

Boston Local Development Corporation

Financial Statements and Auditors' Reports

June 30, 2010 and 2009



Daniel Dennis & Company LLP
Certified Public Accountants

116 Huntington Avenue
Boston, MA 02116
(617) 262-9898
FAX: (617) 437-9937
Web Site: <http://www.danieldennis.com>

Boston Local Development Corporation
Financial Statements
Including Reports on Federal Award Programs
in Accordance with OMB Circular A-133

June 30, 2010 and 2009

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Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors
Boston Local Development Corporation

Independent Auditors' Report

We have audited the accompanying balance sheets of Boston Local Development Corporation as of June 30, 2010 and 2009, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatements. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BLDC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Local Development Corporation as of June 30, 2010 and 2009, and the results of its operations and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2011 on our consideration of Boston Local Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were performed for the purpose of forming an opinion on the financial statements of Boston Local Development Corporation, taken as a whole. The accompanying schedule of expenditures of Federal awards for the year ended June 30, 2010 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of Federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Daniel Dennis & Company LLP

March 25, 2011

Boston Local Development Corporation

Balance Sheets

June 30, 2010 and 2009

<i>Assets</i>		
	2010	2009
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,603,592	\$2,493,815
Investments	25,000	25,000
Accounts receivable - trade	225,124	136,992
Prepaid expenses	6,564	-
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$174,249 and \$47,260 at June 30, 2010 and 2009, respectively)	<u>397,449</u>	<u>570,392</u>
Total current assets	<u>3,257,729</u>	<u>3,226,199</u>
<i>Other Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$254,720 and \$145,133 at June 30, 2010 and 2009, respectively)	<u>3,590,686</u>	<u>3,828,836</u>
Total other assets	<u>3,590,686</u>	<u>3,828,836</u>
Total assets	<u>\$ 6,848,415</u>	<u>\$7,055,035</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 628,220	\$ 472,659
Deferred income	<u>582,920</u>	<u>860,955</u>
Total current liabilities	<u>1,211,140</u>	<u>1,333,614</u>
<i>Net Assets</i>		
Temporarily restricted	475,352	354,356
Unrestricted	<u>5,161,923</u>	<u>5,367,065</u>
Total net assets	<u>5,637,275</u>	<u>5,721,421</u>
Total liabilities and net assets	<u>\$ 6,848,415</u>	<u>\$7,055,035</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Activities
For the Years Ended June 30, 2010 and 2009

	2010	2009
<i>Changes in Unrestricted Net Assets</i>		
Support and revenue:		
Grant revenue	\$1,151,226	\$1,700,943
Contributions	1,066,613	1,378,885
Interest income - revolving loans	234,231	200,728
Interest income - other	3,970	15,279
Processing and servicing fees	9,950	9,277
Miscellaneous income	5,703	49,120
Net assets released from restrictions	<u>62,161</u>	<u>16,200</u>
Total unrestricted support and revenue	<u>2,533,854</u>	<u>3,370,432</u>
Program expenses		
Revolving loans	539,363	342,417
Homebuyers	1,025,272	674,562
Read Boston	434,254	687,365
Write Boston	416,145	445,876
Don't Borrow Trouble	-	900
Earned Income Tax Credit (EITC)	190,900	244,900
Infrared Mapping	1,500	-
HeatWorks	70,908	16,045
Homeownership Preservation	-	14,192
Digital Game Conference	<u>2,000</u>	<u>22,594</u>
Total program expenses	2,680,342	2,448,851
Administrative expenses	<u>58,654</u>	<u>54,373</u>
Total expenses	<u>2,738,996</u>	<u>2,503,224</u>
Excess/(deficit) unrestricted support and revenue over expenses	<u>(205,142)</u>	<u>867,208</u>
Other changes in unrestricted net assets		
Assets transferred to the City of Boston	<u>-</u>	<u>(234,650)</u>
Change in unrestricted net assets	<u>(205,142)</u>	<u>632,558</u>
<i>Changes in Temporarily Restricted Net Assets</i>		
Contributions	183,157	137,161
Net assets released from restrictions	<u>(62,161)</u>	<u>(16,200)</u>
Change in temporarily restricted net assets	<u>120,996</u>	<u>120,961</u>
Change in net assets	(84,146)	753,519
Net assets - beginning of year	<u>5,721,421</u>	<u>4,967,902</u>
Net assets - end of year	<u>\$5,637,275</u>	<u>\$5,721,421</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2010

	<i>Program Services</i>										<i>Total Expenses</i>
	<i>Revolving Loans</i>	<i>Home-buyers</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Heat-Works</i>	<i>Digital Game Conference</i>	<i>Infrared Mapping</i>	<i>Admin-istrative</i>	<i>Total</i>	
Salaries	\$ 182,307	-	-	-	-	-	-	-	-	-	\$ 182,307
Fringe benefits	64,730	-	-	-	-	-	-	-	-	-	64,730
EDIC overhead	-	-	-	-	-	-	-	-	10,830	-	10,830
Professional fees	-	-	-	-	-	-	-	-	38,607	-	38,607
Provision for uncollectible loans	236,576	-	-	-	-	-	-	-	-	-	236,576
Financial assistance	35,750	1,025,272	-	-	-	-	-	-	-	-	1,061,022
Grants/contributions	20,000	-	434,254	416,145	190,900	-	-	-	-	-	1,061,299
Miscellaneous	-	-	-	-	-	70,908	2,000	1,500	9,217	-	83,625
Total	\$ 539,363	\$ 1,025,272	\$ 434,254	\$ 416,145	\$ 190,900	\$ 70,908	\$ 2,000	\$ 1,500	\$ 58,654	\$ -	\$ 2,738,996

See accompanying notes to financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2009

	<i>Program Services</i>										<i>Total Expenses</i>
	<i>Revolving Loans</i>	<i>Home-buyers</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>Don't Borrow Trouble</i>	<i>EITC</i>	<i>New Boston Housing</i>	<i>Digital Game Conference</i>	<i>Home-Ownership Preservation</i>	<i>Admin-istrative</i>	
Salaries	\$ 203,145	-	-	-	-	-	-	-	-	-	\$ 203,145
Fringe benefits	77,197	-	-	-	-	-	-	-	-	-	77,197
EDIC overhead	-	-	-	-	-	-	-	-	-	10,475	10,475
Professional fees	-	-	-	-	-	-	22,594	-	-	26,121	48,715
Provision for uncollectible loans	20,000	-	-	-	-	-	-	-	-	-	20,000
Financial assistance	42,075	674,562	-	-	-	-	-	-	-	-	716,637
Grants/contributions	-	-	687,365	445,876	900	244,900	-	-	-	-	1,379,041
Miscellaneous	-	-	-	-	-	-	16,045	-	14,192	17,777	48,014
Total	\$ 342,417	\$ 674,562	\$ 687,365	\$ 445,876	\$ 900	\$ 244,900	\$ 16,045	\$ 22,594	\$ 14,192	\$ 54,373	\$ 2,503,224

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Cash Flows
For the Years Ended June 30, 2010 and 2009

	2010	2009
<i>Operating Activities</i>		
Change in net assets	\$ (84,146)	\$ 753,519
Adjustments to reconcile change in net assets to net cash provided by/(used) in operating activities:		
Provision for uncollectible loans	236,576	20,000
Loans issued	(200,000)	(1,565,575)
Principal payments on loans receivable	374,517	488,502
(Increase) in accounts receivable - trade	(88,132)	(20,975)
(Increase) in prepaid expenses	(6,564)	-
Increase in accounts payable	155,561	359,649
(Decrease) in deferred income	<u>(278,035)</u>	<u>(1,016,250)</u>
Net cash provided by/(used in) operating activities	<u>109,777</u>	<u>(981,130)</u>
Net increase/(decrease) in cash and cash equivalents	109,777	(981,130)
Cash and cash equivalents - beginning of year	<u>2,493,815</u>	<u>3,474,945</u>
Cash and cash equivalents - end of year	<u>\$ 2,603,592</u>	<u>\$2,493,815</u>

See accompanying notes to financial statements.

Boston Local Development Corporation

Notes to Financial Statements

June 30, 2010 and 2009

1. *Operations*

Boston Local Development Corporation (BLDC) is a nonprofit corporation, established to provide long-term, low interest financing to firms and companies located in the City of Boston, Massachusetts in order to maintain and expand employment opportunities. BLDC's other significant programs, funded primarily through contributions, include the Read and Write Boston Programs, which help children within the City of Boston learn to read and write, and the Earned Income Tax Credit (EITC) program, which helps low-income City of Boston residents take advantage of the Federal EITC. BLDC also has four grant programs that help City of Boston residents purchase their homes (Note 5).

2. *Summary of Significant Accounting Policies*

Basis of Accounting - BLDC prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue and Expense Recognition - BLDC recognizes interest income from revolving loans and bank accounts when earned, and from fees charged to private firms and companies when the fees are earned. Grant funds received are recorded as deferred income on the balance sheet until earned. Grant revenue is recognized on the statement of activities as loans are initially issued from these funds and when program expenses are incurred. Expenses are recognized when goods or services are received.

Contributions - BLDC classifies its net assets, revenues and expenses into two classes of net assets - temporarily restricted and unrestricted, based on the existence or absence of donor-imposed restrictions on contributions received. Contributions are recognized as revenue in the period received. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue on the statement of activities. All other restricted contributions received are classified as such on the statement of activities. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributed Services - BLDC recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. BLDC receives services from a large number of volunteers who give significant amounts of their time to BLDC's programs and fund-raising campaigns, which do not meet the criteria for financial statement recognition.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents - For the purposes of the statement of cash flows, BLDC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

2. *Summary of Significant Accounting Policies - Continued*

Loans Receivable/Allowance for Uncollectible Loans - Loans receivable are recorded at fair value, representing the unpaid principal balance. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Potential loan losses are reserved when management determines that a borrower is in an extremely negative financial position, and is unlikely to repay the loan. Loans are written off against this reserve when the borrower enters bankruptcy and/or BLDC has no collateral, or the collateral is deemed worthless. Recoveries of loans that were written off in previous years are recorded as income in the year received.

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established for this accrual. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Income Taxes - BLDC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the fiscal years ended June 30, 2010 and 2009, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

BLDC evaluates the tax positions taken or expected to be taken in their 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 penalties thereon, would be recorded as an expense in the current year financial statements. BLDC has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2010 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC's fiscal years 2003 through 2009 tax years remain subject to examination by Federal and state tax authorities.

Estimates and Assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications - Certain reclassifications have been made to the fiscal year 2009 amounts to conform with the fiscal year 2010 presentation.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

3. ***Loans Receivable***

Outstanding balances of loans receivable are as follows (the interest rate is noted in parentheses):

<i>Borrower (Rate)</i>	<i>2010</i>	<i>2009</i>
303 Café, Inc. (7.00%)	\$ 42,765	\$ 47,181
760 Adams Street Realty Trust (7.00%)	40,209	46,702
Artaic, LLC (9.00%)	44,629	50,000
Banner Publications (9.00%)	150,000	-
Banner Publications (9.00%)	50,000	-
Biodefense (6.00%)	242,500	250,000
Blow Hair Salon (9.00%)	101,926	115,042
Bob's Your Uncle (6.0%)	216,311	225,815
Boston Art, Inc (8.25%)	160,118	195,159
Boston Common Coffee Company (7.00%)	90,494	100,000
Boston Internet Group (10.50%)	-	26,527
C. F Donovan's Restaurant (8.25%)	150,000	150,000
C. F Donovan's Restaurant (8.25%)	100,000	100,000
Children's Museum (1.00%)	900,000	900,000
City Feed & Supply (6.00%)	80,000	100,000
Clutch (9.00%)	59,284	64,988
Cogito Health, Inc. (9.00%)	150,000	150,000
Crazy Dough's Inc (8.25%)	120,000	120,000
Family Discount Laundry (8.25%)	148,716	150,000
Faux Like a Pro (7.50%)	18,607	20,938
Faux Like a Pro (7.50%)	37,214	41,876
Gingko Bioworks (9.00%)	150,000	150,000
Greekhouse Bike Company (9.00%)	62,782	67,568
HDM System Corporation (5.00%)	250,000	250,000
Jose Blanco (5.75%)	-	794
Ketta's Hair Salon (7.25%)	35,029	35,029
Loki Furniture (5.00%)	-	14,471
Maxequip, Inc. (10.50%)	93,615	96,865
My Body, My Business (8.00%)	1,894	13,477
Popeye's Fried Chicken (8.25%)	140,569	140,567
Polygon (2.23%)	50,000	50,000
Polygon (8.00%)	8,284	8,946
Polygon (8.25%)	100,000	100,000
SMH Fine Foods (1.00%)	43,933	43,933
Tallon's Townsend (7.00%)	150,000	150,000

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

3. ***Loans Receivable – Continued***

<i>Borrower (Rate)</i>	<i>2010</i>	<i>2009</i>
Twilight LLC (7.75%)	\$ 68,109	\$ 80,844
Two Opticians, LLC (6.50%)	26,040	29,477
Urban Adventours (9.00%)	46,107	50,000
Waldin Group (5.00%)	83,726	123,797
Zoom Group LLC (8.00%)	36,071	76,309
Zoom Group LLC (4.50%)	11,982	31,807
Zoom Group LLC (4.50%)	82,780	119,846
Zoom Group LLC (4.50%)	8,361	12,104
Zoom Group LLC (4.50%)	19,201	28,582
Zoom Group LLC (4.50%)	19,568	29,129
Zoom Group LLC (7.25%)	<u>26,280</u>	<u>33,848</u>
Total revolving loans	4,417,104	4,591,621
Less: current portion	<u>(571,698)</u>	<u>(617,652)</u>
Total long-term loans receivable	<u>\$ 3,845,406</u>	<u>\$ 3,973,969</u>

BLDC wrote off uncollectable loans totaling \$132,137 during the year ended June 30, 2009. No loans were written off as uncollectible during the year ended June 30, 2010.

4. ***Investments***

Investments at June 30, 2010 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 1.5% interest rate at June 30, 2010 and will mature in March 2011. Investments at June 30, 2009 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 3% interest rate at June 30, 2009 and matured in March 2010.

5. ***Program Activity***

Revolving loan programs include the following:

- Grant proceeds received through the Economic Development and Industrial Corporation (EDIC)/Boston (Note 6) under a revolving loan fund contract with the Economic Development Administration (EDA).

The purpose of this contract is to establish a revolving loan fund to encourage public and private investment in Boston's industrial and commercial enterprises through long-term low interest loans.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

5. *Program Activity - Continued*

- Grant proceeds totaling approximately \$1 million under a contract with the City of Boston's Department of Neighborhood Development (DND).

The purpose of this contract is to establish a revolving loan fund for Boston based small businesses. Loan funds issued under this program are restricted to eligible economic development activities under the U.S. Department of Housing and Urban Development (HUD) Title I Program.

- Grant proceeds from DND totaling \$1.5 million received under BLDC's Backstreets Back-up Revolving Loan Fund.

The purpose of this fund is to provide loans of up to \$250,000 for business located in Boston's Back Streets business sector, in hopes of creating increased employment opportunities and expansion of business and industry. Backstreets funds are used as either stand-alone, subordinate debt, or as leveraging for bank financing.

- Grant proceeds from DND totaling \$500,000 under BLDC's Life Tech Finance Program

This finance program is focused on helping Boston's biotech and life science sectors. The program is designed to attract, retain, support and strengthen biotechnology, pharmaceutical, medical devices and other related industries. This program also awards grants to BLDC loan recipients to be used to pay interest within the first two years of the loans. Deferred revenue for this program at June 30, 2010 and 2009 totaled \$22,175 and \$67,227, respectively.

- Grant proceeds from DND totaling \$500,000 under BLDC's New Boston Jobs Creation Program

The purpose of this fund is to provide loans to small businesses in Boston that have either a history of and/or a demonstrable potential for job creation. The intent of the program is to create new opportunities for small businesses in Boston as well as unemployed Boston residents. Qualified borrowers will receive the loan and pay interest only for a period of two years. During that period, the borrower will receive upon each new Boston resident hire completing one year of employment, a grant of \$2,000. An additional \$2,000 will be converted to a grant once the employee has completed two years of continuous service. The grant(s) amount will be deducted from the outstanding principal on an annual basis on the employee's anniversary date of hire. The maximum allowable write down is \$4,000 per new Boston resident employee. If upon the second anniversary of the loan the business has not created a target job, the loan will convert from an interest only loan to amortization debt with a five year payout. Deferred revenue for this program at June 30, 2010 and 2009 totaled \$236,392 and \$283,266, respectively.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

5. *Program Activity - Continued*

- Grant proceeds from DND totaling \$200,000 under BLDC's Create Boston Program

This loan fund is geared specifically toward providing financial assistance to creative businesses and individuals and will be used in conjunction with existing Boston Redevelopment Authority programs. Deferred revenue for this program at June 30, 2010 and June 30, 2009 totaled \$0 and \$31,584, respectively.

An agreement between BLDC and DND allows BLDC to utilize twenty percent of each of the above programs' original amount of funding, plus up to twenty percent of each programs' annual program income to support the direct costs of maintaining the respective loan portfolios, beginning in fiscal year 2009.

BLDC's has four non-loan programs administered by DND under the *Boston Home Certificate Initiative*:

- The Homebuyers Program provides financial assistance to eligible homebuyers purchasing a residential home in the City of Boston. Deferred revenue for this program at June 30, 2010 and 2009 totaled \$139,206 and \$330,318, respectively.
- The Three Decker Plus Pilot Initiative Program (Triple-Deck) was implemented to provide financial assistance to eligible first-time homebuyers of three-unit residential properties located in Boston that do not require significant rehabilitation. Deferred revenue for this program at June 30, 2010 and 2009 totaled \$32,739.
- The CreditSmart Boston Initiative is a program focused on helping Boston's low to moderate income consumers build and maintain good credit that will help them become qualified homebuyers. Deferred revenue for this program at June 30, 2010 and 2009 totaled \$30,000.
- The Boston Home Ownership Preservation Fund is a pool of resources provided by partner organizations and institutions that complement City of Boston resources dedicated exclusively to support various technical financial services to help Boston homeowners avoid losing their homes to foreclosure. The City of Boston provided BLDC a grant funding this program startup. Deferred revenue for this program at June 30, 2010 and 2009 totaled \$85,808. This program is also supported by private contributions (Note 6).

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

6. *Related Party Transactions*

BLDC contracted employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit policies. These costs, together with administration overhead are billed to BLDC. At June 30, 2010 and 2009, BLDC has an outstanding payable to EDIC totaling \$593,334 and \$444,951, respectively, representing accrued salaries and fringe benefits paid by EDIC and administrative overhead billed.

BLDC receives contributions from corporations that support the Earned Income Tax Credit, Read Boston, and Write Boston Programs operated by EDIC, the Boston Small Business Exposition operated by the Boston Empowerment Center, Infrared Mapping operated by the Boston Redevelopment Authority, and the Main Streets, New Boston Housing, Boston Home Ownership Preservation Fund, Heat Works, and Don't Borrow Trouble Programs operated by the City of Boston. Solicitation efforts and related fundraising is provided by these respective agencies. Contributions received for these programs for the years ended June 30, 2010 and 2009 are as follows:

<i>Program</i>	<i>2010</i>	<i>2009</i>
Read Boston	\$ 446,635	\$ 688,970
Earned Income Tax Credit	190,900	244,900
Write Boston	421,305	430,876
Infrared Mapping	93,863	-
Boston Home Ownership Preservation Fund	50,000	75,000
Digital Gaming	9,000	-
HeatWorks	<u>25,000</u>	<u>76,300</u>
Total	<u>\$ 1,236,703</u>	<u>\$ 1,516,046</u>

Temporarily restricted net assets at June 30, 2010 and 2009 consist of unexpended contributions received that were restricted by the donors to be used for these programs, as follows:

<i>Program</i>	<i>2010</i>	<i>2009</i>
Boston Small Business Exposition	\$ 10,421	\$ 10,421
Don't Borrow Trouble	85,512	85,512
Main Streets	333	333
Read Boston	13,987	1,606
Write Boston	5,460	300
New Boston Housing	10,429	10,429
Boston Home Ownership Preservation Fund	235,500	185,500
Digital Gaming	7,000	-
Infrared Mapping	92,363	-
HeatWorks	<u>14,347</u>	<u>60,255</u>
Total	<u>\$ 475,352</u>	<u>\$ 354,356</u>

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2010 and 2009

7. ***Retirement Plan***

All BLDC contracted employees are eligible to participate in EDIC's Thrift Savings Plan (the Plan) after three months of service. The Plan is a defined contribution plan and an eligible tax-deferred plan under Internal Revenue Service (IRS) Code Sections 457 and 401(a). The Plan is serviced by The Great-West Life Assurance Company. Participants can contribute one percent (1%) to twenty-five percent (25%) of their taxable compensation on a pre-tax basis, subject to the maximum deferral limits as set by the Internal Revenue Service. BLDC will match the first six percent (6%) of compensation that is contributed by the participant. Participants can also contribute one percent (1%) to fifteen (15%) of their total compensation on an after-tax basis, also subject to a maximum deferral limit, which is inclusive of BLDC's match amount. Retirement plan expense for the years ending June 30, 2010 and 2009 was approximately \$17,000 and \$20,000, respectively.

8. ***Concentration of Credit Risk***

As of June 30, 2010 and 2009, BLDC's outstanding loan to the Children's Museum makes up approximately 20% of BLDC's total loans receivable portfolio.

Financial instruments that potentially subject BLDC to credit risk are primarily loans receivable. Amounts are past due when not paid by the end of the following month. Loans receivable past due ninety days or more and still accruing finance charges totaled \$1,274,083 and \$989,529, respectively, at June 30, 2010 and 2009. Amounts not accruing interest because management has determined that collection is doubtful totaled \$137,548 and \$123,393, respectively, at June 30, 2010 and 2009.

9. ***Net Asset Transfer***

BLDC's contract with DND to administer the CDBG Revolving Loan program expired as of June 30, 2008. This contract allowed BLDC to be reimbursed for administrative expenses through program income up to a maximum amount as stipulated in the contract. Since the contract was not renewed, BLDC no longer administers this program as of July 2008. BLDC transferred to DND the CDBG outstanding loan portfolio consisting of five loans totaling \$179,365, together with the CDBG program cash balance totaling \$55,285. This transfer is reflected as an other change in unrestricted net assets on the statement of activities.

10. ***Subsequent Events***

BLDC has performed an evaluation of subsequent events through March 25, 2011, which is the date BLDC's financial statements were issued. No material subsequent events have occurred since June 30, 2010 that required recognition or disclosure in the financial statements.

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Boston Local Development Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

<i>Federal Grantor</i>			
<i>(Pass-through Grantor)</i>		<i>CFDA</i>	<i>Pass Through</i>
<i>Program Title</i>		<i>Number</i>	<i>Grant Number Expenditures</i>
<i>Department of Commerce</i>			
<i>Economic Development Administration</i>			
<i>(Economic Development and Industrial Corporation/Boston)</i>			
<i>Economic Adjustment Assistance</i>			
<i>Revolving Loan (Note 2)</i>	11.307	None	<u>\$ 893,108</u>
 Total expenditures of Federal awards			 <u>\$ 893,108</u>

See accompanying notes to schedule.

Boston Local Development Corporation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2010

1. ***Summary of Significant Accounting Policies***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the Federal grant activity of Boston Local Development Corporation (BLDC) and has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. ***Revolving Loan Programs***

BLDC administers a revolving loan program that was funded through the Economic Development and Industrial Corporation/Boston and the City of Boston by an Economic Development Administration (EDA) Title IX Grant (CFDA No. 11.307). The purpose of this program is to encourage public and private investment in the City of Boston's industrial and commercial enterprises through long-term, low interest loans.

Expenditures included on the Schedule for this program includes loan and cash balances at June 30, 2010. No administrative expenses were allocated to the program in fiscal year 2010.

**REPORTS ON COMPLIANCE
AND ON INTERNAL CONTROL**

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors

Boston Local Development Corporation

*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*

We have audited the financial statements of Boston Local Development Corporation (BLDC) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 25, 2011. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered BLDC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BLDC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of BLDC's internal control over financial reporting.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BLDC's financial statements are free of 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 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*.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis & Company LLP

March 25, 2011

Daniel Dennis & Company LLP

Certified Public Accountants

The Board of Directors
Boston Local Development Corporation

Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Compliance

We have audited the compliance of Boston Local Development Corporation (BLDC) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of BLDC's major federal programs for the year ended June 30, 2010. BLDC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of BLDC's management. Our responsibility is to express an opinion on BLDC's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 BLDC'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. Our audit does not provide a legal determination on BLDC's compliance with those requirements.

In our opinion BLDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 10-01.

Internal Control over Compliance

Management of BLDC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered BLDC's internal control

over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133, 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 BLDC's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 10-01 to be significant deficiency.

BLDC's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit BLDC's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Daniel Dennis & Company LLP

March 25, 2011

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Local Development Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

I. Summary of Auditors' Results

Financial Statements

Type of audit report issued:	Unqualified		
Internal control over financial reporting:			
Material weakness(es) identified?	Yes _____	No	X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes _____	No	X
Noncompliance which is material to financial statements noted?	Yes _____	No	X

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	Yes _____	No	X
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes X	No. _____	
Type of auditor's report issued:	Unqualified		
Any audit findings disclosed that are Required to be reported in accordance With section 510(a) of Circular A-133?	Yes X	No. _____	

Identification of major programs:

CFDA Number

11.307

Name of Federal Program

Title IX Revolving Loan

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
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Auditee qualifies as a low-risk auditee?	Yes
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II. Financial Statement Findings

No matters were reported.

Boston Local Development Corporation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2010

III. Federal Award Findings and Questioned Costs

Finding No. 10-01

CONDITION

The semi-annual report (Standard Form ED-209S) for the Economic Development Administration (EDA) Title IX Revolving Loan Fund (RLF) (CFDA #11.307) for the period ending March 31, 2010 contained several errors. Specifically, the total loan balance at March 31, 2010, as well as total active loans reported, were overstated by \$111,149 due to both payment amounts reported reflecting only the past six months activity vs. inception of the loans, and the balance reported for one loan being overstated by \$10,000. Further, the reported interest income amount for the six month period was understated by \$2,093 as compared to interest income amounts recorded in BLDC's general ledger.

CRITERIA

The Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* for the EDA RLF program requires semi-annual reporting using Standard Form ED-209S.

CAUSE

The errors contained in the reports were the result of clerical errors.

EFFECT

BLDC is not in compliance with reporting requirements of the EDA RLF program *Compliance Supplement* in regards to the accuracy of Standard Form ED-209S.

RECOMMENDATION

BLDC should strengthen controls over EDA Title IX Revolving Loan Fund reporting in order to ensure that amounts reported in Standard Form ED-209S reflect actual loan and interest income balances as reflected in the BLDC's accounting records.

AUDITEE RESPONSE:

BLDC will also make appropriate revisions to its administrative processes to assure that future semi-annual reports comply with the requirements of the EDA RLF program and the Compliance Supplement to OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

Boston Local Development Corporation
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2010

Finding Nos. 08-01 and 07-01

CONDITION

Boston Local Development Corporation used 100% of their interest earned on cash and outstanding loans under the Economic Development Administration (EDA) Title IX Revolving Loan Fund (RLF) (CFDA #11.307) for administrative expenses. BLDC does not account for costs that provide a direct and/or indirect benefit for this program.

CURRENT STATUS

A *Management Decision* was issued by EDA in February 2009 requiring BLDC to restore \$25,990 of funds to the RLF in order to make the RLF whole. BLDC is also required to provide EDA evidence through certification in the audit for the period ending June 30, 2009 that it has restored the \$25,990 to the RLF and that it has established an acceptable cost allocation plan

BLDC has restored the \$25,990 to the RLF. Although a cost allocation plan for the direct administration of BLDC's various loan portfolios was implemented in fiscal year 2009, BLDC's management has implemented a policy of not allocating costs to the EDA Title IX RLF. No such costs were allocated to EDA Title IX RLF in fiscal years 2009 and 2010. All fiscal year 2009 and 2010 interest earned on the RLF loans and the related bank account was maintained in the RLF. As such, BLDC believes that this finding is resolved.

Finding Nos. 09-01, 08-02 and 07-02

CONDITION

The historic data contained in the semi-annual reports (Standard Form ED-209S) for the Economic Development Administration (EDA) Title IX Revolving Loan Fund (RLF) (CFDA #11.307) was not supported by prior year reports or a detail listing of items making up the amounts reported. In addition, statistical information within the reports on private sector jobs did not agree to a detailed listing of jobs created/retained by current EDA loans. Further, there were several mathematical errors within this report.

CURRENT STATUS

A *Management Decision* was issued by EDA in February 2009 requiring BLDC, to the extent possible, to reconstitute all historical records from its archival material and to report to EDA by June 30, 2010 on the level of success in this effort. BLDC responded to EDA's *Management Decision* stating that historical records could not be reconstructed in order to report historical information on the semi-annual reports. EDA has not responded to BLDC's report, and as such, BLDC considers this part of the finding to be resolved.

In regards to other errors contained in previously file EDA semi-annual reports, see current year finding described in the accompanying schedule of findings and questioned costs as Finding 10-01.