

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

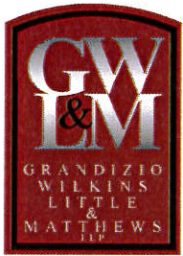
DECEMBER 31, 2015 AND 2014

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S 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, 2015 and 2014, and the related statements of activities, and functional expenses for the year ended December 31, 2015, and the related statements of cash flows for the years ended December 31, 2015 and 2014, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 auditor's 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 auditor considers 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.

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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, 2015 and 2014, 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, 2014, and we expressed an unmodified audit opinion on those audited statements of activities and functional expenses in our report dated June 29, 2015. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2014, 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 June 15, 2016 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

June 15, 2016
Millersville, Maryland

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

ASSETS		
	<u>2015</u>	<u>Restated 2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 123,858	\$ 180,749
Grants Receivable	<u>169,347</u>	<u>95,003</u>
TOTAL CURRENT ASSETS	<u>293,205</u>	<u>275,752</u>
PROPERTY AND EQUIPMENT		
Office Building	200,000	200,000
Office Equipment	7,869	8,750
Computers	11,960	20,663
Less: Accumulated Depreciation	<u>(27,645)</u>	<u>(30,268)</u>
TOTAL PROPERTY AND EQUIPMENT	<u>192,184</u>	<u>199,145</u>
OTHER ASSETS		
Property Development Costs	411,396	350,003
Home Renovation Loans	158,647	60,140
Loan Receivable from Portside Development, LLC	1,061,455	1,061,455
Prepaid Expenses	<u>11,669</u>	<u>11,669</u>
TOTAL OTHER ASSETS	<u>1,643,167</u>	<u>1,483,267</u>
TOTAL ASSETS	<u>\$ 2,128,556</u>	<u>\$ 1,958,164</u>

The accompanying notes to financial statements
are an integral part of this statement

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015 AND 2014

	LIABILITIES	
	<u>2015</u>	<u>Restated 2014</u>
CURRENT LIABILITIES		
Accounts Payable	\$ 45,505	\$ 20,608
Grants Payable	20,005	20,005
Loan Fees Payable	3,365	3,370
Mortgage Payable - Office Building	9,715	9,335
Line of Credit	50,000	-
TOTAL CURRENT LIABILITIES	<u>128,590</u>	<u>53,318</u>
LONG TERM LIABILITIES		
Mortgage Payable - Office Building	169,085	179,665
Loan Payable to State of Maryland	1,061,455	1,061,455
TOTAL LONG TERM LIABILITIES	<u>1,230,540</u>	<u>1,241,120</u>
TOTAL LIABILITIES	<u>1,359,130</u>	<u>1,294,438</u>
NET ASSETS		
TEMPORARILY RESTRICTED	570,043	410,143
UNRESTRICTED	<u>199,383</u>	<u>253,583</u>
TOTAL NET ASSETS	<u>769,426</u>	<u>663,726</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,128,556</u>	<u>\$ 1,958,164</u>

The accompanying notes to financial statements
are an integral part of this statement

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2014)

	<u>2015</u>		<u>Total</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>Restated 2014</u>
SUPPORT AND REVENUE				
Contributions	\$ 87,262	\$ -	\$ 87,262	\$ 56,971
Fees and grants from government agencies	794,564	159,900	954,464	587,742
Other grants	-	-	-	36,494
Events Income	10,944	-	10,944	19,475
Interest Income	282	-	282	254
Merchandise Income	720	-	720	537
Other Income	3,099	-	3,099	7,358
TOTAL SUPPORT AND REVENUE	896,871	159,900	1,056,771	708,831
EXPENSES				
Program Expenses				
Housing Initiatives	229,095	-	229,095	234,662
Marketing Dundalk	263,677	-	263,677	-
Community Building and Engagement	359,010	-	359,010	200,473
Watershed Improvement	39,988	-	39,988	44,838
Total Program Expenses	891,770	-	891,770	479,973
Management and General	42,387	-	42,387	124,345
Fundraising	16,914	-	16,914	21,688
TOTAL EXPENSES	951,071	-	951,071	626,006
CHANGE IN NET ASSETS	(54,200)	159,900	105,700	82,825
Net Assets - Beginning of Year	253,583	410,143	663,726	580,901
NET ASSETS - END OF YEAR	\$ 199,383	\$ 570,043	\$ 769,426	\$ 663,726

The accompanying notes to financial statements
are an integral part of this statement

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2014)

	Housing Initiatives	Marketing Dundalk	Community Building and Engagement	Watershed Improvement	Total Program Expenses	Management and General	Fundraising	Total	Restated 2014
Salaries and Wages	\$ 83,542	\$ 56,000	\$ 41,174	\$ 30,000	\$ 210,716	\$ 21,798	\$ 9,688	\$ 242,202	\$ 214,985
Payroll Taxes	7,212	5,324	3,773	3,000	19,309	1,997	888	22,194	21,274
Employee Benefits	-	-	-	-	-	-	-	-	9,846
Advertising	-	5,267	2,000	-	7,267	-	-	7,267	1,428
Depreciation	2,425	1,641	1,213	855	6,135	714	285	7,134	7,707
Bank Service Charges	434	294	217	153	1,098	128	51	1,277	869
Branding Expense	-	10,068	-	-	10,068	420	-	10,488	16,034
Capacity Building	-	-	2,299	-	2,299	2,872	575	5,746	9,462
Community Projects	-	-	1,831	-	1,831	-	-	1,831	6,662
Community Relations	-	-	1,875	-	1,875	-	-	1,875	2,277
Consulting Expenses	-	-	27,183	-	27,183	6,634	-	33,817	-
Dues and Subscriptions	898	607	449	316	2,271	263	106	2,640	2,817
Food	-	-	-	-	-	488	-	488	97
Funder Relationship Expense	-	-	-	-	-	146	-	146	723
Fundraising - Ghost Roast	-	-	-	-	-	-	3,830	3,830	8,127
Homebuyer Incentive Grants	-	-	241,256	-	241,256	-	-	241,256	-
Homeowner Incentive Grants	-	150,000	-	-	150,000	-	-	150,000	10,794
Energy Retrofit Grants	113,868	-	-	-	113,868	-	-	113,868	76,349
Hiring Expense	-	-	-	-	-	1,310	-	1,310	2,026
Loan Expenses	-	-	4,281	-	4,281	-	-	4,281	3,370
Marketing Events/Home Tours	-	25,909	-	-	25,909	-	-	25,909	37,270
Housing Planning	-	-	-	-	-	-	-	-	6,965
Insurance	1,915	1,295	957	676	4,842	565	225	5,632	6,246
Interest Expense	8,051	-	-	-	8,051	-	-	8,051	7,588
Internet/Website Costs	320	216	160	113	809	94	38	941	13,118
Loss on Property and Equipment Disposal	-	-	-	-	-	27	-	27	50,575
Main Street Program	-	-	24,196	-	24,196	-	-	24,196	46,860
Office Supplies	1,870	1,265	935	660	4,730	549	220	5,499	12,725
Greening	-	-	-	1,192	1,192	-	-	1,192	6,530
Printing and Postage	1,777	1,202	888	627	4,494	521	209	5,224	5,428
Professional Fees	3,277	2,217	1,638	1,157	8,289	962	386	9,637	21,129
Rent	-	-	-	-	-	-	-	-	1,355
Repairs	-	-	207	-	207	1,867	-	2,074	3,878
Settlement Charges	-	-	-	-	-	-	-	-	862
Technology Expense	163	110	82	58	413	48	19	480	-
Telephone	952	644	476	337	2,408	281	112	2,801	2,903
Employee Mileage and Travel	891	603	445	314	2,253	262	105	2,620	2,508
Volunteer Appreciation	-	-	725	-	725	-	-	725	743
Utilities	1,500	1,015	750	530	3,795	441	177	4,413	4,476
TOTAL FUNCTIONAL EXPENSES	\$ 229,095	\$ 263,677	\$ 359,010	\$ 39,988	\$ 891,771	\$ 42,387	\$ 16,914	\$ 951,071	\$ 626,006

The accompanying notes to financial statements
are an integral part of this statement

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

STATEMENTS OF CASH FLOWS
FOR YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>Restated 2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 105,700	\$ 82,825
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided By (Used In) Operating Activities:		
Depreciation Expense	7,133	7,707
Loss on Property and Equipment Disposal	27	50,574
(Increase) Decrease in Operating Assets:		
Grants Receivable	(74,344)	(76,170)
Property Development Costs	(61,393)	(145,199)
Prepaid Expenses	-	(11,669)
Security Deposits	-	4,000
Increase (Decrease) in Current Liabilities:		
Accounts Payable	24,897	18,595
Loan Fees Payable	(5)	3,370
Other Accrued Liabilities	-	(6,063)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>2,015</u>	<u>(72,030)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Home Renovation Loans	(98,507)	(60,140)
Purchase of Property and Equipment	(200)	(2,000)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	<u>(98,707)</u>	<u>(62,140)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Note Payable Borrowings/(Repayment), Net	(10,199)	(9,000)
Line of Credit Borrowings/(Repayment), Net	50,000	-
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>39,801</u>	<u>(9,000)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(56,891)	(143,170)
Cash and Cash Equivalents - Beginning of Year	<u>180,749</u>	<u>323,919</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 123,858</u>	<u>\$ 180,749</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	<u>\$ 8,051</u>	<u>\$ 7,588</u>
NON-CASH INVESTING AND FINANCING TRANSACTION		
Acquisition of Building, Property and Equipment	\$ -	\$ 198,000
Note Payable	-	(198,000)
	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to financial statements
are an integral part of this statement

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

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

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.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Cash and Cash Equivalents

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

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies - continued

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. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. 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 as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 40 years. Fixed asset purchases in excess of \$250 are generally capitalized.

The major classifications of property and equipment as of December 31, 2015 and 2014 are as follows:

	<u>Useful Life</u>	<u>2015</u>	<u>2014</u>
Office Building	39 Years	\$ 200,000	\$ 200,000
Office Equipment	5 to 7 Years	7,869	8,750
Computers	5 Years	11,960	20,663
Total Property and Equipment		219,829	85,969
Less: Accumulated Depreciation		(27,645)	(30,268)
		<u>\$ 192,184</u>	<u>\$ 199,145</u>

Depreciation expenses amounted to \$7,133 and \$7,707 for the years ended December 31, 2015 and 2014, respectively.

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.

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 – Organization and Summary of Significant Accounting Policies - continued

Donated Services and In-Kind Revenue

The Organization receives a substantial amount of services donated by citizens interested in the Organization's Programs. The kinds of services provided generally involved the contribution of time to organize community programs. Because of the difficulty in assigning values for such services, these items are generally not reflected in accompanying financial statements. However, when the value of donated services is ascertainable, the amounts thereof are reflected in the financial statements as revenue and expenses. No amount for donated services is recorded for the years ended December 31, 2015 and 2014, since the value for such services is not readily determinable.

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 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.

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 - Summary Of Significant Accounting Policies - continued

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. Receivables are written off when deemed uncollectible by the Organization.

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 Organization's evaluation on December 31, 2015 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2012 through 2014 tax years remain subject to examination by the IRS. Dundalk Renaissance Corporation 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.

Advertising

Advertising costs are charged to expenses when incurred. Advertising expense for the years ended December 31, 2015 and 2014 amounted \$7,267 and \$1,428, respectively.

FASB ASC No. 360

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.

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 - Summary Of Significant Accounting Policies - continued

Date of Management Review

The Organization evaluated events and transactions that occurred during the period from the date of the financial statements through June 15, 2016, the date the 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.

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, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
<u>Maryland State Government</u>		
DHCD Division of Neighborhood Revitalization	\$ 566,499	\$ 404,577
	<u>566,499</u>	<u>404,577</u>
<u>Baltimore County</u>		
Department of Environmental Protection	22,500	30,000
Department of Planning	365,465	153,165
	<u>387,965</u>	<u>183,165</u>
	<u>\$ 954,464</u>	<u>\$ 587,742</u>

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 4.25 percent. The line of credit matures on October 12, 2021. The balance at December 31, 2015 and 2014 was \$50,000 and \$-0-, respectively.

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 4 – Property Development Costs

The Organization capitalizes its costs for the rehabilitation of properties. For the years ended December 31, 2015 and 2014, total costs capitalized amounted to \$350,003 and \$480,458 respectively.

There were no property sales during 2015 and 2014 years.

Property development costs, net of related loans, are considered temporarily restricted net assets.

Note 5 – Commitments and Contingencies

Lease of Office Space

The Organization leased its office space under an operating lease. The lease was automatically renewed for one year on September 1, 2012 with a renewal option for each of the next two years. In January, 2014, the Organization purchased the building they were leasing, terminating the leasing agreement.

Rent expense for the years ended December 31, 2015 and 2014 was \$-0- and \$1,355, respectively.

Note 6 – 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 4% for \$198,000. Payments are \$1,465 monthly with a balloon payment due after sixty months. Principal debt obligation on this mortgage for each of the next five years is as follows:

2016	\$ 9,715
2017	11,012
2018	11,460
2019	146,613

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 7 – Prepaid Expenses

The Organization has begun renovating the building purchased in 2014. The renovations have not yet been completed and expenses incurred thus far have been recorded as prepaid expenses.

Note 8 – Temporarily Restricted Net Assets

For the years ended December 31, 2015 and 2014, temporarily restricted net assets consist of capitalized property development costs and home renovation loans totaling \$570,043 and \$410,143, respectively.

Note 9 – Home Renovation Loans

The Organization provides 0% deferred payment loans to local homeowners to encourage improvements to their properties. The loans do not require repayment until the home is sold or refinanced.

Note 10 – Restatement

During the current year, the Organization discovered that it was not appropriately accounting for its renovation loans. Assets and net assets as of December 31, 2014 have been restated as follows:

	<u>As Originally Reported</u>	<u>Change</u>	<u>As Restated</u>
OTHER ASSETS			
Home Renovation Loans	\$ -	<u>\$ 60,140</u>	\$ 60,140
NET INCREASE IN TOTAL ASSETS		<u>\$ 60,140</u>	
NET LIABILITIES	\$ -	\$ 3,370	\$ 3,370
NET ASSETS	\$ 606,956	<u>56,770</u>	\$ 663,726
NET INCREASE IN TOTAL LIABILITIES AND NET ASSETS		<u>\$ 60,140</u>	

DUNDALK RENAISSANCE CORPORATION
Dundalk, Maryland

NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

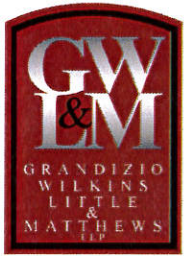
Note 10 – Restatement - continued

In addition, the following items from the statement of functional expenses has been restated for the year ended December 31, 2014:

	<u>As Originally Reported</u>	<u>Change</u>	<u>As Restated</u>
FUNCTIONAL EXPENSES			
Loan Expenses	\$ -	\$ 3,370	\$ 3,370
Energy Retrofit Grants	136,489	<u>(60,140)</u>	76,349
NET DECREASE IN FUNCTIONAL EXPENSES		<u><u>\$(56,770)</u></u>	

Note 11 - 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 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.



Certified Public Accountant

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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 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, 2015 and 2014, and the related statements of activities, and functional expenses for the year ended December 31, 2015, and the related statements of cash flows for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, and have issued our report thereon dated June 15, 2016.

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, 2014, and we expressed an unmodified audit opinion on those audited statements of activities and functional expenses in our report dated June 29, 2015. In our opinion, the summarized comparative information presented herein for the year ended December 31, 2014, 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

June 15, 2016
Millersville, Maryland