

**Massachusetts Association of
Community Development Corporations**

**Financial Statements and
Independent Auditor's Report**

June 30, 2023

Massachusetts Association of Community Development Corporations

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Massachusetts Association of Community Development Corporations, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Massachusetts Association of Community Development Corporations as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Massachusetts Association of Community Development Corporations and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Massachusetts Association of Community Development Corporations' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Massachusetts Association of Community Development Corporations' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Massachusetts Association of Community Development Corporations' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Massachusetts Association of Community Development Corporations' 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Braintree, Massachusetts
February 22, 2024

Massachusetts Association of Community Development Corporations

**Statement of Financial Position
As of June 30, 2023
With Comparative Totals as of June 30, 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Current assets		
Cash and cash equivalents	\$ 342,266	\$ 685,050
Grants and contracts receivable, net	491,916	108,100
Prepaid expenses	32,501	42,806
Total current assets	<u>866,683</u>	<u>835,956</u>
Fixed assets		
Property and equipment	156,271	121,057
Less: accumulated depreciation	<u>(89,593)</u>	<u>(54,469)</u>
Total net fixed assets	<u>66,678</u>	<u>66,588</u>
Other assets		
Operating right-of-use asset, net	597,492	-
Investments	141,170	-
Security deposit	<u>10,189</u>	<u>10,189</u>
Total other assets	<u>748,851</u>	<u>10,189</u>
Total assets	<u>\$ 1,682,212</u>	<u>\$ 912,733</u>
	<u>Liabilities and Net Assets</u>	
	<u>2023</u>	<u>2022</u>
Current liabilities		
Accrued expenses	\$ 168,543	\$ 94,726
Accounts payable	68,846	26,572
Deferred revenue	-	32,750
Operating lease liability - short term	<u>101,409</u>	<u>-</u>
Total current liabilities	<u>338,798</u>	<u>154,048</u>
Long term liabilities		
Operating lease liability - long term	<u>503,482</u>	<u>-</u>
Total long term liabilities	<u>503,482</u>	<u>-</u>
Total liabilities	<u>842,280</u>	<u>154,048</u>
Net assets		
Net assets without donor restrictions	645,338	608,685
Net assets with donor restrictions	<u>194,594</u>	<u>150,000</u>
Total net assets	<u>839,932</u>	<u>758,685</u>
Total liabilities and net assets	<u>\$ 1,682,212</u>	<u>\$ 912,733</u>

See Notes to Financial Statements

Massachusetts Association of Community Development Corporations

**Statement of Activities
Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022**

	Net assets without donor restrictions	Net assets with donor restrictions	2023 Total	2022 Total
Revenue and support				
Grants and contracts				
Government	\$ 643,375	\$ -	\$ 643,375	\$ 487,500
Nongovernment	458,780	194,594	653,374	584,000
	<u>1,102,155</u>	<u>194,594</u>	<u>1,296,749</u>	<u>1,071,500</u>
Membership dues	188,071	-	188,071	185,351
Sponsorship	187,350	-	187,350	124,870
Mel King tuition and event	173,175	-	173,175	213,896
Contributions	67,924	-	67,924	186,576
Net realized/unrealized gain on investments	2,127	-	2,127	-
Insurance program fees	124,324	-	124,324	90,789
Other revenue	118,772	-	118,772	38,853
Released from restriction	150,000	(150,000)	-	-
	<u>2,113,898</u>	<u>44,594</u>	<u>2,158,492</u>	<u>1,911,835</u>
Total revenue and support				
Expenses				
Program services	1,879,701	-	1,879,701	1,531,466
General and administrative	197,544	-	197,544	277,981
Fundraising	-	-	-	37,242
	<u>2,077,245</u>	<u>-</u>	<u>2,077,245</u>	<u>1,846,689</u>
Total expenses				
Change in net assets	36,653	44,594	81,247	65,146
Net assets, beginning	<u>608,685</u>	<u>150,000</u>	<u>758,685</u>	<u>693,539</u>
Net assets, end	<u>\$ 645,338</u>	<u>\$ 194,594</u>	<u>\$ 839,932</u>	<u>\$ 758,685</u>

See Notes to Financial Statements

Massachusetts Association of Community Development Corporations

**Statement of Functional Expenses
Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022**

	<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>2023 Total</u>	<u>2022 Total</u>
Salaries, tax and fringe	\$ 321,718	\$ 318,210	\$ 263,260	\$ 903,188	\$ 122,081	\$ 1,025,269	\$ 1,118,668
Technology	35,289	30,942	18,437	84,668	12,021	96,689	66,321
Consulting	120,674	125,390	129,551	375,615	40,960	416,575	226,546
Occupancy	47,322	46,674	26,762	120,758	13,297	134,055	100,717
Office expense	12,338	12,329	11,533	36,200	5,705	41,905	60,069
Training and events	191,918	10,065	125,646	327,629	-	327,629	249,549
Depreciation	12,368	12,278	6,997	31,643	3,480	35,123	24,819
	<u>\$ 741,627</u>	<u>\$ 555,888</u>	<u>\$ 582,186</u>	<u>\$ 1,879,701</u>	<u>\$ 197,544</u>	<u>\$ 2,077,245</u>	<u>\$ 1,846,689</u>

See Notes to Financial Statements

Massachusetts Association of Community Development Corporations

**Statement of Cash Flows
Year Ended June 30, 2023
With Comparative Totals for the Year Ended June 30, 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 81,247	\$ 65,146
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	35,124	24,819
Operating right-of-use asset amortization	104,294	-
Net realized/unrealized gain on investments	(2,127)	-
(Increase) decrease in assets		
Grants and contracts receivable, net	(383,816)	23,240
Prepaid expenses	10,305	(7,646)
Other assets	-	13,789
Increase (decrease) in liabilities		
Accounts payable	42,274	(24,512)
Accrued expenses	73,817	39,880
Deferred revenue	(32,750)	(3,191)
Operating lease liability	(96,895)	-
Income taxes payable	-	(14,951)
	<u>(168,527)</u>	<u>116,574</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Purchase of investments	(139,043)	-
Acquisition of property and equipment	(35,214)	(36,743)
	<u>(174,257)</u>	<u>(36,743)</u>
Net cash used in investing activities		
Net (decrease) increase in cash and cash equivalents	(342,784)	79,831
Cash and cash equivalents, beginning	<u>685,050</u>	<u>605,219</u>
Cash and cash equivalents, ending	<u>\$ 342,266</u>	<u>\$ 685,050</u>
Supplemental data for noncash investing and financing activities		
Disposal of fully depreciated fixed assets	<u>\$ -</u>	<u>\$ 38,307</u>
Initial operating right-of-use asset and liability	<u>\$ 701,786</u>	<u>\$ -</u>
Cash paid for amounts included in the measurement of lease liabilities	<u>\$ 108,366</u>	<u>\$ -</u>

See Notes to Financial Statements

Massachusetts Association of Community Development Corporations

Notes to Financial Statements

June 30, 2023

Note 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.

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. To achieve its mission, the Institute leverages collaborative educational partnerships that offer high quality learning opportunities to professionals 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 called the Resident Leadership Academy, and the Alliance for Racial Equity.

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.

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, resident services, community organizing and fundraising. 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.

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.

Massachusetts Association of Community Development Corporations

Notes to Financial Statements

June 30, 2023

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 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 statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the contributions are recognized.

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. 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, 2023.

Investments

The Association records investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Interest and dividends are recorded when earned. Gains and losses are recognized as incurred or based on fair value changes during the period. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct investment expenses. Investments are exposed to risks such as interest rate, credit and overall market volatility.

Massachusetts Association of Community Development Corporations

Notes to Financial Statements June 30, 2023

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. During the year ended June 30, 2023 the beginning and ending balances of contract accounts receivable was \$199,900 and \$45,000, respectively. As of June 30, 2023 and June 30, 2022, there were no contract liabilities.

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 are on an annual basis that coincide with the Association's fiscal year. Revenue is recognized by the Association in the applicable membership period.

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

Mel King tuition and events - 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*, and 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

Massachusetts Association of Community Development Corporations

Notes to Financial Statements June 30, 2023

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. Contributions with donor restrictions received and satisfied in the same period are included in contributions without donor restrictions.

For the year ended June 30, 2023, approximately 38% of all contributions were from four donors.

Insurance program fees - Insurance program fees revenue is earned and recognized by the Association over the contract term. 100% of all insurance program fees were earned from one organization.

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 will be earned.

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

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. No balances were written off during the year ended June 30, 2023 and as of June 30, 2023, 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.

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.

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Notes to Financial Statements

June 30, 2023

Fundraising expense

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

Fair value measurements

U.S. GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant inputs to the valuation model are unobservable.

Recurring fair value measurements

In accordance with U.S. GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Association's assets that are adjusted to fair value on a recurring basis are described below. The Association currently has no liabilities that are adjusted to fair value on a recurring basis.

Investments in debt and equity securities

Quoted market prices, a Level 1 input, have been used to determine the fair value of investment securities (see Note 7).

The Association's policy is to recognize transfers in and out of levels as of the date an event or change in circumstances causes the transfer.

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.

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.

Massachusetts Association of Community Development Corporations

Notes to Financial Statements

June 30, 2023

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.

Management has analyzed the tax positions taken by the Association and has concluded that, as of June 30, 2023, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements.

Generally, the Association's information or tax returns remain open for possible federal income tax examination for three years after the filing date. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2019 remain open.

Summarized financial information for 2022

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. Certain prior period amounts in the financial statements related to 2022 have been reclassified to conform to the current period's presentation. No changes to the Association's net assets were made as a result of such reclassifications.

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, 2022, from which the summarized information was derived.

New accounting pronouncements

The Association adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on July 1, 2022 ("Adoption Date"). Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for most leases. The Association elected and applied the following practical expedients on the Adoption Date:

- The package of practical expedients permitting the Association to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.
- The election to use an appropriate risk free discount rate to measure the operating lease liability for the property lease.

The Association made the following adjustments to its balance sheet as of the Adoption Date in connection with transitioning to Topic 842:

	<u>Increase (decrease)</u>
Right-of-use asset - operating lease	\$ 701,786
Lease liability - operating lease	701,786

Massachusetts Association of Community Development Corporations

Notes to Financial Statements June 30, 2023

The Association accounted for its existing property and equipment leases as operating leases. The Adoption of 842 did not have a material impact on the Association's change in net assets for the year ended June 30, 2023.

The Association includes its right-of-use assets for operating leases within other assets and the corresponding lease liabilities within current and long-term liabilities in the accompanying statement of financial position. See Note 4 regarding the Association's right-of-use assets and lease liabilities.

Finally, the Association has elected and applied the practical expedient to combine non lease components with their related lease components and account for them as a single combined lease.

Note 2 - Conditional grants

As of June 30, 2023, the Association has received approximately \$120,000 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.

As of June 30, 2023, future conditional commitments is as follows:

2024	\$	120,000
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Note 3 - Property and equipment

Property and equipment consists of the following as of June 30, 2023:

Office equipment	\$	88,227
Computer software		68,044
		<hr/>
	\$	156,271

Depreciation expense for the year ended June 30, 2023 was \$35,124.

Note 4 - Lease commitments

Lessee

During a prior year, the Association entered into a noncancelable lease agreement for office space in Boston, Massachusetts, the term of which commenced on December 1, 2021 and runs through November 30, 2028. The new lease contains immaterial escalation clauses each year and is accounted for as an operating lease.

At lease commencement, the Association recognizes a lease liability, which is measured at the present value of future minimum lease payments, and a corresponding right-of-use equal to the lease liability, adjusted for any prepaid lease costs, initial direct costs and lease incentive. The Association has elected and applies the practical expedient to combine non-lease components with their related lease components and account for them as a single combined lease component for all its leases. The Association remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a

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June 30, 2023

change in the amount of future lease payments, but only when such changes do not qualify to be accounted for as a separate contract.

The Association determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Association has elected, as a practical expedient, to use an appropriate risk-free rate as its discount rate for each class of underlying asset.

For accounting purposes, the Association leases commence on the earlier of (i) the date upon which Association obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for all of the Association's leases coincides with the contractual effective date. The Association's leases generally have minimum base terms with the renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Association and, when exercised, usually provide for rental payments during the extension period at then current rates or at pre-determined rental amounts. Unless the Association determines that it is reasonably certain that the term of a lease will be extended, such as lease begins at lease commencement and spans for the duration of the minimum non-cancellable contractual term. When the exercise of a renewal option or non-exercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

Lease payments

Lease expense for the year ended June 30, 2023 was \$124,763. For the year ended June 30, 2023, cash paid for amounts included in the measurement of lease liabilities totaled \$108,366. The Association's operating lease has monthly payment terms ranging from \$8,858 to \$9,088 for the year ended June 30, 2023.

Lease liability

The operating lease liability at June 30, 2023 was \$604,891, and is calculated as the present value of remaining lease payments discounted using the Association's risk-free discount rate of 1.77%. Future remaining scheduled lease payments during the lease term are shown in the table below, and are presented on an undiscounted basis along with a reconciliation to the

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**Notes to Financial Statements
June 30, 2023**

Association's operating lease liability as of June 30, 2023. The operating lease terms remaining as of June 30, 2023 was 65 months for a weighted average of 5.4 years:

The minimum annual operating noncancelable lease commitments on property leased by the Association are as follows:

<u>Year</u>	
2024	\$ 111,126
2025	113,886
2026	116,655
2027	119,418
2028	122,178
Thereafter	<u>51,195</u>
	634,458
Less: discount on lease liability	<u>(29,567)</u>
Total lease liability	<u>\$ 604,891</u>

Note 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, 2023, net assets with donor restrictions are restricted for the following purposes or periods:

Program - community development policy	\$ 74,594
Time	<u>120,000</u>
	<u>\$ 194,594</u>

Net assets released from restrictions during the year ended June 30, 2023 were \$150,000, \$120,000 of which was from time restrictions and \$30,000 of which was from program restrictions.

Massachusetts Association of Community Development Corporations

Notes to Financial Statements June 30, 2023

Note 6 - Liquidity and availability of resources

The following reflects the Association's financial assets as of June 30, 2023, 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	\$ 342,266
Grants and contracts receivable	491,916
	<u>834,182</u>
Less those unavailable for general expenditure within one year, due to:	
Net assets with donor restrictions	<u>74,594</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 759,588</u>

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.

Note 7 - Investments

Investments are comprised of the following as of June 30, 2023:

Mutual funds - bond funds	\$ 78,191
Fixed income	55,807
Exchange traded funds	7,172
	<u>\$ 141,170</u>

All investments are Level 1 investments. Investment fees incurred on investments were immaterial and included with investment revenue on the accompanying statement of activities.

Note 8 - 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. Under the plan, benefit eligible employees can invest pre-tax dollars. The Association's contributions under this plan amounted to \$35,688 for the year ended June 30, 2023.

Note 9 - Subsequent events

The Association has performed an evaluation of subsequent events through February 22, 2024 which is the date the Association's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2023 that required recognition or disclosure in these financial statements.



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