

Boston Local Development Corporation

Financial Statements and Auditors' Reports

June 30, 2011 and 2010



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

June 30, 2011 and 2010

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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, 2011 and 2010, 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, 2011 and 2010, 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 9, 2012 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, 2011 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. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Daniel Dennis + Company LLP

March 9, 2012

Boston Local Development Corporation
Balance Sheets
June 30, 2011 and 2010

<i>Assets</i>		
	<i>2011</i>	<i>2010</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 3,022,156	\$2,603,592
Investments	25,000	25,000
Accounts receivable - trade	254,769	225,124
Prepaid expenses	6,888	6,564
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$90,365 and \$174,249 at June 30, 2011 and 2010, respectively)	<u>561,538</u>	<u>397,449</u>
Total current assets	<u>3,870,351</u>	<u>3,257,729</u>
<i>Other Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$70,153 and \$254,720 at June 30, 2011 and 2010, respectively)	<u>3,400,312</u>	<u>3,590,686</u>
Total other assets	<u>3,400,312</u>	<u>3,590,686</u>
Total assets	<u>\$ 7,270,663</u>	<u>\$6,848,415</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 860,404	\$ 628,220
Deferred income	<u>747,584</u>	<u>582,920</u>
Total current liabilities	<u>1,607,988</u>	<u>1,211,140</u>
<i>Net Assets</i>		
Temporarily restricted	497,371	475,352
Unrestricted	<u>5,165,304</u>	<u>5,161,923</u>
Total net assets	<u>5,662,675</u>	<u>5,637,275</u>
Total liabilities and net assets	<u>\$ 7,270,663</u>	<u>\$6,848,415</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Activities
For the Years Ended June 30, 2011 and 2010

	2011	2010
<i>Changes in Unrestricted Net Assets</i>		
Support and revenue:		
Grant revenue	\$ 773,039	\$1,151,226
Contributions	1,041,425	1,066,613
Interest income - revolving loans	190,108	234,231
Interest income - other	3,870	3,970
Processing and servicing fees	7,013	9,950
Miscellaneous income	3,426	5,703
Net assets released from restrictions	<u>40,794</u>	<u>62,161</u>
Total unrestricted support and revenue	<u>2,059,675</u>	<u>2,533,854</u>
Program expenses		
Revolving loans	301,383	539,363
Homebuyers	599,796	1,025,272
Read Boston	392,003	434,254
Write Boston	433,312	416,145
Earned Income Tax Credit (EITC)	218,487	190,900
Infrared Mapping	-	1,500
HeatWorks	14,347	70,908
Digital Game Conference	<u>42,927</u>	<u>2,000</u>
Total program expenses	2,002,255	2,680,342
Administrative expenses	<u>54,039</u>	<u>58,654</u>
Total expenses	<u>2,056,294</u>	<u>2,738,996</u>
Change in unrestricted net assets	<u>3,381</u>	<u>(205,142)</u>
<i>Changes in Temporarily Restricted Net Assets</i>		
Contributions	62,813	183,157
Net assets released from restrictions	<u>(40,794)</u>	<u>(62,161)</u>
Change in temporarily restricted net assets	<u>22,019</u>	<u>120,996</u>
Change in net assets	25,400	(84,146)
Net assets - beginning of year	<u>5,637,275</u>	<u>5,721,421</u>
Net assets - end of year	<u>\$5,662,675</u>	<u>\$5,637,275</u>

See accompanying notes to financial statements.

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

Program Services

	Revolving Loans	Home- buyers	Read Boston	Write Boston	EITC	Heat- Works	Digital Game Conference	Infrared Mapping	Admin- istrative	Total Expenses
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
Statements of Cash Flows
For the Years Ended June 30, 2011 and 2010

<i>Operating Activities</i>	<i>2011</i>	<i>2010</i>
Change in net assets	\$ 25,400	\$ (84,146)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Provision for uncollectible loans	43,250	236,576
Loans issued	(310,000)	(200,000)
Principal payments on loans receivable	293,035	374,517
(Increase) in accounts receivable - trade	(29,645)	(88,132)
(Increase) in prepaid expenses	(324)	(6,564)
Increase in accounts payable	232,184	155,561
Increase/(decrease) in deferred income	<u>164,664</u>	<u>(278,035)</u>
Net cash provided by operating activities	<u>418,564</u>	<u>109,777</u>
Net increase in cash and cash equivalents	418,564	109,777
Cash and cash equivalents - beginning of year	<u>2,603,592</u>	<u>2,493,815</u>
Cash and cash equivalents - end of year	<u>\$ 3,022,156</u>	<u>\$2,603,592</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Notes to Financial Statements
June 30, 2011 and 2010

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.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

2. *Summary of Significant Accounting Policies - Continued*

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.

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, 2011 and 2010, 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 2011 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC's fiscal years 2008 through 2010 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.

Boston Local Development Corporation
Notes to Financial Statements - Continued
June 30, 2011 and 2010

3. **Loans Receivable**

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

<i>Borrower (Rate)</i>	<i>2011</i>	<i>2010</i>
303 Café, Inc. (7.00%)	\$ 42,765	\$ 42,765
760 Adams Street Realty Trust (7.00%)	35,959	40,209
Artaic, LLC (9.00%)	38,753	44,629
Banner Publications (9.00%)	150,000	150,000
Banner Publications (9.00%)	50,000	50,000
Biodefense (6.00%)	250,000	242,500
Blow Hair Salon (9.00%)	88,948	101,926
Bob's Your Uncle (6.0%)	195,415	216,311
Boston Art, Inc (8.25%)	143,392	160,118
Boston Common Coffee Company (7.00%)	78,332	90,494
C. F. Donovan's Restaurant (8.25%)	-	150,000
C. F. Donovan's Restaurant (8.25%)	-	100,000
Children's Museum (1.00%)	900,000	900,000
City Feed & Supply (6.00%)	54,000	80,000
Clutch (9.00%)	51,756	59,284
Cogito Health, Inc. (9.00%)	150,000	150,000
Crazy Dough's Inc (8.25%)	120,000	120,000
Edelman & Company, Inc. (9%)	50,000	-
Family Discount Laundry (8.25%)	148,716	148,716
Faux Like a Pro (7.50%)	18,607	18,607
Faux Like a Pro (7.50%)	37,214	37,214
Gingko Bioworks (9.00%)	148,753	150,000
Greekhouse Bike Company (9.00%)	62,782	62,782
HDM System Corporation (5.00%)	250,000	250,000
Imported Foods Resource Group, Inc. (9%)	76,512	-
Ketta's Hair Salon (7.25%)	33,902	35,029
Marathon Food LLC (9%)	70,000	-
Marathon Food LLC (9%)	50,000	-
Maxequip, Inc. (10.50%)	90,365	93,615
My Body, My Business (8.00%)	-	1,894
Popeye's Fried Chicken (8.25%)	140,569	140,569
Polygon (2.23%)	50,000	50,000
Polygon (8.00%)	6,949	8,284
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, 2011 and 2010

3. **Loans Receivable – Continued**

<i>Borrower (Rate)</i>	<i>2011</i>	<i>2010</i>
Twilight LLC (7.75%)	\$ 54,351	\$ 68,109
Two Opticians, LLC (6.50%)	16,641	26,040
Urban Adventours (9.00%)	40,359	46,107
Waldin Group (5.00%)	47,834	83,726
Zoom Group LLC (8.00%)	18,145	36,071
Zoom Group LLC (4.50%)	-	11,982
Zoom Group LLC (4.50%)	44,012	82,780
Zoom Group LLC (4.50%)	-	8,361
Zoom Group LLC (4.50%)	9,390	19,201
Zoom Group LLC (4.50%)	9,569	19,568
Zoom Group LLC (7.25%)	<u>4,445</u>	<u>26,280</u>
Total revolving loans	4,122,368	4,417,104
Less: current portion	<u>(651,903)</u>	<u>(571,698)</u>
Total long-term loans receivable	<u>\$ 3,470,465</u>	<u>\$ 3,845,406</u>

No loans were written off as uncollectible during the year ended June 30, 2010. BLDC wrote off uncollectable loans totaling \$311,701 during the year ended June 30, 2011.

4. **Investments**

Investments at June 30, 2011 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 1.5% interest rate at June 30, 2011 and will mature in March 2012. 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 matured in March 2011.

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, 2011 and 2010

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, 2011 and 2010 totaled \$17,550 and \$22,175, 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, 2011 and 2010 totaled \$93,361 and \$236,392, respectively.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

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.

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.

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, 2011 and 2010 totaled \$486,144 and \$139,206, 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, 2011 and 2010 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, 2011 and 2010 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, 2011 and 2010 totaled \$85,808. This program is also supported by private contributions (Note 6).

6. ***Related Party Transactions***

BLDC contracted employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit polices. These costs, together with administration overhead are billed to BLDC. At June 30, 2011 and 2010, BLDC has an outstanding payable to EDIC totaling \$831,877 and \$593,334, respectively, representing accrued salaries and fringe benefits paid by EDIC and administrative overhead billed.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

6. ***Related Party Transactions - Continued***

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, 2011 and 2010 are as follows:

<i>Program</i>	<i>2011</i>	<i>2010</i>
Read Boston	\$ 398,100	\$ 446,635
Earned Income Tax Credit	218,487	190,900
Write Boston	445,581	421,305
Infrared Mapping	-	93,863
Boston Home Ownership Preservation Fund	-	50,000
Digital Gaming	17,070	9,000
HeatWorks	<u>25,000</u>	<u>25,000</u>
Total	<u>\$ 1,104,238</u>	<u>\$ 1,236,703</u>

Temporarily restricted net assets at June 30, 2011 and 2010 consist of unexpended contributions received that were restricted by the donors to be used for these programs, as follows:

<i>Program</i>	<i>2011</i>	<i>2010</i>
Boston Small Business Exposition	\$ 10,421	\$ 10,421
Don't Borrow Trouble	85,512	85,512
Main Streets	333	333
Read Boston	20,084	13,987
Write Boston	17,729	5,460
New Boston Housing	10,429	10,429
Boston Home Ownership Preservation Fund	235,500	235,500
Digital Gaming	-	7,000
Infrared Mapping	92,363	92,363
HeatWorks	<u>25,000</u>	<u>14,347</u>
Total	<u>\$ 497,371</u>	<u>\$ 475,352</u>

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2011 and 2010

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, 2011 and 2010 was approximately \$16,000 and \$17,000, respectively.

8. *Concentration of Credit Risk*

As of June 30, 2011 and 2010, BLDC's outstanding loan to the Children's Museum makes up approximately 22% and 20%, respectively, 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 \$1,221,125 and \$1,274,083, respectively, at June 30, 2011 and 2010. Amounts not accruing interest because management has determined that collection is doubtful totaled \$50,882 and \$137,548, respectively, at June 30, 2011 and 2010.

9. *Subsequent Events*

BLDC has performed an evaluation of subsequent events through March 9, 2012, which is the date BLDC's financial statements were issued. No material subsequent events have occurred since June 30, 2011 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, 2011

<i>Federal Grantor</i> <i>(Pass-through Grantor)</i> <i>Program Title</i>	<i>CFDA</i> <i>Number</i>	<i>Pass Through</i> <i>Grant Number</i>	<i>Expenditures</i>
<i>Department of Commerce</i> <i>Economic Development Administration</i> <i>(Economic Development and Industrial</i> <i>Corporation/Boston)</i> <i>Economic Adjustment Assistance</i> <i>Revolving Loan (Note 2)</i>	11.307	None	<u>\$ 753,082</u>
 Total expenditures of Federal awards			 <u><u>\$ 753,082</u></u>

See accompanying notes to schedule.

Boston Local Development Corporation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

1. ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boston Local Development Corporation (BLDC) under a program of the Federal government for the year ended June 30, 2011. The information in the schedule is presented in accordance with the requirements of the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of BLDC, it is not intended to and does not present the financial position, changes in net assets or cash flows of BLDC.

2. ***Summary of Significant Accounting Policies***

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 includes loan and cash balances of the revolving loan program at June 30, 2011. No administrative expenses were allocated to this program in fiscal year 2011.

**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, 2011, and have issued our report thereon dated March 9, 2012. 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 9, 2012

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 BLDC's major federal program for the year ended June 30, 2011. BLDC's major federal program is 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 its major federal program 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 its major federal program for the year ended June 30, 2011.

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.

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.

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

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 9, 2012

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Local Development Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

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 _____	No	X
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 _____	No.	X

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.

III. Federal Award Findings and Questioned Costs

No matters were reported.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

Boston Local Development Corporation
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2011

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.

CURRENT STATUS

BLDC has made 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*. As such, BLDC believes that this finding is resolved.