

**STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT CORPORATION AND
AFFILIATE**

**Consolidated Financial Statements
December 31, 2018 with Summarized Comparative Totals for 2017
With Independent Auditors' Reports**

**Structured Employment Economic Development Corporation and Affiliate
December 31, 2018 with Comparative Totals for 2017**

TABLE OF CONTENTS	
Independent Auditors' Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statement of Activities and Changes in Net Assets (Deficit)	4
Consolidated Statement of Functional Expenses	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-13
Supplementary Information	
Schedule of Expenditures of Federal Awards	14
Notes to Schedule of Expenditures of Federal Awards	15
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17
Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance as Required by the Uniform Guidance	18-19
Schedule of Audit Findings and Questioned Costs	20
Schedule of Prior Year's Audit Findings and Questioned Costs	21

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Structured Employment Economic Development Corporation:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Structured Employment Economic Development Corporation and Affiliate (collectively "Seedco"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets (deficit), functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the 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 auditors' 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.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Structured Employment Economic Development Corporation and Affiliate as of December 31, 2018 and the changes in their net assets (deficit) and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, in 2018, SEEDCO adopted Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), and is not a required part of the consolidated financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records use to prepare the financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

We have previously audited Structured Employment Economic Development Corporation's consolidated financial statements for the year ended December 31, 2017, and we expressed an unmodified opinion on those consolidated audited financial statements in our report dated September 28, 2018. In our opinion, the summarized comparative consolidated information presented herein as of and for the year ended December 31, 2017 is consistent in all material respects, with the audited consolidated financial statements 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 September 30, 2019 on our consideration of Seedco’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Seedco’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Seedco’s internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

September 30, 2019

Structured Employment Economic Development Corporation and Affiliate
Consolidated Statements of Financial Position
December 31, 2018 and 2017

	2018	2017
Assets		
Cash	\$ 209,902	\$ 198,380
Grants and contracts receivable, net of allowance of \$10,000 for each of the years ended 2018 and 2017	861,253	708,954
Other receivables	301,745	146,113
Security deposits and other assets	234,847	234,847
Property and equipment - net	<u>104,151</u>	<u>11,578</u>
 Total assets	 <u>\$ 1,711,898</u>	 <u>\$ 1,299,872</u>
 Liabilities and Net Assets (Deficit)		
Liabilities		
Accounts payable and accrued expenses	\$ 1,338,554	\$ 1,507,815
Accounts payable and accrued expenses - related party	673,846	397,678
Refundable contract advances	503,562	321,378
Deferred compensation	--	87,100
Line of credit	205,780	250,000
Related party loan payable	622,000	282,000
Deferred rent	<u>167,960</u>	<u>156,809</u>
Total liabilities	3,511,702	3,002,780
Net assets (deficit)		
Without donor restrictions	(1,888,846)	(1,842,049)
With donor restrictions	<u>89,042</u>	<u>139,141</u>
Total net assets (deficit)	<u>(1,799,804)</u>	<u>(1,702,908)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 1,711,898</u>	 <u>\$ 1,299,872</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Structured Employment Economic Development Corporation and Affiliate
Consolidated Statement of Activities and Changes in Net Assets (Deficit)
Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018			2017
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	
Revenues				
Government grants and contracts	\$ 6,549,172	\$ --	\$ 6,549,172	\$ 6,474,305
Contributions	--	--	--	317,500
Donated services	--	--	--	131,031
Other revenue	559,634	--	559,634	497,978
Net assets released from restrictions	50,099	(50,099)	--	--
	<u>7,158,905</u>	<u>(50,099)</u>	<u>7,108,806</u>	<u>7,420,814</u>
Expenses				
Program services				
Workforce development	3,474,494	--	3,474,494	3,598,804
Work and family supports	2,000,367	--	2,000,367	2,069,970
	<u>5,474,861</u>	<u>--</u>	<u>5,474,861</u>	<u>5,668,774</u>
Supporting services				
Management and general	1,667,425	--	1,667,425	2,224,996
Fundraising	63,416	--	63,416	20,750
	<u>1,730,841</u>	<u>--</u>	<u>1,730,841</u>	<u>2,245,746</u>
	<u>7,205,702</u>	<u>--</u>	<u>7,205,702</u>	<u>7,914,520</u>
Changes in net assets (deficit)	(46,797)	(50,099)	(96,896)	(493,706)
Net assets (deficit) - beginning of year	<u>(1,842,049)</u>	<u>139,141</u>	<u>(1,702,908)</u>	<u>(1,209,202)</u>
Net assets (deficit) - end of year	<u>\$ (1,888,846)</u>	<u>\$ 89,042</u>	<u>\$ (1,799,804)</u>	<u>\$ (1,702,908)</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Structured Employment Economic Development Corporation and Affiliate
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018
(With Comparative Totals for the Year Ended December 31, 2017)

	2018						2017	
	Workforce Development	Work and Family Supports	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses	Total Expenses
Salaries	\$ 1,412,185	\$ 984,812	\$ 2,396,997	\$ 347,666	\$ 53,354	\$ 401,020	\$ 2,798,017	\$ 2,474,101
Payroll taxes and employee benefits	384,681	258,645	643,326	--	10,062	10,062	653,388	723,316
	<u>1,796,866</u>	<u>1,243,457</u>	<u>3,040,323</u>	<u>347,666</u>	<u>63,416</u>	<u>411,082</u>	<u>3,451,405</u>	<u>3,197,417</u>
Program grant expenses	1,009,571	498,800	1,508,371	--	--	--	1,508,371	1,902,414
Professional fees	1,681	--	1,681	147,089	--	147,089	148,770	720,457
Occupancy	394,930	78,360	473,290	495,372	--	495,372	968,662	951,870
Insurance	--	--	--	123,761	--	123,761	123,761	229,182
Recruitment and temporary staff	5,764	2,166	7,930	180	--	180	8,110	16,394
Supplies and equipment	29,254	14,812	44,066	2,658	--	2,658	46,724	46,730
Printing and publications	8,293	60,102	68,395	2,172	--	2,172	70,567	39,228
Postage and deliveries	839	53	892	4,000	--	4,000	4,892	4,237
Travel	105,905	42,909	148,814	87,566	--	87,566	236,380	148,871
Board expense	--	--	--	1,013	--	1,013	1,013	6,958
Telephone	20,343	22,602	42,945	33,211	--	33,211	76,156	87,650
Legal and accounting	--	--	--	356,328	--	356,328	356,328	284,264
Information system development	46,394	24,908	71,302	27,086	--	27,086	98,388	149,302
Seminar, conferences & training	33,350	8,319	41,669	7,255	--	7,255	48,924	34,946
Membership dues and subscriptions	20,902	3,058	23,960	267	--	267	24,227	24,767
Interest	--	--	--	21,224	--	21,224	21,224	24,015
Depreciation	--	--	--	4,892	--	4,892	4,892	4,797
Miscellaneous	402	821	1,223	5,685	--	5,685	6,908	41,021
	<u>\$ 3,474,494</u>	<u>\$ 2,000,367</u>	<u>\$ 5,474,861</u>	<u>\$ 1,667,425</u>	<u>\$ 63,416</u>	<u>\$ 1,730,841</u>	<u>\$ 7,205,702</u>	<u>\$ 7,914,520</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Structured Employment Economic Development Corporation and Affiliate
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Changes in net assets (deficit)	\$ (96,896)	\$ (493,706)
Adjustments to reconcile changes in net assets (deficit) to net cash used by operating activities		
Depreciation	4,892	4,797
Deferred rent expense	11,151	26,508
Change in		
Grants and contracts receivable	(152,299)	(67,225)
Other receivables	(155,632)	(25,934)
Security deposits and other assets	--	74,287
Accounts payable and accrued expenses	(169,261)	(232,390)
Accounts payable and accrued expenses - related party	276,168	397,678
Refundable contract advances	182,184	(39,568)
Deferred compensation	(87,100)	(130,000)
Net cash used by operating activities	<u>(186,793)</u>	<u>(485,553)</u>
Cash flows from investing activities		
Purchases of property and equipment	<u>(97,465)</u>	<u>--</u>
Net cash used by investing activities	(97,465)	--
Cash flows from financing activities		
Proceeds from related party loans payable	340,000	282,000
Change in line of credit	(44,220)	--
Repayment of loans payable	<u>--</u>	<u>(76,259)</u>
Net cash provided by financing activities	<u>295,780</u>	<u>205,741</u>
Net change in cash	11,522	(279,812)
Cash		
Beginning of year	<u>198,380</u>	<u>478,192</u>
End of year	<u>\$ 209,902</u>	<u>\$ 198,380</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 17,576	\$ 18,716

The Notes to Consolidated Financial Statements are an integral part of these statements.

Structured Employment Economic Development Corporation and Affiliate

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

1. DESCRIPTION OF ORGANIZATION

The Structured Employment Economic Development Corporation, also known as "Seedco," is a national not-for-profit organization that advances economic opportunity for people, businesses and communities in need. In addition to its headquarters in New York City, Seedco has branch offices in Memphis, TN; Baltimore, MD; Elkton, MD; Churchville, MD; and Waldorf, MD.

The Non-Profit Assistance Corporation ("N-PAC") is a not-for-profit organization organized to implement workforce development programs, designed by Seedco, in partnership with faith and community-based organizations. N-PAC is a wholly-controlled affiliate of Seedco, and its financial statements are consolidated with those of Seedco (collectively, "Seedco" or "the Corporation"). N-PAC had no activities in 2018 or 2017.

Seedco and N-PAC are exempt from Federal income taxes under Section 501(a) as organizations described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and have been classified as publicly charitable organizations under Section 509(a)(1) of the Code. Contributions to the organizations are tax deductible within the limitations prescribed by the Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared under the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations. All significant transactions have been eliminated in consolidation.

In the consolidated statements of financial position, assets are presented in order of liquidity or conversion to cash and liabilities are presented according to their maturity resulting in the use of cash.

Financial Statement Presentation

External financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes based on the existence or absence of external donor-imposed restrictions. This is accomplished by classification of net assets into two classes: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are as follows:

- Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions. Items that affect this net asset category principally consist of revenues and related expenses associated with the activities of the Corporation. In addition to these exchange transactions, gifts without restrictions, including those designated by the Board and restricted gifts whose donor-imposed restrictions were met during the fiscal year, as well as previously restricted gifts, are included in this net asset class.
- With Donor Restrictions – Net assets subject to donor-imposed restrictions that will be met either by actions of the Corporation or the passage of time. Items that affect this net asset category are contributions for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions from prior years are reported as net assets released from restrictions.

In-Kind Contributions and Donated Services

In-kind contributions are reflected as contributions at their fair value at the date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. Seedco recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed.

Structured Employment Economic Development Corporation and Affiliate

Notes to Consolidated Financial Statements

December 31, 2018 and 2017

Revenue Recognition

Revenue from government grants and contracts is recognized as earned, that is, as related costs are incurred under such agreements, services are rendered, or when applicable performance-based milestones are reached. Grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions. Reimbursements are subject to audit and retroactive adjustments by the respective grantor. Revenue from retroactive adjustments is recognized in the year the adjustments are made. Payments received in excess of costs incurred are reflected as refundable contract advances.

Contributions received, including unconditional promises to give, if any, are reported at their net realizable values. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit their use or if they are intended to support activities in future periods. Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted income.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information. With respect to the consolidated statement of activities and changes in net assets, the prior year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Seedco's consolidated financial statements for the year ended December 31, 2017 from which the summarized information was derived.

Property and Equipment

Equipment is stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of 3 years. Seedco's policy is to evaluate for capitalization individual expenditures costing in excess of \$1,000.

Expenditures for maintenance and repairs are charged to activities as incurred. Expenditures for betterments and major renewals are capitalized and, therefore, are included in property and equipment.

Impairment of Long-Lived Assets

Seedco reviews long-lived assets, including equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of December 31, 2018 and 2017, there were no such losses.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and changes in net assets. Costs that pertain to an individual program are directly charged to the program benefited. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis. Salaries and payroll taxes and employee benefits are allocated by time and effort, all other costs are allocated by direct salaries.

Structured Employment Economic Development Corporation and Affiliate
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Concentration of Credit Risk

Cash is maintained in financial institutions in amounts which, at times, may exceed federally insured limits. These financial institutions have a strong credit rating and management believes that credit risk related to these accounts is minimal. Seedco has not experienced any losses in such accounts.

Receivables

Receivables are recorded at their net realizable values, based upon an estimated allowance for doubtful accounts. Pledges receivable due after one year are discounted to net present value using the risk-adjusted interest rate in effect on the date of the gifts.

Deferred Rent

U.S. GAAP requires that the total rent commitment be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for consolidated financial statement purposes is being deferred.

Income Taxes

Seedco is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York taxation codes. Accordingly, no provision for income taxes has been reflected in the accompanying consolidated financial statements.

Seedco follows generally accepted accounting principles in the United States of America related to uncertain tax positions which require tax effects from an uncertain tax position to be recognized in the consolidated financial statements only if the position is more likely than not to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. If an uncertain tax position meets the more-likely-than-not threshold, the largest amount of tax benefit that is greater than 50 percent likely to be recognized upon ultimate settlement with the taxing authority is recorded. Seedco's primary tax positions relate to its status as a not-for-profit entity exempt from income taxes and classification of activities related to its exempt purpose. Management has evaluated the tax positions reflected in Seedco's tax filings and does not believe that any material uncertain tax positions exist.

Seedco files forms 990 in the U.S. federal jurisdiction and CHAR 500 in the State of New York. Seedco did not recognize any tax related penalties or interest for the years ended December 31, 2018 and 2017.

Accounting Pronouncements Adopted in the Current Year

In August 2016, the Financial Accounting Standards Board, ("FASB") issued ASU 2016-14, *Not-for-Profit Entities (Topic 958); Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 reduces the number of net asset from three to two: net assets without donor restrictions, previously reported as unrestricted net assets, and net assets with donor restrictions, previously reported as temporarily restricted net assets and permanently restricted net assets. Additionally, it increases the quantitative and qualitative disclosures regarding liquidity and availability of resources, and requires expenses to be reported by both their natural and functional classification in one location.

Structured Employment Economic Development Corporation and Affiliate
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of December 31, 2017 is as follows:

Net Asset Classifications	ASU 2016-14 Classifications		Total
	Net Assets Without Restrictions	Net Assets With Restrictions	
Net assets (deficit)			
Unrestricted	\$ (1,842,049)	\$ --	\$ (1,842,049)
Temporarily restricted	--	139,141	139,141
Permanently restricted	--	--	--
Total net assets (deficit)	<u>\$ (1,842,049)</u>	<u>\$ 139,141</u>	<u>\$ (1,702,908)</u>

Recent Accounting Pronouncements

Revenue Recognition – Exchange Transactions

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes all existing revenue recognition requirements, including most industry-specific guidance. Together with subsequent amendments, this created Accounting Standards Codification Topic 606 (“ASC 606”). ASC 606 requires an entity to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that the entity expects to receive for those goods or services. ASC 606 also expands disclosure requirements. ASC 606 will be effective for Seedco beginning January 1, 2019. ASC 606 allows for either “full retrospective” adoption, meaning the standard is applied to all of the periods presented, or “modified retrospective” adoption, meaning the standard is applied only to the most current period presented in the consolidated financial statements. Seedco is currently evaluating the impact of adoption of ASC 606. At this time, management believes that the adoption of ASC 606 will have a minimal impact on its consolidated financial statements.

Revenue Recognition - Contributions

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB is issuing this ASU to improve and clarify existing guidance on revenue recognition of grants and contracts by not-for-profit organizations (“NFPs”) because there is diversity in practice among NFPs with characterizing grants and similar contracts with government agencies and others as reciprocal transactions (exchanges) or nonreciprocal transactions (contributions) and distinguishing between conditional and unconditional contributions. This proposed ASU also provides guidance to help determine whether a contribution is conditional or unconditional, and better distinguish a donor-imposed condition from a donor-imposed restriction. This ASU is effective for annual periods and interim periods beginning after December 15, 2018.

Leases

In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires the recognition of a “right of use” asset and a lease liability, initially measured at the present value of the lease payments, on the consolidated statement of financial position or all of Seedco’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2019. Seedco is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

Structured Employment Economic Development Corporation and Affiliate
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

At December 31, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, were as follows:

	2018	2017
Financial assets		
Cash	\$ 209,902	\$ 198,380
Grants and contracts receivable	861,253	708,954
Other receivables	<u>301,745</u>	<u>146,113</u>
Total financial assets	1,372,900	1,053,447
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>89,042</u>	<u>139,141</u>
Total financial assets available within one year	<u>\$ 1,283,858</u>	<u>\$ 914,306</u>

Seedco manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. Seedco's cash flows have fluctuations during the year attributable to the timing of program operations and collection of funds from donors and grantors.

4. GRANTS AND CONTRACTS RECEIVABLE

At December 31, 2018 and 2017, grants and contracts receivable consisted of the following:

	2018	2017
State of Maryland	\$ 475,308	\$ 346,484
Delta Regional Authority	88,613	88,613
State of New York	30,443	66,358
City of Memphis	52,310	52,963
MDRC	41,898	49,859
Memphis Bioworks	55,160	41,311
Anne Arundel Workforce Development Corporation	12,662	12,852
U.S. Department of Labor	52,096	27,532
U.S. Department of Health and Human Services	<u>62,763</u>	<u>32,982</u>
	871,253	718,954
Less: Allowance for doubtful accounts	<u>(10,000)</u>	<u>(10,000)</u>
	<u>\$ 861,253</u>	<u>\$ 708,954</u>

Structured Employment Economic Development Corporation and Affiliate
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

5. REFUNDABLE CONTRACT ADVANCES

At December 31, 2018 and 2017, the refundable advances in support of Seedco programs consisted of the following:

	2018	2017
U.S. Department of Health and Human Services	\$ 271,394	\$ 5,717
U.S. Department of Labor	84,545	142,382
NYC Mayor's Office	63,654	112,580
Other	<u>83,969</u>	<u>60,699</u>
	<u>\$ 503,562</u>	<u>\$ 321,378</u>

6. IN KIND CONTRIBUTIONS

Donated legal services were provided in connection with corporate governance and the Health Insurance Portability and Accountability Act compliance. Included in donated services is the fair value of legal services received amounting to \$-0- and \$131,031, for the years ended December 31, 2018 and 2017, respectively.

7. DEFERRED COMPENSATION

The deferred compensation balance is related to the employment agreement dated March 29, 2010 between Seedco and the former CEO. The agreement specified that from the commencement date of employment and for each of the first five years of the CEO's employment, Seedco will place in the trust an amount equal to ten percent (10%) of the CEO's base salary. Deferred compensation benefit rights vest upon the fifth anniversary of employment commencement or death or disability. On December 31, 2016, the CEO retired from the position. The deferred compensation balance amounted to \$-0- and \$87,100 at December 31, 2018 and 2017, respectively.

8. LINE OF CREDIT

Seedco has a line of credit of \$250,000 with a financial institution which is secured by certain assets of Seedco and matures in February 2023. Interest on the outstanding balance is computed on the basis of the actual number of days elapsed in a year at the rate of 2.75 percent per annum above the prime rate (the "Note Rate"), or at the rate of 3.0 percent per annum above the Note Rate, at the option of the financial institution. The prime rate at December 31, 2018 and 2017 was 5.5 percent and 4.5 percent, respectively. At the years ended December 31, 2018 and 2017 the outstanding balance was \$205,780 and \$250,000, respectively.

9. COMMITMENTS AND CONTINGENCIES

From time to time, Seedco may be a party to legal actions, which arise in the normal course of business. Seedco's counsel has advised Seedco that they do not believe the eventual outcome of these matters will have a material effect on the Seedco's consolidated financial position or changes in net assets.

Seedco leases office space under terms of various leases expiring through July 2021. The leases generally provide for annual base rentals, with certain escalation clauses.

Structured Employment Economic Development Corporation and Affiliate
Notes to Consolidated Financial Statements
December 31, 2018 and 2017

Minimum future lease payments through July 2021 are as follows:

Year	Amount
2019	\$ 838,057
2020	774,853
2021	<u>459,955</u>
	<u>\$ 2,072,865</u>

Rent expense for the years ended December 31, 2018 and 2017 was \$883,895 and \$895,446, respectively.

10. NET ASSETS WITH RESTRICTIONS

Temporarily restricted net assets are available for the following purpose for future periods at December 31:

	2018	2017
Work and family supports	\$ 89,042	\$ 139,141

During the years ended December 31, 2018 and 2017, \$50,099 and \$346,349, respectively, was released from temporarily restricted net assets.

11. EMPLOYEE RETIREMENT PLAN

Seedco has a defined contribution employee retirement plan, with a contribution rate based on 4 percent of all eligible employees' annual compensation. Contributions are funded on a current basis. The total contribution expense for the years ended December 31, 2018 and 2017 was \$71,743 and \$88,630, respectively.

12. RELATED PARTY TRANSACTIONS

In 2017, Seedco became a member of the Acacia Network and receives fiscal, management, and other support services from affiliates controlled by a common Board of Directors including, Acacia Network, Inc., Acacia Network Housing, Inc. Puerto Rican Organization to Motivate, Enlighten and Serve Addicts, Inc. ("Promesa Inc."), Promesa Administrative Services Organization, Inc. ("PASO"), and Sera Security Services, LLC ("Sera").

PASO acts as a common paymaster and additionally pays certain other than personal services costs on behalf of Seedco. Total expense paid by PASO for the years ended December 31, 2018 and 2017 was \$435,624 and \$520,913, respectively. As of December 31, 2018 and 2017, there was \$673,846 and \$397,678 due to PASO included in accounts payable and accrued expenses – related party.

In July 2017, Seedco entered into a loan agreement with a related party in the amount of \$282,000. The loan has an interest rate of 5 percent and matured in October 2017. The outstanding balance at December 31, 2018 and 2017 was \$622,000 and \$282,000, respectively. The loan is currently in negotiations to be extended.

13. SUBSEQUENT EVENTS

Seedco has evaluated subsequent events occurring after the consolidated statement of financial position date, through the date of September 30, 2019, the date the consolidated financial statements were available for release. Based upon this evaluation, Seedco has determined that no subsequent events have occurred, which require disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

Structured Employment Economic Development Corporation and Affiliate
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

	CFDA Number	Pass-through Entity Identifying Number	Awards to Subrecipients	Expenditures
U.S. Department of Agriculture				
Pass-through State of Maryland, Department of Human Resources				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FIA/FSO 18-004	\$ 54,334	\$ 134,922
U.S. Department of Labor				
Reintegration of Ex-Offenders	17.270	PE273781560A36	10,123	346,197
Reintegration of Ex-Offenders	17.270	PE290121660A36	169,288	540,801
Reintegration of Ex-Offenders	17.270	PE321541860A36	--	94,644
Reintegration of Ex-Offenders	17.270	YF-32134-18-60-A-36	--	125,660
Reintegration of Ex-Offenders	17.270	YF-30776-17-60-A-36	--	412,089
			<u>179,411</u>	<u>1,519,391</u>
Pass-through Memphis Workforce Investment Network				
WIA/WIOA Youth Activities	17.259	33996	--	55,020
Pass-through Memphis Bioworks Foundation				
H-1B Job Training Grants	17.268	HG-26665-15-60-A-47	--	125,101
Pass-through WDC - Maryland Tech Connection				
H-1B Job Training Grants	17.268	SGA DFA PY 13-07	--	66,135
Total U.S. Department of Labor			<u>179,411</u>	<u>1,765,647</u>
U.S. Department of Health and Human Services				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0071-03-00	524,932	1,392,454
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	90FK0071-04-00	49,031	347,425
			<u>573,963</u>	<u>1,739,879</u>
Pass-through MDRC				
Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	HHSP23320095644	--	263,282
Pass-through State of New York Office of Temporary and Disability Assistance				
Centers for Medicare & Medicaid Services	93.767	1Z0CMS331524-01-00	12,855	248,228
Pass-through State of Maryland, Maryland Health Benefit Exchange				
State Planning and Establishment Grants for Affordable Care Act (ACA)'s Exchanges	93.778	04-005/05-005	407,648	542,838
State Planning and Establishment Grants for Affordable Care Act (ACA)'s Exchanges	93.778	05-004	--	295,188
			<u>407,648</u>	<u>838,027</u>
Total U.S. Department of Health and Human Services			<u>994,466</u>	<u>3,089,416</u>
			<u>\$ 1,228,211</u>	<u>\$ 4,989,985</u>

See Independent Auditors' Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards

Structured Employment Economic Development Corporation and Affiliate
Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state financial assistance presents the activities in all the federal awards programs of Structured Employment Economic Development Corporation and Affiliate. All financial awards received directly from federal agencies as well as financial awards passed through other governmental agencies or non-profit organizations are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported on the consolidated statement of activities as program services. In certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported on the schedule of expenditures of federal awards assistance due to program expenditures exceeding grant or contract budget limitations, matching or in-kind contributions or capitalization policies required under accounting principles generally accepted in the United States of America.

4. INDIRECT COST

Seedco has a federally negotiated indirect cost rate for its federal programs as covered in section 200.414 in the Uniform Guidance.

5. PROCUREMENT

For the year ended December 31, 2018, Seedco is following the guidance under the *Uniform Guidance Compliance Supplement* regarding procurement.

6. SUBRECIPIENTS

For the year ended December 31, 2018, Seedco awarded \$1,228,211 to subrecipients.

See Independent Auditors' Report.

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Structured Employment Economic Development Corporation:

We have audited, 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, the consolidated financial statements of Structured Employment Economic Development Corporation and Affiliate ("Seedco"), which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities and changes in net assets (deficit), functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 30, 2019.

Internal Control Over Financial Reporting

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

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.

Withum Smith + Brown, PC

September 30, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Structured Employment Economic Development Corporation:

Report on Compliance for Each Major Federal Program

We have audited Structured Employment Economic Development Corporation and Affiliate's ("Seedco") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Compliance Supplement* that could have a direct and material effect on each of Seedco's major federal programs for the year ended December 31, 2018. Seedco's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Seedco's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Seedco's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Seedco's compliance.

Opinion on Each Major Federal Program

In our opinion, Seedco complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of Seedco is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Seedco's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Seedco's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

September 30, 2019

**Structured Employment Economic Development Corporation and Affiliate
 Schedule of Audit Findings and Questioned Costs
 Year Ended December 31, 2018**

Section 1 – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Non-compliance material to financial statements?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs</u>
93.086	Healthy Marriage Promotion and Responsible Fatherhood Grants
93.778	State Planning and Establishment Grants for Affordable Care Act (ACA)’s Exchanges

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section 2 – Financial Statement Findings

None noted.

Section 3 - Major Federal Awards Findings and Questioned Costs

None noted.

**Structured Employment Economic Development Corporation and Affiliate
Schedule of Prior Year's Audit Findings and Questioned Costs
Year Ended December 31, 2018**

None noted.