

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH
REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**STRUCTURED EMPLOYMENT ECONOMIC DEVELOPMENT
CORPORATION AND AFFILIATES**

December 31, 2008 and 2007

CONTENTS

	<u>Page(s)</u>
Reports of Independent Certified Public Accountants	1-2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position as of December 31, 2008 and 2007	3
Consolidated Statements of Activities for the year ended December 31, 2008 and 2007	4
Consolidated Statement of Functional Expenses for the year ended December 31, 2008	5
Consolidated Statement of Functional Expenses for the year ended December 31, 2007	6
Consolidated Statements of Cash Flows for the years ended December 31, 2008 and 2007	7
Notes to Consolidated Financial Statements	8-21



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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying consolidated statements of financial position of Structured Employment Economic Development Corporation and Affiliates (collectively, "Seedco") as of December 31, 2008 and 2007, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of Seedco's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Empowerment Reinvestment Fund LLC ("ERF"), a controlled for-profit affiliate of Seedco Financial Services, Inc. ("SFS"), whose statements reflect 1% of total SFS consolidated assets as of December 31, 2008 and 2007, and total revenues of 7% and 10%, respectively, for the years then ended and less than 1% of total assets of Seedco as of December 31, 2008 and 2007, and total revenues of 1% and 4% for the years then ended. Those statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts referred included for ERF, is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller general of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Structured Employment Economic Development Corporation and Affiliates as of December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes B and C to the consolidated financial statements, in 2008 Seedco adopted Financial Accounting Standards Board Statement No. 157, "Fair Value Measurement."

GRANT THORNTON LLP

New York, New York
June 24, 2009

Structured Employment Economic Development Corporation and Affiliates

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2008 and 2007

ASSETS	2008				2007 Consolidated Total
	Seedco	N-PAC	Financial Services	Eliminations	
Assets:					
Cash and cash equivalents	\$ 4,572,021	\$ 623,980	\$ 5,216,201	\$ -	\$ 10,412,202
Marketable securities (Note C)	881,251	-	13,999,055	-	14,880,306
Contributions, grants and contracts receivable, net (Note D)	8,697,927	712,157	1,055,403	-	10,465,487
Other receivables	823,085	560,400	248,425	-	1,631,910
Security deposits and other assets	554,599	6,200	50,453	-	611,252
Notes and loan receivables, net (Note E)	15,826	-	25,477,159	(900,000)	24,592,985
Property and equipment, net (Note F)	1,379,239	-	55,995	-	1,435,234
Total assets	\$ 16,923,948	\$ 1,902,737	\$ 46,102,691	\$ (900,000)	\$ 64,029,376
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable and accrued expenses	\$ 3,964,382	\$ 658,453	\$ 849,638	\$ -	\$ 5,472,473
Refundable contract advances (Note G)	2,737,203	1,522,721	412,497	-	4,672,421
Deferred Revenue	-	-	304,268	-	304,268
Loans payable (Note H)	900,000	-	36,873,453	(900,000)	36,873,453
Due to related organizations (Note L)	5,086,364	99,166	(5,185,530)	-	-
Total liabilities	12,687,949	2,280,340	33,254,326	(900,000)	47,322,615
Commitments and contingencies					
Net assets (deficit):					
Unrestricted	1,902,013	(377,603)	12,102,015	-	13,626,425
Temporarily restricted	2,333,986	-	746,350	-	3,080,336
Total net assets (deficit)	4,235,999	(377,603)	12,848,365	-	16,706,761
Total liabilities and net assets	\$ 16,923,948	\$ 1,902,737	\$ 46,102,691	\$ (900,000)	\$ 64,029,376

The accompanying notes are an integral part of these consolidated statements.

Structured Employment Economic Development Corporation and Affiliates

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31, 2008 and 2007

	2008				2007	
	Seedco	N-PAC	Seedco Financial Services	Eliminations	Consolidated Total	Consolidated Total
Unrestricted net assets:						
Support and revenue:						
Grants and contracts	\$ 23,401,348	\$ 6,453,551	\$ 6,678,190	\$ (180,873)	\$ 36,352,216	\$ 39,205,448
Contributions	13,283,540	-	729,400	-	14,012,940	4,406,768
Interest income	-	-	1,580,287	-	1,580,287	856,784
Program and processing fees	331,629	-	1,500,946	(274,874)	1,557,701	4,245,618
Return on marketable securities (Note C)	139,174	-	133,068	-	272,242	1,188,915
Other revenue	602,065	58,000	119,135	(531,339)	247,861	316,586
Net assets released from restrictions (Note I)	2,841,296	-	-	-	2,841,296	4,942,575
Total support and revenue	40,599,052	6,511,551	10,741,026	(987,086)	56,864,543	55,162,694
Expenses:						
Program services:						
Lending and economic development	-	-	15,676,178	(274,874)	15,401,304	18,289,819
Asset building	17,431,994	-	-	(20,000)	17,411,994	7,422,707
Workforce operations	18,959,590	5,937,077	-	-	24,896,667	14,851,901
Other core programs	1,843,817	-	-	(160,873)	1,682,944	1,886,131
Total program services	38,235,401	5,937,077	15,676,178	(455,747)	59,392,909	42,450,558
Supporting services:						
Management and general	4,428,604	-	699,406	(531,339)	4,596,671	4,609,590
Fund-raising	942,316	-	-	-	942,316	969,781
Total supporting services	5,370,920	-	699,406	(531,339)	5,538,987	5,579,371
Total expenses	43,606,321	5,937,077	16,375,584	(987,086)	64,931,896	48,029,929
Change in unrestricted net assets	(3,007,269)	574,474	(5,634,558)	-	(8,067,353)	7,132,765
Temporarily restricted net assets:						
Contributions	2,716,727	-	746,350	-	3,463,077	3,968,846
Net assets released from restrictions	(2,841,296)	-	-	-	(2,841,296)	(4,942,575)
Change in temporarily restricted net assets	(124,569)	-	746,350	-	621,781	(973,729)
Change in total net assets	(3,131,838)	574,474	(4,888,208)	-	(7,445,572)	6,159,036
Net assets (deficit), beginning of year	7,367,837	(952,077)	17,736,573	-	24,152,333	17,993,297
Net assets (deficit), end of year	\$ 4,235,999	\$ (377,603)	\$ 12,848,365	\$ -	\$ 16,706,761	\$ 24,152,333

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2008

	Program Services				Supporting Services			Consolidated Total	
	Lending and Economic Development	Asset Building	Workforce Operations	Other Core Programs	Total Program Services	Management and General	Fund-raising		Total Supporting Services
Salaries	\$ 3,398,031	\$ 2,464,041	\$ 3,642,093	\$ 1,015,452	\$ 10,519,617	\$ 2,483,583	\$ 484,022	\$ 2,967,605	\$ 13,487,222
Employee benefits and payroll taxes	719,208	584,105	881,002	246,512	2,430,827	579,422	120,550	699,972	3,130,799
Total employee compensation	4,117,239	3,048,146	4,523,095	1,261,964	12,950,444	3,063,005	604,572	3,667,577	16,618,021
Program grant expenses	3,391,224	12,085,686	17,285,487	32,766	32,795,163	2,906	-	2,906	32,798,069
Professional fees	691,834	558,777	309,121	64,075	1,623,807	458,232	179,916	638,148	2,261,955
Occupancy	334,880	359,923	502,321	137,133	1,334,257	142,497	65,697	208,194	1,542,451
Insurance	15,677	29,704	20,175	5,629	71,185	13,377	2,697	16,074	87,259
Recruitment and temporary personnel	53,531	466,004	448,155	2,057	969,747	125,175	200	125,375	1,095,122
Supplies and equipment rental	103,917	193,955	227,736	35,168	560,776	39,224	15,668	54,892	615,668
Printing and publications	35,883	139,354	31,247	5,718	212,202	15,660	6,781	22,441	234,643
Postage and deliveries	25,661	78,443	22,526	1,307	127,937	30,874	2,349	33,223	161,160
Travel and related	178,979	102,678	60,340	22,764	364,761	40,823	4,386	45,209	409,970
Board expenses	-	-	-	-	-	45,168	-	45,168	45,168
Telephone	54,866	49,916	144,209	25,899	274,890	39,372	8,248	47,620	322,510
Repairs and maintenance	73,891	31,106	27,899	80	132,976	180,392	300	180,692	313,668
Legal and accounting	255,783	38,573	67,171	16,320	377,847	43,861	7,400	51,261	429,108
Information system development	-	317	93,139	-	93,456	-	-	-	93,456
Seminars, conferences and training	30,136	27,612	98,627	34,877	191,252	55,218	2,430	57,648	248,900
Public information	32,524	32,419	3,695	206	68,844	1,514	-	1,514	70,358
Membership dues and subscriptions	9,803	500	929	794	12,026	80,928	1,550	82,478	94,504
Interest	1,439,695	-	5,798	-	1,445,493	49,501	-	49,501	1,494,994
Taxes	49,194	-	-	-	49,194	-	-	-	49,194
Provision for uncollectible accounts/bad debt expense	4,478,876	29,995	879,704	-	5,388,575	-	-	-	5,388,575
Amortization and depreciation	7,288	74,845	111,059	30,987	224,179	163,363	14,845	178,208	402,387
Other expenses	20,423	64,041	34,234	5,200	123,898	5,581	25,277	30,858	154,756
Total expenses	\$ 15,401,304	\$ 17,411,994	\$ 24,896,667	\$ 1,682,944	\$ 59,392,909	\$ 4,596,671	\$ 942,316	\$ 5,538,987	\$ 64,931,896

The accompanying notes are an integral part of this consolidated statement.

Structured Employment Economic Development Corporation and Affiliates

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2007

	Program Services				Supporting Services			Consolidated Total	
	Lending and Economic Development	Asset Building	Workforce Operations	Other Core Programs	Total Program Services	Management and General	Fund-raising		Total Supporting Services
Salaries	\$ 1,349,171	\$ 1,663,699	\$ 2,991,071	\$ 1,165,153	\$ 7,169,094	\$ 2,679,585	\$ 422,574	\$ 3,102,159	\$ 10,271,253
Employee benefits and payroll taxes	278,912	397,579	710,823	275,180	1,662,494	611,577	99,686	711,263	2,373,757
Total employee compensation	1,628,083	2,061,278	3,701,894	1,440,333	8,831,588	3,291,162	522,260	3,813,422	12,645,010
Program grant expenses	11,217,771	4,076,877	9,717,652	8,437	25,020,737	39,907	-	39,907	25,060,644
Professional fees	578,076	268,589	262,423	138,837	1,247,925	38,531	182,459	220,990	1,468,915
Occupancy	663,000	214,666	146,685	71,041	1,095,392	39,366	42,641	82,007	1,177,399
Insurance	-	13,012	25,498	9,885	48,395	15,556	3,245	18,801	67,196
Recruitment and temporary personnel	110,401	114,086	130,010	12,153	366,650	90,516	150	90,666	457,316
Supplies and equipment rental	10,514	25,893	130,611	36,214	203,232	55,837	4,826	60,663	263,895
Printing and publications	31,252	113,900	45,685	21,782	212,619	8,431	16,347	24,778	237,397
Postage and deliverables	19,116	35,448	24,906	10,769	90,239	19,284	2,048	21,332	111,571
Travel and related	227,088	120,990	103,769	16,551	468,398	34,864	42,951	77,815	546,213
Board expenses	6,103	-	-	(967)	5,136	33,953	-	33,953	39,089
Telephone	-	40,048	161,651	25,473	227,172	34,549	7,237	41,786	268,958
Repairs and maintenance	12,707	43,137	64,531	41,583	161,958	39,327	8,017	47,344	209,302
Legal and accounting	97,206	40,505	71,667	29,879	239,257	30,914	10,910	41,824	281,081
Information system development	2,657	210,962	42,105	12,278	268,002	17,867	11,143	29,010	297,012
Seminars, conferences and training	15,517	11,951	197,219	4,963	229,650	41,830	165	41,995	271,645
Public information	9,277	17,671	-	80	27,028	4,095	-	4,095	31,123
Membership dues and subscriptions	15,986	7,883	-	6,840	30,709	19,763	2,295	22,058	52,767
Interest	1,291,514	-	20,848	-	1,312,362	8,869	-	8,869	1,321,231
Taxes	-	-	-	-	-	21,232	-	21,232	21,232
Provision for uncollectible accounts/bad debt expense	1,934,498	-	-	-	1,934,498	212,281	-	212,281	2,146,779
Amortization and depreciation	3,664	-	-	-	3,664	472,485	-	472,485	476,149
Gala	-	-	-	-	-	-	113,025	113,025	113,025
Other expenses	415,389	5,811	4,747	-	425,947	38,971	62	39,033	464,980
Total expenses	\$ 18,289,819	\$ 7,422,707	\$ 14,851,901	\$ 1,886,131	\$ 42,450,558	\$ 4,609,590	\$ 969,781	\$ 5,579,371	\$ 48,029,929

The accompanying notes are an integral part of this consolidated statement.

Structured Employment Economic Development Corporation and Affiliates

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Change in net assets	\$ (7,445,572)	\$ 6,159,036
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	402,387	476,149
Provision for uncollectible accounts	5,388,575	2,146,779
Net realized and unrealized losses (gains) on investments	460,801	(1,671)
Transfer of deficit in net assets from subsidiary that ceased operations	-	(224,232)
Changes in		
Contributions, grants and contracts receivables	233,527	(6,119,342)
Other receivables	201,914	1,113,455
Security deposits and other assets	(241,452)	(37,886)
Accounts and accrued expenses	714,219	1,780,286
Refundable contract advances	(2,002,410)	2,336,815
Deferred revenue	304,268	-
Net cash (used in) provided by operating activities	<u>(1,983,743)</u>	<u>7,629,389</u>
Cash flows from investing activities		
Cash collections under notes and loans receivable programs	(5,775,996)	(11,941,670)
Proceeds from sales of investments	11,265,341	10,297,277
Purchases of investments	(7,680,752)	(9,442,352)
Purchases of property and equipment	(509,975)	(572,533)
Net cash used in investing activities	<u>(2,701,382)</u>	<u>(11,659,278)</u>
Cash flows from financing activities		
Proceeds from loans payable	7,585,969	13,709,407
Payments on loans payable	(4,956,812)	(3,452,992)
Net cash provided by financing activities	<u>2,629,157</u>	<u>10,256,415</u>
Net (decrease) increase in cash and cash equivalents	(2,055,968)	6,226,526
Cash and cash equivalents at beginning of year	<u>12,468,170</u>	<u>6,241,644</u>
Cash and cash equivalents at end of year	<u>\$ 10,412,202</u>	<u>\$ 12,468,170</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$ 1,545,260</u>	<u>\$ 1,345,531</u>

The accompanying notes are an integral part of these consolidated statements.

Structured Employment Economic Development Corporation and Affiliates

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE A - ORGANIZATION

The Structured Employment Economic Development Corporation, doing business under the name “Seedco,” is a national not-for-profit organization that works with local partners to create economic opportunities for low-income people and communities and help them move toward economic prosperity. In addition to its principal location in New York City, Seedco has branch offices in Memphis, Tennessee; Atlanta, Georgia; and Baltimore, Maryland; and it also performs work in New Orleans, Louisiana; Louisville, Kentucky and in other locations of opportunity.

The entities described below are wholly controlled affiliates of Seedco, and their financial statements are consolidated with those of Seedco (collectively, “Seedco”).

The Non-Profit Assistance Corporation (“N-PAC”) is a not-for-profit organization which implements workforce development programs, designed by Seedco, in partnership with faith and community-based organizations. As part of its work, N-PAC develops and manages the infrastructure of these programs, including centralized data management and program administration.

Seedco Financial Services, Inc. (“SFS”) is a not-for-profit organization which began operations January 1, 2006. SFS is a national community-development financial institution. Working with local partners, SFS provides financial resources to assist in the development or rejuvenation of low-income communities. This financial assistance usually takes the form of loans to community organizations and businesses in economically distressed communities. The Empowerment Reinvestment Fund, LLC (“ERF”), a wholly controlled affiliate of SFS, is a for-profit entity and is certified by the CDFI Fund, a division of the U.S. Treasury Department, as a Community Development Entity (“CDE”). As a CDE, ERF has received awards of New Markets Tax Credits (“NMTCs”) from the CDFI Fund totaling \$110 million. NMTCs are used to stimulate investment in low-income communities. ERF’s financial statements are consolidated with SFS.

Seedco, N-PAC, and SFS are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and from state and local taxes under comparable laws. The financial information for ERF is included in the federal and state compliance returns of SFS.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying consolidated financial statements of Seedco have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations. All significant inter-entity transactions have been eliminated in consolidation.

2. Net Assets

Net assets of Seedco are classified based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted - net assets from resources that are not subject to donor restrictions and are, therefore, available for operating purposes. This category includes net assets that are designated for activities related to lending but which are not otherwise subject to donor-imposed restrictions.

Temporarily Restricted - net assets that are subject to donor-imposed stipulations that will be met by either the actions of Seedco or the passage of time. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Permanently Restricted - net assets that are subjected to donor-imposed stipulations requiring the corpus of the gift to be retained in perpetuity. Generally, donors of such resources allow the use of income to be used for general or specific purposes. At December 31, 2008 and 2007, Seedco did not have any permanently restricted net assets.

3. Contributions

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 restricted support if they are received with donor stipulations that limit their use, or if they are intended to support activities in future periods.

4. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2008 and 2007

NOTE B (continued)

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.

5. Property and Equipment

Property and equipment with a unit cost in excess of \$1,000 are recorded at cost and depreciated over the estimated useful lives of the respective assets, ranging from 5 to 10 years, using the straight-line method. Leasehold improvements with a unit cost in excess of \$1,000 are recorded at cost amortized using the straight-line method, over the life of the asset or the term of the lease, whichever is shorter. Software developed internally is depreciated over 3 years. Software purchased in excess of \$1,000 is depreciated over 5 years using the straight-line method. For the years ended December 31, 2008 and 2007, depreciation and amortization totaled \$402,387 and \$476,149, respectively.

6. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and activities benefited using consistent methodologies developed by management.

7. Concentration of Credit and Market Risks

Financial instruments that expose Seedco to potential concentrations of credit and market risks consist primarily of cash equivalents and securities. Cash equivalents are maintained at large financial institutions and credit exposure is not limited to any one institution. Management does not believe that Seedco's securities are subject to significant concentrations of market risk, as Seedco's investment portfolio is adequately diversified.

Cash is maintained in financial institutions in amounts which, at times, may exceed federally insured limits. Management does not believe that there is a significant risk of loss due to the failure of any such institutions.

8. Cash Equivalents

Highly liquid instruments having a maturity at the date of purchase of three months or less are considered to be cash equivalents.

