

**Metropolitan Boston Housing Partnership, Inc.
and Affiliate**

Consolidated Financial Statements
and
Independent Auditors' Report

June 30, 2017 and 2016

Metropolitan Boston Housing Partnership, Inc. and Affiliate

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Metropolitan Boston Housing Partnership, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Metropolitan Boston Housing Partnership, Inc., (a nonprofit organization) and Affiliate (the Organization), which comprise the consolidated statements of financial position as of June 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Metropolitan Boston Housing Partnership, Inc. and Affiliate, as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information presented on pages 22 through 29 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 31, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is also not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2017, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP

September 11, 2017

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
<i>Assets</i>		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 15,523,581	\$ 14,000,587
Prepaid expenses	223,209	262,733
Accounts receivable	<u>4,521,852</u>	<u>4,409,883</u>
Total current assets	<u>20,268,642</u>	<u>18,673,203</u>
<i>Noncurrent Assets</i>		
Client deposits	829,619	966,077
Restricted cash	6,204,371	1,569,165
Investments	4,406,041	4,029,642
Other investments	295,050	294,125
Loans receivable	11,015,064	4,971,815
Less: allowance for doubtful accounts	(304,907)	(304,907)
Deferred development costs	6,158,407	1,100,197
Furniture and equipment less: accumulated depreciation \$240,254 and \$217,486	<u>104,888</u>	<u>114,744</u>
Total noncurrent assets	<u>28,708,533</u>	<u>12,740,858</u>
Total assets	<u>\$ 48,977,175</u>	<u>\$ 31,414,061</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 2,336,470	\$ 2,179,074
Accrued expenses	732,238	818,000
Deferred revenue	10,879,812	10,010,910
Current portion of mortgage notes payable	<u>91,242</u>	<u>-</u>
Total current liabilities	<u>14,039,762</u>	<u>13,007,984</u>
<i>Noncurrent liabilities</i>		
Client deposits	829,751	881,029
Mortgage notes payable - net of current portion	15,462,515	-
CEDAC home modification loans	<u>6,711,924</u>	<u>6,133,817</u>
Total noncurrent liabilities	<u>23,004,190</u>	<u>7,014,846</u>
Total liabilities	<u>37,043,952</u>	<u>20,022,830</u>
<i>Net Assets</i>		
<i>Unrestricted:</i>		
Board designated	1,875,039	1,875,039
Undesignated	<u>10,058,184</u>	<u>9,516,192</u>
Total net assets	<u>11,933,223</u>	<u>11,391,231</u>
Total liabilities and net assets	<u>\$ 48,977,175</u>	<u>\$ 31,414,061</u>

See accompanying notes to consolidated financial statements.

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Consolidated Statements of Activities
For the Years Ended June 30, 2017 and 2016

<i>Change In Unrestricted Net Assets</i>	<i>2017</i>	<i>2016</i>
Revenue and Support		
Foundation grants	\$ 617,300	\$ 823,810
Corporate grants	330,011	254,487
Individual grants	355,746	544,044
Program service fees and reimbursement	146,479,191	135,207,460
Unrealized gains/(losses)	349,207	(10,898)
Realized gains	-	1,271
Interest and dividend income	<u>54,305</u>	<u>75,866</u>
Total revenue and support	<u>148,185,760</u>	<u>136,896,040</u>
Expenses		
Program services	146,145,952	134,210,998
General and administrative	815,699	682,748
Fundraising	<u>682,117</u>	<u>551,210</u>
Total expenses	<u>147,643,768</u>	<u>135,444,956</u>
Change in net assets	<u>\$ 541,992</u>	<u>\$ 1,451,084</u>
Net assets, beginning of year	\$ 11,391,231	\$ 9,940,147
Change in net assets	<u>541,992</u>	<u>1,451,084</u>
Net assets, end of year	<u>\$ 11,933,223</u>	<u>\$ 11,391,231</u>

See accompanying notes to consolidated financial statements.

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Consolidated Statements of Functional Expenses
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>				<u>2016</u>			
	<i>Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total</i>	<i>Program Services</i>	<i>General and Administrative</i>	<i>Fundraising</i>	<i>Total</i>
Direct Program Expenses:								
Rental subsidies	\$ 134,511,633	\$ -	\$ -	\$ 134,511,633	\$ 122,962,615	\$ -	\$ -	\$ 122,962,615
Payments to subgrantees	390,495	-	-	390,495	408,593	-	-	408,593
Program supplies	27,621	-	-	27,621	18,819	-	-	18,819
Portability	25,016	-	-	25,016	31,904	-	-	31,904
Travel and training	87,269	-	-	87,269	86,250	-	-	86,250
Total direct program expenses	<u>135,042,034</u>	<u>-</u>	<u>-</u>	<u>135,042,034</u>	<u>123,508,181</u>	<u>-</u>	<u>-</u>	<u>123,508,181</u>
Operating Expenses:								
Salaries	6,892,791	322,544	316,832	7,532,167	7,014,245	336,058	282,031	7,632,334
Employee benefits	1,324,024	63,316	60,496	1,447,836	1,365,828	70,446	54,878	1,491,152
Rent and utilities	934,486	36,061	-	970,547	896,723	31,248	-	927,971
Contracted services	534,626	31,244	11,759	577,629	427,622	12,712	6,283	446,617
Equipment	50,301	1,620	-	51,921	49,558	1,537	-	51,095
Office supplies and services	51,891	6,426	4,715	63,032	72,237	4,918	1,923	79,078
Telephone	35,529	3,922	-	39,451	44,208	5,815	-	50,023
Insurance	105,949	9,057	111	115,117	106,191	5,410	-	111,601
Printing	8,312	13,007	19,914	41,233	32,141	18,127	13,110	63,378
Postage	99,164	4,477	2,887	106,528	107,566	5,670	1,528	114,764
Temporary help	318,994	14,652	-	333,646	321,748	-	-	321,748
Legal and accounting	76,450	48,893	-	125,343	72,279	33,252	-	105,531
Consulting	29,478	89,980	108,874	228,332	20,920	45,457	134,059	200,436
Promotion and advertising	5,270	4,792	240	10,302	4,395	1,228	180	5,803
Travel	5,956	10,985	1,281	18,222	3,956	4,599	462	9,017
Training and conferences	22,236	56,159	52,391	130,786	12,231	56,513	51,888	120,632
Dues and subscriptions	7,095	58,858	1,539	67,492	15,683	39,672	2,169	57,524
Depreciation	82,281	2,313	-	84,594	103,946	3,205	-	107,151
Bank charges	23	35,532	-	35,555	-	3,685	-	3,685
Miscellaneous expense	503,122	1,861	2,821	507,804	1,451	3,196	1,162	5,809
Bad debt expense	15,940	-	98,257	114,197	29,889	-	1,537	31,426
Total operating expenses	<u>11,103,918</u>	<u>815,699</u>	<u>682,117</u>	<u>12,601,734</u>	<u>10,702,817</u>	<u>682,748</u>	<u>551,210</u>	<u>11,936,775</u>
Total expenses	<u>\$ 146,145,952</u>	<u>\$ 815,699</u>	<u>\$ 682,117</u>	<u>\$ 147,643,768</u>	<u>\$ 134,210,998</u>	<u>\$ 682,748</u>	<u>\$ 551,210</u>	<u>\$ 135,444,956</u>

See accompanying notes to consolidated financial statements.

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
<i>Cash Flows From Operating Activities:</i>		
Change in net assets	\$ 541,992	\$ 1,451,084
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Depreciation	84,594	107,151
Bad debt	114,197	31,426
Unrealized losses/(gains)	(349,207)	10,898
Realized gains	-	(1,271)
(Increase)/decrease in operating assets:		
Restricted cash	(4,635,206)	(440,829)
Accounts receivable	(226,166)	(102,297)
Prepaid expenses	39,524	(159,142)
Loans receivable CEDAC home mod. program	(429,959)	(54,926)
Client deposits	136,458	117,465
Increase/(decrease) in operating liabilities:		
Accounts payable	157,396	(313,948)
Accrued expenses	(85,762)	118,879
Deferred revenue	868,902	2,583,496
Loans payable CEDAC home mod. program	578,107	493,603
Client deposits	(51,278)	(166,102)
Net cash (used in)/provided by operating activities	<u>(3,256,408)</u>	<u>3,675,487</u>
<i>Cash Flows From Investing Activities:</i>		
Purchase of fixed assets	(74,738)	-
Purchase of investments	(27,192)	(74,013)
Increase of leverage loan note receivable	(5,613,290)	-
Increase in other investments	(925)	-
Increase in deferred development costs	(5,058,210)	(713,656)
Net cash used in investing activities	<u>(10,774,355)</u>	<u>(787,669)</u>
<i>Cash Flows From Financing Activities:</i>		
Proceeds from mortgage notes payable	<u>15,553,757</u>	<u>-</u>
Net cash provided by financing activities	<u>15,553,757</u>	<u>-</u>
Net increase in cash and cash equivalents	1,522,994	2,887,818
Cash and cash equivalents, beginning of year	<u>14,000,587</u>	<u>11,112,769</u>
Cash and cash equivalents, end of year	<u>\$ 15,523,581</u>	<u>\$ 14,000,587</u>
<i>Supplemental Disclosure of Cash Flow Information:</i>		
Cash paid during the year for interest	<u>\$ 127,495</u>	<u>\$ -</u>
Interest capitalized	<u>\$ 127,495</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Notes to Consolidated Financial Statements
June 30, 2017 and 2016

1. *The Organization*

Metropolitan Boston Housing Partnership, Inc. (MBHP) is a Massachusetts not-for-profit corporation. MBHP promotes, organizes and manages programs that provide affordable housing in order to improve the quality of life in the greater metropolitan Boston area.

MBHP is the sole member of MBHP Office Corporation (Office Corp), a Massachusetts not-for-profit corporation formed to develop, operate and lease real estate, specifically to MBHP. MBHP and Office Corp (collectively, the Organization) have common board membership.

MBHP provides the following programs for the benefit of its clients:

Rental Housing Assistance Programs:

Federal and state housing and other supported housing programs that serve more than 10,000 disabled, elderly, formerly homeless, and other individuals and families throughout Greater Boston.

Housing Support Programs:

Housing Consumer Education Center:

The Center is available to everyone requiring housing-related assistance. Issues include: utility or rent arrearages; landlord/tenant conflict; and inadequate incomes. Staff provides information, referrals and brief counseling.

Specialized Programs:

Services include several programs with case management support such as the Hoarding and Sanitation Initiative and Fair Housing Initiative.

HomeBASE:

This program offers families housing stabilization funds and services instead of emergency shelter. This innovative strategy has provided critical needs, re-housing, and stabilization services to more than 975 families.

Property Owner Services:

Services include workshops, informational newsletters, and conflict resolution and mediation services. In addition, MBHP's *Home Modification Loan Program* offers low and no-interest loans to make modifications to the homes of elders, adults with cognitive and physical disabilities, and families with children with disabilities.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

2. *Summary of Significant Account Policies*

Basis of Accounting

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America (GAAP).

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MBHP and its affiliated supporting organization Office Corp. All significant intercompany accounts and transactions have been eliminated.

Revenue Recognition

Cost reimbursement grant and contract income from government agencies is recognized when expenses are incurred. Therefore, the excess (deficit) of receipts over expenditures is carried as a liability (deferred revenue) or as an asset (accounts receivable), respectively. Government agency revenue from fixed price or unit based contracts is recognized when the service has been performed.

The Organization received approximately 92% of its revenue from the Commonwealth of Massachusetts Department of Housing and Community Development (DHCD) for the years ended June 30, 2017 and 2016, respectively. Contracts for administrative fees are subject to annual renewal as well as continued funding from the U.S. Department of Housing and Urban Development (HUD).

Cash and Cash Equivalents

Cash and cash equivalents consist of funds in the Organization's cash accounts and all highly liquid investments with an original maturity of three months or less.

Accounts Receivable

Accounts receivable are presented net of the allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and accounts receivable are charged off when deemed uncollectible. At June 30, 2017 and 2016, management has considered all accounts receivable to be fully collectable.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

2. *Summary of Significant Account Policies – continued*

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. The Organization capitalizes all expenditures for furniture, equipment, and leasehold improvements with a useful life of more than one year and a cost of more than \$500. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets.

In connection with its purchase and construction of an office condominium, see Note 14, the Organization capitalizes all development and construction costs as deferred development costs. Interest costs directly related to the development activities are capitalized while construction is in progress.

Major Maintenance Activities

The Organization uses the direct expensing method to account for planned major maintenance activities, under which actual costs incurred are expensed directly when maintenance is performed.

Grants and Contributions

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional grants and contributions are recognized when the conditions on which they depend are substantially met. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily restricted net assets. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

2. Summary of Significant Account Policies – continued

Fair Value Measurements - continued

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Investments and Investment Income

Investments are recorded at fair value with unrealized gains and losses reported in the change in net assets for the year. Investments in marketable securities with readily determinable fair values are reported at their fair values in the Consolidated Statements of Financial Position. Realized gains and losses are included in the changes in net assets for the year. Realized gains and losses are accounted for on the specific identification method. Purchases and sales are recorded on a trade date basis.

Dividends, interest and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restrict their use. Dividends, interest and restricted gains whose restrictions are met in the same reporting period are reported as unrestricted support.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

2. *Summary of Significant Account Policies – continued*

Other Investments

Certificates for deposit held for investment that are not debt securities are included in “Other Investments” and recorded at cost. Certificates of deposit with original maturities less than one year are classified as “Current Assets-Other Investments”. Certificates of deposit with remaining maturities greater than one year are classified as “Noncurrent Assets-Other Investments”. Other investments are accounted for using the cost method.

Income Taxes

MBHP and Office Corp are exempt from income taxes as non-profit corporations under Section 501(c)(3) of the U.S. Internal Revenue Code and are also exempt from state income taxes, except for income taxes on unrelated business income, if any. For the years ended June 30, 2017 and 2016, the Organization had no unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these consolidated financial statements.

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year financial statements. At June 30, 2017, the Organization believes that it has no uncertain tax positions within any of its open tax years (2014-2016).

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs based on direct charges, personnel time estimates, space utilization and number of housing units administered.

Loans Receivable and Allowance for Possible Loan Losses

Loans are stated at the amount of unpaid principal. Interest on loans is recognized as income by applying the interest rates in effect to the principal amount outstanding. Accrual of interest income on loans receivable is suspended when a loan is contractually delinquent for ninety days. The accrual is resumed when the loan becomes contractually current. An allowance for loan losses is maintained based upon the evaluation of the risks associated with the outstanding loan assets. Any losses or recoveries subsequently realized are charged or credited to the allowance.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

3. *Loans Receivable*

Loans receivable consist of the following:

	<i>2017</i>	<i>2016</i>
BHP I loan (1)	\$ 304,907	\$ 304,907
CEDAC home modification loans (2)	5,096,867	4,666,908
Mission Hill NMTC leverage loan (3)	<u>5,613,290</u>	<u>-</u>
Total	<u>\$ 11,015,064</u>	<u>\$ 4,971,815</u>

(1) BHP I Loan:

The BHP I loan was advanced for capital improvements and operating costs of the following entity:

	<i>2017</i>	<i>2016</i>
Lena Park Community Limited Partnership	<u>\$ 304,907</u>	<u>\$ 304,907</u>

There is substantial doubt regarding the collectability of the BHP I loan. The Organization has recorded an allowance for doubtful accounts representing 100% of the outstanding balance of this loan. As a result, amortization of this debt has been deferred and no interest is being accrued on this loan.

(2) CEDAC Home Modification Loans:

The Organization has agreements with the Community Economic Development Assistance Corporation (CEDAC) to administer a Home Modification Loan Program (the Program) which offers loans of \$30,000 or less to eligible property owners. Under the Program loans are made to finance modifications to homes to provide for the needs of persons with disabilities. The loans are secured by mortgages on the homes and carry annual interest rates of up to 3%. The majority of these loans are interest free and each loan is to be repaid upon sale of the individual properties.

Proceeds from repayment of loans are used to make new loans under the program. Upon termination of the program, all assets of the program are to be returned to CEDAC. Accordingly, at June 30, 2017 and 2016, the total funds advanced from CEDAC were \$6,711,924 and \$6,133,817, respectively, and are recorded as noncurrent liabilities on the accompanying consolidated Statements of Financial Position.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

3. *Loans Receivable – continued*

(3) Mission Hill NMTC Leverage Loan:

On November 2, 2016, under the new Market Tax Credit (NMTC) structure, MBHP entered into a leverage loan agreement with Mission Hill NMTC Investment Fund, LLC (Investment Fund), utilizing proceeds from the bond issue (see Note 16), in the amount of \$5,613,290 which is considered fully collectible as of June 30, 2017 and is secured by the Investment Fund's interest in a limited liability company. The Investment Fund used the proceeds to make equity contributions to NMTC investors who in a combination with investor equity provided NMTC loans to Office Corp (see Note 16). The leverage loan receivable is payable in quarterly installments of interest only at a rate of 1.21% through November 2023 and thereafter in quarterly installments of principal and interest of \$72,708 through November 2045.

4. *Net Assets*

This account represents the cumulative excess of revenue, gains and other support over expenses. Net assets may consist of three components, unrestricted, temporarily restricted and permanently restricted. Unrestricted net assets are not restricted as to use by donors. Temporarily and permanently restricted net assets are net assets whose use is limited by donor imposed restrictions. At June 30, 2017 and 2016, the Organization had no temporarily or permanently restricted net assets.

As stated above, the Organization's unrestricted net assets have no donor imposed restrictions. However, the use of these assets is in many cases limited by contractual requirements of the various programs to which they relate or by designation by the board of directors for a specific purpose.

At June 30, 2017 and 2016, the board designated net assets were \$1,875,039.

5. *Restricted Cash*

Restricted cash consists of the following:

	<i>2017</i>	<i>2016</i>
Unadvanced CEDAC Home Mod. Loan proceeds	\$ 1,638,708	\$ 1,487,840
Security deposit on office space	68,143	81,325
Construction loan proceeds	4,409,390	-
Office Corp tax and audit fee reserve	88,130	-
Total	<u>\$ 6,204,371</u>	<u>\$ 1,569,165</u>

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

6. Investments

As of June 30, 2017 and 2016, the Organization's investment accounts are maintained at two financial institutions. The investments are subject to market fluctuations and due to the level of risk associated with investments, it is at least reasonably possible that changes in the value of investments will occur in the near term and that such changes could materially affect the financial statements. See Note 13 for more information.

As of June 30, 2017 and 2016, the fair value of the investments is summarized as follows:

<i>Investment</i>	<i>2017</i>	<i>2016</i>
Money market mutual funds	\$ 121,541	\$ 1,241,058
Corporate bonds	1,169,115	-
Equity securities	3,115,385	2,788,584
Total	<u>\$ 4,406,041</u>	<u>\$ 4,029,642</u>

For the year ended June 30, 2017, the Organization recorded unrealized gains on investments of \$349,207 and interest and dividend income of \$54,305. For the year ended June 30, 2016, the Organization recorded unrealized losses of \$10,898, realized gains of \$1,271 and interest and dividend income of \$75,866.

7. Other Investments

Other investments consist of a certificate of deposit, which is carried at cost. At June 30, 2017 and 2016, the certificate of deposit had a balance of \$295,050 and \$294,125, respectively, earns interest at a rate of 1.18% and matures on November 28, 2018. Certificate of deposit amounts in excess of FDIC insured limits of \$250,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of June 30, 2017 and 2016, the Organization believes it is not exposed to any significant credit risk on its certificate of deposit.

Management annually performs an assessment of any possible impairment. As of June 30, 2017 and 2016, management has determined that no such impairment exists.

8. Lease

The Organization has a lease agreement for office space at its Lincoln Street location. Rent expense for the years ended June 30, 2017 and 2016, was \$892,393 and \$859,001 respectively. The lease was assigned to the Organization effective September 1, 2002 and expires November 30, 2017. Minimum lease payments under this agreement for the next fiscal year is as follows:

<i>Year</i>	<i>Amount</i>
2018	\$ 331,230

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

9. *DHCD Receivables/Payables*

The amount included in accounts receivable at June 30, 2017, that relates to Federal housing assistance programs administered by DHCD is \$949,088. At June 30, 2016, \$205,735 was included in accounts payable for those Federal housing assistance programs.

10. *Deferred Revenue*

The following is a summary of deferred revenue at June 30, 2017 and 2016:

	<i>2017</i>	<i>2016</i>
Housing Assistance Program Rental Subsidies:		
Commonwealth of Massachusetts	\$ 2,669,443	\$ 2,421,889
U.S. Department of Housing & Urban Development	8,194,395	7,562,047
Other Deferred Income	<u>15,974</u>	<u>26,974</u>
Total	<u>\$ 10,879,812</u>	<u>\$ 10,010,910</u>

11. *Concentration of Cash Balances*

The Organization maintains its cash accounts in four commercial banks located in Massachusetts. Accounts at each bank are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. The Organization does not believe it is exposed to significant risk as it periodically reviews the credit standings of the related institutions. A summary of the total insured and uninsured cash balances at June 30, 2017 and 2016 are as follows:

	<i>2017</i>	<i>2016</i>
Total cash in all Massachusetts banks	\$ 19,549,033	\$ 16,840,967
Portion insured by FDIC	(1,000,000)	(750,000)
Portion collateralized	<u>(14,325,114)</u>	<u>(14,128,766)</u>
Uninsured cash balances	<u>\$ 4,223,919</u>	<u>\$ 1,962,201</u>

Cash on deposit with Bank of America (BofA) is collateralized pursuant to a third party custodian agreement with the Bank of New York (BNY) whereby BNY holds cash and/or securities pledged by BofA for the benefit of the Organization. The amount of the collateral is equal to 102% of uninsured deposits with BofA.

12. *Line of Credit*

The Organization has a \$350,000 revolving line of credit, all of which was unused at June 30, 2017 and 2016. Advances on the credit line are payable on demand and carry an interest rate of 3.5% over prime. Borrowings under the line are collateralized by all assets of the Organization and the agreement expires, April 1, 2018.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

13. Fair Value Measurements

The following is a description of the valuation methodologies used for assets at fair value. There have been no changes from prior year's valuation techniques and related inputs as of June 30, 2017 and 2016:

Money Market Mutual Funds

Carried at fair value based on the valuation of the financial institutions that hold the investments (all Level 2 Inputs).

Corporate Bonds

Valued using other observable inputs such as prevailing interest rates, the market demand for such bonds and the dates of maturity and purchase of the bond or securities (all Level 2 Inputs).

Equity Securities

Valued at the closing price reported on the active market on which the individual securities are traded (all Level 1 Inputs).

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Fair value of the assets is measured on a recurring basis and at June 30, 2017 and 2016 were as follows:

<i>Description</i>	<i>2017</i>		<i>Total</i>
	<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	
Money market mutual funds	\$ -	\$ 121,541	\$ 121,541
Corporate bonds	-	1,169,115	1,169,115
Equity Securities:			
<i>Hedge funds</i>	287,255	-	287,255
<i>International funds</i>	67,160	-	67,160
<i>Index funds</i>	224,933	-	224,933
<i>High income funds</i>	63,443	-	63,443
<i>Bond funds</i>	353,333	-	353,333
<i>Common stock</i>	2,090,874	-	2,090,874
<i>Real estate funds</i>	28,387	-	28,387
Total	<u>\$ 3,115,385</u>	<u>\$ 1,290,656</u>	<u>\$ 4,406,041</u>

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

13. Fair Value Measurements – continued

<i>Description</i>	<i>2016</i>		<i>Total</i>
	<i>Level 1 Inputs</i>	<i>Level 2 Inputs</i>	
Money market mutual funds	\$ -	\$ 1,241,058	\$ 1,241,058
Equity Securities:			
<i>Index funds</i>	2,007,414	-	2,007,414
<i>Blend Funds</i>	510,472	-	510,472
<i>High income funds</i>	195,234	-	195,234
<i>Return funds</i>	75,464	-	75,464
Total	<u>\$ 2,788,584</u>	<u>\$ 1,241,058</u>	<u>\$ 4,029,642</u>

14. Commitments

Construction Contract

On May 8, 2015, with the consent of the Board of Directors, management executed a contract for the purchase of an office condominium unit (the Office) in Boston, Massachusetts. The Office is part of a building being constructed by Mission Hill Neighborhood Housing Services (MHNHS).

The construction period was expected to be approximately two years and the Office is expected to cost between \$13 million and \$14 million depending on whether certain design elements are included in the final specifications. MHNHS is responsible for overseeing the construction of the building and the Organization has agreed to pay deposits on an installment basis of up to 10% of the purchase price of the Office, due and payable, at the completion of construction benchmarks established in the contract. As of June 30, 2017 and 2016, total costs incurred related to the development of the Office were \$6,158,407 and \$1,100,197, respectively, which are included as deferred development costs in the Consolidated Statements of Financial Position.

Restricted Reserves

In accordance with the loan agreements (see Note 16), the Organization is required to maintain certain escrows in accounts held by Boston Private Bank and Trust and Eastern Bank as security for the performance of obligations set forth in the loan agreements. The amount of the escrows are required to be at least equal to or greater than \$3,799,942 plus 20% of the outstanding principal balance of the \$1,200,000 term loan. During 2016 the Organization transferred its investments (see Note 6) into accounts held by Boston Private Bank and Trust and Eastern Bank to satisfy these requirements. At June 30, 2017, the investments are still held by these financial institutions.

In addition, restricted cash (see Note 5) at June 30, 2017, consists of construction loan proceeds that are held with Boston Private Bank and Trust. These funds can only be used towards approved development costs associated with the construction of the Office.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

15. *Client Deposits*

The Organization receives certain rental subsidies that are to be held in escrow for clients participating in the family self-sufficiency program. When received, the subsidies are required to be deposited in a separate bank account. Funds are released to the clients upon graduation from the program. At June 30, 2017 and 2016, the client deposit account had a balance of \$829,619 and \$966,077, respectively, and the liability to the clients was \$829,751 and \$881,029, respectively.

16. *Mortgage Notes Payable*

MBHP

MBHP obtained financing in the amount of \$8,500,000 from Boston Private Bank and Trust. The loan is collateralized by the Office and reserves described in Note 14. Monthly payments of interest only are required through January 1, 2018, at a rate of 65% of the LIBOR rate as adjusted on the first business day of each month plus two hundred and fifteen basis points (the LIBOR Rate) applied to the outstanding principal balance. Commencing on February 1, 2018, the loan will bear interest at the LIBOR Rate and monthly payments of principal and interest are required based on a ten year amortization schedule. All outstanding principal and interest will be due and payable on July 18, 2028. At June 30, 2017 and 2016, the outstanding principal was \$6,306,857 and zero, respectively.

In addition, the loan requires that the Organization maintain certain financial covenants during and after construction of the Office as defined in the loan agreement: (1) At all times, a loan to value ratio of no more than 91% based on the total debt outstanding and a loan to value ratio of no more than 80% based on partial debt outstanding. Commencing on January 18, 2018, (2) a debt service ratio of 1.20, (3) maximum total recourse leverage of less than 3.5 and (4) a minimum unrestricted liquidity as defined in the loan agreement. Management believes that the Organization is in compliance with the required financial covenants as of June 30, 2017 and 2016.

MBHP obtained financing in the amount of \$1,200,000 from Boston Private Bank and Trust. The loan is collateralized by the Office and reserves described in Note 14. Monthly payments of interest only are required through January 1, 2018, at the LIBOR Rate applied to the outstanding principal balance. Commencing on February 1, 2018, the loan will bear a fixed rate of 6% and monthly payments of principal and interest are required based on a ten year amortization schedule. All outstanding principal and interest is due and payable on July 18, 2028. At June 30, 2017 and 2016, the outstanding principal was \$812,900 and zero, respectively.

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

16. Mortgage Notes Payable – continued

MBHP – continued

MBHP obtained financing in the amount of \$300,000 from Boston Private Bank and Trust. The loan is collateralized by the Office and reserves described in Note 14. Monthly payments of interest only are required through January 1, 2018, at the LIBOR Rate applied to the outstanding principal balance. Commencing on February 1, 2018, the loan will bear a fixed rate of 3.42% and monthly payments of principal and interest are required based on a ten year amortization schedule. All outstanding principal and interest is due and payable on July 18, 2028. At June 30, 2017 and 2016, the outstanding principal was \$300,000 and zero, respectively.

Office Corp

Office Corp obtained financing in the amount of \$5,613,290 from CITI NMTC Subsidiary CDE XXVI, LLC. The loan is secured by the Office. Quarterly payments of interest only are required through November 2, 2023 at a fixed rate of 1%. Commencing on December 1, 2023, quarterly payments of principal and interest are required based on a twenty-seven year amortization schedule. All outstanding principal and interest is due and payable on November 3, 2051. During the first seven years the loan may not be repaid in whole or in part. At June 30, 2017 and 2016, the outstanding principal was \$5,613,290 and zero, respectively.

Office Corp obtained financing in the amount of \$2,520,710 from CITI NMTC Subsidiary CDE XXVI, LLC. The loan is secured by the Office. Quarterly payments of interest only are required through November 2, 2023 at a fixed rate of 1%. Commencing on December 1, 2023, quarterly payments of principal and interest are required based on a twenty-seven year amortization schedule. All outstanding principal and interest is due and payable on November 3, 2051. During the first seven years the loan may not be repaid in whole or in part. At June 30, 2017 and 2016, the outstanding principal was \$2,520,710 and zero, respectively.

Current maturities of mortgage notes payable for the next five years and thereafter are as follows:

2018	\$	91,242
2019		222,151
2020		229,869
2021		237,855
2022		246,119
Thereafter		<u>14,526,521</u>
Total	\$	<u>15,553,757</u>

Metropolitan Boston Housing Partnership, Inc. and Affiliate

Notes to Consolidated Financial Statements - *Continued*

June 30, 2017 and 2016

17. *Tax Deferred Retirement Plan*

MBHP provides for retirement benefits for its full-time employees through its tax deferred retirement plan. This plan constitutes a defined contribution plan under section 403(b) of the Internal Revenue Code and allows for a discretionary employer match of employee contributions of up to 2% of annual compensation. Upon employment, participants become eligible to participate and are fully vested in the plan. Pension expense for the years ended June 30, 2017 and 2016, amounted to \$83,823 and \$84,865, respectively.

18. *Subsequent Events*

The Organization has performed an evaluation of subsequent events through September 11, 2017, which is the date of the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since June 30, 2017 that requires recognition or disclosure in these consolidated financial statements.

SUPPLEMENTAL INFORMATION

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Supplemental Consolidating Schedule of Financial Position
June 30, 2017

<i>Assets</i>				
	MBHP	Office Corp	Eliminations	Consolidated
<i>Current Assets</i>				
Cash and cash equivalents	\$ 15,523,581	\$ -	\$ -	\$ 15,523,581
Prepaid expenses	223,209	-	-	223,209
Accounts receivable	<u>4,521,852</u>	<u>-</u>	<u>-</u>	<u>4,521,852</u>
Total current assets	<u>20,268,642</u>	<u>-</u>	<u>-</u>	<u>20,268,642</u>
<i>Noncurrent Assets</i>				
Client deposits	829,619	-	-	829,619
Restricted cash	3,607,761	2,596,610	-	6,204,371
Investments	4,406,041	-	-	4,406,041
Other investments	295,050	-	-	295,050
Loans receivable	11,015,064	-	-	11,015,064
Less: allowance for doubtful accounts	(304,907)	-	-	(304,907)
Deferred development costs	638,425	5,519,982	-	6,158,407
Furniture and equipment less: accumulated depreciation \$240,254	<u>104,888</u>	<u>-</u>	<u>-</u>	<u>104,888</u>
Total noncurrent assets	<u>20,591,941</u>	<u>8,116,592</u>	<u>-</u>	<u>28,708,533</u>
Total assets	<u>\$ 40,860,583</u>	<u>\$ 8,116,592</u>	<u>\$ -</u>	<u>\$ 48,977,175</u>
<i>Liabilities and Net Assets</i>				
	MBHP	Office Corp	Eliminations	Consolidated
<i>Current Liabilities</i>				
Accounts payable	\$ 2,336,470	\$ -	\$ -	\$ 2,336,470
Accrued expenses	732,238	-	-	732,238
Deferred revenue	10,879,812	-	-	10,879,812
Current portion of mortgage notes payable	<u>91,242</u>	<u>-</u>	<u>-</u>	<u>91,242</u>
Total current liabilities	<u>14,039,762</u>	<u>-</u>	<u>-</u>	<u>14,039,762</u>
<i>Noncurrent liabilities</i>				
Client deposits	829,751	-	-	829,751
Mortgage notes payable - net of current portion	7,328,515	8,134,000	-	15,462,515
CEDAC home modification loans	<u>6,711,924</u>	<u>-</u>	<u>-</u>	<u>6,711,924</u>
Total noncurrent liabilities	<u>14,870,190</u>	<u>8,134,000</u>	<u>-</u>	<u>23,004,190</u>
Total liabilities	<u>28,909,952</u>	<u>8,134,000</u>	<u>-</u>	<u>37,043,952</u>
<i>Net Assets</i>				
<i>Unrestricted:</i>				
Board designated	1,875,039	-	-	1,875,039
Undesignated	<u>10,075,592</u>	<u>(17,408)</u>	<u>-</u>	<u>10,058,184</u>
Total net assets	<u>11,950,631</u>	<u>(17,408)</u>	<u>-</u>	<u>11,933,223</u>
Total liabilities and net assets	<u>\$ 40,860,583</u>	<u>\$ 8,116,592</u>	<u>\$ -</u>	<u>\$ 48,977,175</u>

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Supplemental Consolidating Schedule of Activities
For the Year Ended June 30, 2017

	MBHP	Office Corp	Eliminations	Consolidated
<i>Change In Unrestricted Net Assets</i>				
Revenue and Support				
Foundation grants	\$ 617,300	\$ -	\$ -	\$ 617,300
Corporate grants	330,011	-	-	330,011
Individual grants	355,746	-	-	355,746
Program service fees and reimbursement	146,479,191	-	-	146,479,191
Unrealized gains	349,207	-	-	349,207
Interest and dividend income	54,213	92	-	54,305
	<u>148,185,668</u>	<u>92</u>	<u>-</u>	<u>148,185,760</u>
Total revenue and support				
Expenses				
Program services	146,145,952	-	-	146,145,952
General and administrative	798,199	17,500	-	815,699
Fundraising	682,117	-	-	682,117
	<u>147,626,268</u>	<u>17,500</u>	<u>-</u>	<u>147,643,768</u>
Total expenses				
Change in net assets	<u>\$ 559,400</u>	<u>\$ (17,408)</u>	<u>\$ -</u>	<u>\$ 541,992</u>
Net assets, beginning of year	\$ 11,391,231	\$ -	\$ -	\$ 11,391,231
Change in net assets	<u>559,400</u>	<u>(17,408)</u>	<u>-</u>	<u>541,992</u>
Net assets, end of year	<u>\$ 11,950,631</u>	<u>\$ (17,408)</u>	<u>\$ -</u>	<u>\$ 11,933,223</u>

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Supplemental Consolidated Schedule of Support, Revenue and Expenses
For the Year Ended June 30, 2017

	<i>General Administrative & Fundraising</i>	<i>State Housing Assistance Program</i>	<i>Federal Housing Assistance Program</i>	<i>Housing Support</i>	<i>Homebase Program</i>	<i>Supported Housing Program</i>	<i>Loan and Monitoring Programs</i>	<i>Office Development</i>	<i>Total</i>
Revenue and Support:									
Foundation grants	\$ 338,118	\$ -	\$ -	\$ 279,182	\$ -	\$ -	\$ -	\$ -	\$ 617,300
Corporate grants	315,011	-	-	15,000	-	-	-	-	330,011
Individual grants	352,721	-	-	3,025	-	-	-	-	355,746
Rental subsidies and administrative fees	-	28,285,393	97,046,753	5,219,332	3,983,422	11,381,201	-	-	145,916,101
Other service fees	2,293	17,866	138,470	-	-	59,287	117,670	-	335,586
Contract service income	-	-	-	227,504	-	-	-	-	227,504
Total revenue and support	1,008,143	28,303,259	97,185,223	5,744,043	3,983,422	11,440,488	117,670	-	147,782,248
Other Revenue:									
Unrealized gains	349,207	-	-	-	-	-	-	-	349,207
Interest and dividend income	54,081	-	132	-	-	-	-	92	54,305
Total revenue	1,411,431	28,303,259	97,185,355	5,744,043	3,983,422	11,440,488	117,670	92	148,185,760
Expenses	1,497,816	28,232,511	96,301,825	5,801,006	3,966,651	11,470,412	72,477	301,070	147,643,768
Excess (deficiency) of revenue over expenses	\$ (86,385)	\$ 70,748	\$ 883,530	\$ (56,963)	\$ 16,771	\$ (29,924)	\$ 45,193	\$ (300,978)	\$ 541,992

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Supplemental Consolidated Schedule of Support, Revenue and Expenses
For the Year Ended June 30, 2016

	<i>General Administrative & Fundraising</i>	<i>State Housing Assistance Program</i>	<i>Federal Housing Assistance Program</i>	<i>Housing Support</i>	<i>Homebase Program</i>	<i>Supported Housing Program</i>	<i>Loan and Monitoring Programs</i>	<i>Total</i>
Revenue and Support:								
Foundation grants	\$ 469,810	\$ -	\$ -	\$ 354,000	\$ -	\$ -	\$ -	\$ 823,810
Corporate grants	229,487	-	-	25,000	-	-	-	254,487
Individual grants	542,394	-	-	1,650	-	-	-	544,044
Rental subsidies and administrative fees	-	23,902,497	90,155,669	4,928,913	5,104,899	10,781,870	-	134,873,848
Other service fees	39,551	29,889	99,543	-	-	5,339	67,251	241,573
Contract service income	-	-	-	92,039	-	-	-	92,039
	<u>1,281,242</u>	<u>23,932,386</u>	<u>90,255,212</u>	<u>5,401,602</u>	<u>5,104,899</u>	<u>10,787,209</u>	<u>67,251</u>	<u>136,829,801</u>
Total revenue and support								
Other Revenue:								
Unrealized losses	(10,898)	-	-	-	-	-	-	(10,898)
Realized gains	1,271	-	-	-	-	-	-	1,271
Interest and dividend income	75,806	-	60	-	-	-	-	75,866
	<u>1,347,421</u>	<u>23,932,386</u>	<u>90,255,272</u>	<u>5,401,602</u>	<u>5,104,899</u>	<u>10,787,209</u>	<u>67,251</u>	<u>136,896,040</u>
Total revenue								
Expenses	<u>1,233,958</u>	<u>23,817,822</u>	<u>89,204,897</u>	<u>5,356,251</u>	<u>4,974,094</u>	<u>10,773,462</u>	<u>84,472</u>	<u>135,444,956</u>
Excess (deficiency) of revenue over expenses	<u>\$ 113,463</u>	<u>\$ 114,564</u>	<u>\$ 1,050,375</u>	<u>\$ 45,351</u>	<u>\$ 130,805</u>	<u>\$ 13,747</u>	<u>\$ (17,221)</u>	<u>\$ 1,451,084</u>

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Supplemental Consolidated Schedule of Program Expenses
For the Year Ended June 30, 2017

	<i>State Housing Assistance Program</i>	<i>Federal Housing Assistance Program</i>	<i>Housing Support</i>	<i>Homebase Program</i>	<i>Supported Housing Program</i>	<i>Loan and Monitoring Programs</i>	<i>Office Development</i>	<i>Total</i>
Direct Program Expenses:								
Rental subsidies	\$ 27,047,324	\$ 90,111,613	\$ 3,847,905	\$ 2,838,965	\$ 10,665,826	\$ -	\$ -	\$ 134,511,633
Payments to subgrantees	190,251	156,519	43,725	-	-	-	-	390,495
Program supplies	-	50	27,202	369	-	-	-	27,621
Portability	-	25,016	-	-	-	-	-	25,016
Travel and training	1,545	50,304	20,479	9,672	4,150	1,119	-	87,269
Total direct program expenses	27,239,120	90,343,502	3,939,311	2,849,006	10,669,976	1,119	-	135,042,034
Operating Expenses:								
Salaries	665,906	3,852,300	1,076,142	690,052	557,528	50,863	-	6,892,791
Employee benefits	128,166	740,347	206,960	131,439	107,375	9,737	-	1,324,024
Rent and utilities	91,891	486,774	156,181	121,674	71,323	6,643	-	934,486
Contracted services	35,498	352,955	90,554	29,035	25,293	1,291	-	534,626
Equipment	5,170	26,545	8,118	6,175	4,024	269	-	50,301
Office supplies and services	4,018	29,474	9,857	5,522	2,847	173	-	51,891
Telephone	2,434	18,899	5,132	6,788	2,148	128	-	35,529
Insurance	10,903	56,105	17,250	12,625	8,500	566	-	105,949
Printing	576	6,744	470	261	252	9	-	8,312
Postage	10,127	53,643	15,228	11,900	7,744	522	-	99,164
Temporary help	6,104	202,798	45,538	64,554	-	-	-	318,994
Legal and accounting	6,981	44,452	10,971	8,267	5,412	367	-	76,450
Consulting	775	8,097	296	19,335	975	-	-	29,478
Promotion and advertising	-	2,412	2,599	259	-	-	-	5,270
Travel	-	2,715	3,241	-	-	-	-	5,956
Training and conferences	1,450	16,750	1,917	734	1,275	110	-	22,236
Dues and subscriptions	-	5,095	2,000	-	-	-	-	7,095
Depreciation	7,452	48,230	11,593	8,877	5,740	389	-	82,281
Bank Charges	-	-	-	-	-	23	-	23
Miscellaneous expense	-	3,988	197,648	148	-	268	301,070	503,122
Bad debt expense	15,940	-	-	-	-	-	-	15,940
Total expenses before administrative allocation	28,232,511	96,301,825	5,801,006	3,966,651	11,470,412	72,477	301,070	146,145,952
Administrative allocation	79,007	406,365	124,209	89,449	61,796	4,078	-	764,904
Total expenses	\$ 28,311,518	\$ 96,708,190	\$ 5,925,215	\$ 4,056,100	\$ 11,532,208	\$ 76,555	\$ 301,070	\$ 146,910,856

Metropolitan Boston Housing Partnership, Inc. and Affiliate
Supplemental Consolidated Schedule of Program Expenses
For the Year Ended June 30, 2016

	<i>State Housing Assistance Program</i>	<i>Federal Housing Assistance Program</i>	<i>Housing Support</i>	<i>Homebase Program</i>	<i>Supported Housing Program</i>	<i>Loan and Monitoring Programs</i>	<i>Total</i>
Direct Program Expenses:							
Rental subsidies	\$ 22,765,067	\$ 83,613,565	\$ 3,552,911	\$ 3,001,138	\$ 10,029,934	\$ -	\$ 122,962,615
Payments to subgrantees	229,020	97,897	81,676	-	-	-	408,593
Program supplies	-	150	18,669	-	-	-	18,819
Portability	-	31,904	-	-	-	-	31,904
Travel and training	1,334	45,708	15,493	20,081	3,391	243	86,250
Total direct program expenses	<u>22,995,421</u>	<u>83,789,224</u>	<u>3,668,749</u>	<u>3,021,219</u>	<u>10,033,325</u>	<u>243</u>	<u>123,508,181</u>
Operating Expenses:							
Salaries	526,650	3,555,270	1,080,517	1,273,997	516,814	60,997	7,014,245
Employee benefits	102,420	692,440	210,852	247,836	100,406	11,874	1,365,828
Rent and utilities	69,561	425,872	138,583	194,483	61,316	6,908	896,723
Contracted services	19,607	273,570	77,164	40,720	15,452	1,109	427,622
Equipment	3,994	23,600	7,555	10,613	3,503	293	49,558
Office supplies and services	4,454	35,582	12,078	16,741	3,126	256	72,237
Telephone	2,102	23,568	5,442	10,854	2,087	155	44,208
Insurance	8,569	50,598	16,156	22,704	7,534	630	106,191
Printing	292	12,560	17,519	1,327	200	243	32,141
Postage	7,957	55,591	15,166	21,249	7,019	584	107,566
Temporary help	32,177	139,984	68,543	71,682	9,362	-	321,748
Legal and accounting	5,457	35,008	10,415	15,340	5,658	401	72,279
Consulting	553	14,890	5,025	452	-	-	20,920
Promotion and advertising	-	2,755	1,314	260	-	66	4,395
Travel	-	2,165	1,475	316	-	-	3,956
Training and conferences	104	6,454	3,624	1,854	195	-	12,231
Dues and subscriptions	-	15,443	100	40	-	100	15,683
Depreciation	8,615	49,497	15,699	22,057	7,465	613	103,946
Miscellaneous expense	-	826	275	350	-	-	1,451
Bad debt expense	29,889	-	-	-	-	-	29,889
Total expenses before administrative allocation	<u>23,817,822</u>	<u>89,204,897</u>	<u>5,356,251</u>	<u>4,974,094</u>	<u>10,773,462</u>	<u>84,472</u>	<u>134,210,998</u>
Administrative allocation	<u>52,035</u>	<u>308,266</u>	<u>98,473</u>	<u>138,380</u>	<u>46,045</u>	<u>3,830</u>	<u>647,029</u>
Total expenses	<u>\$ 23,869,857</u>	<u>\$ 89,513,163</u>	<u>\$ 5,454,724</u>	<u>\$ 5,112,474</u>	<u>\$ 10,819,507</u>	<u>\$ 88,302</u>	<u>\$ 134,858,027</u>

Metropolitan Boston Housing Partnership, Inc.
 Supplemental Schedules of Revenue and Expenses of Federal Housing Assistance
 MTW-Housing Choice Voucher, VASH, FUP 09 and 5 year Mainstream Programs
 For the Years Ended June 30, 2017 and 2016

	<i>2017</i>	<i>2016</i>
Revenue:		
Rental subsidies and administrative fees	\$ 96,842,235	\$ 89,908,450
Direct Program Expenses:		
Rental subsidies	89,829,968	83,329,291
Other program expenses	50,353	45,858
Payments to subgrantees	156,519	97,897
Portability	25,016	31,904
Total direct program expenses	90,061,856	83,504,950
Operating Expenses:		
Salaries	3,839,147	3,531,747
Employee benefits	737,813	687,807
Rent and utilities	485,436	423,681
Contracted services	352,616	273,085
Equipment	26,466	23,472
Office supplies and services	29,425	35,457
Telephone	18,864	23,501
Insurance	55,950	50,330
Printing	6,742	12,554
Postage	53,501	55,335
Temporary Help	202,798	139,984
Legal fees and accounting	44,352	34,935
Consulting	8,097	14,890
Promotion and advertising	2,412	2,755
Travel	2,715	2,165
Training and conferences	16,750	6,454
Dues and subscriptions	5,095	15,443
Depreciation and amortization	48,122	49,235
Miscellaneous	3,988	826
Administrative allocation	405,267	306,653
Total expenses	96,407,412	89,195,259
Excess of revenue over expenses	\$ 434,823	\$ 713,191

Metropolitan Boston Housing Partnership, Inc.
 Supplemental Schedules of Financial Position of Federal Housing Assistance
 MTW-Housing Choice Voucher, VASH, FUP 09 and 5 year Mainstream Programs
 June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash	\$ 7,700,724	\$ 8,196,213
Accounts receivable - DHCD	949,088	-
Accounts receivable tenants	<u>703,249</u>	<u>728,104</u>
Total assets	<u>\$ 9,353,061</u>	<u>\$ 8,924,317</u>
Liabilities		
Accounts payable: tenants	\$ 703,249	\$ 728,104
Accounts payable	473,701	678,802
Deferred income	8,172,897	7,515,836
Deferred interest	<u>3,214</u>	<u>1,575</u>
Total liabilities	<u>\$ 9,353,061</u>	<u>\$ 8,924,317</u>

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Metropolitan Boston Housing Partnership, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<i>Federal Grantor (Pass-Through Grantor) Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Total Federal Expenditures</i>	<i>Expenditures to Subrecipients</i>
U.S. Department of Housing and Urban Development				
Moving to Work Demonstration Program Passed through Massachusetts Department of Housing and Community Development (DHCD)	14.881	See Note 3	\$ 93,741,475	\$ 156,519
Housing Voucher Cluster: Section 8 Housing Choice Vouchers Passed through DHCD	14.871	See Note 3	<u>2,751,334</u>	<u>-</u>
Supportive Housing for Persons with Disabilities Passed through DHCD	14.181	OCD264216469017MS5	<u>121,824</u>	<u>-</u>
Section 8 Project-Based Cluster: Lower Income Housing Assistance Program-Section 8 Moderate Rehabilitation Passed through DHCD	14.856	OCD264016469019MRB	<u>344,120</u>	<u>-</u>
Project Rental Assistance Demonstration (PRA DEMO) Program of Section 811 Supportive Housing for Persons with Disabilities Passed through DHCD	14.326	OCD264516469018811	<u>34,560</u>	<u>-</u>
Continuum of Care Program: Passed through DHCD		See Note 3	1,679,216	-
Passed through City of Boston Department of Neighborhood Development (DND)		See Note 3	8,594,851	-
Passed through Justice Resource Institute, Inc. (JRI)		OCD810014FPOPGRANT10	<u>114,790</u>	<u>-</u>
Total Continuum of Care Program	14.267		<u>10,388,857</u>	<u>-</u>
Housing Opportunities for Persons with AIDS Passed through DND	14.241	C-43176	<u>992,344</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 108,374,514</u>	<u>\$ 156,519</u>

Metropolitan Boston Housing Partnership, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Metropolitan Boston Housing Partnership, Inc. (MBHP) under programs of the Federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of MBHP, it is not intended to and does not present the financial position, changes in net assets or cash flows of MBHP.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

MBHP has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Pass-Through Entity Identifying Numbers

The Massachusetts Department of Housing and Community Development (DHCD) and the City of Boston Department of Neighborhood Development (DND) issued multiple pass through entity numbers for the following programs:

<i>Program Name (Federal CFDA Number)</i>	<i>Pass-Through Entity Identifying Numbers</i>
Moving to Work Demonstration Program (14.881)	
Passed through DHCD	OCD264516469015MTW
Passed through DHCD	OCD264016469021FSS
Section 8 Housing Choice Vouchers (14.871)	
Passed through DHCD	OCD264016469014HCV
Passed through DHCD	OCD264116469016FUP
Continuum of Care Program (14.267):	
Passed through DHCD	OCD810015FGBSGRANT20
Passed through DHCD	OCD810015F3RAGRANT10
Passed through DHCD	OCD810015FGBTGRANT10
Passed through DHCD	OCD810015FVVWGRANT10
Passed through DND	C-42844, C-42951, C-42278
Passed through DND	C-42215, C-42217, C42216
Passed through DND	C-42510, C-42950

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
AND COMPLIANCE IN ACCORDANCE
WITH
*GOVERNMENT AUDITING STANDARDS***



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed In Accordance With
Government Auditing Standards*

To the Board of Directors of
Metropolitan Boston Housing Partnership, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Metropolitan Boston Housing Partnership, Inc. (a nonprofit Organization) (MBHP), which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 11, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered MBHP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of MBHP's internal control. Accordingly, we do not express an opinion on the effectiveness of MBHP's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of MBHP's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether MBHP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MBHP's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MBHP's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis & Company LLP

September 11, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND INTERNAL CONTROL REQUIRED BY
THE UNIFORM GUIDANCE**



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of
Metropolitan Boston Housing Partnership, Inc.

Report on Compliance for Each Major Federal Program

We have audited Metropolitan Boston Housing Partnership, Inc.'s (MBHP) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on MBHP's major federal program for the year ended June 30, 2017. MBHP's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for MBHP's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MBHP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of MBHP's compliance.

Opinion on the Major Federal Program

In our opinion, Metropolitan Boston Housing Partnership, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of MBHP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MBHP's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MBHP's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Daniel Dennis & Company LLP

September 11, 2017

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Metropolitan Boston Housing Partnership, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance? _____ yes X no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program</i>
14.881	Moving to Work Demonstration Program

Dollar threshold for Type A and Type B programs \$3,000,000

Auditee qualifies as low-risk auditee? Yes

Metropolitan Boston Housing Partnership, Inc.
Schedule of Findings and Questioned Costs – *Continued*
For the Year Ended June 30, 2017

Section II – Financial Statement Findings

A. Deficiencies in Internal Control over Financial Reporting

None

B. Material Fraud and Noncompliance with Provisions of Laws and Regulations

None

C. Material Noncompliance with Provisions of Contracts and Grant Agreements

None

D. Material Abuse

None

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

Metropolitan Boston Housing Partnership, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

There were no unresolved audit findings from prior years' audits of Metropolitan Boston Housing Partnership, Inc.