

**MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS**

**FINANCIAL STATEMENTS
YEARS ENDED
JUNE 30, 2016 AND 2015
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, 2016 and 2015, 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, 2016 and 2015, 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 13, 2016

Michael J. Walsh

A handwritten signature in black ink that reads "Michael J. Walsh CPA". The signature is written in a cursive, flowing style.

Certified Public Accountant

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash and cash equivalents	\$ 512,605	\$ 393,083
Accounts receivable	134,559	140,226
Prepaid expenses	<u>19,075</u>	<u>14,831</u>
Total Current Assets	<u>666,239</u>	<u>548,140</u>
Property and equipment, net	29,870	11,716
Security deposit	<u>13,738</u>	<u>13,738</u>
	<u>43,608</u>	<u>25,454</u>
Total Assets	<u>\$ 709,847</u>	<u>\$ 573,594</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 40,365	\$ 59,571
Deferred revenue	<u>103,877</u>	<u>70,895</u>
Total Current Liabilities	<u>144,242</u>	<u>130,466</u>
Commitments and contingencies		
Net Assets:		
Unrestricted	339,366	309,563
Temporarily restricted	<u>226,239</u>	<u>133,565</u>
Total Net Assets	<u>565,605</u>	<u>443,128</u>
Total Liabilities and Net Assets	<u>\$ 709,847</u>	<u>\$ 573,594</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENTS OF ACTIVITIES IN NET ASSETS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>		<u>2015</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Temporarily Restricted</u>	<u>Totals</u>
Revenues:				
Grants and contracts				
Dues	\$ 141,672	\$ 830,800	\$ 519,250	\$ 519,250
Sponsorship	92,750			136,922
Contributions	73,435			62,575
Mel King tuition and event	39,678	49,585		93,067
In-Kind income	29,051		88,289	137,901
Insurance Program fees	9,040			19,807
Rent	13,200			25,813
Other	23,789			12,600
Interest	154			1,720
Net assets released from restrictions	787,711	(787,711)		532
Total Revenues	<u>1,210,480</u>	<u>92,674</u>	<u>(680,157)</u>	<u>1,010,187</u>
			<u>(72,618)</u>	
Expenses:				
Community Development				
Member Initiatives	378,247			240,534
Mel King Institute	303,886			418,574
Fundraising	322,351			273,213
General and Administrative	43,614			57,095
Total Expenses	<u>132,579</u>			<u>83,291</u>
	<u>1,180,677</u>			<u>1,072,707</u>
Changes in Net Assets	29,803	92,674	(72,618)	(62,520)
Net Assets, Beginning of year	<u>309,563</u>	<u>133,565</u>	<u>206,183</u>	<u>505,648</u>
Net Assets, End of Year	<u>\$ 339,366</u>	<u>\$ 226,239</u>	<u>\$ 133,565</u>	<u>\$ 443,128</u>
		<u>\$ 565,605</u>		

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
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STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 122,477	\$ (62,520)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,945	6,603
Decrease in receivables	5,667	24,452
Increase in prepaid expenses	(4,244)	(253)
(Decrease) increase in accounts payable and accrued expenses	(19,206)	1,209
Increase (decrease) in deferred revenue	<u>32,982</u>	<u>(5,272)</u>
Net cash provided by (used in) operating activities	<u>142,621</u>	<u>(35,781)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	<u>(23,099)</u>	<u>(8,313)</u>
Net cash used by investing activities	<u>(23,099)</u>	<u>(8,313)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,522	(44,094)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>393,083</u>	<u>437,177</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 512,605</u>	<u>\$ 393,083</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	Community Development	Member Initiatives	Mel King Institute	Fundraising	General and Administrative	Total
Salaries	\$ 197,254	\$ 182,898	\$ 126,033	\$ 28,785	\$ 57,893	\$ 592,863
Employee benefits	25,468	23,946	17,084	3,661	8,366	78,525
Payroll taxes	16,181	15,003	10,339	2,361	4,749	48,633
Consulting	41,714	29,051	45,817	2,436	32,471	151,489
Lobbying expense	40,000					40,000
In-Kind services			29,051			29,051
Special Program expense			5,100			5,100
Occupancy/Utilities	30,437	30,015	23,829	4,143	13,745	102,169
Training/conferences	10,823	10,014	42,571	439	1,975	65,822
Printing	391	385	4,644	53	2,034	7,507
Travel	4,024	3,720	3,682	514	3,438	15,378
Office expense	5,462	5,357	4,367	739	2,228	18,153
Telephone	1,546	1,525	1,210	210	698	5,189
Memberships, subscriptions and donations	3,447	493	1,006	68	3,746	8,760
Advertising	27	26	21	4	375	453
Evaluation expense			6,444			6,444
Taxes					196	196
Total expenses						
Before depreciation	376,774	302,433	321,198	43,413	131,914	1,175,732
Depreciation	1,473	1,453	1,153	201	665	4,945
Total Expenses	<u>\$ 378,247</u>	<u>\$ 303,886</u>	<u>\$ 322,351</u>	<u>\$ 43,614</u>	<u>\$ 132,579</u>	<u>\$ 1,180,677</u>

See accompanying notes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Community Development	Member Initiatives	Mel King Institute	Fundraising	General and Administrative	Total
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	67,230	4,117	21,292	157,698
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
Evaluation expense			7,938			7,938
Other expenses	111		21		2	134
Taxes	269	228	87	34	53	671
Total expenses						
Before depreciation	238,733	415,837	272,175	56,685	82,674	1,066,104
Depreciation	1,801	2,737	1,038	410	617	6,603
Total Expenses	\$ 240,534	\$ 418,574	\$ 273,213	\$ 57,095	\$ 83,291	\$ 1,072,707

See accompanying notes.
7.

MASSACHUSETTS ASSOCIATION OF COMMUNITY
DEVELOPMENT CORPORATIONS

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

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, operates the green CDC initiative and a partnership with the Massachusetts Minority Contractors Association to promote the hiring of women and minority owned businesses on CDC construction projects.

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Notes to Financial Statements

- 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.

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, 2016 and 2015 are \$226,239 and \$133,565, respectively.

Massachusetts Association of Community
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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, 2016 and 2015.

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	5 - 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.

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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 loss in 2016 and profit in 2015. The 2015 profit was offset by Federal net operating losses carried forward from previous years. There are no Federal taxes due for either year. The Association's Federal net operating loss carried forward to 2017 is approximately \$19,000.

The Association's tax returns, forms 990 and 990-T, for the years ending in 2013, 2014, 2015 and 2016 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, 2016 and 2015 was \$20,148 and \$23,487, 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>2016</u>	<u>2015</u>
Computers and equipment	\$ 82,334	\$ 63,755
Furniture and fixtures	<u>24,668</u>	<u>20,148</u>
Total	107,002	83,903
Less: accumulated depreciation	<u>77,132</u>	<u>72,187</u>
Property and Equipment – net	<u>\$ 29,870</u>	<u>\$ 11,716</u>

Depreciation expense for the years ended June 30, 2016 and 2015 was \$4,945 and \$6,603, 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, 2016 as follows:

Year Ending <u>June 30</u>	Annual <u>Amount</u>
2017	\$ 92,461
2018	93,984
2019	95,506
2020	97,027
2021	98,550
2022	<u>24,732</u>
	<u>\$ 502,260</u>

Rent expense for the years ended June 30, 2016 and 2015 was \$92,540 and \$91,059, 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 \$13,200 and \$12,600 for the years ended June 30, 2016 and 2015, 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 \$11,415 and \$10,850 to the plan during the years ended June 30, 2016 and 2015, 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, 2016, MACDC had approximately \$137,000 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, 2016 and 2015.

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.

Assets at fair value as of June 30, 2016

(In thousands)

	<u>Level 1</u>	<u>Total</u>
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Cash and cash equivalents	<u>\$ 513</u>	<u>\$ 513</u>
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Assets at fair value as of June 30, 2015

(In thousands)

	<u>Level 1</u>	<u>Total</u>
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Cash and cash equivalents	<u>\$ 393</u>	<u>\$ 393</u>
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Valuation and Income Recognition

The Association's cash and cash equivalents as of June 30, 2016 and 2015 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 13, 2016, 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.

