

**MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS**

**FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2015 AND 2014
AND
INDEPENDENT AUDITOR'S REPORT**

WALSH & CO.

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, 2015 and 2014, 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.

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, 2015 and 2014, 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.

September 30, 2015

Michael J. Walsh



Certified Public Accountant

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and cash equivalents	\$ 393,083	\$ 437,177
Accounts receivable	140,226	164,678
Prepaid expenses	<u>14,831</u>	<u>14,578</u>
Total Current Assets	<u>548,140</u>	<u>616,433</u>
Property and equipment, net	11,716	10,006
Security deposit	<u>13,738</u>	<u>13,738</u>
	<u>25,454</u>	<u>23,744</u>
Total Assets	<u>\$ 573,594</u>	<u>\$ 640,177</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 59,571	\$ 58,362
Deferred revenue	<u>70,895</u>	<u>76,167</u>
Total Current Liabilities	<u>130,466</u>	<u>134,529</u>
Commitments and contingencies		
Net Assets:		
Unrestricted	309,563	299,465
Temporarily restricted	<u>133,565</u>	<u>206,183</u>
Total Net Assets	<u>443,128</u>	<u>505,648</u>
Total Liabilities and Net Assets	<u>\$ 573,594</u>	<u>\$ 640,177</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENTS OF ACTIVITIES IN NET ASSETS
YEARS ENDED JUNE 30, 2015 AND 2014

	2015			2014		
	Unrestricted	Temporarily Restricted	Totals	Unrestricted	Temporarily Restricted	Totals
Revenues:						
Grants and contracts		\$ 519,250	\$ 519,250	\$ 8,101	\$ 658,622	\$ 666,723
Dues	\$ 136,922		136,922	121,510		121,510
Sponsorship	62,575		62,575	69,750		69,750
Mel King tuition and event	49,612	88,289	137,901	110,038		110,038
In-Kind income	19,807		19,807		49,726	49,726
Insurance Program fees	25,813		25,813		8,101	8,101
Rent	12,600		12,600	12,000		12,000
Other	94,787		94,787	5,030		5,030
Interest	532		532	245		245
Net assets released from restrictions	680,157	(680,157)		746,566	(746,566)	
Total Revenues	<u>1,082,805</u>	<u>(72,618)</u>	<u>1,010,187</u>	<u>1,073,240</u>	<u>(30,117)</u>	<u>1,043,123</u>
Expenses:						
Community Development	240,534		240,534	242,478		242,478
Member Initiatives	418,574		418,574	366,579		366,579
Mel King Institute	273,213		273,213	328,965		328,965
Fundraising	57,095		57,095	49,076		49,076
General and Administrative	83,291		83,291	57,708		57,708
Total Expenses	<u>1,072,707</u>		<u>1,072,707</u>	<u>1,044,806</u>		<u>1,044,806</u>
Changes in Net Assets	10,098	(72,618)	(62,520)	28,434	(30,117)	(1,683)
Net Assets, Beginning of year	<u>299,465</u>	<u>206,183</u>	<u>505,648</u>	<u>271,031</u>	<u>236,300</u>	<u>507,331</u>
Net Assets, End of Year	<u>\$ 309,563</u>	<u>\$ 133,565</u>	<u>\$ 443,128</u>	<u>\$ 299,465</u>	<u>\$ 206,183</u>	<u>\$ 505,648</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (62,520)	\$ (1,683)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	6,603	5,778
Decrease in receivables	24,452	51,633
Increase in prepaid expenses	(253)	(6,723)
Increase in accounts payable and accrued expenses	1,209	7,297
(Decrease) increase in deferred revenue	<u>(5,272)</u>	<u>30,244</u>
Net cash (used in) provided by operating activities	<u>(35,781)</u>	<u>86,546</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(8,313)</u>	<u> </u>
Net cash used by investing activities	<u>(8,313)</u>	<u> </u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(44,094)	86,546
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>437,177</u>	<u>350,631</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 393,083</u>	<u>\$ 437,177</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	<u>Community Development</u>	<u>Member Initiatives</u>	<u>Mel King Institute</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 138,891	\$ 206,883	\$ 103,203	\$ 36,464	\$ 35,914	\$ 521,355
Employee benefits	16,071	24,027	11,440	4,114	4,424	60,076
Payroll taxes	11,246	16,751	8,367	2,952	2,922	42,238
Consulting	23,084	41,975	75,168	4,117	21,292	165,636
Consulting In-Kind			19,807			19,807
Special Program expense			7,025			7,025
Occupancy/Utilities	27,264	41,423	15,711	6,207	9,335	99,940
Training/conferences	8,430	70,294	22,822	455	2,700	104,701
Printing	912	(696)	385	86	119	806
Travel	3,699	5,620	2,715	842	2,367	15,243
Office expense	3,849	5,592	2,423	853	1,381	14,098
Telephone	1,655	2,515	954	377	567	6,068
Memberships, subscriptions and donations	3,252	1,225	2,047	184	1,598	8,306
Other expenses	111		21		2	134
Taxes	<u>269</u>	<u>228</u>	<u>87</u>	<u>34</u>	<u>53</u>	<u>671</u>
Total expenses Before depreciation	238,733	415,837	272,175	56,685	82,674	1,066,104
Depreciation	<u>1,801</u>	<u>2,737</u>	<u>1,038</u>	<u>410</u>	<u>617</u>	<u>6,603</u>
Total Expenses	<u>\$ 240,534</u>	<u>\$ 418,574</u>	<u>\$ 273,213</u>	<u>\$ 57,095</u>	<u>\$ 83,291</u>	<u>\$ 1,072,707</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014

	<u>Community Development</u>	<u>Member Initiatives</u>	<u>Mel King Institute</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Salaries	\$ 122,393	\$ 189,053	\$ 95,352	\$ 30,004	\$ 31,943	\$ 468,745
Employee benefits	16,915	26,847	13,463	4,068	4,616	65,909
Payroll taxes	10,389	16,047	8,094	2,547	2,744	39,821
Consulting	46,075	55,933	85,465	4,081	6,444	197,998
Consulting In-Kind			49,726			49,726
Special Program expense			3,950			3,950
Occupancy/Utilities	23,848	42,379	20,775	5,240	7,444	99,686
Training/conferences	8,678	10,913	39,602	583	891	60,667
Printing	610	5,850	985	134	191	7,770
Travel	4,206	7,474	3,771	924	1,313	17,688
Office expense	2,356	4,188	3,423	518	736	11,221
Telephone	1,596	2,835	1,390	351	498	6,670
Memberships, subscriptions and donations	3,596	2,416	1,184	299	424	7,919
Advertising	19	33	505	4	6	567
Taxes	<u>415</u>	<u>155</u>	<u>76</u>	<u>19</u>	<u>26</u>	<u>691</u>
Total expenses Before depreciation	241,096	364,123	327,761	48,772	57,276	1,039,028
Depreciation	<u>1,382</u>	<u>2,456</u>	<u>1,204</u>	<u>304</u>	<u>432</u>	<u>5,778</u>
Total Expenses	<u>\$ 242,478</u>	<u>\$ 366,579</u>	<u>\$ 328,965</u>	<u>\$ 49,076</u>	<u>\$ 57,708</u>	<u>\$ 1,044,806</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

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.

- 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. 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.

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, 2015 and 2014 is \$133,565 and \$206,183, respectively.

Massachusetts Association of Community
Development Corporations
Notes to Financial Statements

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, 2015 and 2014.

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.

Massachusetts Association of Community
Development Corporations
Notes to Financial Statements

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.

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 a profit in 2015 offset by net operating losses and a net loss in 2014. There are no taxes due for either year. The Association's tax returns, forms 990 and 990-T, for the years ending in 2012, 2013, 2014 and 2015 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, 2015 and 2014 was \$23,487 and \$20,714, 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.

Massachusetts Association of Community
Development Corporations
Notes to Financial Statements

2. PROPERTY AND EQUIPMENT

Property and equipment at June 30 consisted of the following:

	<u>2015</u>	<u>2014</u>
Computers and equipment	\$ 63,755	\$ 63,755
Website		
Furniture and fixtures	<u>20,148</u>	<u>11,835</u>
Total	83,903	75,590
Less: accumulated depreciation	<u>72,187</u>	<u>65,584</u>
Property and Equipment – net	<u>\$ 11,716</u>	<u>\$ 10,006</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$6,603 and \$5,778, respectively.

3. FACILITY LEASE

In December 2008, MACDC entered an office lease. MACDC entered a new lease for space for the period ending September 30, 2021. MACDC has future minimum lease obligations as of June 30, 2015 as follows:

Year Ending <u>June 30</u>	Annual <u>Amount</u>
2016	\$ 90,940
2017	92,461
2018	93,984
2019	95,506
2020	97,027
2021	<u>98,550</u>
	<u>\$ 568,468</u>

Rent expense for the years ended June 30, 2015 and 2014 was \$91,059 and \$90,354, 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 \$1,100 per month. Smart Growth continues to sub-lease space on a month-to-month basis with rental income amounting to \$12,600 and \$12,000 for the years ended June 30, 2015 and 2014, 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 \$10,850 and \$7,200 to the plan during the years ended June 30, 2015 and 2014, 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, 2015, MACDC had approximately \$17,000 in an account at a bank that exceeded the FDIC insurance limit.

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, 2015 and 2014.

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, 2015</u>				
(In thousands)				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 393			\$ 393

<u>Assets at fair value as of June 30, 2014</u>				
(In thousands)				
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 437			\$ 437

Massachusetts Association of Community
Development Corporations
Notes to Financial Statements

Valuation and Income Recognition

The Association's cash and cash equivalents as of June 30, 2015 and 2014 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 September 30, 2015, 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.