

**Boston Local Development Corporation**

Financial Statements  
and  
Auditors' Reports

June 30, 2014 and 2013

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

*June 30, 2014 and 2013*

CONTENTS

	<i>Page</i>
Independent Auditors' Report	1
Financial Statements:	
Balance Sheets	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplemental Information:	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	22
Schedule of Findings and Questioned Costs	26
Schedule of Prior Audit Findings	29



## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

### *Independent Auditors' Report*

The Board of Directors  
**Boston Local Development Corporation**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Boston Local Development Corporation (BLDC) (a nonprofit organization), which comprise the balance sheets as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BLDC as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 audits 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2015, on our consideration of BLDC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BLDC's internal control over financial reporting and compliance.

*Daniel Dennis + Company LLP*

*March 25, 2015*

**Boston Local Development Corporation**  
 Balance Sheets  
 June 30, 2014 and 2013

<i>Assets</i>	<i>2014</i>	<i>2013</i>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 2,926,948	\$3,356,782
Investments	25,000	25,000
Accounts receivable - (net of allowance for uncollectible accounts totaling \$73,337 and \$151,418 at June 30, 2014 and 2013, respectively)	187,908	261,573
Prepaid expenses	4,108	4,108
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$444,882 and \$556,928 at June 30, 2014 and 2013, respectively)	658,258	708,806
Total current assets	3,802,222	4,356,269
<i>Other Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$74,135 and \$236,695 at June 30, 2014 and 2013, respectively)	2,081,505	1,701,660
Total other assets	2,081,505	1,701,660
Total assets	\$ 5,883,727	\$6,057,929
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 44,242	\$ 28,680
Contributions payable	-	190,636
Deferred income	123,631	141,181
Total current liabilities	167,873	360,497
<i>Net Assets</i>		
Temporarily restricted	416,956	396,706
Unrestricted	5,298,898	5,300,726
Total net assets	5,715,854	5,697,432
Total liabilities and net assets	\$ 5,883,727	\$6,057,929

*See accompanying notes to financial statements.*

**Boston Local Development Corporation**  
**Statements of Activities**  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<i>Changes in Unrestricted Net Assets</i>		
Support and revenue:		
Grant revenue	\$ 205,463	\$ 1,659
Contributions	763,145	638,769
Interest income - revolving loans	127,341	198,629
Interest income - other	709	1,159
Debt forgiveness	-	242,453
Miscellaneous income	13,765	11,027
Net assets released from restrictions	<u>17,996</u>	<u>80,007</u>
Total unrestricted support and revenue	<u>1,128,419</u>	<u>1,173,703</u>
Program expenses		
Revolving loans	269,317	481,188
Read Boston	195,056	202,162
Write Boston	534,339	356,578
Earned Income Tax Credit (EITC)	51,746	124,476
HeatWorks	14,829	15,000
Home Preservation	<u>-</u>	<u>20,560</u>
Total program expenses	1,065,287	1,199,964
Administrative expenses	<u>64,960</u>	<u>58,514</u>
Total expenses	<u>1,130,247</u>	<u>1,258,478</u>
Change in unrestricted net assets	<u>(1,828)</u>	<u>(84,775)</u>
<i>Changes in Temporarily Restricted Net Assets</i>		
Contributions	38,246	37,997
Net assets released from restrictions	<u>(17,996)</u>	<u>(80,007)</u>
Change in temporarily restricted net assets	<u>20,250</u>	<u>(42,010)</u>
Change in net assets	18,422	(126,785)
Net assets - beginning of year	<u>5,697,432</u>	<u>5,824,217</u>
Net assets - end of year	<u>\$5,715,854</u>	<u>\$5,697,432</u>

*See accompanying notes to financial statements.*

**Boston Local Development Corporation**  
Statement of Functional Expenses  
For the Year Ended June 30, 2014

	<i>Program Services</i>						<i>Total Expenses</i>
	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Heat-Works</i>	<i>Admin-istrative</i>	
Salaries	\$ 126,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 126,582
Fringe benefits	48,735	-	-	-	-	-	48,735
EDIC overhead	-	-	-	-	-	12,596	12,596
Professional fees	-	-	-	-	-	37,580	37,580
Bad debt expense	84,000	-	-	-	-	-	84,000
Grants/contributions	10,000	195,056	534,339	51,746	-	-	791,141
Miscellaneous	-	-	-	-	14,829	14,784	29,613
<b>Total</b>	<u>\$ 269,317</u>	<u>\$ 195,056</u>	<u>\$ 534,339</u>	<u>\$ 51,746</u>	<u>\$ 14,829</u>	<u>\$ 64,960</u>	<u>\$ 1,130,247</u>

*See accompanying notes to financial statements.*

**Boston Local Development Corporation**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2013**

	<i>Program Services</i>							<i>Total Expenses</i>
	<i>Revolving Loans</i>	<i>Home Preservation</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Heat-Works</i>	<i>Admin-istrative</i>	
Salaries	\$ 167,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 167,920
Fringe benefits	61,634	-	-	-	-	-	-	61,634
EDIC overhead	-	-	-	-	-	-	12,449	12,449
Professional fees	-	-	-	-	-	-	28,296	28,296
Bad debt expense	219,634	-	-	-	-	-	-	219,634
Grants/contributions	32,000	20,560	202,162	356,578	124,476	-	-	735,776
Miscellaneous	-	-	-	-	-	15,000	17,769	32,769
<b>Total</b>	<b>\$ 481,188</b>	<b>\$ 20,560</b>	<b>\$ 202,162</b>	<b>\$ 356,578</b>	<b>\$ 124,476</b>	<b>\$ 15,000</b>	<b>\$ 58,514</b>	<b>\$ 1,258,478</b>

*See accompanying notes to financial statements.*



**Boston Local Development Corporation**  
**Statements of Cash Flows**  
For the Years Ended June 30, 2014 and 2013

	2014	2013
<i>Operating Activities</i>		
Change in net assets	\$ 18,422	\$ (126,785)
Adjustments to reconcile change in net assets to net cash provided by /(used in) operating activities:		
Bad debt expense	84,000	219,634
Loans issued	(622,616)	(275,000)
Principal payments on loans receivable	221,536	656,392
(Increase)/decrease in accounts receivable	61,448	(51,387)
(Increase) in prepaid expenses	-	(223)
Increase in accounts payable	15,562	2,353
Increase/(decrease) in contributions payable	(190,636)	190,636
(Decrease) in deferred income	<u>(17,550)</u>	<u>(34,451)</u>
Net cash provided by/(used in) operating activities	<u>(429,834)</u>	<u>581,169</u>
Net increase/(decrease) in cash and cash equivalents	(429,834)	581,169
Cash and cash equivalents - beginning of year	<u>3,356,782</u>	<u>2,775,613</u>
Cash and cash equivalents - end of year	<u>\$ 2,926,948</u>	<u>\$ 3,356,782</u>

*See accompanying notes to financial statements.*

## Boston Local Development Corporation

### Notes to Financial Statements

June 30, 2014 and 2013

#### 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 three 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, 2014 and 2013

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

*Accounts Receivable*

Accounts receivable are presented net of allowance for uncollectible accounts. BLDC's evaluation of the adequacy of the reserve is based on past due or delinquent receivables. Accounts receivable are charged off when deemed uncollectible.

*Loans Receivable* - Loans receivable are recorded at unpaid principal balance less an allowance for uncollectible loans. 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, 2014 and 2013, 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 2014 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC's fiscal years 2011 through 2013 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, 2014 and 2013

3. ***Loans Receivable***

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

<i>Borrower (Rate)</i>	<i>2014</i>	<i>2013</i>
303 Café, Inc. (7.00%)	\$ 42,765	\$ 42,765
760 Adams Street Realty Trust (7.00%)	32,527	32,527
A B Seafood, LLC (6.50%)	123,324	141,395
Allied BAP, LLC (5.9%)	50,000	-
Artaic, LLC (9.00%)	18,276	25,908
Banner Publications (9.00%)	150,000	150,000
Banner Publications (9.00%)	50,000	50,000
Blow Hair Salon (9.00%)	74,253	74,253
Boston Common Coffee Company (7.00%)	36,312	51,246
Children's Museum (1.00%)	900,000	900,000
City Feed & Supply (6.00%)	30,565	30,000
Clutch (9.00%)	24,160	38,833
Cogito Health, Inc. (9.00%)	171,092	150,000
Color Media Group (6.50%)	22,335	25,000
Crazy Dough's Inc. (6.50%)	176,421	120,000
Ecco Pizzerias (6.50%)	85,000	85,000
Edelman & Company, Inc. (9.00%)	50,000	50,000
E.R Enterprises (6.5%)	95,000	-
Family Discount Laundry (8.25%)	148,716	148,716
Faux Like a Pro (7.50%)	-	18,607
Faux Like a Pro (7.50%)	-	37,214
Gingko Bioworks (9.00%)	188,156	150,000
Geekhouse Bike Company (9.00%)	59,100	59,967
HDM System Corporation (5.00%)	200,997	200,997
Imported Foods Resource Group, Inc. (6.50%)	172,543	57,833
Ketta's Hair Salon (7.25%)	33,402	33,402
Lopes Memorial Services, Inc. (6.50%)	46,155	50,000
Marathon Food LLC (9.00%)	32,000	42,000
Parker's Auto Service (6.50%)	45,662	50,000
Popeye's Fried Chicken (8.25%)	-	140,569
SMH Fine Foods (1.00%)	43,933	43,933
Tallon's Townsend (7.00%)	-	150,000

**Boston Local Development Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

3. ***Loans Receivable – Continued***

<i>Borrower (Rate)</i>	<i>2014</i>	<i>2013</i>
Twilight LLC (7.75%)	\$ 6,086	\$ 23,432
Two Opticians, LLC (6.50%)	-	3,138
Urban Adventours (9.00%)	-	27,354
Velvo - City Back Bay (%)	<u>150,000</u>	<u>-</u>
Total revolving loans	3,258,780	3,204,089
Less: current portion	<u>(1,103,140)</u>	<u>(1,265,734)</u>
Total long-term loans receivable	<u>\$ 2,155,640</u>	<u>\$ 1,938,355</u>

BLDC wrote off uncollectable loans totaling \$436,688 and \$0 during the years ended June 30, 2014 and 2013, respectively.

4. ***Investments***

Investments at June 30, 2014 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 0.9% interest rate at June 30, 2014 and will mature in March 2015. Investments at June 30, 2013 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 0.65% interest rate at June 30, 2013 and matured in March 2014.

5. ***Program Activity***

Revolving loan programs include the following:

- Grant proceeds received through the Economic Development and Industrial Corporation (EDIC)/Boston (Note 7) 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.

- 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.

**Boston Local Development Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

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

- 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, 2014 and 2013 totaled \$0 and \$17,550, 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, 2014 and 2013 totaled \$93,631.

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 has three non-loan programs administered by DND under the *Boston Home Certificate Initiative*:

- 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. This program is also supported by private contributions (Note 7).

**Boston Local Development Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

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

- 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.
- 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, 2014 and 2013 totaled \$30,000.

6. ***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, 2014 and 2013 was approximately \$4,700 and \$6,200, respectively.

7. ***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. For the year ended June 30, 2014, EDIC provided a grant to BLDC totaling \$187,913 to cover these costs, recorded as grant revenue in the statement activities. For the year ended June 30, 2013, EDIC has forgiven the related receivable from BLDC totaling \$242,453, reflected as debt forgiveness income on the statement of activities.

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, 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, 2014 and 2013

7. ***Related Party Transactions - Continued***

Temporarily restricted net assets at June 30, 2014 and 2013, and related revenue and expense activity under these programs for the years then ended are as follows:

	<i>Year Ended June 30, 2014</i>			
	<i>Beginning</i>			<i>Ending</i>
	<i>Net Assets</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Net Assets</i>
Read Boston	\$ 17,537	\$ 194,556	\$ (195,056)	\$ 17,037
Write Boston	459	555,089	(534,339)	21,209
Don't Borrow Trouble	85,512	-	-	85,512
Earned Income Tax Credit	-	51,746	(51,746)	-
Boston Small Business				
Exposition	10,421	-	-	10,421
Main Streets	333	-	-	333
New Boston Housing	10,429	-	-	10,429
Boston Home Ownership		-	-	
Preservation Fund	227,434	-	-	227,434
Heatworks	44,581	-	-	44,581
	<u>\$396,706</u>	<u>\$ 801,391</u>	<u>\$ (781,141)</u>	<u>\$ 416,956</u>

	<i>Year Ended June 30, 2013</i>			
	<i>Beginning</i>			<i>Ending</i>
	<i>Net Assets</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Net Assets</i>
Read Boston	\$ 23,987	\$ 195,712	\$ (202,162)	\$ 17,537
Write Boston	20,459	336,578	(356,578)	459
Don't Borrow Trouble	85,512	-	-	85,512
Earned Income Tax Credit	-	124,476	(124,476)	-
Boston Small Business				
Exposition	10,421	-	-	10,421
Main Streets	333	-	-	333
New Boston Housing	10,429	-	-	10,429
Boston Home Ownership				
Preservation Fund	247,994	-	(20,560)	227,434
Heatworks	39,581	20,000	(15,000)	44,581
	<u>\$438,716</u>	<u>\$ 676,766</u>	<u>\$ (718,776)</u>	<u>\$ 396,706</u>



**Boston Local Development Corporation**  
Notes to Financial Statements - *Continued*  
June 30, 2014 and 2013

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

As of June 30, 2014 and 2013, BLDC's outstanding loan to the Children's Museum makes up approximately 28% of BLDC's total loans receivable portfolio.

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 \$1,063,800 and \$2,035,557, respectively, at June 30, 2014 and 2013. Amounts not accruing interest because management has determined that collection is doubtful totaled \$50,661 and \$0, respectively, at June 30, 2014 and 2013.

The following tables present informative data on notes and related accounts receivables regarding their age status at June 30, 2014 and 2013:

	<i>June 30,</i>	
	<u>2014</u>	<u>2013</u>
Current	<u>\$ 2,849,436</u>	<u>\$ 2,630,392</u>
Past due:		
30-59 days	16,947	28,640
60-89 days	16,882	28,240
Over 90 days	<u>636,760</u>	<u>929,808</u>
Total past due	<u>670,589</u>	<u>986,688</u>
Total receivables	<u>\$ 3,520,025</u>	<u>\$ 3,617,080</u>

9. ***Subsequent Events***

BLDC has performed an evaluation of subsequent events through March 25, 2015, which is the date BLDC's financial statements were issued. No material subsequent events have occurred since June 30, 2014 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, 2014

<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>			
<i>Economic Adjustment Assistance</i>			
<i>Revolving Loan *</i>	11.307	None	\$ <u>651,434</u>
<i>Total expenditures of Federal awards</i>			\$ <u>651,434</u>

\* Part of the Economic Development Cluster

*See accompanying notes to schedule.*

**Boston Local Development Corporation**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2014

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) under programs of the Federal government for the year ended June 30, 2014. 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. ***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 reported on the Schedule for this program include loans, receivables and cash balances at June 30, 2014. No administrative expenses were allocated to the program in fiscal year 2014.

**REPORTS ON COMPLIANCE  
AND ON INTERNAL CONTROL**



## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

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

The Board of Directors  
**Boston Local Development Corporation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Boston Local Development Corporation (BLDC) (a nonprofit organization), which comprise the balance sheet as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2015.

### **Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Daniel Dennis + Company LPA*

*March 25, 2015*



## **Daniel Dennis & Company LLP**

*Certified Public Accountants*

*Independent Auditors' Report on Compliance for each Major Program  
and on Internal Control over Compliance Required by OMB Circular A-133*

The Board of Directors  
**Boston Local Development Corporation**

### **Report on Compliance for Each Major Federal Program**

We have audited Boston Local Development Corporation (BLDC)'s compliance 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, 2014. BLDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for BLDC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for BLDC's major federal program. However, our audit does not provide a legal determination of BLDC's compliance.

#### ***Opinion on Major Federal Program***

In our opinion, BLDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.



### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, 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 No. 2014-001. Our opinion on BLDC's major federal program is not modified with respect to this matter.

BLDC's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. BLDC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of BLDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BLDC's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 Finding No. 2014-001 to be a significant deficiency.

BLDC's response to the internal control over the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. BLDC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Daniel Dennis + Company LLP*

*March 25, 2015*

**SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS**

**Boston Local Development Corporation**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2014**

*I. Summary of Auditors' Results*

*Financial Statements*

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

*Federal Awards*

Internal control over major programs:		
Material weakness(es) identified?	Yes _____	No <u>  X  </u>
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes <u>  X  </u>	No. _____
Type of auditor's report issued:	Unmodified	
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. _____

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
---	-----------

Auditee qualifies as a low-risk auditee?	No
--	----

**Boston Local Development Corporation**  
Schedule of Findings and Questioned Costs - *Continued*  
For the Year Ended June 30, 2014

*II. Financial Statement Findings*

No matters were reported.

*III. Federal Award Findings*

*Finding No. 2014-001*

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, 2014 contained reporting errors, as follows:

- The amount of *Private Non-RLF \$ Leveraged by RLF* within the *Active Loans* column is understated by \$849,150 due to a typo on an amount of \$850,000 being recorded as \$850;
- Total *RLF Dollars Loaned for Service* within the *Active Loans* column is overstated by \$50,000 due to the double counting of one Loan
- Active Loans Jobs Saved, is overstated by two jobs; and
- Several RLF income lines were overstated or understated by small amounts (less than \$1,000).

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 with reported amounts being supported by accounting and program records.

CAUSE

The inaccurate amounts reported 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 account balances as recorded in the BLDC's accounting records.

AUDITEE RESPONSE:

BLDC project management staff will work closely with the Budget and Finance Department to ensure the accuracy of EDA Title IX Revolving Loan Fund reporting based on amounts recorded in BLDC's general ledger.

**SCHEDULE OF  
PRIOR AUDIT FINDINGS**

**Boston Local Development Corporation**  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2014

*Financial Statement Findings*

*Finding No. 13-01*

CONDITION

Numerous adjustments were proposed during the audit to correct general ledger account balances, several of which were material to the financial statements. One such adjustment was the write-off of a loan receivable as a result of the loan being paid off. The two checks received for this payoff, totaling \$235,681, were held for over six months before being deposited into BLDC's account.

CURRENT STATUS

Adjustments to the fiscal year 2014 financial statements were proposed by the auditor; however, the amounts of these adjustments were not material to the financial statements. Also, the audit did not disclose untimely bank account deposits during the year ended June 30, 2014. As such, management considers this finding to be resolved.

*Federal Award Findings*

*Finding No. 13-02*

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 \$6,902 and RLF loan interest income for the six month period then ended was understated by \$3,083.

CURRENT STATUS

See current finding No. 14-01 in regards to amounts reported on the EDA RLF semi-annual report for the six months ending March 31, 2014.