

Cambridge Waterfront Development, Inc.

FINANCIAL REPORT

December 31, 2021

CAMBRIDGE WATERFRONT DEVELOPMENT, INC.

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Cambridge Waterfront Development, Inc.
Cambridge, Maryland

We have reviewed the accompanying financial statements of Cambridge Waterfront Development, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Cambridge Waterfront Development, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Salisbury, Maryland
August 12, 2022

CAMBRIDGE WATERFRONT DEVELOPMENT, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2021

ASSETS

Current assets

Cash	\$	2,113,164
Grants receivable		223,615
		<hr/>
Total current assets		2,336,779
		<hr/>
Construction in Progress, net		521,819
		<hr/>
Total Assets	\$	2,858,598

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$	207,319
Unearned revenue		2,000,000
		<hr/>
Total current liabilities		2,207,319

COMMITMENTS

NET ASSETS

Without donor restrictions		651,279
		<hr/>
Total net assets		651,279
		<hr/>
Total liabilities and net assets	\$	2,858,598

CAMBRIDGE WATERFRONT DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2021

Revenue and Support

State government grants	\$	343,743
Local government		115,900
Interest		106
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Total revenue and support		459,749

Expenses

Program services		25,420
Management and general		2,617
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Total expenses		28,037

Change in Net Assets 431,712

Net assets Without Donor Restrictions, Beginning 219,567

Net Assets Without Donor Restrictions, Ending \$ 651,279

CAMBRIDGE WATERFRONT DEVELOPMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2021

	Program Services	General and Administrative	Total Expenses
Contract services	\$ 20,981	\$ -	\$ 20,981
Administrative expenses	-	2,617	2,617
Insurance	4,439	-	4,439
Total expenses	\$ 25,420	\$ 2,617	\$ 28,037

CAMBRIDGE WATERFRONT DEVELOPMENT, INC.
STATEMENT OF CASH FLOWS
Year Ended December 31, 2021

Cash Flows from Operating Activities

Change in net assets	\$	431,712
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net changes on:		
Increase in grant receivables		(218,274)
Increase in accounts payable		197,532
Increase in unearned revenue		2,000,000
<hr/>		
Net cash provided by operating activities		2,410,970

Cash Flows from Investing Activities

Predevelopment costs		(441,053)
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Net cash used by investing activities		(441,053)

Net Increase in Cash 1,969,917

Cash, Beginning 143,247

Cash, Ending \$ 2,113,164

**Cambridge Waterfront Development, Inc.
Notes to the Financial Statements
For the year ended December 31, 2021**

NOTE 1. THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

Cambridge Waterfront Development, Inc. (the "Organization") is a non-profit corporation organized under the laws of the State of Maryland and is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization was formed on July 9, 2018. The Organization is led by an appointed seven-member board of directors - three members appointed by the Commissioners of the City of Cambridge, two members appointed by the Commissioners of Dorchester County, one member appointed by the Governor of the State of Maryland, and one member appointed by the Organization. Board members serve staggered terms to maintain continuity. Funds secured and generated by the Organization are used to promote and facilitate the redevelopment of certain properties along and adjacent to the City of Cambridge waterfront for the betterment of Cambridge, Dorchester County and the region.

On December 13, 2021, the Organization formed CWDI Holdings, LLC ("Holdings") to hold property acquired by the Organization. The Organization is the sole member of Holdings.

The financial statements of the Organization have been prepared on the accrual basis of accounting. Significant accounting policies not disclosed elsewhere in the financial statements are as follows:

Financial Statement Presentation

FASB ASC Topic 958-210, *Presentation of Financial Statements of Not-for-Profit Entities*, requires the Organization 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) based upon the existence or absence of donor-imposed restrictions.

A description of the two categories of net assets is as follows:

Net Assets without Donor Restrictions— Net assets are free from donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets are presently available for use by the Organization at the discretion of the Board of Directors.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cambridge Waterfront Development, Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

NOTE 1. THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

FASB ASC Topic 606, *Revenue from Contracts with Customers*, requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, this standard requires enhanced qualitative and quantitative disclosures related to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

FASB ASC Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions.

Grant Revenue

Grants are awarded to support the Organization's program activities that are conditioned on performing certain services or incurring certain reimbursable expenditures. Cost reimbursement grants are recognized as revenue in the period the qualifying allowable expenditures are incurred. Grants Receivable consist of outstanding amounts due for grants in which the allowable expenditures have been incurred but the funding has not been reimbursed to the Organization. Grant amounts collected in advance but unearned are reflected as unearned revenue. Unearned revenue applies to services to be rendered in future periods and revenue is recognized in the year when the services are earned. Certain unexpended grants could be required under the grant terms to be returned to the funding entity.

Project income

Project income is recognized when earned. Project income is recognized over the terms of the project and the period of service provided. Amounts collected are reflected as deferred revenue if the Organization has an obligation to perform services before it has a right to retain the amounts collected. In addition, project income under cost reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred. There was no project income earned during 2021.

Contribution Revenue and Pledges Receivable

The Organization records contributions (including pledges) when the contribution is deemed unconditional. Contributions are reflected in the financial statements at the earlier of the transfer of the asset or at the time an unconditional pledge is made. There were no unconditional pledges received during 2021.

Conditional pledges, where the donor has placed a condition on the gift that the ultimate transfer of the asset or pledge is contingent on a future and uncertain event, are not recorded as contributions until the condition is met. There were no conditional pledges received during 2021.

Cambridge Waterfront Development, Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

NOTE 1. THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

The Organization considers cash, investment accounts, and other demand deposits as cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Major expenditures for property and equipment, which substantially increase useful lives, are capitalized. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income. Depreciation is computed using straight-line methods over the estimated useful lives of the assets. There was no equipment as of December 31, 2021.

Long-Lived Assets

The carrying value of long-lived assets is reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No assets were deemed impaired as of December 31, 2021.

Credit Risk

The Organization has deposits in financial institutions, which may, at any point in time, have amounts of deposits in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Allowance for Doubtful Accounts

The allowance method is used to account for uncollectible receivables. The allowance for doubtful accounts is based on historical collection experience and management's analysis of possible future bad debts. Charge-offs are recorded when management deems that the receivable will not be collected. Bad debt recoveries are charged against the allowance account as realized. At December 31, 2021, there was no allowance for doubtful accounts recorded as management deemed receivables to be fully collectible.

Unearned Revenue

Unearned revenues are those for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Therefore, such amounts are reported within the accompanying financial statements as cash and/or receivables and are offset by a deferred revenue account. These monies will remain in unearned revenue until it is expended for the purpose of the grant, at which time it is recognized as revenue. The balance of unearned revenue represents the amounts received under grants that will be spent in upcoming years in accordance with grant provisions.

Cambridge Waterfront Development, Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

NOTE 1. THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Uncertain Tax Positions

As of December 31, 2021, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements under ASC 740. Further, no interest or penalties have been accrued or charged to expense. The Organization's tax returns are subject to examination generally for a period of three years from the date they are filed. The Organization's open returns consist of Federal Form 990 for 2018 - 2020.

NOTE 2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's liquidity management policy is to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. All the organization's current assets are considered financial assets and are available within one year of the balance sheet date.

NOTE 3. SUPPORT AND REVENUE

A significant portion of the Organization's revenues consists of grants. Thus, a reduction in the level of this support, if it were to occur, would have an adverse effect on the Organization's programs and activities.

The following table presents support and revenue disaggregated by type and details individual grant income with a concentration greater than 5%.

Grant income:			
State of Maryland:			
DHCD - strategic demolition	\$	236,558	51%
DHCD - broad band		68,467	15%
DHCD - technical assistance		37,500	8%
Other		1,218	0%
Dorchester County		50,000	11%
City of Cambridge		65,900	14%
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Total grant income	\$	459,643	100%

Cambridge Waterfront Development, Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

NOTE 4. METHODS USED FOR ALLOCATION OF EXPENSE

The financial statements report certain categories of expenses that are attributable to one or more program or supporting functions of the Organization. The contract services are allocated based on estimates of time and effort. All other expenses are allocated based on estimates and cost of specific items utilized.

NOTE 5. CONSTRUCTION IN PROGRESS

Components of construction in progress are as follows:

Predevelopment costs	\$	521,819
Less: accumulated depreciation		-
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Construction in progress, net	\$	521,819
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At December 31, 2021, depreciation expense totaled \$-.

Predevelopment costs represent due diligence, design, engineering, and other project soft costs that will be allocated to properties acquired in 2022 (see Note 6).

NOTE 6. – RELATED PARTIES

Each board member of the Organization must abide by both the Organization’s code of ethics and the code of ethics of their appointing authority. In addition, if a party to an agreement or transaction with the Organization is related to a board member, then that board member must recuse themselves from any board action related thereto.

NOTE 7. COMMITMENTS AND SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 12, 2022, the date that the financial statements were available to be issued.

On January 1, 2022, the Organization hired a fulltime executive director on a contractual basis. The contract is for one year and is renewable annually.

On January 13, 2022, the Organization purchased the Hospital property from Shore Health Systems, Inc. for \$2,000,000. The Agreement of Sale required a \$1,750,000 payment at settlement with the remaining \$250,000 due on January 13, 2023. The source of payments comes from two Maryland Department of Housing & Community Development (“DHCD”) grants totaling \$2,200,000 awarded to the Organization in 2021, of which \$2,000,000 show in cash and as unearned revenue on the Statement of Financial Position as of December 31, 2021.

On January 26, 2022, the City of Cambridge transferred ownership of the former Port property (inclusive of the wharf) and the Gateway property to the Organization.

Cambridge Waterfront Development, Inc.
Notes to the Financial Statements
For the year ended December 31, 2021

NOTE 7. COMMITMENTS AND SUBSEQUENT EVENTS (Continued)

On April 11, 2022, the Maryland State Legislature approved the State's fiscal year 2023 budget that includes a \$5,000,000 grant to the Organization for demolition hard and soft costs, continued planning for the redevelopment, and for operating costs related to the Hospital, Port, and Gateway properties acquired in January 2022. The Organization received the funds on August 3, 2022.

On May 17, 2022, the Commissioners of Dorchester County approved the County's fiscal year 2023 budget that includes a \$50,000 grant to the Organization for operations. As of the date of this report, the Organization has not yet received these funds.

On June 2, 2022, the Organization signed a contract with a demolition contractor for the demolition of Governors Hall on the Port property and the hospital, nurses quarters and two medical offices on the Hospital property. The contract sum is approximately \$2.5 million and will be funded by the 2022 State of Maryland appropriation detailed in this Note 7.

On June 27, 2022, the Commissioners of the City of Cambridge approved the City's fiscal year 2023 budget that includes a \$300,000 grant to the Organization for the redevelopment of the waterfront promenade and for operations. As of the date of this report, the Organization has not yet received these funds.

On July 1, 2022, and on behalf of the City of Cambridge, Dorchester County and the State of Maryland, Dorchester County levied fiscal year 2023 property taxes on the properties acquired by the Organization as detailed above in this Note 7. The Organization is seeking an exemption from these taxes (approximately \$206,000) due to its non-profit status and the purpose for which the Organization was formed.

On July 19, 2022, the U.S. Department of Commerce's Economic Development Administration approved the Organization's application for a \$2,400,000 reimbursement grant for the extension of the waterfront promenade. The grant has a \$600,000 match requirement which the Organization will meet with the fair market value of the land dedicated to the promenade and other public funding received for the project. The Organization will begin design work for the promenade in the third quarter 2022.