GSG Gorfine Schiller Gardyn
Certified Public Accountants and Consultants

ReBUILD METRO

RADICAL \ RESTORATIVE \ REGENERATIVE

# REBUILD METRO, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019

**REBUILD METRO, INC. AND SUBSIDIARIES**
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***December 31, 2019***

## INDEPENDENT AUDITORS' REPORT

**To The Board of Directors**
**ReBuild Metro, Inc. and Subsidiaries**
**Baltimore, Maryland**

We have audited the accompanying consolidated financial statements of ReBuild Metro, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

10045 Red Run Boulevard, Suite 250 • Owings Mills, MD 21117 • T 410-356-5900 • 800-333-0272 • F 410-581-0368
19833 Leitersburg Pike, Suite 2 • Hagerstown, MD 21742 • T 301-739-9000 • F 301-739-8345
www.gsg-cpa.com

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ReBuild Metro, Inc. and Subsidiaries as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gorfine, Schiller + Gardyn, P.A.

**August 20, 2020**
**Owings Mills, Maryland**

# CONSOLIDATED FINANCIAL STATEMENTS

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
***December 31, 2019***

## ASSETS

| | |
|---|---|
| **CURRENT ASSETS** | |
| Cash | $ 2,889,406 |
| Accounts receivable, net of allowance | 329,778 |
| Grants and contributions receivable | 1,125,760 |
| Prepaid expenses | 239,156 |
| Other current assets | 29,498 |
| **Total current assets** | 4,613,598 |
| **PROPERTY AND EQUIPMENT** | |
| Office equipment, net of accumulated depreciation | 28,146 |
| Rental property, net of accumulated depreciation | 34,717,873 |
| Vehicle, net of accumulated depreciation | 22,354 |
| **Total property and equipment, net** | 34,768,373 |
| **OTHER ASSETS** | |
| Loans receivable, net of allowance | 1,121,900 |
| Property held for development or sale | 873,199 |
| Restricted cash | 1,388,599 |
| Other non-current assets | 162,215 |
| **Total other assets** | 3,545,913 |
| **TOTAL ASSETS** | $ 42,927,884 |

## LIABILITIES AND NET ASSETS

| | |
|---|---|
| **CURRENT LIABILITIES** | |
| Accounts payable and accrued expenses | $ 738,767 |
| Accrued interest payable, current | 52,241 |
| Current maturities of loans payable | 6,199,065 |
| Prepaid rent | 22,557 |
| **Total current liabilities** | 7,012,630 |
| **NON-CURRENT LIABILITIES** | |
| Escrow payable and due to third parties | 204,794 |
| Accrued interest payable | 571,976 |
| Deferred revenue, net | 1,796,392 |
| Loans payable, net | 27,007,883 |
| **Total non-current liabilities** | 29,581,045 |
| **Total liabilities** | 36,593,675 |
| **NET ASSETS** | |
| **Net assets without donor restrictions** | |
| Unrestricted | 1,065,429 |
| Non-controlling interest | 3,768,780 |
| **Total net assets without donor restrictions** | 4,834,209 |
| **Net assets with donor restrictions** | 1,500,000 |
| **Total net assets** | 6,334,209 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 42,927,884 |

***The accompanying notes are an integral part of these financial statements.***

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**
***For the Year Ended December 31, 2019***

| | Net Assets Without Donor Restrictions | | Net Assets with Donor | |
|---|---|---|---|---|
| | Controlling | Non-Controlling | Restrictions | Total |
| **REVENUE** | | | | |
| **Rental income** | | | | |
| Gross potential rent | $ 2,242,687 | $ 430,338 | $ - | $ 2,673,025 |
| Vacancies | (365,591) | (8,670) | - | (374,261) |
| Other rental income | 187,858 | 11,707 | - | 199,565 |
| Master lease rent - related parties | (1,025,500) | 1,025,500 | - | - |
| **Net rental income** | 1,039,454 | 1,458,875 | - | 2,498,329 |
| **Rental expenses** | | | | |
| Bad debt expense | 45,892 | 28 | - | 45,920 |
| Consultants | - | 150 | - | 150 |
| Insurance | 115,114 | 16,188 | - | 131,302 |
| Legal and professional fees | 1,408 | 960 | - | 2,368 |
| Management fee | 8,367 | 52,701 | - | 61,068 |
| Office expense | 22,798 | 25,741 | - | 48,539 |
| Other rental expenses | 46,139 | 950 | - | 47,089 |
| Rental interest expense | 223,877 | 524,438 | - | 748,315 |
| Rental interest expense - related parties | (146,064) | 146,064 | - | - |
| Repairs and maintenance | 308,327 | 53,860 | - | 362,187 |
| Salaries and related expenses | 343,959 | 120,061 | - | 464,020 |
| Taxes - other | 101,968 | 24,710 | - | 126,678 |
| Utilities | 174,770 | 36,599 | - | 211,369 |
| **Total rental expenses** | 1,246,555 | 1,002,450 | - | 2,249,005 |
| **Net operating rental (loss) income** | (207,101) | 456,425 | - | 249,324 |
| **SALES** | | | | |
| Gross sales | 5,279,824 | - | - | 5,279,824 |
| Cost of goods sold | (5,363,330) | - | - | (5,363,330) |
| Warranty costs | (56,883) | - | - | (56,883) |
| **Net loss from sales** | (140,389) | - | - | (140,389) |
| **OTHER REVENUE AND SUPPORT** | | | | |
| Developer fee income | 215,803 | - | - | 215,803 |
| Earnings from subsidiary | 8 | (8) | - | - |
| Grants and contributions | 2,738,161 | - | 1,500,000 | 4,238,161 |
| Management fee income - related parties | (12,859) | 12,859 | - | - |
| Other income | 630,025 | 51,171 | - | 681,196 |
| Net assets released from restrictions | 175,000 | - | (175,000) | - |
| **Total other revenue and support** | $ 3,746,138 | $ 64,022 | $ 1,325,000 | $ 5,135,160 |

***The accompanying notes are an integral part of these financial statements.***

| | Net Assets Without Donor Restrictions | | Net Assets with Donor | |
|---|---|---|---|---|
| | Controlling | Non-Controlling | Restrictions | Total |
| **PROGRAM AND GENERAL EXPENSES** | | | | |
| Consultants | $ 138,973 | $ - | $ - | $ 138,973 |
| Insurance | 47,194 | - | - | 47,194 |
| Legal and professional fees | 200,092 | 74,572 | - | 274,664 |
| Management fee - related parties | (53,015) | 53,015 | - | - |
| Miscellaneous expenses | 9,590 | - | - | 9,590 |
| Occupancy and facility cost | 168,216 | 18,117 | - | 186,333 |
| Office expense | 48,582 | 6,895 | - | 55,477 |
| Predevelopment costs | 199,221 | - | - | 199,221 |
| Program expense | 70,911 | - | - | 70,911 |
| Salaries and related expenses | 1,309,310 | - | - | 1,309,310 |
| Staff expense | 104,053 | - | - | 104,053 |
| **Total program and general expenses** | 2,243,127 | 152,599 | - | 2,395,726 |
| **Net operating income** | 1,155,521 | 367,848 | 1,325,000 | 2,848,369 |
| **OTHER INCOME (EXPENSE)** | | | | |
| Interest income | 5,309 | 73 | - | 5,382 |
| Interest expense | (233,678) | (72,034) | - | (305,712) |
| Interest expense - related parties | 68,227 | (68,227) | - | - |
| Depreciation expense | (403,267) | (1,166,178) | - | (1,569,445) |
| Depreciation expense - related parties | 214,777 | (214,777) | - | - |
| **Net other expense** | (348,632) | (1,521,143) | - | (1,869,775) |
| **NET INCOME (LOSS)** | 806,889 | (1,153,295) | 1,325,000 | 978,594 |
| **NET ASSETS - Beginning of year** | 258,540 | 4,487,996 | 175,000 | 4,921,536 |
| Distributions | - | (8,948) | - | (8,948) |
| Contributions | - | 443,027 | - | 443,027 |
| **NET ASSETS - End of year** | $ 1,065,429 | $ 3,768,780 | $ 1,500,000 | $ 6,334,209 |

***The accompanying notes are an integral part of these financial statements.***

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENT OF CASH FLOWS**
***For the Year Ended December 31, 2019***

| | |
|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | |
| Net income | $ 978,594 |
| Adjustments to reconcile net income to net cash provided by operating activities: | |
| Accretion income | (104,853) |
| Depreciation and amortization expense | 1,569,445 |
| Amortization of debt issuance costs included as interest expense | 62,561 |
| Forgiveness of debt | (388,176) |
| Changes in operating assets and liabilities: | |
| Accounts receivable, net | (208,977) |
| Grants and contributions receivable | (742,967) |
| Prepaid expenses | (20,690) |
| Other current assets | 38,006 |
| Property held for development or sale, net | 2,661,282 |
| Restricted cash | 455,270 |
| Other non-current assets | (34,858) |
| Accounts payable and accrued expenses | (1,229,344) |
| Prepaid rent | 5,471 |
| Escrow payable and due to third parties | 40,483 |
| Accrued interest payable | 52,846 |
| Deferred revenue | 87,988 |
| **Net cash provided by operating activities** | 3,222,081 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | |
| Distributions | (8,948) |
| Contributions | 443,027 |
| Principal payments on notes payable | (4,534,332) |
| Proceeds from notes payable | 2,405,723 |
| **Net cash used in financing activities** | (1,694,530) |
| **NET CHANGE IN CASH** | 1,527,551 |
| **CASH - Beginning of year** | 1,361,855 |
| **CASH - End of year** | $ 2,889,406 |
| **SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION** | |
| Cash paid during the year for interest, net of amount capitalized | $ 762,447 |
| Non-cash transfers from property held for development to rental property | $ 5,002,002 |

***The accompanying notes are an integral part of these financial statements.***

## NOTE A – NATURE OF ACTIVITIES

ReBuild Metro, Inc. (RBMI) (formerly TRF Development Partners, Inc.) is a Pennsylvania not-for-profit Corporation that was formed on March 15, 2007 to redevelop land, participate in real estate transactions and build affordable homes in communities throughout the Mid-Atlantic region, concentrating in areas where it can create opportunities for working families. RBMI seeks to create wealth and opportunity for the communities it serves by making real estate investments that reinforce community assets, revitalize downward markets and create suitable environments for market growth. Its investment process seeks long-term sustainable change and requires effective partnerships with neighborhood organizations, local governments and private developers.

RBMI and Subsidiaries (the Company) is comprised of:

| Entity Name | Abbreviation |
|---|---|
| ReBuild Metro, Inc. | RBMI |
| ReBuild Metro- Baltimore, LLC | Baltimore |
| ReBuild Metro- Philadelphia, LLC | Philadelphia |
| ReBuild Metro Property Management, LLC | Property Management |
| East Baltimore Managing Member, Inc. | EBMM1 |
| East Baltimore Master Tenant, Inc. | EBMT1 |
| East Baltimore Managing Member II, Inc. | EBMM2 |
| East Baltimore Master Tenant Manager II, Inc. | EBMTM2 |
| East Baltimore Managing Member III, Inc. | EBMM3 |
| East Baltimore Master Tenant Manager III, Inc. | EBMTM3 |
| ReBuild Metro- Buford Manlove Manor, LLC | Manor |
| ReBuild Metro- Jackson Green, LLC | Jackson Green |
| ReBuild Metro- Ridge Avenue, LLC | Ridge |
| ReBuild Metro Mount Holly Urban Renewal, LLC | Mount Holly |
| ReBuild Metro- Scotland Commons, Inc. | Scotland |

RBMI is the sole-member in all subsidiaries. Some subsidiaries have subsidiaries with outside members (see Note B-2). During 2017, all subsidiaries converted from Delaware entities to Maryland entities, except for Jackson Green, Ridge, Mount Holly and Scotland, which were formed in New Jersey. RBMI was formerly affiliated with The Reinvestment Fund, Inc., until it disaffiliated on January 1, 2017 (see Note O).

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1. Basis of Accounting

The Company maintains its accounts and the consolidated financial statements have been prepared on the accrual basis of accounting, which conforms to accounting principles generally accepted in the United States of America (US GAAP). The Company follows Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 958, *Not-for Profit Entities* (FASB ASC 958), and has adopted Accounting Standards Update (ASU) 2016-14 (ASU 2016-14). Under FASB ASC 958, the Company is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

### 1. Basis of Accounting – Continued

Net assets with donor restrictions include all gifts from grantors that are restricted in some manner to their use or time. This restriction can be temporarily restricted or permanently restricted. Net assets with permanent donor restrictions would be designated by the donors to be invested in perpetuity. The Company did not have any net assets with permanent donor restrictions as of December 31, 2019.

### 2. Basis of Consolidation

The consolidated financial statements of RBMI include the accounts of all subsidiaries (see Note A). Certain subsidiaries also have subsidiaries and their accounts are included. These subsidiaries are:

| Subsidiary | Subsidiary Name | Abbreviation |
|---|---|---|
| Baltimore | East Side Partners, LLC | ESP |
| Baltimore | ReBuild Metro- 1500, LLC | 1500 |
| Baltimore | ReBuild Metro- 1700, LLC | 1700 |
| Baltimore | ReBuild Metro- 8, LLC | RBM8 |
| Baltimore | ReBuild Metro- Oliver, LLC | Oliver |
| Baltimore | ReBuild Metro- Holdings, LLC | Holdings |
| EBMM1 | East Baltimore Historic I, LLC | EBH1 |
| EBMT1 | East Baltimore Master Tenant, LLC | EBMT1LLC |
| EBMM2 | East Baltimore Historic II, LLC | EBH2 |
| EBMTM2 | East Baltimore Master Tenant II, LLC | EBMT2 |
| EBMM3 | East Baltimore Historic III, LLC | EBH3 |
| EBMTM3 | East Baltimore Master Tenant III, LLC | EBMT3 |
| Manor | Buford Manlove Members, LLC | Members |
| Members | Buford Manlove, LLC | Buford |

All intercompany accounts and transactions have been eliminated in consolidation. The consolidated net assets includes the non-controlling interest for EBH1, EBH2, EBH3, Members and Buford.

### 3. Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 4. Revenue and Expense Recognition

The Company recognizes revenue in the period it is earned. Rents received in advance of when earned are deferred until earned. All leases between the Company and the tenants of the property are operating leases. The Company recognizes revenue from sales of properties upon transfer of title, at which time the full purchase price is received or the Company has received an adequate down payment and all other conditions for revenue recognition have been satisfied.

**4. Revenue and Expense Recognition – Continued**

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Grants with donor-imposed restrictions are reported as increases in net assets with donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases of restrictions between the applicable classes of net assets.

**5. Fair Value Measurements**

The Company determines the fair value of certain assets and liabilities through the application of FASB ASC 820, *Fair Value Measurements and Disclosures*. The standard clarifies that fair value is the amount that would be exchanged to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date.

**6. Cash and Cash Equivalents**

For financial reporting purposes, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**7. Credit Risk**

Financial instruments, which potentially subject the Company to concentration of credit risks, consist primarily of cash and cash equivalents. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company had approximately $1,296,000 of uninsured deposits at December 31, 2019. The Company has not experienced any losses and believes it is not exposed to any significant credit risk as a result of these deposits.

**8. Accounts Receivable and Bad Debt Policy**

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move-out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rent or the charges for damages and cleaning fees. The Company does not accrue interest on the tenant receivable balances. Tenant receivables are reported net of an allowance for doubtful accounts. Management’s estimate of the allowance is based on historical collection and a review of the current status of tenant accounts receivable. At December 31, 2019, the allowance for doubtful accounts was $23,447.

**9. Property and Equipment**

Property and equipment with a cost in excess of $5,000 is capitalized and depreciated over its estimated useful life. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the useful lives of the assets. All property and equipment have an estimated useful life of between five and 27.5 years. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. As of December 31, 2019, 207 units were included within the six rental properties.

**10. Loans Receivable**

Loans receivable are stated at the principal amount outstanding. Interest income on loans is accrued at the principal outstanding at the loans' stated interest.

**11. Property Held for Development or Sale**

Residential property held for development or sale is stated at cost. Cost includes land, land approval and improvement costs, direct construction costs, construction overhead costs, interest and other indirect costs of development and construction. Housing construction and related costs are charged to cost of housing sales, generally under the specific identification method.

Held for sale units are measured at the lower of its carrying amount or net realizable value and a loss is recognized for any carrying amount greater than the fair value less cost to sell. Fair value measurements of held for sale units are considered Level 2 measurements in the fair value hierarchy. The estimated fair value for held for sale units is based on quoted prices for similar units in similar active markets.

**12. Impairment of Long-Lived Assets**

In accordance with FASB ASC 360 *Impairment or Disposal of Long-Lived Assets*, the Company reviews its investment in rental real estate for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or net realizable value. The Company did not have any impairment charges as of and for the year ended December 31, 2019.

**13. Restricted Cash**

Restricted cash represents cash held for house deposits, security deposits and replacement reserves. Restricted cash also includes cash in escrow for insurance, taxes or interest on loans payable. Restricted cash is included within other assets.

**14. Other Non-current Assets**

Included in non-current assets are costs incurred in connection with obtaining tax credits, which are being amortized over a term of 15 years using the straight-line method in accordance with the tax credit compliance period. Also included in non-current assets are developer rights, which are capitalized into inventory when parcels of land are acquired for redevelopment.

**15. Deferred Revenue**

The Company has received various project funding from different sources to offset their construction costs. While units are in the process of being constructed or held for sale, this funding is recorded net within the balance of residential property held for development or sale. When a unit is sold, this funding offsets a portion of the costs of units sold. Funding allocated to units that have been designated as rental units is recorded as deferred revenue and is accreted over the estimated useful life of the rental units. This funding was from various grants, contracts or forgivable loans. Included in other income on the consolidated statement of activities for the year ended December 31, 2019 is accretion income of $108,489.

**16. Debt Issuance Costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the loans payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using the straight-line method on the related loan. US GAAP requires that the effective interest rate method be used to amortize debt issuance costs; however, the effect of using the straight-line method is not material to the consolidated financial statements for the year ended December 31, 2019.

**17. Warranty Costs**

The Company provides a limited warranty on the homes it sells as set forth in its agreement of sale with the buyer. The Company's standard warranty requires the Company or their subcontractors to repair or replace construction defects during such warranty period, during the first year after the sale, at no cost to the home buyer provided that the home buyer did not create the defect. In addition, the Company, through a third party, provides the buyer with a ten-year warranty for a new home and a three-year warranty for a rehabilitated home. Warranty expense for the year ended December 31, 2019 was $56,883.

**18. Income Taxes**

The Company is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (the Code) and comparable state law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Company has been classified as a publicly-supported organization, which is not a private foundation under Section 509(a) of the Code.

RBMI files a consolidated income tax return and pass-through income tax returns are filed for 1700, EBMM1, EBMT1, EBMM2, EBMTM2, EBMM3, EBMTM3, Scotland, Buford and Members (the other entities are disregarded entities for income tax purposes) in the United States federal jurisdiction and various states. FASB ASC 740, *Accounting for Income Taxes*, requires the Company to recognize or disclose any tax positions that would result in unrecognized tax benefits. The Company has no positions that would require disclosure or recognition under the topic. The Company's tax filings for the fiscal years ending December 31, 2016 and after are subject to audit by various taxing authorities.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

### 19. Functional Expenses

The costs of providing program, administrative and fundraising activities have been summarized on a functional basis in the notes (see Note I). Certain costs have been allocated among the programs and supporting services benefited. Occupancy, depreciation, and repairs and maintenance are allocated based on estimated square footage and usage of the assets. Salaries, payroll taxes and related costs are allocated based on estimates of time and effort. Other expenses are allocated based on estimates of actual use.

### 20. Change in Accounting Policy

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions, and whether a contribution is conditional. The new standard is effective for the year ended December 31, 2019 and is to be retroactively applied. There were no changes to the Company's consolidated financial statements upon adoption of this new standard.

### 21. Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which requires that revenue recognition be determined by applying a five-step process. The standard, as amended, is effective for the year ending December 31, 2021. The Company will evaluate the effect that implementation of the new standard will have on its combined financial statements.

In February 2016, FASB issued ASU 2016-02, *Accounting for Leases (Topic 842)*, which requires that all leases greater than twelve months be presented on the balance sheet, and, as amended, is effective for the year ending December 31, 2022. The Company will evaluate the effect that implementation of the new standard will have on its combined financial statements.

### 22. Subsequent Events

The Company has evaluated subsequent events through August 20, 2020, which is the date the consolidated financial statements were available to be issued. See Notes G and P.

## NOTE C – LOANS RECEIVABLE

RBMI loaned $800,000 and $300,000 to Manalapan, a third party, in July 2011 and January 2013, respectively. The loans accrue interest at 1% compounded annually. The loans are due in July 2041 and January 2043, respectively. As of December 31, 2019, the loans and accrued interest receivable total $1,189,347 with an allowance for doubtful collection of $89,347.

## NOTE D – FAIR VALUE MEASUREMENT

FASB ASC 820 requires financial assets and liabilities to be valued and disclosed based on the following structure:

Level I – Investments included in this designation are values based on quoted prices for identical assets in active markets as of the reporting date.

Level II – Investments included in this designation are valued based on observable market based inputs for the same asset in an inactive market or a similar asset in an active market. These inputs include:

a) Quoted prices for similar assets or liabilities in active markets;

b) Quoted prices for identical or similar assets in markets that are not active, that is markets in which there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publically;

c) Inputs other than quoted prices that are observable for the asset; or

d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Fair values for property held for sale units are determined using Level 2 inputs. Fair value for property held for sale was $749,699 as of December 31, 2019.

Level III – Investments included in this designation are valued based on unobservable inputs that are significant to the valuation of a particular investment. The inputs into the determination of fair value in this level require significant management judgment or estimates and is done by management.

In determining the appropriate levels for each valuation, management performs a detailed analysis of the assets that are subject to FASB ASC 820. In some instances, an asset may be valued using a combination of inputs. In such instances, the asset is to be classified based on the lowest significant level used in the valuation. Managements' assessment of the significance of a particular input in the fair value measurement of an investment requires judgment and considers factors specific to the asset.

## NOTE E – PROJECT FUNDING AND DEFERRED REVENUE

As of December 31, 2018 the balance of project funding subsidies included in deferred revenue are summarized as follows:

| Company | Amount |
|---|---|
| Oliver | $ 2,103,998 |
| EBH1 | 74,924 |
| Holdings | 140,791 |
| Total project funding | 2,319,713 |
| Less: accumulated accretion | (641,976) |
| Deferred accretion revenue, net | $ 1,677,737 |

## NOTE F – DEBT ISSUANCE COSTS

Debt issuance costs are included as a reduction to the related loans payable and are amortized over the life of the loan. If a project is still in development, the amortized costs are capitalized to development. At December 31, 2019, the details of debt issuance costs are as follows:

| | |
|---|---|
| Debt issuance costs | $ 523,300 |
| Less: accumulated amortization | (219,648) |
| **Debt issuance costs, net** | $ 303,652 |

For the year ended December 31, 2019, amortization expense of $62,561 was included as a component of interest.

Future amortization expense from deferred financing costs to be included with interest expense is as follows for the next five years and thereafter for years ending December 31:

| | |
|---|---|
| 2020 | $ 71,119 |
| 2021 | 58,846 |
| 2022 | 58,846 |
| 2023 | 34,829 |
| 2024 | 6,661 |
| Thereafter | 73,351 |
| **Future amortization** | $ 303,652 |

## NOTE G – LOANS PAYABLE

### Loans payable – RBMI

Liberty Bank – RBMI has mortgage loans for Affordable Housing Program funds from the Federal Home Loan Bank (FHLB), which are secured by a fourth mortgage lien on the fixed assets and the land of an affordable housing project named Manalapan in Manalapan, New Jersey.

As of December 31, 2019, the outstanding balances were $800,000 and $300,000, respectively. The term of the loans are 30 years from July 29, 2011 and January 13, 2013, respectively, and accrue 0% interest per annum. The funds were loaned to the Manalapan project at 1% interest per annum compounded annually and are due in July 2041 and January 2043, respectively (see Note C).

Mayor and City Council – In May 2016, RBMI and The Mayor and City Council of Baltimore entered into a loan agreement on behalf of The East Baltimore Historic III project. The loan in the amount of $2,000,000 was acquired for supporting a portion of the hard construction costs of the project named East Baltimore Historic III. During the construction loan period, interest shall not accrue on the advanced loan proceeds. As of December 31, 2019, the outstanding balance was $1,955,005.

**NOTE G – LOANS PAYABLE – Continued**

**Loans payable – RBMI – Continued**

During the permanent loan period, which is a ten-year period commencing immediately upon the end of the construction loan period, interest shall accrue on the proceeds at 0% per annum. The maturity date is the last day of the permanent loan period. Upon the completion of the permanent loan period, if RBMI follows all terms and conditions of the loan documents, the loan shall be forgiven upon the expiration date. The project is still under construction as of December 31, 2019, so the compliance period has not been set.

Robert W. Deutsch Foundation – In May 2016, RBMI obtained a loan of $500,000 from Robert W. Deutsch Foundation. The loan, acquired to continue investment activities in East Baltimore Historic III, is subordinate to all other creditors of RBMI.

The amount outstanding under this loan is due and payable on the earliest to occur of (a) 30 days after 100% of all permanent financing sources for the Project have been received or (b) May 17, 2019. Interest shall accrue at a rate of two percent (2%) per annum. Interest will be paid on the maturity date as well as on an annual basis on or about December 31, of each calendar year up to the time of the maturity date, provided that the Company, in its sole reasonable discretion, has determined that sufficient funds are available to pay. As of December 31, 2019, the outstanding balance was $250,000. Subsequent to year-end, the loan was paid in full.

Ford – In December 2017, RBMI acquired a 2016 Ford F150 pickup truck. The loan accrues interest at 3.9%. Monthly principal and interest of $366 are due through October 2023. As of December 31, 2019, the outstanding balance was $15,534.

Disability Opportunity Fund – In November 2018, RBMI acquired a loan of $500,000 from the Disability Opportunity Fund. The loan bears no interest with no payments due until it matures in May 2019. During the year ended December 31, 2019, the loan was paid in full.

**Loans payable – Baltimore**

Disability Opportunity Fund – In August 2007 and June 2009, Baltimore obtained financing from the Tzedec Economic Development Fund in the amounts of $600,000 (Loan 1) and $600,000 (Loan 2), respectively, maturing on December 31, 2024. The loans bear interest at 2% per annum, with interest only due until the maturity date with no prepayment penalty. During 2017, both loans were transferred from the Tzedec Economic Development Fund to the Disability Opportunity Fund. At December 31, 2019, the outstanding balances were $490,469 (Loan 1) and $490,469 (Loan 2).

Subscription Notes – Between September 2006 and September 2009, Baltimore sold promissory notes (subscription notes) to private investors. The subscription notes are general obligations of Baltimore and are supported solely by Baltimore's promise to pay. The subscription notes bear interest at 2% per annum, due bi-annually and have no prepayment penalty. The subscription notes are not secured by any specific asset of Baltimore and are subordinate to project-related senior debt and all operation costs of Baltimore. Subscription notes mature between September 2024 and June 2037. At December 31, 2019, the outstanding balance was $6,727,636.

Mayor and City Council of Baltimore – In November 2009, Baltimore obtained a loan with the Mayor and City Council of Baltimore to be assigned to home buyers in the amount of $1,300,000. The loan bears interest at 3% per annum and matures in March 2043. The debt is secured by a second mortgage lien position. At December 31, 2019, the outstanding balance was $697,223.

**NOTE G – LOANS PAYABLE – Continued**

**Loans payable – Baltimore – Continued**

The Reinvestment Fund (TRF) – In June 2017, Baltimore, acquired an unsecured loan of $250,000 from TRF. The loan, acquired to continue investment activities, is subordinate to all other creditors of Baltimore. The loan creates no equity investment in Baltimore and is supported solely by Baltimore's promise to pay.

The amount outstanding under this loan is due and payable on June 30, 2027. Baltimore may prepay the loan at any time without penalty or premium. Interest shall accrue at a rate of two percent (2%) per annum. Interest will be paid on the maturity date as well as on an annual basis on or about December 31 of each calendar year up to the time of the maturity date, provided that Baltimore, in its sole reasonable discretion, has determined that sufficient funds are available to pay. At December 31, 2019, the outstanding balance was $250,000.

Metro IAF – In June 2017, Baltimore acquired an unsecured loan of $750,000 from Metro IAF. The loan, acquired to continue investment activities, is subordinate to all other creditors of Baltimore.

The amount outstanding under this loan is due and payable on June 30, 2027. Baltimore may prepay the loan at any time without penalty or premium. Interest shall accrue at a rate of two percent (2%) per annum. Interest will be paid on the maturity date as well as on an annual basis on or about December 31, of each calendar year up to the time of the maturity date, provided that Baltimore, in its sole reasonable discretion, has determined that sufficient funds are available to pay. At December 31, 2019, the outstanding balance was $750,000.

**Loans payable – Oliver (a Subsidiary of Baltimore)**

Cinnaire Corporation – In September 2013, Oliver acquired a construction loan from Cinnaire Corporation, formerly Great Lakes Capital Fund Nonprofit Housing Corporation, in the amount of $4,200,000. The loan payable to Cinnaire Corporation is secured by the rental units owned by Oliver. The loan is payable in monthly installments of $24,510, including interest at 5.75% per annum through October 2023, at which time a balloon payment of approximately $3,500,000 is due and payable. The guarantor of the loan is RBMI. At December 31, 2019, the outstanding balance was $3,811,632.

**Loans payable – ESP (a Subsidiary of Baltimore)**

Branch Banking and Trust Company (BB&T Bank) – In June 2018, ESP obtained a construction loan from BB&T bank in the amount of $1,450,300. The loan was guaranteed by RBMI. The loan bears interest at prime plus 1% (5.75% at December 31, 2019) and interest only payments were due monthly. The loan was paid in full during the year ended December 31, 2019.

**Loans payable – EBH1 (a Subsidiary of EBMM1)**

TD Bank Tranche 1 – In February 2013, EBH1 acquired a mortgage loan of $1,250,000 with TD Bank, an affiliate of the non-controlling member. The loan was modified in February 2018. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.5% with monthly principal and interest of $6,862 due through February 2020 when a balloon payment of $860,033 is due. At December 31, 2019, the outstanding balance was $864,627. Management is in the process of extending the note.

## NOTE G – LOANS PAYABLE – Continued

**Loans payable – EBH1 (a Subsidiary of EBMM1) – Continued**

TD Bank Tranche 2 – In October 2013, EBH1 acquired a mortgage loan of $1,250,000 with TD Bank, an affiliate of the non-controlling member. The loan was modified in November 2018. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 5.5% with monthly principal and interest of $7,596 due through November 2020 when a balloon payment of $1,051,193 is due. At December 31, 2019, the outstanding balance was $1,071,985.

TD Bank Tranche 3 – In November 2013, EBH1 acquired a mortgage loan of $1,150,000 with TD Bank, an affiliate of the non-controlling member. The loan was modified in November 2018. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 5.5% with monthly principal and interest of $6,950 due through November 2020 when a balloon payment of $966,746 is due. At December 31, 2019, the outstanding balance was $980,853.

TD Bank Tranche 4 – In July 2014, EBH1 acquired a mortgage loan of $1,100,000 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.46% with monthly principal and interest of $6,102 due through July 2019 when a balloon payment of $973,426 is due. At December 31, 2019, the outstanding balance was $973,429.

**Loans payable – EBH2 (a Subsidiary of EBMM2)**

TD Bank Tranche 1 – In December 2014, EBH2 acquired a mortgage loan of $709,284 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.53% with monthly principal and interest of $3,980 due through June 2020 when a balloon payment of $623,915 is due. At December 31, 2019, the outstanding balance was $633,301.

TD Bank Tranche 2 – In December 2014, EBH2 acquired a mortgage loan of $649,577 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.53% with monthly principal and interest of $3,645 due through June 2020 when a balloon payment of $571,394 is due. At December 31, 2019, the outstanding balance was $579,990.

TD Bank Tranche 3 – In April 2015, EBH2 acquired a mortgage loan of $745,601 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.15% with monthly principal and interest of $4,602 due through October 2020 when a balloon payment of $615,809 is due. At December 31, 2019, the outstanding balance was $637,324.

TD Bank Tranche 4 – In May 2015, EBH2 acquired a mortgage loan of $582,677 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.32% with monthly principal and interest of $3,200 due through November 2020 when a balloon payment of $512,260 is due. At December 31, 2019, the outstanding balance was $525,251.

TD Bank Tranche 5 – In July 2015, EBH2 acquired a mortgage loan of $442,403 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.41% with monthly principal and interest of $2,452 due through January 2021 when a balloon payment of $389,433 is due. At December 31, 2019, the outstanding balance was $401,111.

## NOTE G – LOANS PAYABLE – Continued

**Loans payable – EBH2 (a Subsidiary of EBMM2) – Continued**

TD Bank Tranche 6 – In July 2015, EBH2 acquired a mortgage loan of $470,458 with TD Bank, an affiliate of the non-controlling member. The loan is secured by a deed of trust, security agreement and fixture filing. The loan bears interest at 4.41% with monthly principal and interest of $2,607 due through January 2021 when a balloon payment of $414,141 is due. At December 31, 2019, the outstanding balance was $426,559.

Community Development Administration (CDA) – In November 2015, EBH2 acquired a loan commitment of $1,000,000 from the CDA, a unit of the Division of Development Finance of the Department of Housing and Community Development within the State of Maryland. The loan is secured by the property and is subordinate to the first mortgage. The loan bears interest at a rate of 2% per annum, commencing April 1, 2016, and matures April 1, 2056. Principal and interest are payable annually from 50% of available surplus cash until the deferred developer fee has been paid in full, at which time principal and interest are payable annually from 75% of surplus cash. At December 31, 2019, the outstanding balance was $950,000.

**Loans payable – EBH3 (a Subsidiary of EBMM3)**

TD Bank Tranche 1 – In January 2018, EBH3 acquired a mortgage of $1,176,966 with TD Bank. The mortgage bears interest at 4.4815% with monthly principal and interest of $6,729 due through May 2022 when a balloon payment of $1,052,350 is due. The loan is secured by a deed of trust, security agreement and fixture filing. At December 31, 2019, the outstanding balance was $1,122,349.

TD Bank Tranche 2 – In March 2019, EBH3 acquired a mortgage of $1,025,886 with TD Bank. The mortgage bears interest at 4.4815% with monthly principal and interest of $5,907 due through June 2023 when a balloon payment of $946,449 is due. The loan is secured by a deed of trust, security agreement and fixture filing. At December 31, 2018, the outstanding balance was $1,007,586.

TD Bank Tranche 3 – In March 2019, EBH3 acquired a mortgage of $1,264,943 with TD Bank. The mortgage bears interest at 4.4815% with monthly principal and interest of $7,256 due through July 2023 when a balloon payment of $1,130,006 is due. The loan is secured by a deed of trust, security agreement and fixture filing.. At December 31, 2018, the outstanding balance was $1,242,628.

TD Bank Tranche 4 – In May 2019, EBH3 acquired a mortgage of $296,619 with TD Bank. The mortgage bears interest at 4.4815% with monthly principal and interest of $1,680 due through May 2024 when a balloon payment of $260,771 is due. The loan is secured by a deed of trust, security agreement and fixture filing. At December 31, 2018, the outstanding balance was $292,721.

Community Development Administration (CDA) – In June 2016, EBH3 acquired a loan commitment of $1,683,240 from the CDA, a unit of the Division of Development Finance of the Department of Housing and Community Development within the State of Maryland. The loan is secured by a second deed of trust, security agreement and assignment of rents. The loan bears interest at a rate of 0% per annum during construction, and thereafter bears interest at a rate of 2% per annum through maturity, which is 40 years from the conversion date. During the construction period, no payments shall be made on the principal balance. During the permanent loan period, principal and interest are payable annually in an amount equal to the lesser of the principal and interest which would have been due if the loan had been amortized in equal annual installments, or 75% of available surplus cash. At December 31, 2019, the outstanding balance was $1,514,916.

**NOTE G – LOANS PAYABLE – Continued**

**Loans payable – EBH3 (a Subsidiary of EBMM3) – Continued**

Mayor and City Council of Baltimore – In May 2016, EBH3 entered into a loan agreement for $550,000 with the Mayor and City Council of Baltimore through the Department of Housing and Community Development. The loan is non-interest bearing. During the construction loan period, no payments of principal shall be required. During the permanent loan period, which has a term of 40 years from the conversion date, principal is payable annually in an amount equal to the lesser of the principal which would have been due if the loan had been amortized in equal annual installments, or 25% of available surplus cash. The loan is secured by a fourth deed of trust. At December 31, 2019, the outstanding balance was $550,000.

**Loans payable – Mount Holly**

Self-Help Ventures – In November 2013, RBMI entered into a promissory agreement with Self-Help Ventures for the benefit of Mount Holly and subsequently assigned the agreement to Mount Holly. The $400,000 loan bears interest at a simple rate of 6% per annum. No payments are required under the promissory agreement. All unpaid principal and interest is due on the maturity date of April 1, 2020. At December 31, 2019, the outstanding balance was $400,000. Management is in the process of modifying the note.

New Jersey Housing and Mortgage Finance Agency (NJHMFA) – In June 2015, Mount Holly entered into a construction loan agreement with NJHMFA for a maximum commitment of $1,148,065. The loan bears interest at the prime rate (4.75% at December 31, 2019). Beginning July 1, 2015, monthly payments of interest only were due. Principal will be repaid as individual units are transferred to buyers in an amount to be determined at settlement. All unpaid principal and interest is due on the maturity date of June 22, 2020. At December 31, 2019, the outstanding principal balance advanced on this loan was $-0-.

NJHMFA – In June 2015, Mount Holly entered into a second construction mortgage loan with NJHMFA. The loan bears interest at the prime rate (5.50% at December 31, 2019) and matures June 22, 2020. This loan represents a subsidy from the NJHMFA CHOICE Program making available $1,100,000 ($50,000 per home in Phase 2). Mount Holly receives a lien release and the individual loan is forgiven upon sale of each unit. As of December 31, 2019, $212,500 (or $42,500 per unit) has been forgiven. The CHOICE loan withholds a 15% retainage (or $7,500 per unit), which is payable upon the Phase 2 completion and subsequent cost certification. Monthly payments of interest only are due. All unpaid principal and interest is due on the maturity date. At December 31, 2019, the outstanding principal balance advanced on this loan was $-0-.

BB&T Bank – In June 2015, Mount Holly entered into a construction line letter of credit and security agreement with BB&T Bank (formerly, Susquehanna Bank) for a maximum amount of $1,148,065 advanced through June 2018. The loan bears interest at the prime rate plus a margin of 100 points; however, in no event shall the interest charged be below the floor rate of 4.50% (5.75% at December 31, 2019) and matures June 22, 2019. Beginning July 1, 2015, monthly payments of interest only are due. Principal payments are due upon the sale of each Emerging Market Unit sold in an amount to be determined at settlement. Unpaid principal will be repaid as the rights to the individual units are transferred. At December 31, 2019, the outstanding principal balance advanced on this loan was $-0-.

## NOTE G – LOANS PAYABLE – Continued

### Loans payable – Mount Holly – Continued

New Jersey Department of Community Affairs Home Production Program (NJDCA) – Mount Holly entered into a mortgage agreement in December 2016 with the NJDCA in the amount of $988,176 with the source being the HOME Production Program. The loan is for the development rights of Phase 3a. Funds can be advanced through September 2018.The loan was forgivable and it does not accrue interest if all units are sold to individuals at or below 35% of the area median income and is secured by a grant agreement. At December 31, 2019, the outstanding principal balance advanced on this loan was $-0-.

### Loan payable – Ridge

Neptune – In February 2009, Ridge entered into a promissory loan with the Township of Neptune for $400,000. The loan terms specified principal payments of $14,286 to be paid upon the sale of 28 residential units in a 58-unit redevelopment project in New Jersey. Considering cumulative principal payments, in March 2016 the loan was amended and the principal balance was restated to $120,000. The repayment provision was also amended for the remaining 21 residential units. Ridge will offer each unit buyer the option of assuming $20,000 of the principal obligation for up to eight units. The loan bears zero interest and does not specify a termination date for the loan or a deadline for achieving unit sales. During the year ended December 31, 2019, the units were sold and the outstanding balance was forgiven.

### Loans payable – Buford (a Subsidiary of Manor)

Citibank, N.A. – In April 2014, Buford entered into a permanent first mortgage with Citibank, N.A. for $550,000. The loan bears interest at 4.93% and has prepayment premiums if repaid before October 2028. Monthly principal and interest payments of $2,929 are due through April 2034. At December 31, 2019, the outstanding balance was $498,487.

State of Delaware’s Housing Development Preservation Fund (HDF Preservation) – In July 2012, Buford entered into a construction loan that was converted into a permanent second mortgage in April 2014, with the State of Delaware’s HDF Preservation for $1,100,000. The loan bore interest at 3% per annum during construction. After the conversion, interest accrues at 1% and principal and interest payments shall be paid from operating receipts after payment of all operating expenses, as defined in the regulatory agreement. The maturity date is April 2044. At December 31, 2019, the outstanding balance was $914,596.

HOME Program (HOME) – In July 2012, Buford entered into a construction loan that was converted into a permanent third mortgage in April 2014,with the State of Delaware’s HOME Program in the original amount of $1,500,000. The loan bore interest at 3% per annum during construction. After the conversion, interest accrues at 1% and principal and interest payments shall be paid from operating receipts after payment of all operating expenses, as defined in the regulatory agreement. The maturity date is April 2044. At December 31, 2019, the outstanding balance was $1,150,000.

Delaware State Housing Authority (DSHA) ARHP – In July 2012, Buford entered into a construction loan that was converted into a permanent fourth mortgage in April 2014, with DSHA in the original amount of $950,000. The loan bore interest at 3% per annum during construction and required a minimum pay down of $782,693 at conversion. After the conversion, interest accrues at 1% and principal and interest payments shall be paid from operating receipts after payment of all operating expenses, as defined in the regulatory agreement. The maturity date is April 2044. At December 31, 2019, the outstanding balance was $84,920.

## NOTE G – LOANS PAYABLE – Continued

**Loans payable – Buford (a Subsidiary of Manor) – Continued**

New Castle County HOME – Buford entered into a HOME Loan agreement with New Castle County for $150,000. The loan bears interest at 4% with a maturity date of August 2041. Principal and interest payments begin in May 2034, based on a 30-year amortization with the unpaid principal and interest payments due upon maturity. At December 31, 2019, the outstanding balance was $150,000.

Future payments under all loans payable for the next five years and thereafter are as follows for years ending December 31:

| | |
|---|---|
| 2020 | $ 6,199,065 |
| 2021 | 1,944,040 |
| 2022 | 2,158,573 |
| 2023 | 4,735,352 |
| 2024 | 6,209,354 |
| Thereafter | 12,264,216 |
| Total future payments | $ 33,510,600 |
| Less: current maturities | (6,199,065) |
| Less: debt issuance costs, net | (303,652) |
| **Loans payable, net** | $ 27,007,883 |

For the year ended December 31, 2019, interest expensed on the loans payable was $1,054,027 and interest capitalized into the cost of property held for development or sale was $83,433.

Subsequent to year-end, the Organization issued subscription notes for a new project totaling $5,185,000. The notes are subject to a draw plan and mature July 2030.

## NOTE H – RELATED PARTY TRANSACTIONS

RBMI and Subsidiaries are related through common ownership. Within the group, various related party transactions occur such as: management fees, loans payable / receivable, interest, leases and development costs. Some entities also provide financial assistance to other entities when necessary. These transactions are all eliminated on the consolidated financial statements.

Some subsidiaries have subsidiaries who do business with parties that are related to their non-controlling member. TD Bank is an affiliate of the investing members of EBH1, EBH2 and EBH3. In total, the outstanding debt owed to TD Bank is $10,759,714.

## NOTE I – FUNCTIONAL EXPENSE ALLOCATION

The Organization's expenses allocated by both natural and functional classification are as follows for the year ended December 31, 2019:

| | Program | General and Administrative | Fundraising | Total |
|---|---|---|---|---|
| Bad debt expense | $ 45,920 | $ - | $ - | $ 45,920 |
| Consultants | 7,099 | 132,024 | - | 139,123 |
| Depreciation expense | 1,490,973 | 78,472 | - | 1,569,445 |
| Insurance | 131,302 | 47,194 | - | 178,496 |
| Interest expense | 800,286 | 253,741 | - | 1,054,027 |
| Legal and professional fees | 249,566 | 27,466 | - | 277,032 |
| Management fee | 61,068 | - | - | 61,068 |
| Miscellaneous expenses | - | 9,590 | - | 9,590 |
| Occupancy and facility costs | 74,533 | 109,936 | 1,863 | 186,332 |
| Office expense | 70,730 | 32,731 | 556 | 104,017 |
| Other rental expenses | 47,089 | - | - | 47,089 |
| Predevelopment costs | 199,221 | - | - | 199,221 |
| Program expense | 46,092 | 24,819 | - | 70,911 |
| Rental taxes | 126,678 | - | - | 126,678 |
| Rental utilities | 211,369 | - | - | 211,369 |
| Repairs and maintenance | 362,187 | - | - | 362,187 |
| Salaries and related expenses | 1,015,541 | 447,054 | 310,734 | 1,773,329 |
| Staff expenses | 20,811 | 78,040 | 5,202 | 104,053 |
| | $ 4,960,465 | $ 1,241,067 | $ 318,355 | $ 6,519,887 |

## NOTE J – LIQUIDITY

The Organization's financial assets available within one year of the balance sheet date for general expenditures are as follows as of December 31, 2019:

| | |
|---|---|
| Cash | $ 2,889,406 |
| Accounts receivable, net | 329,778 |
| Grants and contributions receivable | 1,125,760 |
| | 4,344,944 |
| Less amounts with donor restrictions | (1,500,000) |
| **Total** | $ 2,844,944 |

The Organization has a policy to structure its financial assets, typically consisting of cash and receivables, to be available as its general expenditures, liabilities, and other obligations become due.

## NOTE J – LIQUIDITY – Continued

The Organization anticipates that as notes payable by EBH1 and EBH2 mature, the will be refinanced and partially repaid. It was the intent of the EBH structure was to sell some of these units and refinancing the balance of the units. The project financing structure includes language offering initial loans with a five year maturity and renewals after years two, four and five. This structure is specifically designed to meet the Organization's programmatic goals of creating a sustainable real estate market. The financial design has multiple expiration and extension possibilities, which allows for both the sale of homes and the continued leasing of homes based on market demand, rather than it being based on a single date certain time horizon within the initial loan structure. As each loan nears its maturity, the Organization will both extend the loan and sell properties secured by the loan to ensure proper liquidity.

In addition to the EBH1 and EBH2 structures, the Organization has land holding and development rights in New Jersey. Mount Holly has the development rights to properties valued at $600,000. In addition, Mount Holly has the right to assign $300,000 of Self Help's $400,000 debt to the Mt Holly Garden's plaintiffs per the Mt Holly Settlement Agreement. In 2020, RBMI sold its development rights in Jersey City which included a $542,000 payment in February 2020 and additional payments in 2021-2022 of $500,000. Collectively the New Jersey projects are anticipated to generate approximately $1.9 million from its NJ fees, sale proceeds ($1.42 million) and debt assignments ($300,000).

## NOTE K – CALL / PUT OPTION

### EBH1 Put/Call Option

The EBH1 put/call option is a low-cost transfer of all controlling partnership interest in EBH1 from 481 Corp. to RBMI. The EBH1 partnership Put Call Agreement is active January 29, 2020. Under the put/call agreement 481 Corp. has option to sell its EBH1 interest to RBMI (put option) and/or RBMI has the right to purchase the 481 Corp.'s interest (call option).

The purchase price for both options is equal to the greater of: (a) a dollar sum (but not below zero) equal to the Investor Member's Forecasted Historic Tax Credit of $1,924,675, less the Actual Historic Tax Credit received by 481 Corp. less (i) any funds Historic Tax Credit Adjusters previously credited to or received by 481 Corp., and (ii) any proceeds received by 481 Corp. from the Historic Tax Credit Insurance, and (iii) any payments received by 481 Corp. from RBMI pursuant to that certain HTC Guaranty dated of even date herewith (but not below zero), plus a 10% per annum cash-on-cash return of $192,468, being the 481 Corp. PI Capital Contribution, less the actual per annum cash-on-cash return (but not below zero), plus $192,468; or (2) an amount equal to the fair market value of the Subject Interest (net of the Subject Interest's pro rata share of the outstanding indebtedness of the Investment Fund, which includes all related party debt issued by RBMI and deferred developer fees).

### EBH2 Put Option

The put option price is equal to the lesser of (1) a dollar sum (but not below zero) equal to the Investor Member's Forecasted Historic Tax Credit of $1,706,236, less the Actual Historic Tax Credit received by 481 Corp. less (i) any funds Historic Tax Credit Adjusters previously credited to or received by 481 Corp. in accordance with section 3.03 of the Investment Fund Agreement, (ii) any proceeds received by 481 Corp. from the Historic Tax Credit Insurance, and (iii) any payments received by 481 Corp. from RBMI pursuant to that certain Historic Tax Credit Guaranty (Bad Acts) dated of even date herewith (but not below zero), plus a 10% per annum cash-on-cash return on $163,799, being the 481 Corp. PI Capital Contribution, less the actual per annum cash-on-cash return (but not below zero), plus $122,849; or (2) an amount equal to the fair market value of the properties.

## NOTE K – CALL / PUT OPTION – Continued

### EBH3 Put Option

The put option price is equal to the lesser of (1) a dollar sum (but not below zero) equal to (a) the Investor Member's Forecasted Historic Tax Credit of $2,461,562, less the Actual Historic Tax Credit received by 481 Corp. less (i) any funds Historic Tax Credit Adjusters previously credited to or received by 481 Corp. in accordance with section 3.03 of the Investment Fund Agreement, (ii) any proceeds received by 481 Corp. from the Historic Tax Credit Insurance, and (iii) any payments received by 481 Corp. from RBMI pursuant to that certain Historic Tax Credit Guaranty (Bad Acts) dated of even date herewith (but not below zero), (b) plus a seven percent (7%) per annum cash-on-cash return on $236,310, being the 481 Corp. PI Capital Contribution, less the actual per annum cash-on-cash return (but not below zero), (c) plus any accrued but unpaid Investor Services Fee, (d) plus $236,310, and (e) plus an amount equal to any state and/or federal tax liability that would be imposed on the Investor Member and its partners, shareholders, and members (as applicable) from the receipt of the Put Exercise Price, assuming all such persons are subject to a combined federal and state income tax at a rate of thirty-five percent (35%) and/or the highest marginal capital gains rates, as applicable, or (2) an amount equal to the fair market value of the properties.

## NOTE L – THIRD PARTY MANAGEMENT AGREEMENT

Buford is managed by a third party management company, Ingerman Management Company (the Agent). The management agent certification provides for a management fee of 7.45% of effective gross income, as defined in the management agent certification. For the year ended December 31, 2019, $31,463 was charged to operations.

Pursuant to the company incentive management agreement, Buford is to pay Ingerman Management Company and Members a non-cumulative annual incentive management fee equal to 89.99% of net cash flow available for distribution. This fee is for services in connection with administration of company affairs and is payable in the priority and manner defined in the operating agreement. For the year ended December 31, 2019, $53,481 was charged to operations.

The Agent pays expenditures (primarily payroll, office expense, and advertising) on behalf of Buford and is reimbursed the following month. During the year ended December 31, 2019, total expenditures were $119,510.

## NOTE M – MEMBERS EQUITY AND CASH FLOW DISTRIBUTION

EBH1, EBH2, EBH3, Buford, Members and Duncan all have non-controlling interests. Managing and Investor Members' contributions are generally recorded as received. Profits and losses are allocated to the members in the order of priority defined in the operating agreements (generally based on ownership percentages). Net cash flow, to the extent available, shall be distributed within ninety days after the close of each fiscal year based on various guidelines as set forth in the operating agreements.

During the year ended December 31, 2018, Duncan had a change in ownership. The two outside partners sold their interest to Baltimore, which left Baltimore as the sole member of the LLC. After that, Duncan fulfilled its responsibilities to the project and ceased operations.

## NOTE N – BUSINESS RISK

The Company is the developer of subsidized housing to benefit low-to-moderate income households. The subsidies significantly lower the sales price of the houses, which makes the houses more affordable and available to qualified buyers. This subsidy lowers the market and performance risk compared to traditional for-sale housing. Measures taken by management include careful selection of site management and advisory personnel, attention to planning and marketing and development activities, and selection of contractors that have demonstrated knowledge and expertise in previous real estate activities. Property Management is the management company for all subsidiaries under RBMI's control.

## NOTE O – COMMITMENTS AND CONTINGENCIES

Development and sale of real property creates a potential for environmental liability on part of the developer, owner, or any mortgage lender for its own acts or omissions, as well as those of current or prior owners of the subject property or adjacent parcels. If hazardous substances are discovered on or emanating from any of the Company's properties, the owner or operator of the property (including the prior owners) may be held strictly liable for all costs and liabilities relating to such hazardous substances. The Company undertakes environmental studies in connection with property acquisitions. The Company is not aware of any material environmental liabilities associated with any of its projects.

Baltimore has a loan with Baltimore Housing through the Department of Housing and Community Development (DHCD). This loan is to be used to pass to home buyers as a second mortgage. The loan is in the amount of $1,300,000, of which all has been received and $602,777 has been assigned to home buyers, cumulatively as of December 31, 2019. Certain units sold by Baltimore to qualified home buyers are required to be owned by a qualified home buyer for a period as defined within the project funding agreements with certain grantors. These project funding agreements allocate portions of the award to the units named per the agreement. Baltimore transfers the obligation for the unit to be maintained by a qualified home buyer at the time the unit is sold. Baltimore is contingently liable for the repayment of the award to the grantor if the qualified home buyer does not remain compliant with the terms of the agreement through the date defined.

Certain properties owned by subsidiaries are eligible for investment tax credits for qualifying rehabilitation expenditures pursuant to Section 47 of the Internal Revenue Code. These subsidiaries are required to comply with various rules and regulations and failure to comply with these or other requirements could result in the recapture of already taken tax credits.

Mount Holly entered into a construction agreement with an unaffiliated party to complete construction of 22 units in Phase 2 for an estimated amount of $2,750,000. As of December 31, 2019, the contract was incurred, paid and capitalized into inventory and Phase 2 was completed.

As of December 31, 2016, The Reinvestment Fund (TRF) and RBMI executed a Support and Services Agreement (the Agreement) as part of a restructuring. TRF forgave $1,250,998 of indebtedness owed by RBMI, effective December 31, 2016. Likewise, the existing $500,000 line of credit from TRF to RBMI, which had a zero balance, had been canceled effective December 31, 2016. In addition, TRF made a grant of $325,000 to RBMI upon execution of the Agreement and completion of the restructuring.

Effective January 1, 2017, TRF shall provide RBMI with the following support:

- Over three years, TRF shall provide a reimbursement grant for expenses incurred in staffing costs in the aggregate amount of $615,000, not to exceed $205,000 per year. The reimbursement grant funds shall be awarded upon meeting the reimbursement criteria.

## NOTE O – COMMITMENTS AND CONTINGENCIES – Continued

- Upon meeting the matching criteria defined in the Agreement, matching grants totaling $1,425,000 shall be awarded to RBMI through 2020 as outlined below: up to a maximum amount of $600,000 in 2017, up to a maximum amount of $450,000 in 2018, up to a maximum amount of $300,000 in 2019, and up to a maximum amount of $75,000 in 2020.

- Beginning January 1, 2017, and continuing through December 31, 2017, TRF shall provide to RBMI back office support, however RBMI may elect to discontinue such services as defined in the Agreement. Starting January 1, 2018 and continuing through December 31, 2019, TRF shall reimburse RBMI for costs of such services in the form of a reimbursement grant not to exceed $450,000 annually.

- TRF has agreed to purchase from RBMI a subscription note in the principal amount of $250,000, contingent upon criteria as defined in the Agreement.

In the normal course of business, the Company is subject to various pending or threatened litigation. In the opinion of management, the ultimate resolution of such litigation will not have a material adverse effect on the Company's consolidated financial statements.

## NOTE P – COVID-19 IMPACT

The Company's business is operating in an environment in which a pandemic exists in relation to the novel coronavirus, COVID-19. As a result of the pandemic, the Company is evaluating its options as they relate to various government stimulus programs passed by Congress in March 2020. The Company has obtained an SBA Loan through the Paycheck Protection Plan. As of the date of these financial statements, the Company does not have any additional liabilities resulting from COVID-19 and its operations have not been significantly impacted by the virus. The impact of COVID-19 on future financial conditions and results of operations cannot be reasonably estimated.

# SUPPLEMENTAL INFORMATION

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**
***December 31, 2019***

**ASSETS**

| | ReBuild Metro, Inc. | Baltimore - Consolidated | Philadelphia | EBMM1 and EBMT1 - Combined | EBMM2 and EBMTM2 - Combined | EBMM3 and EBMTM3 - Combined | Manor - Consolidated | Mount Holly | All Other Subsidiaries Combined | Eliminations and Reclassifications | ReBuild Metro, Inc. Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CURRENT ASSETS** | | | | | | | | | | | |
| Cash | $ 1,202,540 | $ 564,495 | $ 4,684 | $ 236,619 | $ 93,337 | $ 99,561 | $ 143,125 | $ 162,684 | $ 382,361 | $ - | $ 2,889,406 |
| Accounts receivable, net of allowance | 6,340 | 63,022 | - | 30,446 | 58,937 | 14,086 | 617 | 156,330 | - | - | 329,778 |
| Accounts receivable (payable) - related parties, net of allowance | 11,518,725 | (4,479,133) | (881,008) | (821,673) | (885,846) | (2,704,637) | (28,213) | (40,989) | (1,610,935) | (66,291) | - |
| Interest receivable - related parties | 74,173 | 1,089,289 | - | - | - | - | - | - | - | (1,163,462) | - |
| Grants and contributions receivable | 1,125,760 | - | - | - | - | - | - | - | - | - | 1,125,760 |
| Prepaid expenses | 126,377 | 36,183 | (25,105) | 19,478 | 6,021 | 32,385 | 26,452 | - | 17,365 | - | 239,156 |
| Other current assets | - | - | 29,498 | - | - | - | - | - | - | - | 29,498 |
| **Total current assets** | 14,053,915 | (2,726,144) | (871,931) | (535,130) | (727,551) | (2,558,605) | 141,981 | 278,025 | (1,211,209) | (1,229,753) | 4,613,598 |
| **PROPERTY AND EQUIPMENT** | | | | | | | | | | | |
| Office equipment, net of accumulated depreciation | 28,146 | - | - | - | - | - | - | - | - | - | 28,146 |
| Rental property, net of accumulated depreciation | - | 8,140,901 | - | 7,385,637 | 7,509,045 | 12,858,683 | 5,001,756 | - | - | (6,178,149) | 34,717,873 |
| Vehicle, net of accumulated depreciation | 22,354 | - | - | - | - | - | - | - | - | - | 22,354 |
| **Total property and equipment, net** | 50,500 | 8,140,901 | - | 7,385,637 | 7,509,045 | 12,858,683 | 5,001,756 | - | - | (6,178,149) | 34,768,373 |
| **OTHER ASSETS** | | | | | | | | | | | |
| Loans receivable, net of allowance | 1,100,000 | 500 | - | 21,900 | - | - | - | - | - | (500) | 1,121,900 |
| Loans receivable - related parties | 3,556,103 | 7,447,855 | - | - | - | - | - | - | - | (11,003,958) | - |
| Investment in subsidiaries | (8,660,192) | - | - | - | - | - | - | - | - | 8,660,192 | - |
| Property held for development or sale | - | 553,115 | - | 913,826 | - | 289,212 | - | - | - | (882,954) | 873,199 |
| Restricted cash | 206,987 | 207,964 | - | 40,388 | 272,224 | 204,271 | 456,756 | - | 9 | - | 1,388,599 |
| Other non-current assets | - | (500) | - | - | - | - | 43,072 | 119,643 | - | - | 162,215 |
| **Total other assets** | (3,797,102) | 8,208,934 | - | 976,114 | 272,224 | 493,483 | 499,828 | 119,643 | 9 | (3,227,220) | 3,545,913 |
| **TOTAL ASSETS** | $ 10,307,313 | $ 13,623,691 | $ (871,931) | $ 7,826,621 | $ 7,053,718 | $ 10,793,561 | $ 5,643,565 | $ 397,668 | $ (1,211,200) | $ (10,635,122) | $ 42,927,884 |

***See independent auditors' report.***

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION - Continued**
***December 31, 2019***

**LIABILITIES AND NET ASSETS**

| | ReBuild Metro, Inc. | Baltimore - Consolidated | Philadelphia | EBMM1 and EBMT1 - Combined | EBMM2 and EBMTM2 - Combined | EBMM3 and EBMTM3 - Combined | Manor - Consolidated | Mount Holly | All Other Subsidiaries Combined | Eliminations and Reclassifications | ReBuild Metro, Inc. Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **CURRENT LIABILITIES** | | | | | | | | | | | |
| Accounts payable and accrued expenses | $ 95,286 | $ 305,532 | $ 188,066 | $ 24,259 | $ 46,562 | $ 16,939 | $ 30,095 | $ 2,711 | $ 29,317 | $ - | $ 738,767 |
| Accrued interest payable, current | - | 18,264 | - | - | 12,108 | 13,125 | 8,744 | - | - | - | 52,241 |
| Current maturities of loans payable | 253,676 | 76,959 | - | 2,945,878 | 2,399,959 | 95,658 | 26,935 | 400,000 | - | - | 6,199,065 |
| Prepaid rent | - | 6,206 | - | 4,521 | 8,222 | 3,608 | - | - | - | - | 22,557 |
| **Total current liabilities** | 348,962 | 406,961 | 188,066 | 2,974,658 | 2,466,851 | 129,330 | 65,774 | 402,711 | 29,317 | - | 7,012,630 |
| **NON-CURRENT LIABILITIES** | | | | | | | | | | | |
| Escrow payable and due to third parties | 5,750 | 75,086 | - | 39,891 | 32,216 | 41,423 | 10,428 | - | - | - | 204,794 |
| Accrued interest payable | 10,000 | 239,958 | - | 20,673 | 69,051 | 15,149 | 110,039 | 107,106 | - | - | 571,976 |
| Accrued interest payable - related parties | - | 74,173 | - | 924,728 | 140,411 | 24,150 | - | - | - | (1,163,462) | - |
| Deferred revenue, net | - | 1,675,191 | - | 58,350 | 36,562 | - | 26,289 | - | - | - | 1,796,392 |
| Deferred revenue, net - related parties | 877,097 | 258,965 | - | 1,219,012 | 358,915 | 1,358,952 | - | - | - | (4,072,941) | - |
| Loans payable, net | 3,066,863 | 13,117,249 | - | 936,637 | 1,671,488 | 5,497,799 | 2,717,847 | - | - | - | 27,007,883 |
| Loans payable - related parties | - | 3,556,103 | - | 3,411,717 | 1,666,133 | 2,415,000 | - | - | - | (11,048,953) | - |
| **Total non-current liabilities** | 3,959,710 | 18,996,725 | - | 6,611,008 | 3,974,776 | 9,352,473 | 2,864,603 | 107,106 | - | (16,285,356) | 29,581,045 |
| **Total liabilities** | 4,308,672 | 19,403,686 | 188,066 | 9,585,666 | 6,441,627 | 9,481,803 | 2,930,377 | 509,817 | 29,317 | (16,285,356) | 36,593,675 |
| **NET ASSETS** | | | | | | | | | | | |
| **Net assets without donor restrictions** | | | | | | | | | | | |
| Unrestricted | 4,498,641 | (5,779,995) | (1,059,997) | (951,457) | 209,155 | (142,847) | (5,639) | (112,149) | (1,240,517) | 5,650,234 | 1,065,429 |
| Non-controlling interest | - | - | - | (807,588) | 402,936 | 1,454,605 | 2,718,827 | - | - | - | 3,768,780 |
| **Total net assets without donor restrictions** | 4,498,641 | (5,779,995) | (1,059,997) | (1,759,045) | 612,091 | 1,311,758 | 2,713,188 | (112,149) | (1,240,517) | 5,650,234 | 4,834,209 |
| **Net assets with donor restrictions** | 1,500,000 | - | - | - | - | - | - | - | - | - | 1,500,000 |
| **Total net assets** | 5,998,641 | (5,779,995) | (1,059,997) | (1,759,045) | 612,091 | 1,311,758 | 2,713,188 | (112,149) | (1,240,517) | 5,650,234 | 6,334,209 |
| **TOTAL LIABILITIES AND NET ASSETS** | $ 10,307,313 | $ 13,623,691 | $ (871,931) | $ 7,826,621 | $ 7,053,718 | $ 10,793,561 | $ 5,643,565 | $ 397,668 | $ (1,211,200) | $ (10,635,122) | $ 42,927,884 |

***See independent auditors' report.***

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS**
***For the Year Ended December 31, 2019***

| | ReBuild Metro, Inc. | Baltimore - Consolidated | Philadelphia | EBMM1 and EBMT1 - Combined | EBMM2 and EBMTM2 - Combined | EBMM3 and EBMTM3 - Combined | Manor - Consolidated | Mount Holly | All Other Subsidiaries Combined | Eliminations and Reclassifications | ReBuild Metro, Inc. Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **RENTAL REVENUE** | | | | | | | | | | | |
| **Rental income** | | | | | | | | | | | |
| Gross potential rent | $ - | $ 823,312 | $ - | $ 510,549 | $ 494,856 | $ 413,927 | $ 430,381 | $ - | $ - | $ - | $ 2,673,025 |
| Vacancies | - | (152,280) | - | (71,118) | (107,008) | (35,184) | (8,671) | - | - | - | (374,261) |
| Other rental income | - | 71,816 | - | 44,657 | 32,047 | 39,337 | 11,708 | - | - | - | 199,565 |
| Master lease rent - related parties | - | - | - | 407,564 | 352,441 | 271,778 | - | - | - | (1,031,783) | - |
| **Net rental income** | - | 742,848 | - | 891,652 | 772,336 | 689,858 | 433,418 | - | - | (1,031,783) | 2,498,329 |
| **Rental expenses** | | | | | | | | | | | |
| Bad debt expense | - | - | - | (360) | 46,382 | (130) | 28 | - | - | - | 45,920 |
| Consultants | - | - | - | - | - | - | 150 | - | - | - | 150 |
| Insurance | - | 40,375 | - | 25,819 | 26,427 | 22,491 | 16,190 | - | - | - | 131,302 |
| Legal and professional fees | - | 812 | - | 1,211 | 127 | 218 | - | - | - | - | 2,368 |
| Management fee | - | - | - | - | - | - | 61,068 | - | - | - | 61,068 |
| Master lease - related parties | - | - | - | 407,564 | 352,441 | 271,778 | - | - | - | (1,031,783) | - |
| Office expense | - | 7,672 | - | 4,316 | 7,508 | 3,299 | 25,744 | - | - | - | 48,539 |
| Other rental expenses | - | 18,651 | - | 10,545 | 10,284 | 6,659 | 950 | - | - | - | 47,089 |
| Other rental expenses - related parties | - | 1,431 | - | 913 | 936 | 768 | - | - | - | (4,048) | - |
| Rental interest expense | - | 221,104 | - | 200,390 | 168,405 | 106,409 | 52,007 | - | - | - | 748,315 |
| Rental interest expense - related parties | - | - | - | 85,293 | 33,323 | - | - | - | - | (118,616) | - |
| Repairs and maintenance | 102 | 130,299 | - | 71,132 | 68,220 | 39,757 | 52,677 | - | - | - | 362,187 |
| Salaries and related expenses | - | 120,437 | - | 77,124 | 78,937 | 67,449 | 120,073 | - | - | - | 464,020 |
| Taxes - other | - | 53,311 | - | 27,872 | 12,074 | 8,709 | 24,712 | - | - | - | 126,678 |
| Utilities | - | 57,914 | - | 40,674 | 38,198 | 37,980 | 36,603 | - | - | - | 211,369 |
| **Total rental expenses** | 102 | 652,006 | - | 952,493 | 843,262 | 565,387 | 390,202 | - | - | (1,154,447) | 2,249,005 |
| **Net operating rental (loss) income** | (102) | 90,842 | - | (60,841) | (70,926) | 124,471 | 43,216 | - | - | 122,664 | 249,324 |
| **CONSTRUCTION INCOME (EXPENSE)** | | | | | | | | | | | |
| Contractor fee income - related parties | - | - | (689,313) | - | - | - | - | - | - | 689,313 | - |
| **SALES** | | | | | | | | | | | |
| Gross sales | - | 1,805,250 | - | - | - | - | - | 2,899,574 | 575,000 | - | 5,279,824 |
| Cost of goods sold | - | (2,164,995) | - | - | - | - | - | (2,148,594) | (1,047,798) | (1,943) | (5,363,330) |
| Predevelopment costs - related party | - | (200,000) | - | - | - | - | - | (320,000) | - | 520,000 | - |
| Warranty costs | - | (26,859) | (29,857) | - | - | - | - | (167) | - | - | (56,883) |
| **Net (loss) income from sales** | - | (586,604) | (29,857) | - | - | - | - | 430,813 | (472,798) | 518,057 | (140,389) |
| **Net sales and construction (loss) income** | $ - | $ (586,604) | $ (719,170) | $ - | $ - | $ - | $ - | $ 430,813 | $ (472,798) | $ 1,207,370 | $ (140,389) |

***See independent auditors' report.***

**REBUILD METRO, INC. AND SUBSIDIARIES**
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGES IN NET ASSETS - Continued**
***For the Year Ended December 31, 2019***

| | ReBuild Metro, Inc. | Baltimore - Consolidated | Philadelphia | EBMM1 and EBMT1 - Combined | EBMM2 and EBMTM2 - Combined | EBMM3 and EBMTM3 - Combined | Manor - Consolidated | Mount Holly | All Other Subsidiaries Combined | Eliminations and Reclassifications | ReBuild Metro, Inc. Consolidated |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **OTHER REVENUE AND SUPPORT** | | | | | | | | | | | |
| Developer fee income | $ 215,803 | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ 215,803 |
| Developer fee income - related parties | 1,050,322 | - | - | - | - | - | - | - | - | (1,050,322) | - |
| Earnings from subsidiary | (3,037,496) | - | - | - | - | - | - | - | - | 3,037,496 | - |
| Grants and contributions | 4,238,161 | - | - | - | - | - | - | - | - | - | 4,238,161 |
| Management fee income - related parties | 857,763 | - | - | - | - | - | - | - | - | (857,763) | - |
| Other income | 485,888 | 115,971 | - | 2,497 | 49,166 | - | - | - | 27,674 | - | 681,196 |
| Other income - related parties | 4,191 | 12,727 | - | - | - | - | - | - | - | (16,918) | - |
| **Total other revenue and support** | 3,814,632 | 128,698 | - | 2,497 | 49,166 | - | - | - | 27,674 | 1,112,493 | 5,135,160 |
| **PROGRAM AND GENERAL EXPENSES** | | | | | | | | | | | |
| Bad debt expense - related parties | 464,032 | - | - | - | - | - | - | - | - | (464,032) | - |
| Consultants | 112,279 | - | - | - | - | - | - | 26,694 | - | - | 138,973 |
| Insurance | 43,471 | 2,674 | - | - | - | - | - | - | 1,049 | - | 47,194 |
| Legal and professional fees | 99,699 | 12,299 | 498 | 25,056 | 41,245 | 24,921 | 305 | 58,007 | 12,634 | - | 274,664 |
| Management fee - related parties | - | 210,000 | 600,000 | - | - | - | 47,763 | - | - | (857,763) | - |
| Miscellaneous expenses | 221 | (952) | 10,321 | - | - | - | - | - | - | - | 9,590 |
| Occupancy and facility cost | 96,994 | 50,936 | 9,024 | 1,434 | 1,272 | 17,969 | 1,200 | 1,961 | 5,543 | - | 186,333 |
| Office expense | 37,018 | 4,980 | 646 | 7,484 | 1,153 | 1,592 | 452 | 1,703 | 449 | - | 55,477 |
| Predevelopment costs | 199,221 | - | - | - | - | - | - | - | - | - | 199,221 |
| Program expense | 70,911 | - | - | - | - | - | - | - | - | - | 70,911 |
| Salaries and related expenses | 1,309,310 | - | - | - | - | - | - | - | - | - | 1,309,310 |
| Staff expenses | 101,909 | - | 207 | - | - | 115 | - | 1,822 | - | - | 104,053 |
| **Total program and general expenses** | 2,535,065 | 279,937 | 620,696 | 33,974 | 43,670 | 44,597 | 49,720 | 90,187 | 19,675 | (1,321,795) | 2,395,726 |
| **Net operating income (loss)** | 1,279,465 | (647,001) | (1,339,866) | (92,318) | (65,430) | 79,874 | (6,504) | 340,626 | (464,799) | 3,764,322 | 2,848,369 |
| **OTHER INCOME (EXPENSE)** | | | | | | | | | | | |
| Interest income | 3,927 | 1,371 | - | 73 | - | - | - | 2 | 9 | - | 5,382 |
| Interest income - related parties | - | 211,001 | - | - | - | - | - | - | - | (211,001) | - |
| Interest expense | (10,669) | (220,321) | - | (8,380) | (25,240) | (36,785) | (2,250) | (2,067) | - | - | (305,712) |
| Interest expense - related parties | - | - | - | (68,234) | - | (24,150) | - | - | - | 92,384 | - |
| Depreciation expense | (28,354) | (368,369) | - | (287,363) | (227,519) | (421,612) | (236,228) | - | - | - | (1,569,445) |
| Depreciation expense - related parties | - | (50,299) | - | (67,931) | (104,802) | (43,534) | - | - | - | 266,566 | - |
| **Net other (expense) income** | (35,096) | (426,617) | - | (431,835) | (357,561) | (526,081) | (238,478) | (2,065) | 9 | 147,949 | (1,869,775) |
| **NET INCOME (LOSS)** | 1,244,369 | (1,073,618) | (1,339,866) | (524,153) | (422,991) | (446,207) | (244,982) | 338,561 | (464,790) | 3,912,271 | 978,594 |
| **NET ASSETS - Beginning of year** | 4,754,272 | (4,706,377) | 279,869 | (1,234,892) | 1,035,082 | 1,314,938 | 2,967,118 | (450,710) | (1,874,596) | 2,836,832 | 4,921,536 |
| Distributions | - | - | - | - | - | - | (8,948) | - | - | - | (8,948) |
| Contributions | - | - | - | - | - | 443,027 | - | - | 1,098,869 | (1,098,869) | 443,027 |
| **NET ASSETS - End of year** | $ 5,998,641 | $ (5,779,995) | $ (1,059,997) | $ (1,759,045) | $ 612,091 | $ 1,311,758 | $ 2,713,188 | $ (112,149) | $ (1,240,517) | $ 5,650,234 | $ 6,334,209 |

***See independent auditors' report.***