



**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Consolidated Financial Statements and Supplementary Schedules

August 31, 2010 and 2009

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
Two Financial Center  
60 South Street  
Boston, MA 02111

## **Independent Auditors' Report**

The Board of Directors  
Action for Boston Community Development, Inc.:

We have audited the accompanying consolidated statements of financial position of Action for Boston Community Development, Inc. and subsidiaries (the Organization) as of August 31, 2010 and 2009, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Action for Boston Community Development, Inc. and subsidiaries as of August 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules I and II is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual entities and are not a required part of the 2010 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the 2010 consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the 2010 consolidated financial statements taken as a whole.

**KPMG LLP**

December 30, 2010

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Consolidated Statements of Financial Position

August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 7,676,306	8,442,439
Cash held for others (note 8)	718,723	742,423
Accounts receivable (note 9)	17,530,951	8,114,681
Other assets	279,795	299,225
Prepaid assets	537,062	—
Property, plant, and equipment, net (note 2)	17,721,919	17,782,354
Total assets	<u>\$ 44,464,756</u>	<u>35,381,122</u>
<b>Liabilities</b>		
Accounts payable	\$ 8,762,013	2,920,660
Accrued expenses	5,608,285	4,559,371
Funds held for others (note 8)	718,723	742,423
Deferred revenue	6,293,290	4,289,727
Mortgage notes payable (note 4)	5,089,167	5,399,167
Liability for interest rate swap (note 4)	950,106	706,137
Total liabilities	<u>27,421,584</u>	<u>18,617,485</u>
<b>Net Assets</b>		
Unrestricted	<u>17,043,172</u>	<u>16,763,637</u>
Total liabilities and net assets	<u>\$ 44,464,756</u>	<u>35,381,122</u>

See accompanying notes to consolidated financial statements.

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Consolidated Statements of Activities

Years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Changes in unrestricted net assets:		
Revenues and other support:		
Federal, state, and local grants	\$ 146,624,408	139,151,184
Contract-related fees	4,142,612	3,792,758
Contributions (in-kind) (note 7)	662,451	571,876
Contributions	279,599	191,282
Interest income	41,575	118,590
Miscellaneous	523,067	304,743
Rental income (note 3)	<u>1,594,157</u>	<u>1,642,833</u>
Total unrestricted revenues and other support	<u>153,867,869</u>	<u>145,773,266</u>
Expenses:		
Child care choices	54,582,144	56,015,774
Head start	29,738,636	28,829,751
Fuel and energy assistance	16,081,890	22,396,493
Community services	7,596,163	4,875,912
Employment and training	10,243,044	6,867,219
Health services	3,579,987	3,662,960
Weatherization	13,014,239	6,507,671
Housing	2,646,157	2,164,991
Day care	6,012,372	4,654,233
Elder services	1,297,014	961,494
Other	2,189,346	1,848,315
Indirect costs	5,177,938	4,992,802
Tenant operating costs	<u>1,371,300</u>	<u>992,626</u>
Total expenses	<u>153,530,230</u>	<u>144,770,241</u>
Increase in unrestricted net assets from operations	<u>337,639</u>	<u>1,003,025</u>
Nonoperating:		
Net loss on interest rate swap agreement (note 4)	(243,969)	(283,405)
Proceeds from insurance recovery	<u>185,865</u>	<u>—</u>
Total nonoperating	<u>(58,104)</u>	<u>(283,405)</u>
Increase in net assets	279,535	719,620
Net assets, beginning of year	<u>16,763,637</u>	<u>16,044,017</u>
Net assets, end of year	<u>\$ 17,043,172</u>	<u>16,763,637</u>

See accompanying notes to consolidated financial statements.

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Consolidated Statement of Functional Expenses

Year ended August 31, 2010

	<u>Child care choices</u>	<u>Head start</u>	<u>Fuel assistance</u>	<u>Community services</u>	<u>Employment and training</u>	<u>Health services</u>	<u>Weatherization</u>	<u>Housing</u>	<u>Day care</u>	<u>Elder services</u>	<u>Other</u>	<u>Total</u>	<u>Indirect costs</u>	<u>Total expenses</u>
Personnel	\$ 1,170,475	19,529,441	1,442,773	4,774,788	7,814,930	1,173,268	539,221	1,251,635	5,259,335	557,438	2,481,747	45,995,051	3,839,817	49,834,868
Consultants and contracted services	36,427	2,144,462	139,510	632,382	994,949	1,546,333	6,784,189	1,016,480	40,809	13,746	(46,976)	13,302,311	364,450	13,666,761
Payments on behalf of program participants	52,977,254	300,538	14,056,858	—	—	—	5,492,505	—	32	413,338	—	73,240,525	—	73,240,525
Travel	6,497	184,189	7,155	108,196	82,243	28,140	51,664	30,276	85,990	46,164	340,865	971,379	66,974	1,038,353
Occupancy	174,167	4,460,278	91,167	775,204	643,676	90,027	66,189	122,590	524,248	105,100	200,529	7,253,175	250,444	7,503,619
Consumable supplies	11,632	756,397	68,024	180,181	154,511	598,233	14,320	39,789	47,410	85,610	756,525	2,712,632	107,597	2,820,229
Rental or lease of equipment	2,326	109,660	11,407	80,647	18,143	2,006	1,797	7,521	25,684	3,555	47,048	309,794	20,482	330,276
Other costs	203,366	2,115,842	264,996	749,885	534,592	141,980	54,944	177,866	28,864	72,063	(1,590,392)	2,754,006	528,174	3,282,180
Delegate agency expenditures	—	137,829	—	294,880	—	—	9,410	—	—	—	—	442,119	—	442,119
Tenant operating costs	—	—	—	—	—	—	—	—	—	—	—	1,371,300	—	1,371,300
<b>Total operating expenses</b>	<b>\$ 54,582,144</b>	<b>29,738,636</b>	<b>16,081,890</b>	<b>7,596,163</b>	<b>10,243,044</b>	<b>3,579,987</b>	<b>13,014,239</b>	<b>2,646,157</b>	<b>6,012,372</b>	<b>1,297,014</b>	<b>3,560,646</b>	<b>148,352,292</b>	<b>5,177,938</b>	<b>153,530,230</b>

See accompanying notes to consolidated financial statements.

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Consolidated Statement of Functional Expenses

Year ended August 31, 2009

	<u>Child care choices</u>	<u>Head start</u>	<u>Fuel assistance</u>	<u>Community services</u>	<u>Employment and training</u>	<u>Health services</u>	<u>Weatherization</u>	<u>Housing</u>	<u>Day care</u>	<u>Elder services</u>	<u>Other</u>	<u>Total</u>	<u>Indirect costs</u>	<u>Total expenses</u>
Personnel	\$ 1,485,048	19,151,143	1,965,347	2,744,365	5,108,817	1,129,730	63,840	1,006,976	4,023,375	339,288	2,026,919	39,044,848	3,770,250	42,815,098
Consultants and contracted services	80,344	1,628,034	914,055	320,351	864,376	1,594,895	5,111,327	858,897	30,521	34,994	20,179	11,427,973	267,480	11,695,453
Payments on behalf of program participants	53,922,191	91,416	18,950,898	2,188	—	—	1,274,012	120	1,231	355,763	—	74,597,819	—	74,597,819
Travel	7,849	222,225	9,700	110,467	33,377	39,508	41,509	34,388	70,220	35,651	356,364	961,258	64,020	1,025,278
Occupancy	221,866	4,338,018	161,922	679,770	520,181	107,905	(1,142)	95,705	450,057	58,241	349,452	6,981,975	241,599	7,223,574
Consumable supplies	38,535	917,446	71,191	122,420	65,112	632,941	7,674	41,877	45,813	82,568	385,061	2,410,638	119,057	2,529,695
Rental or lease of equipment	2,592	134,894	7,222	49,567	13,640	1,231	98	617	10,491	9,423	55,401	285,176	12,177	297,353
Other costs	287,349	1,830,446	316,158	490,399	261,716	156,750	10,353	126,411	18,320	45,566	(1,345,061)	2,198,407	518,219	2,716,626
Delegate agency expenditures	—	516,129	—	356,385	—	—	—	—	4,205	—	—	876,719	—	876,719
Tenant operating costs	—	—	—	—	—	—	—	—	—	—	992,626	992,626	—	992,626
<b>Total operating expenses</b>	<b>\$ 56,015,774</b>	<b>28,829,751</b>	<b>22,396,493</b>	<b>4,875,912</b>	<b>6,867,219</b>	<b>3,662,960</b>	<b>6,507,671</b>	<b>2,164,991</b>	<b>4,654,233</b>	<b>961,494</b>	<b>2,840,941</b>	<b>139,777,439</b>	<b>4,992,802</b>	<b>144,770,241</b>

See accompanying notes to consolidated financial statements.

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Consolidated Statements of Cash Flows

Years ended August 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Increase in net assets	\$ 279,535	719,620
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,065,063	1,013,182
Loss on interest rate swap	243,969	283,405
Proceeds from insurance recovery	(185,865)	—
Changes in operating assets and liabilities, excluding cash:		
Accounts receivable	(9,457,059)	(1,570,046)
Other assets	19,430	(19,811)
Prepaid assets	(537,062)	—
Accounts payable	5,841,353	1,414,725
Accrued expenses	1,048,914	577,370
Deferred revenue	2,003,563	1,500,507
Net cash provided by operating activities	<u>321,841</u>	<u>3,918,952</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(1,004,628)	(581,713)
Cash received on repayment of note receivable	40,789	—
Proceeds from insurance recovery	185,865	—
Net cash used in investing activities	<u>(777,974)</u>	<u>(581,713)</u>
Cash flows from financing activities:		
Principal payments on mortgage notes	(310,000)	(310,000)
Net cash used in financing activities	<u>(310,000)</u>	<u>(310,000)</u>
Net (decrease)/increase in cash and cash equivalents	(766,133)	3,027,239
Cash and cash equivalents, beginning of year	8,442,439	5,415,200
Cash and cash equivalents, end of year	<u>\$ 7,676,306</u>	<u>8,442,439</u>
Supplemental information:		
Interest paid	\$ 326,205	341,746

Noncash investing activity:

Noncash acquisition of property, plant, and equipment totaled \$106,616 and \$0 in 2010 and 2009, respectively.

See accompanying notes to consolidated financial statements.

## ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2010 and 2009

### (1) Summary of Significant Accounting Policies

#### (a) *Basis of Consolidated Financial Statement Presentation*

The accompanying consolidated financial statements of Action for Boston Community Development, Inc. and subsidiaries (the Organization) are presented on the accrual basis of accounting and include the accounts and activity of Action for Boston Community Development, Inc. (ABCD) and the Organization's real estate operations, combining Action for Boston Community Development Real Estate Corporation, Inc. (the Corporation) and Action for Boston Community Development Properties, Inc. (Community Properties). All significant intercompany activity has been eliminated.

Net assets and revenues are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

**Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

**Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

**Unrestricted net assets** – Net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Expirations of temporary restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished and/or the stipulated time period has elapsed, are reported as reclassifications between the applicable classes of net assets. The Organization had only unrestricted net assets at August 31, 2010 and 2009.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Promises to give that are scheduled to be received after the consolidated balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the purpose or time restrictions are met. Promises to give subject to donor-imposed stipulations that the corpus be maintained permanently are recognized as increases in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

ABCD's fundraising costs totaled \$85,490 and \$67,636 for the years ended August 31, 2010 and 2009, respectively.



**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Notes to Consolidated Financial Statements

August 31, 2010 and 2009

**(b) Operations**

The consolidated statements of activities report all changes in net assets, including changes in unrestricted net assets from operating and nonoperating transactions. Operating revenues and expenses consist of those items attributable to the Organization's ongoing service efforts.

Because the consolidated statements of cash flows are prepared in accordance with a prescribed format under generally accepted accounting principles, certain amounts included in operations as defined for purposes of the consolidated statements of activities differ from amounts reported as cash flows from operating activities.

**(c) Cash and Cash Equivalents**

For the purpose of the consolidated statements of cash flows, the Organization considers investments with maturities at date of purchase of three months or less as cash equivalents.

**(d) Property, Plant, and Equipment**

Acquisitions of property, plant, and equipment are recorded at cost. Depreciation is recorded on a straight line basis over the estimated useful lives of the assets. Repairs and maintenance costs are expensed in the period in which they are incurred.

**(e) Contract-Related Fees**

In accordance with certain grant program agreements, ABCD receives reimbursement from program participants for goods and services provided under the grants. Such reimbursement is stipulated in the grant agreements.

**(f) Indirect Costs**

ABCD charges indirect costs to programs based on a provisional indirect cost rate determined in accordance with guidelines set forth in *Cost Principles and Procedures for Establishing Indirect Cost and Other Rates for Grants and Contracts with the Department of Health and Human Services*. Specifically, ABCD uses the "Direct Allocation Method" to calculate its rate. The estimated indirect cost rate is subject to review by the U.S. Department of Health and Human Services.

**(g) Delegate Agencies**

Certain activities of ABCD, particularly within the community services and Head Start programs, are carried out by delegate agencies under contract with ABCD. Expenses incurred by delegate agencies are included as ABCD's expenses for purposes of this report.

**(h) Income Taxes**

The Organization is a not-for-profit organization as described under Internal Revenue Code (IRC) Section 501(c)(3), and the Corporation and Community Properties are not-for-profit organizations as described under Internal Revenue Code (IRC) Section 501(c)(2) and are all generally exempt from income taxes under IRC Section 501(a).

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Notes to Consolidated Financial Statements

August 31, 2010 and 2009

(i) **Deferred Revenue**

ABCD records grant funds received in advance of incurring eligible expenses as deferred revenue. Revenue is recognized once eligible expenses are incurred.

(j) **Use of Estimates**

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(2) **Property, Plant, and Equipment**

At August 31, the Organization's property, plant, and equipment were composed of:

	<u>2010</u>	<u>2009</u>	<u>Estimated useful lives</u>
Land	\$ 2,065,100	2,065,100	—
Buildings and improvements	23,909,373	23,064,223	40 years
Computer equipment	1,222,192	1,222,192	3 years
Furniture and equipment	1,555,218	1,538,726	3 – 10 years
Automobiles	25,995	25,995	5 years
Leasehold improvements	1,907,687	1,778,902	Applicable lease term
	<u>30,685,565</u>	<u>29,695,138</u>	
Less accumulated depreciation	<u>(12,963,646)</u>	<u>(11,912,784)</u>	
Net property, plant, and equipment	<u>\$ 17,721,919</u>	<u>17,782,354</u>	

Depreciation expense for the years ended August 31, 2010 and 2009 was \$1,065,063 and \$1,013,182 respectively. Asset retirements for the years ended August 31, 2010 and 2009 were \$14,201 and \$0 respectively.

(3) **Leases**

ABCD leases facilities in the Greater Boston area either as a tenant at will or under leases expiring at various dates through August 31, 2014. All of the leases may be terminated if the funding agencies cease to fund ABCD. For the years ended August 31, 2010 and 2009, total rental expense amounted to \$1,326,002 and \$1,173,697, respectively, including certain real estate tax increases and operating cost adjustments under certain of its leases. Rental expense for facilities not under lease (i.e., tenants at will) amounted to \$267,962 and \$231,205 for the years ended August 31, 2010 and 2009, respectively.

At August 31, 2010, ABCD had the following minimum lease commitments:

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Notes to Consolidated Financial Statements

August 31, 2010 and 2009

	<u>Amount</u>
Year ending August 31:	
2011	\$ 1,058,603
2012	1,017,867
2013	815,770
2014	566,303
2015	200,411

In addition, the Corporation leases surplus space in some of its owned properties to third-party tenants, primarily other not-for-profit organizations. At August 31, 2010, the Corporation had the following minimum lease rentals:

	<u>Amount</u>
Year ending August 31:	
2011	\$ 1,512,051
2012	1,082,999
2013	503,979
2014	304,261
2015	246,152

**(4) Mortgage Note Payable**

On February 14, 2007, the Corporation entered into a mortgage agreement totaling \$6,200,000. The mortgage note payable bears interest at the 30-day London Interbank Offering Rate (LIBOR) (0.26% and 0.26% at August 31, 2010 and 2009, respectively) plus 0.70%, payable monthly. The maturity date on the mortgage note is the tenth anniversary of the closing date, February 14, 2017. The following represents the future scheduled principal payments:

	<u>Amount</u>
Year ending August 31:	
2011	\$ 310,000
2012	310,000
2013	310,000
2014	310,000
2015	310,000
Thereafter	3,539,167
	<u>\$ 5,089,167</u>

In conjunction with its issuance of variable rate debt, the Corporation entered into an interest rate swap agreement with Citizens Bank. The purpose of the agreement was to swap the variable rate on the underlying debt for a fixed rate of 6.02% for the remaining term of the loan, and not for any speculative purposes. Accounting rules for derivatives state that the instrument's fair value and changes therein must

## ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

### Notes to Consolidated Financial Statements

August 31, 2010 and 2009

be included in the Corporation's consolidated financial statements. The value of the swap instrument, which is recorded as a liability of \$950,106 and \$706,137 at August 31, 2010 and 2009, respectively, represents the estimated cost to the Corporation to cancel the agreement at each reporting date and is based on pricing models that consider interest rates and other market factors. Interest rate volatility, remaining outstanding principal, and time to maturity will affect the swap's fair value at subsequent reporting dates. If the Corporation repays the debt on schedule, the value of the swap will reach zero at its final maturity.

#### (5) Lines of Credit

ABCD has an unsecured \$2,000,000 demand line of credit with an interest rate equal to the bank's base lending rate. The line of credit is for working capital purposes. There was no balance outstanding on the line of credit at either August 31, 2010 or 2009.

#### (6) Pension Plan

The Organization has a defined contribution money purchase plan (the Plan), which provides benefits for its employees. Effective January 1, 2003, eligible employees may contribute as little as \$200 per year, which the Organization will match at the rate of 180% of employee contributions up to a maximum of 9% of the employee's salary. Prior to January 1, 2003, participating employees were required to contribute a minimum of 5% of their annual salary, which was matched by the Organization's contributions of 9% of annual salary.

For the years ended August 31, 2010 and 2009, the Organization's contributions and administrative expenses under the Plan amounted to \$1,979,023 and \$1,939,141, respectively.

#### (7) Contributed Goods and Professional Services

Contributed goods and professional services represent materials and services contributed to ABCD during the years ended August 31, and used for the following purposes:

Nature	2010	2009
Program services:		
Space	\$ 488,097	431,119
Consultants	39,451	1,275
Supplies	40,783	33,788
Food	73,843	79,033
Clothes	20,277	22,521
Equipment	—	4,140
Total program services	\$ 662,451	571,876

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Notes to Consolidated Financial Statements

August 31, 2010 and 2009

**(8) Funds Raised for Others**

ABCD manages separate annual fundraising campaigns for employees of Region I of the federal government, for employees of the Commonwealth of Massachusetts and for employees of the City of Boston. ABCD processes the employee pledges, receives funds deducted from employee paychecks from the employers, and disburses the appropriate amounts to the named beneficiaries as chosen by the employees. These funds are accounted for as agency funds, and do not appear as revenues and expenses in the Organization's consolidated statement of activities.

Amounts raised and disbursed for the years ended August 31 are as follows:

	<u>2010</u>	<u>2009</u>
Funds received:		
Federal campaign	\$ 2,226,471	2,937,769
City of Boston campaign	282,238	329,227
Commonwealth of Massachusetts campaign	1,330,483	1,450,531
Total	<u>\$ 3,839,192</u>	<u>4,717,527</u>
Funds disbursed to beneficiaries	\$ 3,862,892	4,550,443
Funds due to beneficiaries at August 31, 2010 and 2009	718,723	742,423

**(9) Accounts Receivable**

At August 31, the Organization's accounts receivable were composed of:

	<u>2010</u>	<u>2009</u>
Grants receivable:		
Federal	\$ 2,292,570	806,615
Commonwealth of Massachusetts	8,639,963	1,910,404
City of Boston	2,306,077	2,137,779
Other	3,054,456	1,346,568
Accounts receivable:		
Rents	554,156	540,035
Other	354,975	1,003,737
Note receivable:		
Due from South Boston Action Council, Inc. Original note \$800,000, rate at 6.74%, term 15 years, last payment due October 2014.	328,754	369,543
Total	<u>\$ 17,530,951</u>	<u>8,114,681</u>

**ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.**

Notes to Consolidated Financial Statements

August 31, 2010 and 2009

**(10) Subsequent Events**

In May 2009, the FASB issued a new standard on subsequent events, which establishes principles and requirements for subsequent events. This statement applies to the accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. In accordance with the standard, management has evaluated events subsequent to August 31, 2010 and through December 30, 2010, the date on which the financial statements were issued. The adoption of the statement did not have a material effect on the Organization's financial statements.

**(11) Deficit Revenue Retention**

In compliance with the Massachusetts Division of Purchased Services pursuant to 808 CMR 1.19(3), deficit revenue retention amounts of \$(137,339) and \$(189,594) have been segregated and included in the unrestricted net assets for the years ended August 31, 2010 and 2009, respectively. There are no cumulative surplus revenue retention amounts through August 31, 2010.

## ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

## Consolidating Schedule of Financial Position

August 31, 2010

<b>Assets</b>	<b>ABCD</b>	<b>ABCD Real Estate Corporation, Inc.<sup>(1)</sup></b>	<b>Eliminations</b>	<b>Total</b>
Cash and cash equivalents	\$ 7,430,103	246,203	—	7,676,306
Cash held for others	718,723	—	—	718,723
Total cash and cash equivalents	8,148,826	246,203	—	8,395,029
Contracts and accounts receivable	16,646,041	884,910	—	17,530,951
Other assets	279,795	—	—	279,795
Prepaid assets	537,062	—	—	537,062
Property, plant, and equipment, net	660,917	17,061,002	—	17,721,919
Due from Real Estate Corp.	2,125,859	(2,125,859)	—	—
Total assets	\$ 28,398,500	16,066,256	—	44,464,756
<b>Liabilities and Net Assets</b>				
Liabilities:				
Accounts payable	\$ 8,670,334	91,679	—	8,762,013
Accrued expenses	5,608,285	—	—	5,608,285
Funds held for others	718,723	—	—	718,723
Deferred revenue	6,293,290	—	—	6,293,290
Mortgage notes payable	—	5,089,167	—	5,089,167
Liability for interest rate swap	—	950,106	—	950,106
Total liabilities	21,290,632	6,130,952	—	27,421,584
Net assets:				
Unrestricted	7,107,868	9,935,304	—	17,043,172
Total liabilities and net assets	\$ 28,398,500	16,066,256	—	44,464,756

<sup>(1)</sup> Includes ABCD Real Estate Corporation, Inc. and ABCD Properties, Inc.

See accompanying independent auditors' report.

## ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

## Consolidating Schedule of Activities

Year ended August 31, 2010

	ABCD	ABCD Real Estate Corporation, Inc. <sup>(1)</sup>	Eliminations	Total
Changes in unrestricted net assets:				
Revenues and other support:				
Federal, state, and local grants	\$ 146,624,408	—	—	146,624,408
Contract-related fees	4,142,612	—	—	4,142,612
Contributions (in-kind)	662,451	—	—	662,451
Contributions – unrestricted	279,599	—	—	279,599
Interest income	24,682	16,893	—	41,575
Miscellaneous	495,767	27,300	—	523,067
Rental income	—	4,368,558	(2,774,401)	1,594,157
	<u>152,229,519</u>	<u>4,412,751</u>	<u>(2,774,401)</u>	<u>153,867,869</u>
Total unrestricted revenues and other support				
Expenses:				
Child care choices	54,582,144	—	—	54,582,144
Head start	29,738,636	—	—	29,738,636
Fuel assistance	16,081,890	—	—	16,081,890
Community services	7,596,163	—	—	7,596,163
Employment and training	10,243,044	—	—	10,243,044
Health services	3,579,987	—	—	3,579,987
Weatherization	13,014,239	—	—	13,014,239
Housing	2,646,157	—	—	2,646,157
Day care	6,012,372	—	—	6,012,372
Elder services	1,297,014	—	—	1,297,014
Indirect costs	5,177,938	—	—	5,177,938
Other	2,189,346	—	—	2,189,346
Tenant operating costs	—	4,145,701	(2,774,401)	1,371,300
	<u>152,158,930</u>	<u>4,145,701</u>	<u>(2,774,401)</u>	<u>153,530,230</u>
Total expenses				
Increase in unrestricted net assets from operations				
	70,589	267,050	—	337,639
Nonoperating:				
Net loss on interest rate swap agreement	—	(243,969)	—	(243,969)
Proceeds from insurance recovery	—	185,865	—	185,865
	<u>70,589</u>	<u>208,946</u>	<u>—</u>	<u>279,535</u>
Increase in net assets				
Net assets, beginning of year	7,037,279	9,726,358	—	16,763,637
Net assets, end of year	<u>\$ 7,107,868</u>	<u>9,935,304</u>	<u>—</u>	<u>17,043,172</u>

<sup>(1)</sup> Includes ABCD Real Estate Corporation, Inc. and ABCD Properties, Inc.

See accompanying independent auditors' report.