

**MASSACHUSETTS ASSOCIATION OF COMMUNITY  
DEVELOPMENT CORPORATIONS**

**FINANCIAL STATEMENTS  
YEARS ENDED  
JUNE 30, 2013 AND 2012  
AND  
INDEPENDENT AUDITOR'S REPORT**

**WALSH & CO.**  

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**ACCOUNTANTS & CONSULTANTS**

MASSACHUSETTS ASSOCIATION OF COMMUNITY  
DEVELOPMENT CORPORATIONS

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# WALSH & CO.

ACCOUNTANTS & CONSULTANTS

## Independent Auditor's Report

Board of Directors  
Massachusetts Association of Community  
Development Corporations  
15 Court Square, Suite 600  
Boston, MA 02108

We have audited the accompanying financial statements of Massachusetts Association of Community Development Corporations (a non-profit corporation), (the "Association") which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of income and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

1.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Massachusetts Association of Community Development Corporations as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

October 17, 2013

*Wahle & Co.*

MASSACHUSETTS ASSOCIATION OF COMMUNITY  
DEVELOPMENT CORPORATIONS

STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2013 AND 2012

ASSETS

	<u>2013</u>	<u>2012</u>
Current Assets:		
Cash and cash equivalents	\$350,631	\$438,530
Accounts receivable	216,311	212,333
Prepaid expenses	7,855	14,404
Total Current Assets	<u>574,797</u>	<u>665,267</u>
Property and equipment, net	15,784	6,518
Security deposit	<u>13,738</u>	<u>13,738</u>
Total Assets	<u>\$604,319</u>	<u>\$685,523</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$51,065	\$43,499
Deferred revenue	45,923	51,360
Total Current Liabilities	<u>96,988</u>	<u>94,859</u>
Commitments and contingencies		
Net Assets:		
Unrestricted	271,031	264,733
Temporarily restricted	236,300	325,931
Total Net Assets	<u>507,331</u>	<u>590,664</u>
Total Liabilities and Net Assets	<u>\$604,319</u>	<u>\$685,523</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>			<u>2012</u>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES:						
Grants and contracts	\$28,490	\$504,233	\$532,723		\$536,350	\$536,350
Dues	112,589		112,589	111,064		111,064
Sponsorship	93,750		93,750	40,000		40,000
Mel King tuition and event	56,500		56,500	\$30,170		30,170
In-kind income		44,649	44,649		89,090	89,090
Insurance Program Fees		27,585	27,585		27,000	27,000
Rent	12,000		12,000	12,000		12,000
Other	1,648		1,648	10,535		10,535
Interest	298		298	355		355
Net assets released from restrictions	666,098	(666,098)		785,965	(785,965)	
Total Revenues	<u>971,373</u>	<u>(89,631)</u>	<u>881,742</u>	<u>990,089</u>	<u>(133,525)</u>	<u>856,564</u>
Expenses						
Community Development	238,784		238,784	284,337		284,337
Member Initiatives	367,754		367,754	299,627		299,627
Mel King Institute	264,318		264,318	307,579		307,579
Fundraising	39,360		39,360	20,831		20,831
General and Administrative	54,859		54,859	62,756		62,756
Total Expenditures	<u>965,075</u>		<u>965,075</u>	<u>975,130</u>		<u>975,130</u>
CHANGE IN NET ASSETS	6,298	(89,631)	(83,333)	14,959	(133,525)	(118,566)
NET ASSETS, BEGINNING OF YEAR	<u>264,733</u>	<u>325,931</u>	<u>590,664</u>	<u>249,774</u>	<u>459,456</u>	<u>709,230</u>
NET ASSETS, END OF YEAR	<u>\$271,031</u>	<u>\$236,300</u>	<u>\$507,331</u>	<u>\$264,733</u>	<u>\$325,931</u>	<u>\$590,664</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY  
DEVELOPMENT CORPORATIONS

STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES;		
Change in net assets	(\$83,333)	(\$118,566)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,877	5,991
(Increase) decrease in receivables	(3,978)	90,378
Decrease (increase) in prepaid expenses	6,549	(10,451)
Increase (decrease) in accounts payable and accrued expenses	7,566	(8,948)
(Decrease) increase in deferred revenue	<u>(5,437)</u>	<u>12,599</u>
Net cash used in operating activities	<u>(73,756)</u>	<u>(28,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(14,143)</u>	<u>-</u>
Net cash used in investing activities	<u>(14,143)</u>	<u>-</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS AND CASH EQUIVALENTS	(87,899) (87,899)	(28,997) (28,997)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>438,530</u>	<u>467,527</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u><u>\$350,631</u></u>	<u><u>\$438,530</u></u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2013

	<u>Community Development</u>	<u>Member Initiatives</u>	<u>Mel King Institute</u>	<u>Fundraising</u>	<u>General &amp; Admin</u>	<u>Total</u>
Salaries	\$122,369	\$172,812	\$75,638	\$20,532	\$31,969	\$423,320
Employee benefits	20,538	24,983	9,692	2,384	4,297	61,894
Payroll taxes	10,879	15,363	6,724	1,825	2,842	37,633
Consulting	27,174	64,774	89,839	9,059	5,585	196,431
Consulting in-kind			44,649			44,649
Special Program Expense			2,650			2,650
Occupancy/Utilities	32,767	39,401	15,122	3,683	6,734	97,707
Training/conferences	9,620	30,709	12,274	418	764	53,785
Printing	481	5,844	222	54	99	6,700
Travel	3,611	4,342	1,666	406	742	10,767
Office expense	2,721	3,270	1,256	306	559	8,112
Telephone	2,251	2,707	1,039	253	463	6,713
Memberships, subscriptions and donations	4,252	2,798	931	227	414	8,622
Advertising	163	195	828	18	34	1,238
Interest and bank fees	16	138	992	2	3	1,151
Taxes	307	(1,550)	41	10	18	(1,174)
Total expenses before depreciation	<u>237,149</u>	<u>365,786</u>	<u>263,563</u>	<u>39,177</u>	<u>54,523</u>	<u>960,198</u>
Depreciation	<u>1,635</u>	<u>1,968</u>	<u>755</u>	<u>183</u>	<u>336</u>	<u>4,877</u>
Total Expenses	<u>\$238,784</u>	<u>\$367,754</u>	<u>\$264,318</u>	<u>\$39,360</u>	<u>\$54,859</u>	<u>\$965,075</u>

See accompanying notes.



MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2012

	<u>Community Development</u>	<u>Member Initiatives</u>	<u>Mel King Institute</u>	<u>Fundraising</u>	<u>General &amp; Admin</u>	<u>Total</u>
Salaries	\$160,046	\$149,447	\$75,692	\$10,538	\$34,714	\$430,437
Employee benefits	21,502	20,163	10,374	1,122	5,076	58,237
Payroll taxes	14,089	13,156	6,663	928	3,056	37,892
Consulting	23,080	43,346	77,964	5,393	5,253	155,036
Consulting in-kind			89,090			89,090
Occupancy/Utilities/Insurance	35,521	33,320	17,170	1,806	8,452	96,269
Training/conferences	10,452	18,734	13,943	180	840	44,149
Travel	6,381	5,986	3,095	324	2,839	18,625
Office Expenses	3,897	3,302	2,328	179	837	10,543
Memberships/Donations/subscriptions	4,088	1,914	1,486	104	485	8,077
Printing	127	5,628	456	6	31	6,248
Scholarship Expense			5,750			5,750
Telephone	2,041	1,915	987	104	485	5,532
Advertising	484	454	492	25	114	1,569
Interest and Bank Fees	24	22	935	1	5	987
Taxes	395	166	85	9	43	698
Total expenses before depreciation	<u>282,127</u>	<u>297,553</u>	<u>306,510</u>	<u>20,719</u>	<u>62,230</u>	<u>969,139</u>
Depreciation	<u>2,210</u>	<u>2,074</u>	<u>1,069</u>	<u>112</u>	<u>526</u>	<u>5,991</u>
Total Expenses	<u>\$284,337</u>	<u>\$299,627</u>	<u>\$307,579</u>	<u>\$20,831</u>	<u>\$62,756</u>	<u>\$975,130</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY  
DEVELOPMENT CORPORATIONS

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013 AND 2012

1. Significant Accounting Policies and Organization

Nature of Activities

Massachusetts Association of Community Development Corporations (MACDC) (“the Association”) was organized in the Commonwealth of Massachusetts as a non-profit corporation on August 13, 1982. MACDC's mission statement reads as follows: MACDC is an association of mission-driven community development organizations dedicated to working together and with others to create places of opportunity where people of diverse incomes and backgrounds access housing that is affordable, benefit from economic opportunities and fully participate in the civic life of their community. We achieve this by building and sustaining a high performing and adaptive community development sector that is supported by private and public investment and sound public policies. MACDC supports its members’ efforts through its work on public policy issues, resource development, public education, training, technical assistance, peer networking and the sponsorship of numerous programs. MACDC currently has the following programs:

- The **Community Development Policy** program aims to help CDCs with their housing, economic development and community development activities by creating a supportive policy environment. This includes working with local, state and federal agencies to design and fund various programs and it also includes working with private intermediaries, banks, foundations, and corporations to develop programs and forge partnerships.
- The **Member Initiatives** program seeks to strengthen the capacity of our member organizations to meet the various needs of their communities in such areas as affordable housing, economic development, small business development, asset development, youth development and job training. As part of this program, MACDC sponsors peer groups to serve as learning and networking opportunities for practitioners; collaborates with other agencies to offer trainings and conferences; provides technical assistance to local organizations; collects and shares information about best practices in the field; and provides group sponsored insurance. This program area also includes our work with the Alliance: Advancing Community Development by Confronting Racism, our Green Community Development Initiative, and our partnership with the Mass. Minority Contractors Association to promote minority business development.

- The **Mel King Institute for Community Building** is a program that MACDC co sponsors with the Local Initiatives Support Corporation and other partners. The Institute fosters vibrant and thriving Massachusetts communities by advancing the skills, knowledge and leadership ability of professional practitioners and volunteer leaders in the community development field. We do this by leverage collaborative educational partnerships that increase access, encourage innovation, and promote and institutionalize systemic success. The Institute enables Community Development Corporations and their partners to build more homes, create more jobs, grow more business, nurture more community leaders, and pursue more comprehensive community building strategies that also address issues such as transportation, public safety, green space development, workforce development and youth development. We have designed the Mel King Institute to bring community development professionals and volunteers the skills they need to be effective in their positions in the community. We focus both on individual skill and organizational capacity building in order to strengthen the field of community development.

#### Financial Statement Presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC) for Financial Statements of Not-for-Profit Organizations. Under the ASC, the Association is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

#### Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Association.

#### Temporarily Restricted Net Assets

Temporarily restricted net assets are those amounts received with donor restrictions which have not yet been expended for their designated program purposes. Temporarily restricted net assets for programs as of June 30, 2013 and 2012 is \$236,300 and \$325,931, respectively.

#### Permanently Restricted Net Assets

Permanently restricted net assets are those amounts received with donor restrictions that would be maintained permanently by MACDC. MACDC does not have permanently restricted net assets as of June 30, 2013 and 2012.

Cash and Cash Equivalents

For purposes of the statement of cash flows, MACDC considers the funds in the checking account and money market fund to be cash equivalents.

Contracts and Other Receivable

Receivables are reported at the amount management expects to collect on balances outstanding at year-end. Management closely monitors outstanding balances and writes off as of year-end all balances that are uncollectible. Based on management's assessment of the credit history with clients and donors having outstanding balances and current relationships with them, it has concluded losses on balances outstanding at year-end, if any, will be immaterial. Receivables that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those promises are determined using a risk free rate, which is applicable to the years in which the promises are received. Amortization of discounts is included in contribution revenue. Conditional receivables are not included as support until the conditions are substantially met.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor, grantor or other outside party for particular operating purposes or that is designated for future periods will be reported as an increase in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Property and Equipment

Property and equipment are carried at cost. Donated property and equipment are recorded at their fair market value. Depreciation of property and equipment is computed on the straight-line method over the estimated useful lives of the various assets as follows:

Computers and equipment	3 – 5 years
Furniture and fixtures	7 years

Expenditures in excess of \$1,000 for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Support and Revenue

Certain contract revenue, membership fees and grants may provide revenues over a period which extends into the following fiscal year. In those cases, revenues are recognized on a pro-rata basis or matched to services provided. When revenues are received before the service has been performed, the amounts are included in temporarily restricted net assets.

Massachusetts Association of Community  
Development Corporations  
Notes to Financial Statements

Income Taxes

MACDC is a non-profit organization which has qualified for tax exempt status from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes. The Association is not exempt from taxes on unrelated business income from their insurance program. The insurance program reflects net losses in 2013 and 2012 with no taxes due. The Association's tax returns, forms 990 and 990-T, for the years ending in 2010, 2011, 2012 and 2013 are subject to examination by the IRS, generally for three years after they are filed.

Accrued Vacation

The total amount of accrued vacation pay included in accounts payable and accrues expenses as of June 30, 2013 and 2012 was \$21,092 and \$22,439, respectively.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Accordingly, expenses directly related to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Donated Services and Materials

MACDC receives donated services from a variety of unpaid volunteers which make significant contributions of their time in conjunction with programs and services. Only the amounts that have met the criteria for recognition of such volunteer effort have been included in the accompanying statements of activities.

Advertising

Advertising costs are expensed as incurred.

2. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2013</u>	<u>2012</u>
Computers and equipment	\$ 63,755	\$ 49,612
Website		
Furniture and fixtures	<u>11,835</u>	<u>11,835</u>
Total	75,590	61,447
Less: accumulated depreciation	<u>59,806</u>	<u>54,929</u>
Property and Equipment – net	<u>\$ 15,784</u>	<u>\$ 6,518</u>

Depreciation expense for the years ended June 30, 2013 and 2012 was \$4,877 and \$5,991, respectively.

3. FACILITY LEASE

In December 2008, MACDC entered an office lease. The lease will terminate as of January 31, 2016. MACDC has future minimum lease obligations as of June 30, 2013 as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Annual</u> <u>Amount</u>
2014	\$ 89,154
2015	90,676
2016	<u>53,412</u>
	<u>\$ 233,242</u>

Rent expense for the years ended June 30, 2013 and 2012 was \$88,832 and \$87,309, respectively.

Beginning February 1, 2009, MACDC has entered into a sub-lease agreement with Smart Growth Alliance. The lease expired on January 30, 2011 and required a minimum lease payment of \$1,000 per month. Smart Growth continues to sub-lease space on a month-to-month basis with rental income amounting to \$12,000 and \$12,000 for the years ended June 30, 2013 and 2012, respectively.

4. PENSION PLANS

Tax Deferred Annuity Plan

MACDC established a Simplified Employee Pension (SEP) which covers all full time employees with more than three months of service. The company contributes \$100 per month per eligible employee. MACDC contributed \$6,400 and \$7,000 to the plan during the years ended June 30, 2013 and 2012, respectively.

5. CONCENTRATION OF CREDIT RISK

MACDC maintains its cash in two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures balances up to \$250,000. At certain times during the year, cash balances may exceed the insured amounts. Management monitors on a regular basis, the financial condition of the financial institution, along with their balances, to keep this potential risk to a minimum. At June 30, 2013, MACDC had no balances exceeding the FDIC insurance limit at any bank.

6. FAIR VALUE MEASUREMENT

The Association reports under the Fair Value Measurements pronouncements of the FASB Accounting Standards Codification, which establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below.

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Association has the ability to access.

Level 2 – Inputs to the valuation include:

- Quoted prices for similar assets or liabilities in active markets;
- prices for identical or similar assets or liabilities in active markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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Notes to Financial Statements

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs at the closing price reported on the active market on which the individual securities are traded.

Following is a description of the valuation methodologies used for assets measured at fair value. There has been no change in the methodology used at June 30, 2013 and 2012.

Cash and cash equivalents: Valued at acquisition cost.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Association believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables set forth by level, with the fair value hierarchy, the Association's assets at fair value.

	<u>Assets at fair value as of June 30, 2013</u>			
	(In thousands)			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ <u>351</u>			\$ <u>351</u>

	<u>Assets at fair value as of June 30, 2012</u>			
	(In thousands)			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ <u>439</u>			\$ <u>439</u>



Massachusetts Association of Community  
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Notes to Financial Statements

Valuation and Income Recognition

The Association's cash and cash equivalents as of June 30, 2013 and 2012 are stated at fair value.

The aggregate of the fair value amounts presented above do not necessarily represent the underlying value of the Association.

7. SUBSEQUENT EVENTS

Management have evaluated all subsequent events through October 17, 2013, the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.