,024	352	140	3,516	3,948
Food	-	-	-	-	374	-	374	235
Funder Relationship Expense	-	-	-	-	-	-	-	105
Fundraising Ghost Roast	-	-	-	-	-	-	-	1,724
Homeowner Incentive Grants	-	285,000	-	285,000	-	-	285,000	45,000
Energy Retrofit Grants	-	-	-	-	-	-	-	122,451
Hiring Expense	-	-	-	-	1,101	-	1,101	1,258
Marketing Events/Home Tours	-	35,912	-	35,912	-	-	35,912	26,874
Insurance	3,113	2,106	2,655	7,874	916	365	9,155	5,372
Interest Expense	7,217	-	-	7,217	-	-	7,217	7,977
Internet/Website	375	254	320	949	110	44	1,103	748
Main Street Program	-	-	25,959	25,959	-	-	25,959	14,583
Office and Office Supplies	5,640	3,816	4,811	14,267	1,659	664	16,590	3,744
Greening	-	-	(1,122)	(1,122)	-	-	(1,122)	38,103
Printing and Postage	1,445	977	1,232	3,654	425	170	4,249	3,757
Professional	6,280	4,248	5,356	15,884	1,847	739	18,470	19,369
Property Taxes	156	105	133	394	46	18	458	5,165
Repairs	-	-	761	761	6,847	-	7,608	539
Technology Expense	946	640	807	2,393	278	112	2,783	1,618
Telephone	505	342	431	1,278	149	59	1,486	2,830
Employee Mileage and Travel	1,475	998	1,257	3,730	434	173	4,337	2,356
Volunteer Appreciation	-	-	1,036	1,036	-	-	1,036	2,467
Utilities	1,736	1,174	1,481	4,391	511	204	5,106	3,941
TOTAL FUNCTIONAL EXPENSES	\$ 110,820	\$ 399,085	\$ 174,814	\$ 684,719	\$ 39,232	\$ 12,207	\$ 736,158	\$ 1,649,884

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,	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 662,030	\$ 162,841
Adjustments to Reconcile Change in Net Assets to Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	6,101	6,774
(Increase) Decrease in Operating Assets:		
Grants Receivable	168,271	(2,804)
Property Development Costs	-	411,396
Increase (Decrease) in Current Liabilities:		
Accounts Payable	-	(45,505)
Grants Payable	(20,005)	-
Loan Fees Payable	(3,365)	-
	<u>813,032</u>	<u>532,702</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Home Renovation and Purchase Incentive Loans	(195,825)	(247,822)
Purchase of Property and Equipment	(32,880)	(200)
	<u>(228,705)</u>	<u>(248,022)</u>
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Long-Term Debt	(1,073,262)	(10,616)
Proceeds from Loan Receivable from Portside Development, LLC	1,061,455	-
Line of Credit Borrowings (Repayment), Net	-	(50,000)
	<u>(11,807)</u>	<u>(60,616)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	572,520	224,064
Cash and Cash Equivalents - Beginning of Year	<u>347,922</u>	<u>123,858</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 920,442</u>	<u>\$ 347,922</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Interest	<u>\$ 7,217</u>	<u>\$ 7,977</u>

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

DUNDALK RENAISSANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 1: Organization and Summary of Significant Accounting Policies

Nature of the Organization

Dundalk Renaissance Corporation (DRC) (Organization) is a nonprofit 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.

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 statements 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

December 31, 2017 and 2016

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. The Watershed Improvement program was eliminated on January 1, 2017.

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 statements 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 2014 through 2016 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

December 31, 2017 and 2016

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, 2017 and 2016 amounted \$5,569 and \$3,837, 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, 2016, 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 November 8, 2018, 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

December 31, 2017 and 2016

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, 2017 and 2016:

	2017	2016
MARYLAND STATE GOVERNMENT		
DHCD Division of Neighborhood Revitalization	\$ 740,060	\$ 429,233
BALTIMORE COUNTY		
Department of Environmental Protection	-	30,000
Department of Planning	58,270	596,786
TOTAL BALTIMORE COUNTY	58,270	626,786
TOTAL REVENUE	\$ 798,330	\$ 1,056,019

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, 2017 and 2016 was \$-0-.

Note 4: 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 two (2) years is as follows:

<u>For the Years Ending December 31,</u>	
2018	\$ 11,461
2019	144,916
TOTAL	\$ 156,377

DUNDALK RENAISSANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

December 31, 2017 and 2016

Note 5: 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 6: Temporarily Restricted Net Assets

For the years ended December 31, 2017 and 2016, 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, 2017 and 2016, temporarily restricted net assets amounted to \$316,680 and \$277,469, respectively.

Note 7: Home Renovation and Purchase Incentive Loans

The Organization provided for deferred payment loans under their Vibrant Neighborhood Program, bearing zero percent (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, 2017 and 2016, the Organization advanced deferred payment loans of \$74,539 and \$133,822, respectively. At December 31, 2017 and 2016, the balance was \$352,008 and \$277,469, 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 five percent (5%) per annum in the first year, to local homeowners to encourage improvements to their properties. The loans are forgiven at thirty percent (30%) of the loan balance after three (3) years and one hundred percent (100%) of the loan balance after the fifth year. For the years ended December 31, 2017 and 2016, the Organization advanced deferred payment loans of \$121,286 and \$129,000, respectively. At December 31, 2017 and 2016, the balance was \$491,413 and \$370,127, respectively, and is included in Home Renovation Loans on the statements of financial position.

Note 8: 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. The loan payable and receivable were repaid during 2017.

Note 9: Concentration of Risk

The Organization maintains its cash in bank deposit accounts which, as of December 31, 2017, 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.



Certified Public Accountants

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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, 2017 and 2016, and the related statements of activities, and functional expenses for the year ended December 31, 2017, and the related statements of cash flows for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, and have issued our report thereon dated November 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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, 2016, and we expressed an unmodified audit opinion on those audited statements of activities and functional expenses in our report dated October 10, 2017. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2016, 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
November 8, 2018