Massachusetts Association of Community Development Corporations

Financial Statements

June 30, 2020

Kevin P. Martin & Associates, P.C

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

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June 30, 2020

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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, 2020, 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, 2020, 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. 2018-08, *Clarified Scope and Accounting Guidance for Contributions Received and Made*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Association's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 9, 2019. 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nunin P. Martin & Cunto P.C.

Danvers, MA
October 28, 2020

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Financial Position

As of June 30, 2020
With Comparative Totals as of June 30, 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 596,645	$ 388,213
Grants and contracts receivable, net	139,753	245,044
Prepaid expenses	11,305	30,893
Total current assets	747,703	664,150
Fixed Assets		
Property and equipment	96,719	88,194
Total fixed assets	96,719	88,194
Less: accumulated depreciation	(52,329)	(36,187)
Total net fixed assets	44,390	52,007
Other Assets		
Deposits	13,738	13,738
Total other assets	13,738	13,738
Total Assets	$ 805,831	$ 729,895
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	$ 44,387	$ 39,180
Accounts payable	26,818	26,786
Deferred revenue	44,750	40,000
Note payable	122,500	-
Total current liabilities	238,455	105,966
Net Assets		
Net assets without donor restrictions	439,874	407,188
Net assets with donor restrictions	127,502	216,741
Total net assets	567,376	623,929
Total Liabilities and Net Assets	$ 805,831	$ 729,895

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, 2020
With Comparative Totals for the Year Ended June 30, 2019

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	2020 Total	2019 Total
Revenue and Support				
Grants and contracts				
Government	$ 400,832	$ -	$ 400,832	$ 340,068
Non-government	196,976	317,000	513,976	618,427
	597,808	317,000	914,808	958,495
Membership dues	157,476	-	157,476	173,993
Sponsorship	111,895	-	111,895	121,570
Mel King tuition and event	190,342	-	190,342	167,710
Contributions	137,710	-	137,710	104,808
Insurance program fees	52,310	-	52,310	40,343
Other revenue	5,820	-	5,820	2,532
Released from restriction	406,239	(406,239)	-	-
Total revenue and support	1,659,600	(89,239)	1,570,361	1,569,451
Expenses				
Program services	1,459,180	-	1,459,180	1,308,144
General and administrative	100,370	-	100,370	108,464
Fundraising	67,364	-	67,364	59,478
Total expenses	1,626,914	-	1,626,914	1,476,086
Total Change in Net Assets	32,686	(89,239)	(56,553)	93,365
Net Assets at Beginning of Year	407,188	216,741	623,929	530,564
Net Assets at End of Year	$ 439,874	$ 127,502	$ 567,376	$ 623,929

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, 2020
With Comparative Totals for the Year Ended June 30, 2019

	2020	2019
Cash Flows from Operating Activities		
Change in Net Assets	$ (56,553)	$ 93,365
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	16,142	16,427
Decrease (increase) in assets:		
Grants and contracts receivable, net	105,291	(105,095)
Prepaid expenses	19,588	(16,818)
Increase (decrease) in liabilities:		
Accounts payable	32	13,563
Accrued expenses	5,207	1,903
Deferred revenue	4,750	(20,675)
Net Cash Provided by (Used in) Operating Activities	94,457	(17,330)
Cash Flows from Investing Activities		
Acquisition of property and equipment	(8,525)	(5,416)
Net Cash Used in Investing Activities	(8,525)	(5,416)
Cash Flows from Financing Activities		
Proceeds from note payable	122,500	-
Net Cash Provided by Financing Activities	122,500	-
Net Increase (Decrease) in Cash and Cash Equivalents	208,432	(22,746)
Cash and Cash Equivalents - Beginning	388,213	410,959
Cash and Cash Equivalents - Ending	$ 596,645	$ 388,213

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, 2020
With Comparative Totals for the Year Ended June 30, 2019

	Mel King Institute	Community Development Policy	Member Initiatives	Total Program Services	General and Administrative	Fundraising	2020 Total	2019 Total
Salaries	$ 226,671	$ 213,191	$ 314,123	$ 753,985	$ 47,741	$ 41,604	$ 843,330	$ 723,928
Payroll taxes	16,963	18,511	27,275	62,749	4,145	3,612	70,506	61,084
Fringe benefits	20,948	27,402	40,376	88,726	6,137	5,348	100,211	83,836
Subtotal	264,582	259,104	381,774	905,460	58,023	50,564	1,014,047	868,848
Consulting	195,350	78,604	39,540	313,494	10,740	6,277	330,511	205,463
Occupancy and utilities	30,845	23,968	33,645	88,458	9,138	5,341	102,937	101,528
Training and conferences	915	502	20,682	22,099	2,652	1,713	26,464	94,957
MKI meeting and training	60,869	-	-	60,869	-	-	60,869	103,151
Travel	6,041	4,878	2,146	13,065	2,267	744	16,076	23,054
Office expense	5,055	3,818	5,209	14,082	11,303	876	26,261	18,106
Evaluation expense	5,840	-	-	5,840	-	-	5,840	8,320
Memberships, subscriptions and donations	1,590	4,886	752	7,228	2,244	437	9,909	12,165
Printing	2,405	-	-	2,405	99	10	2,514	6,248
Depreciation	4,837	3,758	3,190	11,785	3,178	1,179	16,142	16,427
Telephone	747	791	591	2,129	379	192	2,700	2,676
Special program expense	12,000	-	-	12,000	-	-	12,000	14,535
Taxes	116	90	60	266	347	31	644	608
	$ 591,192	$ 380,399	$ 487,589	$ 1,459,180	$ 100,370	$ 67,364	$ 1,626,914	$ 1,476,086

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

(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 (U.S. 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 the Association 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.

(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, the Association 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.

(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, 2020.

(e) Revenue Recognition

The Association earns revenue as follows:

Contracts – Federal and state contracts that are considered reciprocal transactions or purchases of services, the results of which are turned over to the grantor, are recognized as the work under the contract is performed. Contracts that are considered nonreciprocal transactions that further the programs of the Association are recorded when the Association receives notification of the contract, or if, conditions for performance are imposed, revenue is recognized when conditions have been met. All contracts consists of two types, unit-rate and cost reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided for under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental agency.

Grants **-** The Association receives funding from federal and state governmental agencies and various other grantors for direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain barriers as outlined in the agreement. Revenue is recognized as the barrier is met. For unconditional grants, revenue is recognized as contribution revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restriction has been met.

Membership Dues **-** Membership dues revenue recognized by the Association in the fiscal year the dues were earned.

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition - continued

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 - In accordance with ASC Sub Topic 958-605, *Revenue Recognition*, the Association must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include measurable performance-related barrier or other measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Association should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Contributions with donor restrictions are recorded as revenues and net assets with donor restrictions when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

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.

(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, 2020, 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.

(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 time charges.

(j) Use of Estimates

In preparing the Association's financial statements in conformity with U.S. 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. Donated services in the amount of $28,971 were recognized by the Association for the year ended June 30, 2020 and reported with contributions on the statement of activities. The corresponding expense is reported in consulting on the statement of functional expenses.

(m) Summarized Financial Information for 2019

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 Association's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

(1) Summary of Significant Accounting Policies - continued

(n) Recent Accounting Standard Adopted

On July 1, 2019, the Association adopted ASU 2018-08, *Not-for Profit Entities (Topic 958), Clarified Scope and Accounting Guidance for Contributions Received and Made*. This ASU was issued to clarify and improve the guidance in U.S. GAAP for distinguishing transactions that are contributions from those that are exchange transactions. The ASU also provides guidance for determining if a contribution that is a promise to give is conditional. The Association adopted the ASU using a modified prospective method effective July 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into (revenue or expense that has not yet been recognized) as of July 1, 2019. As a result, the 2019 financial statements are not restated and there was no cumulative effect adjustment to opening net assets as of July 1, 2019.

(o) Recent Accounting Standards

In June 2020, FASB issued ASU 2020-05, Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842). ASU 2020-05 deferred the implementation date of ASU 2016-02 and ASU 2014-09 by one year. These ASUs are described below.

In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers* and all subsequent amendments to the ASU (collectively, ASC 606). The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: Step 1 - identify the contract(s) with the customer; Step 2 - Identify the performance obligations in the contract; Step 3 - determine the transaction price; Step 4 - Allocate the transaction price to the performance obligations in the contract and Step 5 - recognize revenue when (or as) the entity satisfies a performance obligation. Services within the scope of ASU 2014-09 primarily include program service fees. The ASU was set to be effective for fiscal years beginning after December 15, 2018 and has been extended to be effective for fiscal years beginning after December 15, 2019. The Association is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In March 2016, FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net). In December 2016, FASB Issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers*. These ASUs will be adopted concurrent with the Association's adoption of ASU 2014-09.

(1) Summary of Significant Accounting Policies - continued

(o) Recent Accounting Standards - continued

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)* which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The new standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether or not the lease is effectively a financed purchase by the lessee. This classification will determine whether lease expense is recognized based on an effective interest method or on a straight line basis over the term of the lease, respectively. A lessee is also required to record a right-of-use asset and a lease liability for all leases with a term of greater than 12 months regardless of their classification. Leases with a term of 12 months or less will be accounted for similar to existing guidance for operating leases today.

The new standard requires lessors to account for leases using an approach that is substantially equivalent to existing guidance for sales-type leases, direct financing leases and operating leases. The ASU was set to be effective on January 1, 2021, with early adoption permitted. The effective date was extended to fiscal years beginning after December 15, 2021. The Association is currently evaluating the impact the adoption of this new standard will have on its financial statements.

In July 2018, FASB issued ASU 2018-10, *Codification Improvements to Topic 842*, *Leases* and *ASU 2018-11*, *Leases (Topic 842), Targeted Improvements*. In December 2019, FASB issued ASU 2018-20, *Leases (Topic 842), Narrow-Scope Improvements for Lessors*. Adoption of these ASUs will run concurrent with the Association's adoption of ASU 2016-02.

In September 2020, FASB issued ASU 2020-07, Not-for-Profit Entities (Topic 958), Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets. The amendments in this update address presentation and disclosure of contributed nonfinancial assets. The ASU is effective for annual periods beginning after June 15, 2021. The Association is currently evaluating the impact the adoption of this new standard will have on its financial statements.

(p) Reclassifications

In addition to the reclassifications described in the above disclosure, certain amounts in the prior year have been reclassified to conform to the current year presentation.

(2) Conditional Grants

As of June 30, 2020, the Association has received approximately $610,000 of conditional commitments to contributions and grants that have not been recognized in these financial statements. Revenues on these grants and contributions will be recognized by the Association in future periods as the conditions are met.

(3) Conditional Grants - continued

As of June 30, 2020, future conditional commitments is as follows:

2021	$ 250,000
2022	120,000
2023	120,000
2024	120,000

(3) Property and Equipment

Property and equipment consists of the following as of June 30, 2020:

Office equipment	$ 43,723
Computer software	44,471
Website design	8,525
	$ 96,719

Depreciation amounted to $16,142 for the year ended June 30, 2020.

The Association is working on a website for the Mel King Institute. Capitalization of costs ceases when the website is operational. The project is expected to be completed during fiscal year 2021.

(4) Note Payable

The Association received a Payroll Protection Plan loan from Eastern Bank during the fiscal year ended June 30, 2020 in the original amount of $122,500 with a maturity date of April 15, 2022. The loan bears interest at a rate of 1%, which is deferred for the first six months. Management expects that the loan will be substantially forgiven during the year ended June 30, 2021 and as such the loan has been presented as a current liability on the statement of financial position. The Small Business Administration (SBA) has disclosed criteria for forgiveness which include but not limited to maintaining the full-time equivalent number of employees over certain time period and expending the funds on eligible expenses over the covered period. The Association will recognize forgiveness of the loan in full or in part when the SBA determines the amount of forgiveness and notifies the Association.

(5) 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:

2021	$ 98,370
2022	24,673

Rent expense for the year ended June 30, 2020 was $98,754.

(6) 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 $23,265 for the year ended June 30, 2020.

(7) 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, 2020, net assets with donor restrictions are restricted for the following purposes or periods:

Community Development	$	14,583
Time restriction		112,919
	$	127,502

Net assets released from restrictions during the year ended June 30, 2020 were $406,239, of which $282,658 was from program restrictions and $123,581 was from time restrictions.

(8) Liquidity and Availability of Resources

The following reflects the Association's financial assets as of June 30, 2020, 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	$	596,645
Grants receivable		139,753
	$	736,398
Less those unavailable for general expenditure within one year, due to:		
Net assets with donor restrictions	$	127,502
Financial assets available to meet cash need for general expenditures within one year	$	608,896

(8) 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.

(9) COVID-19 - *Risks and Uncertainties*

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. As described in Note 4, the Association received a PPP loan. The Association is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Association's operations continue for an extended period of time the Association may have to seek alternative measures to finance its operations. The Association does not believe that the impact of COVID-19 would have a material adverse effect on its financial condition or liquidity.

(10) Subsequent Events

The Association has performed an evaluation of subsequent events through October 28, 2020 which is the date the Association's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2020 that required recognition or disclosure in these financial statements.