



ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Financial Statements and Supplementary Schedules

August 31, 2012 and 2011

(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, 2012 and 2011, 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, 2012 and 2011, 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 conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules I and II is presented for purposes of additional analysis and is not a required part of the 2012 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 2012 consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2012 consolidated financial statements or to the consolidated 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 2012 consolidated financial statements as a whole.

KPMG LLP

December 18, 2012

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Financial Position

August 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 6,297,928	8,250,702
Cash held for others (note 8)	490,982	861,069
Accounts receivable (note 9)	11,175,417	8,541,240
Other assets	268,473	274,134
Prepaid assets	14,300	310,015
Property, plant, and equipment, net (note 2)	17,470,046	17,619,777
Total assets	<u>\$ 35,717,146</u>	<u>35,856,937</u>
Liabilities Net Assets		
Liabilities:		
Accounts payable	\$ 4,055,042	2,577,299
Accrued expenses	5,359,787	5,238,738
Funds held for others (note 8)	490,982	861,069
Deferred revenue	3,082,905	4,326,841
Mortgage notes payable (note 4)	4,469,167	4,779,167
Liability for interest rate swap (note 4)	827,181	889,752
Total liabilities	18,285,064	18,672,866
Net assets:		
Unrestricted	17,432,082	17,184,071
Total liabilities and net assets	<u>\$ 35,717,146</u>	<u>35,856,937</u>

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Activities

Years ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Changes in unrestricted net assets:		
Revenues and other support:		
Federal, state, and local grants	\$ 147,539,707	146,158,823
Contract-related fees	3,324,032	3,534,835
Contributions (in-kind) (note 7)	1,538,851	1,175,736
Contributions	514,913	401,926
Interest income	41,853	43,849
Miscellaneous	780,200	420,947
Rental income (note 3)	<u>1,804,918</u>	<u>1,718,007</u>
Total unrestricted revenues and other support	<u>155,544,474</u>	<u>153,454,123</u>
Expenses:		
Child care choices	49,305,258	54,722,643
Head start	30,245,289	30,313,972
Fuel and energy assistance	12,540,189	15,265,008
Community services	5,832,561	6,025,764
Employment and training	4,386,277	5,554,711
Health services	3,386,226	3,265,029
Weatherization	34,206,098	21,391,801
Housing	1,547,054	2,224,915
Day care	4,070,092	5,028,543
Elder services	1,072,707	1,402,466
Other	2,578,681	1,757,661
Tenant operating costs	1,374,810	1,441,315
Indirect costs	<u>4,813,792</u>	<u>4,979,750</u>
Total expenses	<u>155,359,034</u>	<u>153,373,578</u>
Increase in unrestricted net assets from operations	<u>185,440</u>	<u>80,545</u>
Nonoperating:		
Net change in interest rate swap agreement (note 4)	<u>62,571</u>	<u>60,354</u>
Total nonoperating	<u>62,571</u>	<u>60,354</u>
Increase in net assets	248,011	140,899
Net assets, beginning of year	<u>17,184,071</u>	<u>17,043,172</u>
Net assets, end of year	<u>\$ <u>17,432,082</u></u>	<u>17,184,071</u>

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2012

	Personnel	Consultants and contracted services	Payments on behalf of program participants	Travel	Occupancy	Consumable supplies	Rental or lease of equipment	Other costs	Delegate agency expenditures	Tenant operating costs	Total expenses
Child care choices	\$ 822,199	100	48,203,856	7,193	106,560	10,883	10,715	143,752	—	—	49,305,258
Head start	19,726,069	2,608,207	21,745	120,946	3,981,562	784,042	150,851	2,390,495	461,372	—	30,245,289
Fuel assistance	1,223,350	428,891	10,560,353	3,789	60,456	17,526	4,052	241,772	—	—	12,540,189
Community services	3,554,538	426,035	920	91,992	612,436	164,272	61,629	608,259	312,480	—	5,832,561
Employment and training	3,046,538	557,200	—	36,816	450,078	42,339	16,034	237,272	—	—	4,386,277
Health services	1,059,771	1,490,013	11	25,613	92,079	575,565	1,777	120,958	20,439	—	3,386,226
Weatherization	988,491	25,667,816	7,098,333	58,542	137,709	13,232	230	227,614	14,131	—	34,206,098
Housing	590,995	664,533	—	17,563	140,240	22,151	1,631	109,941	—	—	1,547,054
Day care	3,548,661	23,148	—	50,717	337,737	82,073	5,776	21,980	—	—	4,070,092
Elder services	384,372	28,314	355,834	32,612	93,649	91,585	2,070	84,271	—	—	1,072,707
Other	3,353,548	12,790	—	189,268	495,200	236,485	24,351	(1,732,961)	—	—	2,578,681
Tenant operating costs	—	—	—	—	—	—	—	—	—	1,374,810	1,374,810
Subtotal	38,298,532	31,907,047	66,241,052	635,051	6,507,706	2,040,153	279,116	2,453,353	808,422	1,374,810	150,545,242
Indirect costs	3,501,934	278,730	—	61,214	250,641	60,493	30,811	629,969	—	—	4,813,792
Total operating expenses	\$ 41,800,466	32,185,777	66,241,052	696,265	6,758,347	2,100,646	309,927	3,083,322	808,422	1,374,810	155,359,034

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2011

	Personnel	Consultants and contracted services	Payments on behalf of program participants	Travel	Occupancy	Consumable supplies	Rental or lease of equipment	Other costs	Delegate agency expenditures	Tenant operating costs	Total expenses
Child care choices	\$ 1,050,818	4,098	53,358,127	7,297	113,646	10,162	1,856	176,639	—	—	54,722,643
Head start	19,584,233	2,854,579	23,967	137,270	3,970,275	1,070,956	110,533	2,433,662	128,497	—	30,313,972
Fuel assistance	1,326,852	104,819	13,597,818	3,208	49,785	19,365	3,084	160,077	—	—	15,265,008
Community services	3,738,626	419,638	910	89,867	731,736	152,230	53,558	630,406	208,793	—	6,025,764
Employment and training	4,059,589	670,742	—	57,806	377,932	77,749	20,189	290,704	—	—	5,554,711
Health services	1,030,811	1,356,156	—	26,628	88,988	541,408	1,961	111,847	107,230	—	3,265,029
Weatherization	830,253	12,387,064	7,848,828	60,544	91,676	8,125	1,226	164,085	—	—	21,391,801
Housing	829,879	1,155,002	—	24,034	96,075	9,815	370	109,740	—	—	2,224,915
Day care	4,487,086	13,927	—	57,885	410,207	27,830	5,859	25,749	—	—	5,028,543
Elder services	603,215	11,405	468,700	36,353	86,900	101,693	2,121	92,079	—	—	1,402,466
Other	2,514,774	50,231	—	331,478	466,973	352,420	20,189	(1,978,404)	—	—	1,757,661
Tenant operating costs	—	—	—	—	—	—	—	—	—	1,441,315	1,441,315
Subtotal	40,056,136	19,027,661	75,298,350	832,370	6,484,193	2,371,753	220,946	2,216,584	444,520	1,441,315	148,393,828
Indirect costs	3,824,686	240,294	—	59,947	235,687	61,363	17,852	539,921	—	—	4,979,750
Total operating expenses	\$ 43,880,822	19,267,955	75,298,350	892,317	6,719,880	2,433,116	238,798	2,756,505	444,520	1,441,315	153,373,578

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Increase in net assets	\$ 248,011	140,899
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,060,530	1,094,534
Change in interest rate swap	(62,571)	(60,354)
Changes in operating assets and liabilities, excluding cash:		
Accounts receivable	(2,411,075)	9,047,837
Other assets	5,661	5,661
Prepaid assets	295,715	227,047
Accounts payable	1,454,523	(6,117,292)
Accrued expenses	121,049	(369,547)
Deferred revenue	(1,243,936)	(1,966,449)
Net cash (used in) provided by operating activities	<u>(532,093)</u>	<u>2,002,336</u>
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(887,579)	(1,059,814)
Cash received on repayment of note receivable	76,898	87,271
Issuance of note receivable	(300,000)	(145,397)
Net cash used in investing activities	<u>(1,110,681)</u>	<u>(1,117,940)</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>
Change in cash and cash equivalents	(1,952,774)	574,396
Cash and cash equivalents, beginning of year	<u>8,250,702</u>	<u>7,676,306</u>
Cash and cash equivalents, end of year	<u>\$ 6,297,928</u>	<u>8,250,702</u>
Supplemental information:		
Interest paid	\$ 286,127	304,409
Noncash investing activity:		
Noncash acquisition of property, plant, and equipment totaled \$62,415 and \$39,194 in 2012 and 2011, respectively.		

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(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, 2012 and 2011.

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 \$532,603 and \$113,747 for the years ended August 31, 2012 and 2011, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(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). The Organization is required to assess uncertain tax positions and has determined that there were no such positions that would jeopardize its tax-exempt status or have a material effect on the financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(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>2012</u>	<u>2011</u>	<u>Estimated useful lives</u>
Land	\$ 2,065,100	2,065,100	—
Buildings and improvements	25,663,254	24,792,294	40 years
Computer equipment	1,222,192	1,222,192	3 years
Furniture and equipment	1,589,125	1,589,125	3 – 10 years
Automobiles	25,995	25,995	5 years
Leasehold improvements	<u>2,023,090</u>	<u>1,983,251</u>	Applicable lease term
	32,588,756	31,677,957	
Less accumulated depreciation	<u>(15,118,710)</u>	<u>(14,058,180)</u>	
Net property, plant, and equipment	<u>\$ 17,470,046</u>	<u>17,619,777</u>	

Depreciation expense for the years ended August 31, 2012 and 2011 was \$1,060,530 and \$1,094,535, 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 June 30, 2018. All of the leases may be terminated if the funding agencies cease to fund ABCD. For the years ended August 31, 2012 and 2011, total rental expense amounted to \$1,326,754 and \$1,402,983, 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 \$169,782 and \$325,179 for the years ended August 31, 2012 and 2011, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

At August 31, 2012, ABCD had the following minimum lease commitments:

	<u>Amount</u>
Year ending August 31:	
2013	\$ 1,157,691
2014	1,000,252
2015	803,954
2016	603,473
2017	488,014

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, 2012, the Corporation had the following minimum lease rentals:

	<u>Amount</u>
Year ending August 31:	
2013	\$ 1,314,337
2014	1,068,614
2015	782,080
2016	434,387
2017	366,427

(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) (0.23% and 0.22% at August 31, 2012 and 2011, 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:	
2013	\$ 310,000
2014	310,000
2015	310,000
2016	310,000
2017	3,229,167
	<u>\$ 4,469,167</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 be included in the Corporation's consolidated financial statements. The value of the swap instrument, which is recorded as a liability of \$827,181 and \$889,752 at August 31, 2012 and 2011, respectively,

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

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.

GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels. Level 1 – quoted prices (unadjusted) in active markets that are accessible at the measurement date for liabilities, Level 2 – observable prices that are based on inputs not quoted in active markets, but corroborated by market data, and Level 3 – unobservable inputs are used when little or no market data is available. Because the swap fair value is based predominantly on observable inputs that are corroborated by market data, it is categorized as Level 2 in the fair value hierarchy.

(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, 2012 or 2011.

(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, 2012 and 2011, the Organization's contributions and administrative expenses under the Plan amounted to \$1,875,808 and \$1,883,755, 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	2012	2011
Program services:		
Space	\$ 306,271	139,365
Consultants	720,797	544,021
Supplies	275,549	223,169
Food	179,028	171,744
Clothes	—	55,542
Equipment	57,206	41,895
Total program services	\$ 1,538,851	1,175,736

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(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>2012</u>	<u>2011</u>
Funds received:		
Federal campaign	\$ 2,135,265	2,496,710
City of Boston campaign	288,953	448,204
Commonwealth of Massachusetts campaign	1,253,203	1,250,303
Total	<u>\$ 3,677,421</u>	<u>4,195,217</u>
Funds disbursed to beneficiaries	\$ 4,047,509	4,052,871
Funds due to beneficiaries at August 31, 2012 and 2011	490,982	861,069

(9) Accounts Receivable

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

	<u>2012</u>	<u>2011</u>
Grants receivable:		
Federal	\$ 733,726	1,513,825
Commonwealth of Massachusetts	1,892,778	2,123,464
City of Boston	1,310,157	1,398,394
Other	5,834,105	2,320,295
Accounts receivable:		
Rents	554,079	465,863
Other	228,025	332,519
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	164,585	241,483
Due from Urban College of Boston:		
Original note \$145,397, rate 3.25%, term 1 year, due August 2012	145,397	145,397
Line of Credit, \$300,000, rate 3.25, due August 2012	300,000	—
Interest Due on notes	12,565	—
Total	<u>\$ 11,175,417</u>	<u>8,541,240</u>

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2012 and 2011

(10) Subsequent Events

The Organization evaluated subsequent events for potential recognition or disclosure through December 18, 2012, the date on which the financial statements were issued.

(11) Deficit Revenue Retention (Unaudited)

In compliance with the Massachusetts Division of Purchased Services pursuant to 808 CMR 1.19(3), deficit revenue retention amounts of \$(70,278) and \$(62,635) have been segregated and included in the unrestricted net assets for the years ended August 31, 2012 and 2011, respectively. There are no cumulative surplus revenue retention amounts through August 31, 2012.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidating Schedule of Financial Position

August 31, 2012

Assets	ABCD	ABCD Real Estate Corporation, Inc. ⁽¹⁾	Eliminations	Total
Cash and cash equivalents	\$ 5,346,221	951,707	—	6,297,928
Cash held for others	490,982	—	—	490,982
Total cash and cash equivalents	5,837,203	951,707	—	6,788,910
Contracts and accounts receivable	10,454,754	720,663	—	11,175,417
Other assets	268,473	—	—	268,473
Prepaid assets	14,300	—	—	14,300
Property, plant, and equipment, net	577,480	16,892,566	—	17,470,046
Due from Real Estate Corp.	2,200,524	(2,200,524)	—	—
Total assets	<u>\$ 19,352,734</u>	<u>16,364,412</u>	<u>—</u>	<u>35,717,146</u>
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 3,968,363	86,679	—	4,055,042
Accrued expenses	5,359,787	—	—	5,359,787
Funds held for others	490,982	—	—	490,982
Deferred revenue	3,082,905	—	—	3,082,905
Mortgage notes payable	—	4,469,167	—	4,469,167
Liability for interest rate swap	—	827,181	—	827,181
Total liabilities	12,902,037	5,383,027	—	18,285,064
Net assets:				
Unrestricted	6,450,697	10,981,385	—	17,432,082
Total liabilities and net assets	<u>\$ 19,352,734</u>	<u>16,364,412</u>	<u>—</u>	<u>35,717,146</u>

⁽¹⁾ 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, 2012

	ABCD	ABCD Real Estate Corporation, Inc. ⁽¹⁾	Eliminations	Total
Changes in unrestricted net assets:				
Revenues and other support:				
Federal, state, and local grants	\$ 147,539,707	—	—	147,539,707
Contract-related fees	3,324,032	—	—	3,324,032
Contributions (in-kind)	1,538,851	—	—	1,538,851
Contributions – unrestricted	514,913	—	—	514,913
Interest income	24,782	17,071	—	41,853
Miscellaneous	752,876	27,324	—	780,200
Rental income	—	4,502,079	(2,697,161)	1,804,918
	<u>153,695,161</u>	<u>4,546,474</u>	<u>(2,697,161)</u>	<u>155,544,474</u>
Expenses:				
Child care choices	49,305,258	—	—	49,305,258
Head start	30,245,289	—	—	30,245,289
Fuel assistance	12,540,189	—	—	12,540,189
Community services	5,832,561	—	—	5,832,561
Employment and training	4,386,277	—	—	4,386,277
Health services	3,386,226	—	—	3,386,226
Weatherization	34,206,098	—	—	34,206,098
Housing	1,547,054	—	—	1,547,054
Day care	4,070,092	—	—	4,070,092
Elder services	1,072,707	—	—	1,072,707
Indirect costs	4,813,792	—	—	4,813,792
Other	2,578,681	—	—	2,578,681
Tenant operating costs	—	4,071,971	(2,697,161)	1,374,810
	<u>153,984,224</u>	<u>4,071,971</u>	<u>(2,697,161)</u>	<u>155,359,034</u>
Increase in unrestricted net assets from operations	(289,063)	474,503	—	185,440
Nonoperating:				
Net gain on interest rate swap agreement	—	62,571	—	62,571
Increase in net assets	(289,063)	537,074	—	248,011
Net assets, beginning of year	6,739,760	10,444,311	—	17,184,071
Net assets, end of year	<u>\$ 6,450,697</u>	<u>10,981,385</u>	<u>—</u>	<u>17,432,082</u>

⁽¹⁾ Includes ABCD Real Estate Corporation, Inc. and ABCD Properties, Inc.

See accompanying independent auditors' report.