Massachusetts Association of Community Development Corporations

Financial Statements

June 30, 2017

Massachusetts Association of Community Development Corporations

Kevin P. Martin & Associates, P.C.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

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Kevin P. Martin & Associates, P.C.
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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, 2017, and the related statements of activities, functional expenses and cash flows 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.

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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, 2017, 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.

October 30, 2017

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Financial Position

As of June 30, 2017

ASSETS		
Current Assets		
Cash and cash equivalents	$	537,013
Grants and contracts receivable, net		101,640
Prepaid expenses		32,671
Total current assets		671,324
Fixed Assets		
Property and equipment		43,557
Total fixed assets		43,557
Less: accumulated depreciation		(12,376)
Total net fixed assets		31,181
Other Assets		
Deposits		13,738
Total other assets		13,738
Total Assets	$	716,243
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses	$	40,575
Accounts payable		27,044
Deferred revenue		67,372
Total current liabilities		134,991
Total liabilities		134,991
Net Assets		
Unrestricted		347,007
Temporarily restricted		234,245
Total net assets		581,252
Total Liabilities and Net Assets	$	716,243

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, 2017

	Unrestricted	Temporarily Restricted	Total
Revenue and Support			
Grants and contracts	$ 268,000	$ 545,011	$ 813,011
Membership dues	158,606	-	158,606
Sponsorship	89,725	-	89,725
Mel King tuition and event	36,017	52,606	88,623
Contributions	41,678	-	41,678
Insurance program fees	20,185	-	20,185
Rent	6,990	-	6,990
Other revenue	4,205	-	4,205
Interest	2,230	-	2,230
Released from restriction	589,611	(589,611)	-
Total revenue and support	1,217,247	8,006	1,225,253
Expenses			
Program services	1,034,673	-	1,034,673
General and administrative	135,143	-	135,143
Fundraising	39,790	-	39,790
Total expenses	1,209,606	-	1,209,606
Total Change in Net Assets	7,641	8,006	15,647
Net Assets at Beginning of Year	339,366	226,239	565,605
Net Assets at End of Year	$ 347,007	$ 234,245	$ 581,252

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, 2017

Cash Flows from Operating Activities		
Change in Net Assets	$	15,647
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		7,484
Decrease (increase) in assets:		
Grants and contracts receivable, net		32,919
Prepaid expenses		(13,596)
Increase (decrease) in liabilities:		
Accounts payable		12,120
Accrued expenses		15,134
Deferred revenue		(36,505)
Net Cash Provided by Operating Activities		33,203
Cash Flows from Investing Activities		
Acquisition of property and equipment		(8,795)
Net Cash Used in Investing Activities		(8,795)
Net Increase in Cash and Cash Equivalents		24,408
Cash and Cash Equivalents - Beginning		512,605
Cash and Cash Equivalents - Ending	$	537,013
Supplement Data for Noncash Investing and Financing Activities		
Disposition of fully depreciated fixed assets	$	72,240

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, 2017

	Mel King Institute	Community Development	Member Initiatives	Total Program Services	General and Administrative	Fundraising	Total
Salaries	$ 127,304	$ 205,408	$ 192,587	$ 525,299	$ 77,127	$ 24,530	$ 626,956
Payroll taxes	10,413	16,802	15,753	42,968	5,741	2,007	50,716
Fringe benefits	18,714	26,997	25,073	70,784	9,847	3,277	83,908
Subtotal	156,431	249,207	233,413	639,051	92,715	29,814	761,580
Consulting	108,902	40,993	33,198	183,093	11,402	3,164	197,659
Occupancy and utilities	27,750	29,307	26,028	83,085	13,782	3,824	100,691
Training and conferences	35,058	11,726	15,955	62,739	5,412	631	68,782
Travel	7,517	4,951	4,397	16,865	3,238	940	21,043
Office expense	4,070	3,753	3,334	11,157	2,805	489	14,451
Evaluation expense	8,588	-	-	8,588	-	-	8,588
Memberships, subscriptions and donations	1,598	1,688	1,499	4,785	3,023	220	8,028
Printing	530	2,567	4,288	7,385	489	136	8,010
Depreciation	2,063	2,178	1,935	6,176	1,024	284	7,484
Telephone	1,949	2,059	1,828	5,836	968	269	7,073
Special program expense	5,500	-	-	5,500	-	-	5,500
Taxes	138	146	129	413	285	19	717
	$ 360,094	$ 348,575	$ 326,004	$ 1,034,673	$ 135,143	$ 39,790	$ 1,209,606

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 (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 was organized in the Commonwealth of Massachusetts as a non-profit corporation on August 13, 1982. The Association 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.

<u>Mel King Institute</u> - The Mel King Institute for Community Building (the Institute) 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. This is done by leveraging collaborative educational partnerships that increase access, encourage innovation, and promote and institutionalize systemic success. The Institute enables Community Development Corporations (CDCs) and their partners to build more homes, create more jobs, grow more businesses, 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. The Institute has been designed to bring community development professionals and volunteers the skills they need to be effective in their positions in the community. The Institute focuses 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.

<u>Community Development Policy</u> - 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.

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Member Initiatives - 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.

(b) Basis of Presentation

The statement of activities reports all changes in net assets, including changes in unrestricted net assets 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 three classes of net assets (unrestricted, temporarily restricted and permanently restricted) 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:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors.

Temporarily Restricted - Temporarily restricted net assets 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

(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 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, 2017.

(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 time of the event or training session.

Contributions - Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support 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.

Rental - Rental revenue is derived from commercial tenant rent from a sub-lease relationship. Rental revenue is recognized as occupancy is 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

Accounts 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 accounts receivable. As of June 30, 2017, 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:

Computers and Equipment	3 years
Furniture and fixtures	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 Organization.

(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).

(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, 2017.

(2) Property and Equipment

Property and equipment consists of the following as of June 30, 2017:

Office equipment	$ 38,307
Software development cost	5,250
	$ 43,557

(2) Property and Equipment - continued

Depreciation amounted to $7,484 for the year ended June 30, 2017.

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 is expected to be completed during fiscal year ending June 30, 2018.

(3) Operating Lease Commitments

(a) Lessor

The Association entered into a sublease agreement with Smart Growth Alliance, an unrelated entity. The lease required a minimum lease payment of $1,100 per month and expired on January 30, 2011. Smart Growth Alliance continued to sub-lease the space on a month-to-month basis until January 2017. Rental income amounted to $6,990 for the year ended June 30, 2017.

(b) Lessee

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:

2018	$ 93,984
2019	95,506
2020	97,027
2021	82,138
2022	24,673

Rent expense for the year ended June 30, 2017 was $94,061.

(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 $10,040 for the year ended June 30, 2017.

(5) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2017, temporarily restricted net assets are restricted or the following purposes:

Member Initiative	$ 100,000
Mel King Institute	64,495
Administrative (time restriction)	44,750
Community Development	25,000
	$ 234,245

(6) Subsequent Events

The Association has performed an evaluation of subsequent events through October 30, 2017, which is the date the Association's financial statements were available to be issued. No material subsequent events, have occurred since June 30, 2017 that required recognition or disclosure in these financial statements.