

Boston Local Development Corporation

Financial Statements and Auditors' Reports

June 30, 2012 and 2011



Daniel Dennis & Company LLP
Certified Public Accountants

990 Washington Street, Suite 308A
Dedham, MA 02026
(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, 2012 and 2011

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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 (BLDC) (a nonprofit organization) as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 29, 2013 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, 2012 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit*

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 LPA

March 29, 2013

Boston Local Development Corporation

Balance Sheets

June 30, 2012 and 2011

<i>Assets</i>		
	<i>2012</i>	<i>2011</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,775,613	\$3,022,156
Investments	25,000	25,000
Accounts receivable - trade	361,604	254,769
Prepaid expenses	3,885	6,888
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$147,168 and \$90,365 at June 30, 2012 and 2011, respectively)	<u>1,259,551</u>	<u>561,538</u>
Total current assets	<u>4,425,653</u>	<u>3,870,351</u>
<i>Other Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$620,304 and \$70,153 at June 30, 2012 and 2011, respectively)	<u>1,600,523</u>	<u>3,400,312</u>
Total other assets	<u>1,600,523</u>	<u>3,400,312</u>
Total assets	<u>\$ 6,026,176</u>	<u>\$7,270,663</u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 26,327	\$ 860,404
Deferred income	<u>175,632</u>	<u>747,584</u>
Total current liabilities	<u>201,959</u>	<u>1,607,988</u>
<i>Net Assets</i>		
Temporarily restricted	438,716	497,371
Unrestricted	<u>5,385,501</u>	<u>5,165,304</u>
Total net assets	<u>5,824,217</u>	<u>5,662,675</u>
Total liabilities and net assets	<u>\$ 6,026,176</u>	<u>\$7,270,663</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Activities
For the Years Ended June 30, 2012 and 2011

	2012	2011
<i>Changes in Unrestricted Net Assets</i>		
Support and revenue:		
Grant revenue	\$ 85,556	\$ 773,039
Contributions	963,817	1,041,425
Interest income - revolving loans	206,488	190,108
Interest income - other	1,736	3,870
Processing and servicing fees	9,498	7,013
Debt forgiveness	1,103,886	-
Miscellaneous income	2,830	3,426
Net assets released from restrictions	<u>121,547</u>	<u>40,794</u>
Total unrestricted support and revenue	<u>2,495,358</u>	<u>2,059,675</u>
Program expenses		
Revolving loans	955,104	301,383
Homebuyers	85,556	599,796
Read Boston	299,396	392,003
Write Boston	513,013	433,312
Earned Income Tax Credit (EITC)	192,805	218,487
HeatWorks	10,419	14,347
Home Preservation	159,122	-
Digital Game Conference	<u>1,658</u>	<u>42,927</u>
Total program expenses	2,217,073	2,002,255
Administrative expenses	<u>58,088</u>	<u>54,039</u>
Total expenses	<u>2,275,161</u>	<u>2,056,294</u>
Change in unrestricted net assets	<u>220,197</u>	<u>3,381</u>
<i>Changes in Temporarily Restricted Net Assets</i>		
Contributions	155,255	62,813
Contributions returned to the funding source	(92,363)	-
Net assets released from restrictions	<u>(121,547)</u>	<u>(40,794)</u>
Change in temporarily restricted net assets	<u>(58,655)</u>	<u>22,019</u>
Change in net assets	161,542	25,400
Net assets - beginning of year	<u>5,662,675</u>	<u>5,637,275</u>
Net assets - end of year	<u><u>\$5,824,217</u></u>	<u><u>\$5,662,675</u></u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2012

Program Services

	<i>Revolving Loans</i>	<i>Home- buyers</i>	<i>Home Preservation</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Heat- Works</i>	<i>Digital Game Conference</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
Salaries	\$ 187,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 187,361
Fringe benefits	73,771	-	-	-	-	-	-	-	-	73,771
EDIC overhead	-	-	-	-	-	-	-	-	10,830	10,830
Professional fees	-	-	-	-	-	-	-	-	31,476	31,476
Provision for uncollectible loans	693,972	-	-	-	-	-	-	-	-	693,972
Financial assistance	-	85,556	-	-	-	-	-	-	-	85,556
Grants/contributions	-	-	159,122	299,396	513,013	192,805	-	-	-	1,164,336
Miscellaneous	-	-	-	-	-	-	10,419	1,658	15,782	27,859
Total	\$ 955,104	\$ 85,556	\$159,122	\$299,396	\$513,013	\$192,805	\$10,419	\$ 1,658	\$ 58,088	\$2,275,161

See accompanying notes to financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2011

	<i>Program Services</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>Admin- istrative</i>	<i>Total Expenses</i>
Salaries	\$ 163,604	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 163,604
Fringe benefits	63,904	-	-	-	-	-	-	-	63,904
EDIC overhead	-	-	-	-	-	-	-	10,830	10,830
Professional fees	-	-	-	-	-	-	-	27,000	27,000
Provision for uncollectible loans	43,250	-	-	-	-	-	-	-	43,250
Financial assistance	4,625	599,796	-	-	-	-	-	-	604,421
Grants/contributions	26,000	-	392,003	433,312	218,487	-	-	-	1,069,802
Miscellaneous	-	-	-	-	-	<u>14,347</u>	<u>42,927</u>	<u>16,209</u>	<u>73,483</u>
Total	<u>\$ 301,383</u>	<u>\$599,796</u>	<u>\$ 392,003</u>	<u>\$ 433,312</u>	<u>\$ 218,487</u>	<u>\$ 14,347</u>	<u>\$ 42,927</u>	<u>\$54,039</u>	<u>\$2,056,294</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Cash Flows
For the Years Ended June 30, 2012 and 2011

	2012	2011
<i>Operating Activities</i>		
Change in net assets	\$ 161,542	\$ 25,400
Adjustments to reconcile change in net assets to net cash provided by /(used in) operating activities:		
Provision for uncollectible loans	693,972	43,250
Debt forgiveness	(1,103,886)	-
Loans issued	(255,000)	(310,000)
Principal payments on loans receivable	662,804	293,035
(Increase) in accounts receivable - trade	(106,835)	(29,645)
(Increase)/decrease in prepaid expenses	3,003	(324)
Increase in accounts payable	(834,077)	232,184
Increase/(decrease) in deferred income	<u>(571,952)</u>	<u>164,664</u>
Net cash provided by/(used in) operating activities	<u>(1,350,429)</u>	<u>418,564</u>
Net increase/(decrease) in cash and cash equivalents	(1,350,429)	418,564
Cash and cash equivalents - beginning of year	<u>3,022,156</u>	<u>2,603,592</u>
Cash and cash equivalents - end of year	<u>\$ 1,671,727</u>	<u>\$3,022,156</u>

See accompanying notes to financial statements.

Boston Local Development Corporation

Notes to Financial Statements

June 30, 2012 and 2011

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, 2012 and 2011

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, 2012 and 2011, 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 2012 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC’s fiscal years 2009 through 2011 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, 2012 and 2011

3. ***Loans Receivable***

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

<i>Borrower (Rate)</i>	<i>2012</i>	<i>2011</i>
303 Café, Inc. (7.00%)	\$ 42,765	\$ 42,765
760 Adams Street Realty Trust (7.00%)	35,402	35,959
Artaic, LLC (9.00%)	32,885	38,753
Banner Publications (9.00%)	150,000	150,000
Banner Publications (9.00%)	50,000	50,000
Biodefense (6.00%)	250,000	250,000
Blow Hair Salon (9.00%)	79,330	88,948
Bob's Your Uncle (6.0%)	-	195,415
Boston Art, Inc (8.25%)	138,714	143,392
Boston Common Coffee Company (7.00%)	65,291	78,332
Children's Museum (1.00%)	900,000	900,000
City Feed & Supply (6.00%)	54,000	54,000
Clutch (9.00%)	45,879	51,756
Cogito Health, Inc. (9.00%)	150,000	150,000
Crazy Dough's Inc (8.25%)	120,000	120,000
Ecco Pizzerias (6.5%)	85,000	-
Edelman & Company, Inc. (9%)	50,000	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%)	150,000	148,753
Greekhouse Bike Company (9.00%)	62,782	62,782
HDM System Corporation (5.00%)	197,783	250,000
Imported Foods Resource Group, Inc. (9%)	67,591	76,512
Ketta's Hair Salon (7.25%)	33,902	33,902
Marathon Food LLC (9%)	-	70,000
Marathon Food LLC (9%)	50,000	50,000
Northern Ave Seafood (6.5%)	20,000	-
Popeye's Fried Chicken (8.25%)	140,569	140,569
Polygon (2.23%)	50,000	50,000
Polygon (8.00%)	6,949	6,949
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
Twilight LLC (7.75%)	39,488	54,351
Two Opticians, LLC (6.50%)	10,490	16,641

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2012 and 2011

3. ***Loans Receivable – Continued***

<i>Borrower (Rate)</i>	<i>2012</i>	<i>2011</i>
Urban Adventours (9.00%)	\$ 33,525	\$ 40,359
Waldin Group (5.00%)	3,519	47,834
Zoom Group LLC (8.00%)	350	18,145
Zoom Group LLC (4.50%)	3,462	44,012
Zoom Group LLC (4.50%)	-	9,390
Zoom Group LLC (4.50%)	-	9,569
Zoom Group LLC (7.25%)	<u>9,400</u>	<u>4,445</u>
Total revolving loans	3,627,546	4,122,368
Less: current portion	<u>(1,406,719)</u>	<u>(651,903)</u>
Total long-term loans receivable	<u>\$ 2,220,827</u>	<u>\$ 3,470,465</u>

BLDC wrote off uncollectable loans totaling \$87,018 and \$311,701 during the years ended June 30, 2012 and June 30, 2011, respectively.

4. ***Investments***

Investments at June 30, 2012 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 0.75% interest rate at June 30, 2012 and will mature in March 2013. Investments at June 30, 2011 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 1% interest rate at June 30, 2011 and will mature in March 2012.

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.

- 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.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2012 and 2011

5. ***Program Activity - Continued***

- 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, 2012 and 2011 totaled \$17,550.

- 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, 2012 and 2011 totaled \$93,361.

- 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. There was no deferred revenue for this program at June 30, 2012 and June 30, 2011.

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.

Boston Local Development Corporation

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

5. ***Program Activity - Continued***

BLDC 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 totaled \$486,144. This program ended in September 2011.
- 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, 2012 and 2011 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, 2012 and 2011 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, 2012 and 2011 totaled \$0 and \$85,808, respectively. 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 policies. These costs, together with administration overhead are billed to BLDC. At June 30, 2011, BLDC has an outstanding payable to EDIC totaling \$831,877 representing accrued salaries and fringe benefits paid by EDIC and administrative overhead billed. Subsequent to June 30, 2012, EDIC has forgiven the receivable from BLDC for the year ended June 30, 2012 totaling \$1,103,886. This amount is reflected as debt forgiveness income on the statement of activities for the year ended June 30, 2012.

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.

Boston Local Development Corporation

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

6. ***Related Party Transactions***

Temporarily restricted net assets at June 30, 2012 and 2011, and related revenue and expense activity under these programs for the years then ended are as follows:

<i>Year Ended June 30, 2012</i>					
	<i>Beginning</i>			<i>Returned</i>	<i>Ending</i>
	<i>Net Assets</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Funds</i>	<i>Net Assets</i>
Read Boston	\$ 20,084	\$ 303,299	\$ (299,396)	\$ -	\$ 23,987
Write Boston	17,729	515,743	(513,013)	-	20,459
Don't Borrow Trouble	85,512	-	-	-	85,512
Earned Income Tax Credit	-	192,805	(192,805)	-	-
Boston Small Business					
Exposition	10,421	-	-	-	10,421
Main Streets	333	-	-	-	333
New Boston Housing	10,429	-	-	-	10,429
Boston Home Ownership					
Preservation Fund	235,500	85,808	(73,314)	-	247,994
Infrared Mapping	92,363	-	-	(92,363)	-
Heatworks	25,000	25,000	(10,419)	-	39,581
Total	<u>\$497,371</u>	<u>\$1,122,655</u>	<u>\$(1,088,947)</u>	<u>\$(92,363)</u>	<u>\$ 438,716</u>

<i>Year Ended June 30, 2011</i>					
	<i>Beginning</i>			<i>Returned</i>	<i>Ending</i>
	<i>Net Assets</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Funds</i>	<i>Net Assets</i>
Read Boston	\$ 13,987	\$ 398,100	\$ (392,003)	\$ -	\$ 20,084
Write Boston	5,460	445,581	(433,312)	-	17,729
Don't Borrow Trouble	85,512	-	-	-	85,512
Earned Income Tax Credit	-	218,487	(218,487)	-	-
Boston Small Business					
Exposition	10,421	-	-	-	10,421
Main Streets	333	-	-	-	333
New Boston Housing	10,429	-	-	-	10,429
Boston Home Ownership					
Preservation Fund	235,500	-	-	-	235,500
Infrared Mapping	92,363	-	-	-	92,363
Digital Gaming	7,000	17,070	(24,070)	-	-
Heatworks	14,347	25,000	(14,347)	-	25,000
Total	<u>\$475,352</u>	<u>\$1,104,238</u>	<u>\$(1,082,219)</u>	<u>\$ -</u>	<u>\$ 497,371</u>

Boston Local Development Corporation

Notes to Financial Statements - *Continued*

June 30, 2012 and 2011

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, 2012 and 2011 was approximately \$18,500 and \$16,000, respectively.

8. *Concentration of Credit Risk*

As of June 30, 2012 and 2011, BLDC's outstanding loan to the Children's Museum makes up approximately 25% and 22% of BLDC's total loans receivable portfolio, respectively.

Financial instruments that potentially subject BLDC to credit risk are primarily loans and accounts receivable. Amounts are past due when not paid by the end of the following month. Loans and accounts receivable past due ninety days or more and still accruing finance charges totaled \$2,336,958 and \$1,221,125, respectively, at June 30, 2012 and 2011. Amounts not accruing interest because management has determined that collection is doubtful totaled \$52,830 and \$50,882, respectively, at June 30, 2012 and 2011.

9. *Subsequent Events*

BLDC has performed an evaluation of subsequent events through March 29, 2013, which is the date BLDC's financial statements were issued. No material subsequent events have occurred since June 30, 2012 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, 2012

<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</i>	<i>Expenditures</i>
<i>Department of Commerce</i>			
<i>Economic Development Administration</i>			
<i>(Economic Development and Industrial Corporation/Boston)</i>			
Economic Adjustment Assistance			
Revolving Loan (Note 2)	11.307	None	<u>\$ 761,688</u>
Total expenditures of Federal awards			<u>\$ 761,688</u>

See accompanying notes to schedule.

Boston Local Development Corporation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

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, 2012. No administrative expenses were allocated to the program in fiscal year 2012.

**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*

The Board of Directors

Boston Local Development Corporation

We have audited the financial statements of Boston Local Development Corporation (BLDC) (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013. 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

Management of BLDC is responsible for establishing and maintaining effective 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 the BLDC's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding No 12-01 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ABC Organization'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*.

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 LPA

March 29, 2013



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, 2012. 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, 2012. 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 12-02.

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 12-02 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 LLC

March 29, 2013

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Local Development Corporation
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	Yes <u> </u>	No <u> X </u>
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes <u> X </u>	No. <u> </u>
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 <u> X </u>	No. <u> </u>

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program</i>
11.307	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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Boston Local Development Corporation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2012

II. Financial Statement Findings

Finding No. 12-01

CONDITION

BLDC's reserve for uncollectable loans was materially understated based on analysis of nonperforming loans and related collateral securing the loans.

CRITERIA

Accounting principles generally accepted in the United States require that an evaluation be performed on an ongoing basis in regards to the collectability of receivables. A reserve for doubtful accounts should be estimated based on both past collection history and an evaluation of collateral securing the loans.

CAUSE

BLDC did not have controls in place in fiscal year 2012 to perform potential loan loss evaluations and to record a reserve for doubtful loans based on these evaluations.

EFFECT

A material audit adjustment was proposed through the audit process to increase the loan loss reserve by approximately \$674,000.

RECOMMENDATION

BLDC should implement controls for performing potential loan loss evaluations and record a reserve for doubtful loans based on these evaluations.

AUDITEE RESPONSE:

Fiscal year 2012 was an unusual year in that there were two large loan losses, hence this issue acquired additional significance this fiscal year. BLDC recognizes the need for an adequate loan loss reserve fund and will estimate and record a reserve in accordance with generally accepted accounting standards going forward.

Boston Local Development Corporation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2012

III. Federal Award Findings

Finding No. 12-02

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, 2013 contained several reporting errors. Specifically, cumulative RLF loan interest was understated by \$4,009, RLF loan interest income for the six month period was understated by \$4,678 and other RLF income for the six month period was overstated by \$700, as compared to income recorded in for the RLF in BLDC's general ledger. In addition, fees on closed loans decreased by \$1,364 from the amount reported for the six month period ended March 31, 2011 even though two new RLF loans closed during this twelve month period.

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:

In fiscal year 2012 EDA encountered computer issues which created some confusion with the reporting process for the semi-annual report. Input errors were made but were not corrected on a timely basis. BLDC has continued to work closely with EDA to correct the outstanding errors and to comply with EDA reporting requirements.

**SUMMARY SCHEDULE OF
PRIOR AUDIT FINDINGS**

Boston Local Development Corporation
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2012

There are no unresolved findings from prior years' audits of Boston Local Development Corporation's schedule of expenditures of federal awards.