



Massachusetts Association of
Community Development
Corporations

Financial Statements

June 30, 2018



Kevin P. Martin & Associates, P.C.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

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June 30, 2018

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, 2018, 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.

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, 2018, 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.

Report on Summarized Comparative Information

We have previously audited the Association's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2017. 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Nuniv P. Martini & Associates, P.C.

November 8, 2018

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Statement of Financial Position

For the Year Ended June 30, 2018
With Comparative Totals as of June 30, 2017

ASSETS

Current Assets

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 410,959	\$ 537,013
Grants and contracts receivable, net	139,949	101,640
Prepaid expenses	<u>14,075</u>	<u>32,671</u>
 Total current assets	 <u>564,983</u>	 <u>671,324</u>

Fixed Assets

Property and equipment	<u>82,778</u>	<u>43,557</u>
Total fixed assets	82,778	43,557
Less: accumulated depreciation	<u>(19,760)</u>	<u>(12,376)</u>
 Total net fixed assets	 <u>63,018</u>	 <u>31,181</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>641,739</u>	 \$ <u>716,243</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accrued expenses	\$ 37,277	\$ 40,575
Accounts payable	13,223	27,044
Deferred revenue	<u>60,675</u>	<u>67,372</u>
 Total current liabilities	 <u>111,175</u>	 <u>134,991</u>
 Total liabilities	 <u>111,175</u>	 <u>134,991</u>

Net Assets

Unrestricted	404,852	347,007
Temporarily restricted	<u>125,712</u>	<u>234,245</u>
 Total net assets	 <u>530,564</u>	 <u>581,252</u>
 Total Liabilities and Net Assets	 \$ <u>641,739</u>	 \$ <u>716,243</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, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
Revenue and Support				
Grants and contracts				\$
Government	\$ 309,469	\$ -	\$ 309,469	293,000
Non-government	10,000	420,001	430,001	520,011
	<u>319,469</u>	<u>420,001</u>	<u>739,470</u>	<u>813,011</u>
Membership dues	158,884	-	158,884	158,606
Sponsorship	150,060	-	150,060	89,725
Mel King tuition and event	49,559	64,685	114,244	88,623
Contributions	90,535	-	90,535	41,678
Insurance program fees	34,464	-	34,464	20,185
Other revenue	26,726	-	26,726	13,425
Released from restriction	<u>593,219</u>	<u>(593,219)</u>	<u>-</u>	<u>-</u>
 Total revenue and support	 <u>1,422,916</u>	 <u>(108,533)</u>	 <u>1,314,383</u>	 <u>1,225,253</u>
 Expenses				
Program services	1,138,026	-	1,138,026	1,034,673
General and administrative	191,838	-	191,838	135,143
Fundraising	<u>35,207</u>	<u>-</u>	<u>35,207</u>	<u>39,790</u>
 Total expenses	 <u>1,365,071</u>	 <u>-</u>	 <u>1,365,071</u>	 <u>1,209,606</u>
 Total Change in Net Assets	 57,845	 (108,533)	 (50,688)	 15,647
 Net Assets at Beginning of Year	 <u>347,007</u>	 <u>234,245</u>	 <u>581,252</u>	 <u>565,605</u>
 Net Assets at End of Year	 <u>\$ 404,852</u>	 <u>\$ 125,712</u>	 <u>\$ 530,564</u>	 <u>\$ 581,252</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, 2018
With Comparative Totals for the Year Ended June 30, 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ (50,688)	\$ 15,647
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	7,384	7,484
Decrease (increase) in assets:		
Grants and contracts receivable, net	(38,309)	32,919
Prepaid expenses	18,596	(13,596)
Increase (decrease) in liabilities:		
Accounts payable	(13,821)	12,120
Accrued expenses	(3,298)	15,134
Deferred revenue	(6,697)	(36,505)
Net Cash (Used in) Provided by Operating Activities	<u>(86,833)</u>	<u>33,203</u>
Cash Flows from Investing Activities		
Acquisition of property and equipment	<u>(39,221)</u>	<u>(8,795)</u>
Net Cash Used in Investing Activities	<u>(39,221)</u>	<u>(8,795)</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(126,054)	24,408
Cash and Cash Equivalents - Beginning	<u>537,013</u>	<u>512,605</u>
Cash and Cash Equivalents - Ending	<u>\$ 410,959</u>	<u>\$ 537,013</u>
Supplement Data for Noncash Investing and Financing Activities		
Disposition of fully depreciated fixed assets	<u>\$ -</u>	<u>\$ 72,240</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, 2018

With Comparative Totals for the Year Ended June 30, 2017

	<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>2018 Total</u>	<u>2017 Total</u>
Salaries	\$ 177,340	\$ 217,123	\$ 168,727	\$ 563,190	\$ 93,678	\$ 22,894	\$ 679,762	\$ 626,956
Payroll taxes	14,681	17,975	13,969	46,625	7,795	1,895	56,315	50,716
Fringe benefits	26,851	30,080	22,799	79,730	14,245	2,981	96,956	83,908
Subtotal	<u>218,872</u>	<u>265,178</u>	<u>205,495</u>	<u>689,545</u>	<u>115,718</u>	<u>27,770</u>	<u>833,033</u>	<u>761,580</u>
Consulting	130,311	64,369	25,322	220,002	41,545	3,032	264,579	197,659
Occupancy and utilities	29,856	31,475	22,247	83,578	18,260	2,589	104,427	100,691
Training and conferences	38,146	12,773	21,827	72,746	3,445	305	76,496	68,782
Travel	7,764	4,806	3,397	15,967	3,218	396	19,581	21,043
Office expense	5,783	5,409	3,823	15,015	3,135	449	18,599	14,451
Evaluation expense	12,388	-	-	12,388	-	-	12,388	8,588
Memberships, subscriptions and donations	2,004	2,113	1,493	5,610	2,201	174	7,985	8,028
Printing	5,564	1,691	2,170	9,425	1,927	139	11,491	8,010
Depreciation	516	2,229	3,166	5,911	1,278	195	7,384	7,484
Telephone	1,371	1,446	1,022	3,839	840	119	4,798	7,073
Special program expense	2,750	-	-	2,750	-	-	2,750	5,500
Taxes	109	471	670	1,250	271	39	1,560	717
	<u>\$ 455,434</u>	<u>\$ 391,960</u>	<u>\$ 290,632</u>	<u>\$ 1,138,026</u>	<u>\$ 191,838</u>	<u>\$ 35,207</u>	<u>\$ 1,365,071</u>	<u>\$ 1,209,606</u>

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

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2018

(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, 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. As the Association's mission states, 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 Association 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. Through the ongoing dialogue the Institute facilitates, organizations align their work towards the field's common vision, and adapt to the changing world.

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, 2018

(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 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.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2018

(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, 2018.

(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.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2018

(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, 2018, 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, 2018

(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, 2018.

(2) Property and Equipment

Property and equipment consists of the following as of June 30, 2018:

Office equipment	\$ 38,307
Computer software	<u>44,471</u>
	\$ <u>82,778</u>

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2018

(2) Property and Equipment - continued

Depreciation amounted to \$7,384 for the year ended June 30, 2018.

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 2019.

(3) Operating Lease Commitments

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:

2019	\$ 95,506
2020	97,027
2021	98,370
2022	24,673

Rent expense for the year ended June 30, 2018 was \$95,383.

(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 \$21,565 for the year ended June 30, 2018.

MASSACHUSETTS ASSOCIATION OF COMMUNITY DEVELOPMENT CORPORATIONS

Notes to Financial Statements

June 30, 2018

(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, 2018, temporarily restricted net assets are restricted for the following purposes:

Member Initiative	\$ 41,667
Mel King Institute	56,045
Community Development	<u>25,000</u>
	\$ <u>125,712</u>

(6) Subsequent Events

The Association has performed an evaluation of subsequent events through November 8, 2018, which is the date the Association's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2018 that required recognition or disclosure in these financial statements.