



Massachusetts Association of Community Development Corporations

Financial Statements

June 30, 2019



Kevin P. Martin & Associates, P.C.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

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June 30, 2019

Independent Auditors' Report

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Independent Auditors' Report

To the Board of Directors of
Massachusetts Association of Community Development Corporations

We have audited the accompanying financial statements of Massachusetts Association of Community Development Corporations (a nonprofit organization), (the Association), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 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 the Association as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1(n) to the financial statements, the Association has adopted ASU No. 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to that matter.

Report on Summarized Comparative Information

We have previously audited the Association's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 8, 2018. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Numin P. Martini & Associates, P.C.

Braintree, MA
November 5, 2019

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Financial Position

As of June 30, 2019

With Comparative Totals as of June 30, 2018

ASSETS

Current Assets

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 388,213	\$ 410,959
Grants and contracts receivable, net	245,044	139,949
Prepaid expenses	<u>30,893</u>	<u>14,075</u>
Total current assets	<u>664,150</u>	<u>564,983</u>

Fixed Assets

Property and equipment	<u>88,194</u>	<u>82,778</u>
Total fixed assets	88,194	82,778
Less: accumulated depreciation	<u>(36,187)</u>	<u>(19,760)</u>
Total net fixed assets	<u>52,007</u>	<u>63,018</u>

Other Assets

Deposits	<u>13,738</u>	<u>13,738</u>
Total other assets	<u>13,738</u>	<u>13,738</u>
Total Assets	<u>\$ 729,895</u>	<u>\$ 641,739</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	\$ 39,180	\$ 37,277
Accounts payable	26,786	13,223
Deferred revenue	<u>40,000</u>	<u>60,675</u>
Total current liabilities	<u>105,966</u>	<u>111,175</u>
Total liabilities	<u>105,966</u>	<u>111,175</u>

Net Assets

Net assets without donor restrictions	407,188	404,852
Net assets with donor restrictions	<u>216,741</u>	<u>125,712</u>
Total net assets	<u>623,929</u>	<u>530,564</u>
Total Liabilities and Net Assets	<u>\$ 729,895</u>	<u>\$ 641,739</u>

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

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Activities

For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
Revenue and Support				
Grants and contracts				
Government	\$ 340,068	\$ -	\$ 340,068	\$ 309,469
Non-government	3,655	614,772	618,427	430,001
	<u>343,723</u>	<u>614,772</u>	<u>958,495</u>	<u>739,470</u>
Membership dues	173,993	-	173,993	158,884
Sponsorship	121,570	-	121,570	150,060
Mel King tuition and event	46,919	120,791	167,710	114,244
Contributions	74,808	30,000	104,808	90,535
Insurance program fees	40,343	-	40,343	34,464
Other revenue	2,532	-	2,532	26,726
Released from restriction	<u>674,534</u>	<u>(674,534)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>1,478,422</u>	 <u>91,029</u>	 <u>1,569,451</u>	 <u>1,314,383</u>
Expenses				
Program services	1,308,144	-	1,308,144	1,138,026
General and administrative	108,464	-	108,464	191,838
Fundraising	<u>59,478</u>	<u>-</u>	<u>59,478</u>	<u>35,207</u>
 Total expenses	 <u>1,476,086</u>	 <u>-</u>	 <u>1,476,086</u>	 <u>1,365,071</u>
Total Change in Net Assets	2,336	91,029	93,365	(50,688)
Net Assets at Beginning of Year	<u>404,852</u>	<u>125,712</u>	<u>530,564</u>	<u>581,252</u>
Net Assets at End of Year	<u>\$ 407,188</u>	<u>\$ 216,741</u>	<u>\$ 623,929</u>	<u>\$ 530,564</u>

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

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Cash Flows

For the Year Ended June 30, 2019
With Comparative Totals for the Year Ended June 30, 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 93,365	\$ (50,688)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	16,427	7,384
Decrease (increase) in assets:		
Grants and contracts receivable, net	(105,095)	(38,309)
Prepaid expenses	(16,818)	18,596
Increase (decrease) in liabilities:		
Accounts payable	13,563	(13,821)
Accrued expenses	1,903	(3,298)
Deferred revenue	<u>(20,675)</u>	<u>(6,697)</u>
Net Cash Used in Operating Activities	<u>(17,330)</u>	<u>(86,833)</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	<u>(5,416)</u>	<u>(39,221)</u>
Net Cash Used in Investing Activities	<u>(5,416)</u>	<u>(39,221)</u>
Net Decrease in Cash and Cash Equivalents	(22,746)	(126,054)
Cash and Cash Equivalents - Beginning	<u>410,959</u>	<u>537,013</u>
Cash and Cash Equivalents - Ending	<u>\$ 388,213</u>	<u>\$ 410,959</u>

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

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Functional Expenses

For the Year Ended June 30, 2019

With Comparative Totals for the Year Ended June 30, 2018

	<u>Mel King Institute</u>	<u>Community Development Policy</u>	<u>Member Initiatives</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>2019 Total</u>	<u>2018 Total</u>
Salaries	\$ 210,945	\$ 249,250	\$ 182,207	\$ 642,402	\$ 55,195	\$ 26,331	\$ 723,928	\$ 679,762
Payroll taxes	13,958	22,721	16,610	53,289	5,395	2,400	61,084	56,315
Fringe benefits	19,561	29,943	21,845	71,349	8,062	4,425	83,836	96,956
Subtotal	<u>244,464</u>	<u>301,914</u>	<u>220,662</u>	<u>767,040</u>	<u>68,652</u>	<u>33,156</u>	<u>868,848</u>	<u>833,033</u>
Consulting	105,031	53,758	24,195	182,984	12,868	9,611	205,463	264,579
Occupancy and utilities	25,067	32,029	23,209	80,305	12,004	9,219	101,528	104,427
Training and conferences	106,483	9,772	78,041	194,296	2,960	852	198,108	76,496
Travel	7,463	6,707	4,859	19,029	2,095	1,930	23,054	19,581
Office expense	4,495	5,492	4,105	14,092	2,402	1,612	18,106	18,599
Evaluation expense	8,320	-	-	8,320	-	-	8,320	12,388
Memberships, subscriptions and donations	2,152	2,749	1,992	6,893	4,481	791	12,165	7,985
Printing	1,964	1,795	1,300	5,059	672	517	6,248	11,491
Depreciation	4,056	5,182	3,755	12,993	1,942	1,492	16,427	7,384
Telephone	661	844	612	2,117	316	243	2,676	4,798
Special program expense	14,535	-	-	14,535	-	-	14,535	2,750
Taxes	150	192	139	481	72	55	608	1,560
	<u>\$ 524,841</u>	<u>\$ 420,434</u>	<u>\$ 362,869</u>	<u>\$ 1,308,144</u>	<u>\$ 108,464</u>	<u>\$ 59,478</u>	<u>\$ 1,476,086</u>	<u>\$ 1,365,071</u>

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

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Massachusetts Association of Community Development Corporations (the Association) are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The Association is a membership organization that seeks to build and sustain a high performing and adaptive community development sector that is supported by private and public investment and sound public policies. The Association advances racial and economic equity by creating healthy communities where everyone lives in housing they can afford, benefits from economic opportunities and can fully participate in the civic life of their community.

Mel King Institute - The Mel King Institute for Community Building (the Institute), which MACDC co-founded and operates, 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. According to its mission, the Mel King Institute for Community Building is “Advancing the skills, knowledge and leadership ability of professional practitioners and volunteer leaders in the community development field.” To achieve its mission, the Institute leverages collaborative educational partnerships that offer high quality learning opportunities to professional and volunteers in the community development field, encourage innovation, and promote and institutionalize systemic success. In addition to offering courses and workshops, the Institute operates a number of programs, including, a mentoring program, a training program for Public Housing tenants, the Alliance for Racial Equity and the Community Development Innovation Forum.

Community Development Policy - The Community Development Policy Program aims to help Community Development Corporations (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 and elected officials to design and fund various programs and it also includes working with private intermediaries, banks, foundations, and corporations to develop programs and establish partnerships.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Member Initiatives - The Member Initiatives Program seeks to strengthen the capacity of the Association's 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 conducts peer groups to serve as learning and networking opportunities for practitioners; collaborates with other organizations to offer trainings and develop partnerships; provides technical assistance to local organizations; collects and shares information about best practices in the field; and provides group sponsored insurance.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Association's ongoing efforts.

(c) Standards of Accounting and Reporting

The Association's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The statement of financial position presents two classes of net assets (net assets without donor restrictions and net assets with donor restrictions) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Association are presented as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor imposed restrictions. Net assets without donor restrictions consist of assets and contributions available for the support of operations. These net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or law.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations that may or will be met, either by actions of the Association and/or passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Net assets with donor restrictions also includes the original amount of gifts and investment earnings required by the donor to be permanently retained. Generally, the donors of these assets permit the Association to use all or part of the income earned on related investments for general or specific purposes.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(d) Cash and Cash Equivalents

The Association considers all highly liquid investments purchased with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash equivalents.

The Association maintains its cash balances at financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Association has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2019.

(e) Revenue Recognition

The Association earns revenue as follows:

Grants and Contracts - Grants and contracts are recorded as revenue as costs related to the services provided are incurred.

Membership Dues - Membership dues revenue is earned and recognized by the Association in the fiscal year the dues are earned.

Sponsorship - Sponsorship revenue is earned and recognized by the Association at the time of the sponsored event.

Mel King tuition and event - Mel King tuition and event revenue is earned and recognized by the Association at the time of the event or training session.

Contributions - Contributions are recorded upon receipt or pledge as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Insurance Program Fees - Insurance program fees revenue is earned and recognized by the Association when the services are provided.

Deferred revenue represents program service fee income received prior to year-end. These amounts are deferred and recognized over the periods to which the fees relate.

Substantially all of the Association's revenue is derived from its activities in Massachusetts. All revenue is recorded at the estimated net realizable amounts.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(f) Grants and Contracts Receivable

Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants and contracts receivable. As of June 30, 2019, management has determined any allowance would be immaterial.

The Association does not have a policy to accrue interest on receivables. The Association has no policies requiring collateral or other security to secure the accounts receivable.

(g) Property and Equipment

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statement of activities.

The Association computes depreciation using the straight-line method over the following estimated lives:

Office equipment	3-5 years
Computer software	5 years

Property and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator or possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value.

(h) Fundraising Expense

Fundraising expense relates to the activities of raising general and specific contributions to the Association.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(i) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Association. Costs are allocated to functions based upon actual time charges.

(j) Use of Estimates

In preparing the Association's financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Income Taxes

The Association qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is generally not subject to income tax. However, income from certain activities not directly related to the Association's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Association is not a private foundation under Section 509(a)(1) of the IRC.

(l) Donated Services

The Association receives donated services from a variety of unpaid volunteers which make significant contributions of their time. Only the amounts that have met the criteria for recognition of such volunteer effort are recognized by the Association. No donated services were recognized by the Association for the year ended June 30, 2019.

(m) Summarized Financial Information for 2018

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the financial statements do not include a full presentation of the statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the financial statements do not include full financial statement disclosures for the prior year.

Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies - continued

(n) Recent Accounting Standard Adopted

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. As a result, the Association has adopted this ASU as of and for the year ended June 30, 2019 with retrospective application for the 2018 financial statements. In addition, the Association changed the presentation of its net asset classes and expanded the footnote disclosures as required by the ASU, with no effect on previously reported change in net assets. Other than these reclassifications, the adoption of ASU 2016-14 did not have a material impact on the Association's financial position, results of activities or cash flows

(2) Property and Equipment

Property and equipment consists of the following as of June 30, 2019:

Office equipment	\$ 43,723
Computer software	<u>44,471</u>
	\$ <u>88,194</u>

Depreciation amounted to \$16,427 for the year ended June 30, 2019.

The Association is developing software for internal use. The software product development costs are capitalized once the application stage has commenced. Capitalization of costs ceases when the software product is available for general use. The project was completed during fiscal year 2019.

(3) Operating Lease Commitments

The Association occupies office space under a non-cancelable operating lease agreement through September 30, 2021. The minimum annual operating non-cancelable lease commitments on property for the Association are as follows:

2020	\$ 97,027
2021	98,370
2022	24,673

Rent expense for the year ended June 30, 2019 was \$96,706.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(4) Defined Contribution Plan

The Association has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 403(b)(7) of the IRC for the benefit of eligible employees. All full time employees with more than 3 months of service are eligible to participate in this plan. Under the plan, benefit eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Association's contributions under this plan amounted to \$16,365 for the year ended June 30, 2019.

(5) Net Assets With Donor Restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2019, net assets with donor restrictions are restricted for the following purposes or periods:

Member Initiative	\$ 148,333
Mel King Institute	60,908
Time restriction	<u>7,500</u>
	\$ <u>216,741</u>

(6) Liquidity and Availability of Resources

The following reflects the Association's financial assets as of June 30, 2019, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year from the statement of financial position date.

Financial assets at year end	
Cash and cash equivalents	\$ 388,213
Grants and contracts receivable, net	<u>245,044</u>
	\$ <u>633,257</u>
Less those unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	\$ <u>216,741</u>
Financial assets available to meet cash need for general expenditures within one year	\$ <u>416,516</u>

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2019

(6) Liquidity and Availability of Resources - continued

The Association is supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Association must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Association's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

(7) Subsequent Events

The Association has performed an evaluation of subsequent events through November 5, 2019, which is the date the Association's financial statements were available to be issued. No material subsequent events, other than those described below, have occurred since June 30, 2019 that required recognition or disclosure in these financial statements.

Subsequent to year end, the Association entered into an agreement where in it will receive \$120,000 per year for fiscal years 2020 through 2025. The funds have been designated for the Mel King Institute program.