

Boston Local Development Corporation

Financial Statements
and
Independent Auditors' Reports

June 30, 2015 and 2014

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

June 30, 2015 and 2014

CONTENTS

	<i>Page</i>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8
Supplementary Schedule of Revenue and Expenses of Loan and Non-Loan Programs	17
Other Supplementary Information:	
Schedule of Expenditures of Federal Awards	20
Notes to Schedule of Expenditures of Federal Awards	21
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>	23
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	25
Schedule of Findings and Questioned Costs	28
Schedule of Prior Audit Findings	31



Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
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 statements of financial position as of June 30, 2015 and 2014, 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 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 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, 2015 and 2014, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenue and expenses of loan and non-loan programs is presented for purposes of additional analysis and is not a required part of the financial statements. 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 also 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 14, 2016 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 LPA

March 14, 2016

Boston Local Development Corporation
Statements of Financial Position
June 30, 2015 and 2014

<i>Assets</i>		
	<i>2015</i>	<i>2014</i>
<i>Current Assets</i>		
Cash	\$ 3,494,418	\$2,926,948
Investments	25,000	25,000
Advance on contracts	23,538	-
Accounts receivable - (net of allowance for uncollectible accounts totaling \$48,301 and \$73,337 at June 30, 2015 and 2014, respectively)	105,825	187,908
Prepaid expenses	3,968	4,108
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$413,421 and \$444,882 at June 30, 2015 and 2014, respectively)	<u>581,598</u>	<u>658,258</u>
Total current assets	<u>4,234,347</u>	<u>3,802,222</u>
<i>Long-term Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$130,632 and \$74,135 at June 30, 2015 and 2014, respectively)	<u>1,683,737</u>	<u>2,081,505</u>
Total long-term assets	<u>1,683,737</u>	<u>2,081,505</u>
Total assets	<u><u>\$ 5,918,084</u></u>	<u><u>\$5,883,727</u></u>
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable	\$ 38,357	\$ 44,242
Deferred income	<u>147,169</u>	<u>123,631</u>
Total current liabilities	<u>185,526</u>	<u>167,873</u>
<i>Net Assets</i>		
Temporarily restricted	366,645	416,956
Unrestricted	<u>5,365,913</u>	<u>5,298,898</u>
Total net assets	<u>5,732,558</u>	<u>5,715,854</u>
Total liabilities and net assets	<u><u>\$ 5,918,084</u></u>	<u><u>\$5,883,727</u></u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Activities
For the Years Ended June 30, 2015 and 2014

	2015	2014
<i>Changes in Unrestricted Net Assets</i>		
Support and revenue:		
Grant revenue	\$ 242,833	\$ 205,463
Contributions	226,461	763,145
Interest income - revolving loans	127,190	127,341
Interest income - other	719	709
Miscellaneous income	25,954	13,765
Net assets released from restrictions	<u>67,348</u>	<u>17,996</u>
Total unrestricted support and revenue	<u>690,505</u>	<u>1,128,419</u>
Program expenses		
Revolving loans	209,372	269,317
Read Boston	83,472	195,056
Write Boston	86,867	534,339
Earned Income Tax Credit (EITC)	170,829	51,746
HeatWorks	<u>29,102</u>	<u>14,829</u>
Total program expenses	579,642	1,065,287
Administrative expenses	<u>68,848</u>	<u>64,960</u>
Total expenses	<u>648,490</u>	<u>1,130,247</u>
Change in unrestricted net assets	<u>42,015</u>	<u>(1,828)</u>
<i>Changes in Temporarily Restricted Net Assets</i>		
Contributions	42,037	38,246
Net assets released from restrictions	<u>(67,348)</u>	<u>(17,996)</u>
Change in temporarily restricted net assets	<u>(25,311)</u>	<u>20,250</u>
Change in net assets	16,704	18,422
Net assets - beginning of year	<u>5,715,854</u>	<u>5,697,432</u>
Net assets - end of year	<u><u>\$5,732,558</u></u>	<u><u>\$5,715,854</u></u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2015

	<i>Program Services</i>					<i>Total</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Heat- Works</i>			
Salaries	\$ 138,175	\$ -	\$ -	\$ -	\$ -	\$ 138,175	\$ -	\$ 138,175
Fringe benefits	53,197	-	-	-	-	53,197	-	53,197
EDIC overhead	-	-	-	-	-	-	13,351	13,351
Professional fees	-	-	-	-	-	-	38,940	38,940
Grants/contributions	18,000	83,472	86,867	170,829	-	359,168	-	359,168
Miscellaneous	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,102</u>	<u>29,102</u>	<u>16,557</u>	<u>45,659</u>
Total	<u>\$ 209,372</u>	<u>\$ 83,472</u>	<u>\$ 86,867</u>	<u>\$170,829</u>	<u>\$29,102</u>	<u>\$ 579,642</u>	<u>\$ 68,848</u>	<u>\$ 648,490</u>

See accompanying notes to financial statements.

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

	<i>Program Services</i>					<i>Total</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Heat- Works</i>			
Salaries	\$ 126,582	\$ -	\$ -	\$ -	\$ -	\$ 126,582	\$ -	\$ 126,582
Fringe benefits	48,735	-	-	-	-	48,735	-	48,735
EDIC overhead	-	-	-	-	-	-	12,596	12,596
Professional fees	-	-	-	-	-	-	37,580	37,580
Bad debt expense	84,000	-	-	-	-	84,000	-	84,000
Grants/contributions	10,000	195,056	534,339	51,746	-	791,141	-	791,141
Miscellaneous	-	-	-	-	14,829	14,829	14,784	29,613
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 269,317</u>	<u>\$ 195,056</u>	<u>\$ 534,339</u>	<u>\$ 51,746</u>	<u>\$ 14,829</u>	<u>\$ 1,065,287</u>	<u>\$ 64,960</u>	<u>\$ 1,130,247</u>

See accompanying notes to financial statements.

Boston Local Development Corporation
Statements of Cash Flows
For the Years Ended June 30, 2015 and 2014

	2015	2014
<i>Operating Activities</i>		
Change in net assets	\$ 16,704	\$ 18,422
Adjustments to reconcile change in net assets to net cash provided by /(used in) operating activities:		
Bad debt expense	-	84,000
Loans issued	(80,000)	(420,000)
Principal payments on loans receivable	583,245	168,601
Changes in operating assets and liabilities:		
(Increase) in advance on contracts	(23,538)	-
(Increase)/decrease in accounts receivable	53,266	(88,233)
Decrease in prepaid expenses	140	-
Increase/(decrease) in accounts payable	(5,885)	15,562
(Decrease) in contributions payable	-	(190,636)
Increase/(decrease) in deferred income	<u>23,538</u>	<u>(17,550)</u>
Net cash provided by/(used in) operating activities	<u>567,470</u>	<u>(429,834)</u>
Net increase/(decrease) in cash	567,470	(429,834)
Cash - beginning of year	<u>2,926,948</u>	<u>3,356,782</u>
Cash - end of year	<u>\$ 3,494,418</u>	<u>\$ 2,926,948</u>

See accompanying notes to financial statements.

Boston Local Development Corporation

Notes to Financial Statements

June 30, 2015 and 2014

1. ***Operations***

Boston Local Development Corporation (BLDC) is a nonprofit corporation, established to benefit the community by fostering increased employment opportunities and expansion of business and industry for the citizens of the City of Boston. BLDC accomplishes this by providing long-term financing to firms and companies located in the City of Boston, Massachusetts. BLDC's other 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 from exchange transactions are recorded as deferred income on the statement of financial position 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.

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 or unconditionally pledged. 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, 2015 and 2014

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, 2015 and 2014, 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 2015 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC's fiscal years 2012 through 2014 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, 2015 and 2014

3. ***Loans Receivable***

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

<i>Borrower (Rate)</i>	<i>2015</i>	<i>2014</i>
303 Café, Inc. (6.50%)	\$ 42,765	\$ 42,765
760 Adams Street Realty Trust (6.50%)	42,043	32,527
A B Seafood, LLC (6.50%)	104,044	123,324
Allied BAP, LLC (5.90%)	48,803	50,000
Artaic, LLC (9.00%)	9,929	18,276
Banner Publications (9.00%)	-	150,000
Banner Publications (9.00%)	-	50,000
Blow Hair Salon (6.50%)	87,522	74,253
Boston Common Coffee Company (7.00%)	20,233	36,312
Brewer's Fork (6.50%)	80,000	-
Children's Museum (1.00%)	900,000	900,000
City Feed & Supply (6.00%)	26,600	30,565
Clutch (9.00%)	-	24,160
Cogito Health, Inc. (6.50%)	150,532	171,092
Color Media Group (6.50%)	18,974	22,335
Crazy Dough's Inc. (6.50%)	177,183	176,421
Ecco Pizzerias (6.50%)	84,000	85,000
Edelman & Company, Inc. (9.00%)	-	50,000
E. R. Enterprises (6.5%)	91,386	95,000
Family Discount Laundry (8.25%)	148,716	148,716
Gingko Bioworks (6.50%)	-	188,156
Geekhouse Bike Company (6.50%)	76,430	59,100
HDM System Corporation (5.00%)	218,307	200,997
Imported Foods Resource Group, Inc. (6.50%)	152,119	172,543
Ketta's Hair Salon (6.50%)	44,361	33,402
Lope's Memorial Services, Inc. (6.50%)	40,938	46,155
Marathon Food LLC (9.00%)	27,000	32,000
Parker's Auto Service (6.50%)	39,540	45,662

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2015 and 2014

3. ***Loans Receivable - Continued***

<i>Borrower (Rate)</i>	<i>2015</i>	<i>2014</i>
SMH Fine Foods (1.00%)	\$ 43,933	\$ 43,933
Twilight LLC (7.75%)	-	6,086
Velo - City Back Bay (6.5%)	<u>134,030</u>	<u>150,000</u>
Total loans receivable	2,809,388	3,258,780
Less: current portion	<u>(995,019)</u>	<u>(1,103,140)</u>
Total long-term loans receivable	<u>\$ 1,814,369</u>	<u>\$ 2,155,640</u>

BLDC wrote off uncollectible loans totaling \$0 and \$436,688 during the years ended June 30, 2015 and 2014, respectively.

4. ***Investments***

Investments at June 30, 2015 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 0.9% interest rate at June 30, 2015 and will mature in March 2016. 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 matured in March 2015.

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, 2015 and 2014

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.

- 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, 2015 and 2014 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, 2015 and 2014

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, 2015 and 2014 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, 2015 and 2014 was approximately \$4,900 and \$4,700, 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 years ended June 30, 2015 and 2014, EDIC provided grants to BLDC totaling \$191,372 and \$187,913, respectively, to cover operating costs, which are recorded as grant revenue in the statement activities. As of June 30, 2015, BLDC has a payable to EDIC totaling \$13,351 for administration overhead, which is included in accounts payable on the statement of financial position.

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, HeatWorks, 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, 2015 and 2014

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

Temporarily restricted net assets at June 30, 2015 and 2014, and related revenue and expense activity under these programs for the years then ended are as follows:

<i>Year Ended June 30, 2015</i>				
	<i>Beginning</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Ending</i>
	<i>Net Assets</i>			<i>Net Assets</i>
Read Boston	\$ 17,037	\$ 83,472	\$ (83,472)	\$ 17,037
Write Boston	21,209	65,658	(86,867)	-
Don't Borrow Trouble	85,512	-	-	85,512
Earned Income Tax Credit	-	119,367	(119,367)	-
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	<u>44,581</u>	<u>-</u>	<u>(29,102)</u>	<u>15,479</u>
Total	<u>\$416,956</u>	<u>\$ 268,497</u>	<u>\$(318,808)</u>	<u>\$ 366,645</u>

<i>Year Ended June 30, 2014</i>				
	<i>Beginning</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Ending</i>
	<i>Net Assets</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	<u>44,581</u>	<u>-</u>	<u>-</u>	<u>44,581</u>
Total	<u>\$396,706</u>	<u>\$ 801,391</u>	<u>\$(781,141)</u>	<u>\$ 416,956</u>

Boston Local Development Corporation

Notes to Financial Statements - *Continued*

June 30, 2015 and 2014

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

Deposits

BLDC's bank accounts are held at a financial institution that is FDIC insured up to the maximum amount of \$250,000 per institution. Balances held in these accounts may, at times, exceed this limit. BLDC has not experienced any losses in these accounts, and believes it is not exposed to any significant credit risk on such deposits.

Loans/Accounts Receivable

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 \$478,296 and \$1,063,800, respectively, at June 30, 2015 and 2014. Amounts not accruing interest because management has determined that collection is doubtful totaled \$0 and \$50,661, respectively, at June 30, 2015 and 2014.

The following tables present informative data on loans and related accounts receivables regarding their age status at June 30, 2015 and 2014:

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
Current	<u>\$ 2,628,744</u>	<u>\$ 2,849,436</u>
Past due:		
30-59 days	7,110	16,947
60-89 days	6,259	16,882
Over 90 days	<u>321,401</u>	<u>636,760</u>
Total past due	<u>334,770</u>	<u>670,589</u>
Total receivables	<u>\$ 2,963,514</u>	<u>\$ 3,520,025</u>

As of June 30, 2015 and 2014, BLDC's outstanding loan to the Children's Museum makes up approximately 32% and 28%, respectively, of BLDC's total loans receivable portfolio.

9. ***Subsequent Events***

BLDC has performed an evaluation of subsequent events through March 14, 2016, which is the date BLDC's financial statements were issued. No material subsequent events have occurred since June 30, 2015 that required recognition or disclosure in the financial statements.

**SCHEDULE OF REVENUE AND EXPENSES OF
LOAN AND NON-LOAN PROGRAMS**

Boston Local Development Corporation

Schedule of Revenue and Expenses of

Loan and Non-Loan Programs

June 30, 2015

	<i>Revolving Loan Program</i>	<i>Non-Loan Programs</i>	<i>Total</i>
<i>Revenue</i>			
Grant revenue	\$ 191,371	\$ 51,462	\$ 242,833
Contributions	-	268,498	268,498
Interest income - revolving loans	127,190	-	127,190
Interest income - other	719	-	719
Miscellaneous income	<u>25,954</u>	<u>-</u>	<u>25,954</u>
Total revenues	<u>345,234</u>	<u>319,960</u>	<u>665,194</u>
<i>Operating Expenses</i>			
Salaries	138,175	-	138,175
Fringe benefits	53,197	-	53,197
EDIC overhead	13,351	-	13,351
Professional fees	38,940	-	38,940
Grants/contributions	18,000	341,168	359,168
Miscellaneous	<u>16,557</u>	<u>29,102</u>	<u>45,659</u>
Total operating expenses	<u>278,220</u>	<u>370,270</u>	<u>648,490</u>
Change in net assets	<u>\$ 67,014</u>	<u>\$ (50,310)</u>	<u>\$ 16,704</u>

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Boston Local Development Corporation
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2015

<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 *	11.307	None	<u>\$ 655,200</u>
Total expenditures of Federal awards			<u><u>\$ 655,200</u></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, 2015

1. ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boston Local Development Corporation (BLDC) under a program of the Federal government for the year ended June 30, 2015. The information in the Schedule is presented in accordance with the requirements of the US Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of BLDC, it is not intended to and does not present the financial position, changes in net assets or cash flows of BLDC.

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

BLDC administers a revolving loan program that was funded through the Economic Development and Industrial Corporation/Boston and the City of Boston by an Economic Development Administration (EDA) Title IX Grant (CFDA No. 11.307). The purpose of this program is to encourage public and private investment in the City of Boston's industrial and commercial enterprises through long-term, low interest loans. No administrative expenses were allocated to the program in fiscal year 2015.

Expenditures reported on the Schedule for this program include loans, receivables and cash balances at June 30, 2015, as follows:

RLF loans and accounts receivable	\$ 278,976
Cash and investment balance in the RLF	<u>376,224</u>
Total	<u>\$ 655,200</u>

**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 statement of financial position as of June 30, 2015, 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 14, 2016.

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 LLP

March 14, 2016



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, 2015. 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, 2015.

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. 2015-001. 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. 2015-001 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 LPA

March 14, 2016

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Local Development Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2015

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
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Auditee qualifies as a low-risk auditee?	No
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II. Financial Statement Findings

No matters were reported.

Boston Local Development Corporation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2015

III. Federal Award Findings

Finding No. 2015-001

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, 2015 contained reporting errors, as follows:

- Part II-A- Lines 10-17 – Active loan types do not agree in total to the total active loans of \$440,000. The following is a summary of the type and respective total:
 - Loans for Fixed Assets and for Working Capital Total \$610,000
 - Loans for Start-up, Expansion, Retention Total \$510,000
 - Loans for Industrial, Commercial, and Service Total \$610,630
- Part II-A- Line 17 – RLF \$ Loaned for Service has a difference of \$19,370 due to errors noted above.
- 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 and general lack of understanding of the EDA reporting requirements.

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 and the form is completed in accordance with the instructions.

AUDITEE RESPONSE/CORRECTIVE ACTION PLAN

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 and that the form is completed in accordance with the instructions.

CONTACT PERSON

William Nickerson

ANTICIPATED COMPETITION DATE

March 31, 2016

**SCHEDULE OF
PRIOR AUDIT FINDINGS**

Boston Local Development Corporation
Schedule of Prior Year Findings
For the Year Ended June 30, 2015

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 several reporting errors. Specifically:

- 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).

CURRENT STATUS

See current finding No. 2015-001 in regards to amounts reported on the EDA RLF semi-annual report for the six months ending March 31, 2015.