



ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Financial Statements and Supplementary Schedules

August 31, 2014 and 2013

(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.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Action for Community Development, Inc. and subsidiaries (the Organization), which comprise the consolidated statements of financial position as of August 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated 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 consolidated 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 audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 entity'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of August 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included in Schedules I and II are presented for purposes of additional analysis and are not a required part of the 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 audit of the 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 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 supplementary information included in Schedules I and II are fairly stated, in all material respects, in relation to the consolidated 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 December 19, 2014 on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

KPMG LLP

December 19, 2014

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Financial Position

August 31, 2014 and 2013

Assets	2014	2013
Cash and cash equivalents	\$ 11,820,318	9,636,197
Cash held for others (note 8)	738,556	539,042
Accounts receivable (note 9)	15,851,994	7,778,453
Prepaid assets	358,532	—
Other assets	265,646	265,646
Property, plant, and equipment, net (note 2)	19,361,218	16,887,389
Total assets	<u>\$ 48,396,264</u>	<u>35,106,727</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable	\$ 9,160,781	5,526,140
Accrued expenses	4,640,172	3,997,682
Funds held for others (note 8)	738,556	539,042
Deferred revenue	7,796,756	2,324,901
Mortgage notes payable (note 4)	7,000,000	4,159,167
Liability for interest rate swap (note 4)	632,806	556,312
Total liabilities	29,969,071	17,103,244
Net assets:		
Unrestricted	18,427,193	18,003,483
Total liabilities and net assets	<u>\$ 48,396,264</u>	<u>35,106,727</u>

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Activities

Years ended August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Changes in unrestricted net assets:		
Revenues and other support:		
Federal, state, and local grants	\$ 152,775,306	145,007,618
Contract-related fees	3,510,852	3,700,015
Contributions (in-kind) (note 7)	2,756,316	2,888,464
Contributions	395,132	651,545
Interest income	10,577	21,399
Miscellaneous	782,482	882,254
Rental income (note 3)	1,830,374	1,795,528
Total unrestricted revenues and other support	<u>162,061,039</u>	<u>154,946,823</u>
Expenses:		
Child care choices	53,972,296	49,062,069
Head start	29,617,034	31,324,250
Fuel and energy assistance	14,930,041	13,472,196
Community services	5,853,154	5,977,693
Employment and training	4,914,270	3,944,350
Health services	3,382,280	3,589,637
Weatherization	33,445,659	31,712,954
Housing	1,414,545	1,527,530
Day care	4,607,384	3,955,268
Elder services	953,396	1,130,623
Other	2,319,898	2,042,516
Tenant operating costs	1,557,925	1,442,431
Indirect costs	4,592,953	4,780,040
Total expenses	<u>161,560,835</u>	<u>153,961,557</u>
Increase in unrestricted net assets from operations	<u>500,204</u>	<u>985,266</u>
Nonoperating:		
Forgiveness of debt	—	(684,734)
Net change in interest rate swap agreement (note 4)	(76,494)	270,869
Total nonoperating	<u>(76,494)</u>	<u>(413,865)</u>
Increase in net assets	423,710	571,401
Net assets, beginning of year	<u>18,003,483</u>	<u>17,432,082</u>
Net assets, end of year	<u>\$ 18,427,193</u>	<u>18,003,483</u>

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2014

	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	\$ 999,870	2,765	52,811,827	8,422	73,382	32,741	5,921	37,368	—	—	53,972,296
Head start	16,384,362	3,451,806	112,316	85,374	5,429,417	1,703,915	340,257	2,109,587	—	—	29,617,034
Fuel assistance	1,264,163	3,622,746	9,740,445	1,785	59,371	12,393	4,803	224,335	—	—	14,930,041
Community services	3,240,217	620,338	200	83,217	677,399	546,628	40,843	629,563	14,749	—	5,853,154
Employment and training	3,348,958	726,365	—	33,593	378,445	163,870	16,138	246,901	—	—	4,914,270
Health services	1,061,241	1,321,282	—	29,960	67,667	769,294	2,159	130,677	—	—	3,382,280
Weatherization	1,021,244	26,308,739	5,812,792	61,522	91,093	12,293	4,333	129,132	4,511	—	33,445,659
Housing	576,209	622,506	—	16,929	130,691	10,557	10,284	47,369	—	—	1,414,545
Day care	4,180,788	11,360	325	28,846	355,289	15,078	6,105	9,593	—	—	4,607,384
Elder services	351,256	16,801	371,279	40,963	39,068	71,826	3,024	59,179	—	—	953,396
Other	2,295,359	138,544	—	231,029	492,250	235,479	83,627	(1,156,390)	—	—	2,319,898
Tenant operating costs	—	—	—	—	—	—	—	—	—	1,557,925	1,557,925
Subtotal	34,723,667	36,843,252	68,849,184	621,640	7,794,072	3,574,074	517,494	2,467,314	19,260	1,557,925	156,967,882
Indirect costs	3,475,696	235,723	—	45,326	233,594	92,926	18,188	491,500	—	—	4,592,953
Total operating expenses	\$ 38,199,363	37,078,975	68,849,184	666,966	8,027,666	3,667,000	535,682	2,958,814	19,260	1,557,925	161,560,835

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2013

	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	\$ 739,740	—	48,122,468	5,748	103,479	5,127	6,022	79,485	—	—	49,062,069
Head start	18,898,606	3,288,020	191,065	120,036	5,431,362	800,529	151,295	2,441,737	1,600	—	31,324,250
Fuel assistance	1,589,768	958,217	10,549,566	2,402	92,723	13,145	2,895	263,480	—	—	13,472,196
Community services	3,323,675	570,622	800	96,069	692,902	553,965	57,332	682,328	—	—	5,977,693
Employment and training	2,510,067	626,241	—	36,185	368,324	85,128	14,874	303,531	—	—	3,944,350
Health services	1,021,828	1,361,476	—	39,672	99,859	776,644	2,159	182,846	105,153	—	3,589,637
Weatherization	832,694	22,951,031	7,693,769	70,588	34,285	12,121	231	118,235	—	—	31,712,954
Housing	679,341	580,747	—	16,952	196,697	6,985	4,510	42,298	—	—	1,527,530
Day care	3,452,047	18,492	44	35,407	392,745	37,288	6,769	12,476	—	—	3,955,268
Elder services	387,847	71,705	387,102	40,759	91,183	74,539	2,586	74,902	—	—	1,130,623
Other	2,781,614	71,823	—	211,261	472,411	98,527	107,192	(1,700,312)	—	—	2,042,516
Tenant operating costs	—	—	—	—	—	—	—	—	—	1,442,431	1,442,431
Subtotal	36,217,227	30,498,374	66,944,814	675,079	7,975,970	2,463,998	355,865	2,501,006	106,753	1,442,431	149,181,517
Indirect costs	3,579,638	273,675	—	41,124	257,114	57,367	15,510	555,612	—	—	4,780,040
Total operating expenses	\$ 39,796,865	30,772,049	66,944,814	716,203	8,233,084	2,521,365	371,375	3,056,618	106,753	1,442,431	153,961,557

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Increase in net assets	\$ 423,710	571,401
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation	1,081,771	1,031,654
Change in interest rate swap	76,494	(270,869)
Forgiveness of debt	—	684,734
Changes in operating assets and liabilities, excluding cash:		
Accounts receivable	(8,073,541)	2,636,101
Other assets	—	17,127
Prepaid assets	(358,532)	—
Accounts payable	3,634,641	1,512,452
Accrued expenses	642,491	(1,362,105)
Deferred revenue	5,471,855	(758,004)
Net cash provided by operating activities	2,898,889	4,062,491
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(3,555,601)	(490,351)
Cash received on repayment of note receivable	—	76,129
Net cash used in investing activities	(3,555,601)	(414,222)
Cash flows from financing activities:		
Proceeds from mortgage note payable	7,000,000	—
Principal payments on mortgage notes	(4,159,167)	(310,000)
Net cash provided by (used in) financing activities	2,840,833	(310,000)
Change in cash and cash equivalents	2,184,121	3,338,269
Cash and cash equivalents, beginning of year	9,636,197	6,297,928
Cash and cash equivalents, end of year	\$ 11,820,318	9,636,197
Supplemental information:		
Interest paid	\$ 238,916	265,644
Noncash investing activity:		
Noncash acquisition of property, plant, and equipment totaled \$158,130 and \$21,061 in 2014 and 2013, respectively.		

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

(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, 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, 2014 and 2013.

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 \$556,420 and \$650,979 for the years ended August 31, 2014 and 2013, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

(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, 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

Office of Management and Budget Circular A-122 establishes the policy that a single Federal agency is responsible for the review, negotiation and approval of indirect cost rates for use on Federal awards by non-profit organizations. Normally, the Federal agency with the predominate financial interest is the cognizant agency. ABCD charges indirect costs to programs based on a provisional indirect cost rate that is approved by its cognizant agency, the U.S. Department of Health and Human Services, Division of Cost Allocation in accordance with the authority in OMB Circular A-122.

(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

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

positions and has determined that there were no such positions that would jeopardize its tax-exempt status or have a material effect on the consolidated financial statements.

(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 the following:

	<u>2014</u>	<u>2013</u>	<u>Estimated useful lives</u>
Land	\$ 2,065,100	2,065,100	—
Buildings and improvements	29,446,863	26,058,020	40 years
Computer equipment	1,222,192	1,222,192	3 years
Furniture and equipment	1,617,745	1,589,125	3 – 10 years
Automobiles	25,995	25,995	5 years
Leasehold improvements	<u>2,215,459</u>	<u>2,077,321</u>	Applicable lease term
	36,593,354	33,037,753	
Less accumulated depreciation	<u>(17,232,136)</u>	<u>(16,150,364)</u>	
Net property, plant, and equipment	<u>\$ 19,361,218</u>	<u>16,887,389</u>	

Depreciation expense for the years ended August 31, 2014 and 2013 was \$1,081,771 and \$1,031,654, 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, 2014 and 2013, total rental expense amounted to \$1,229,290 and \$1,306,428, 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 \$158,426 and \$148,737 for the years ended August 31, 2014 and 2013, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

At August 31, 2014, ABCD had the following minimum lease commitments:

	<u>Amount</u>
Year ending August 31:	
2015	\$ 1,075,168
2016	978,996
2017	662,214
2018	534,695
2019	401,020

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, 2014, the Corporation had the following minimum lease rentals:

	<u>Amount</u>
Year ending August 31:	
2015	\$ 1,575,125
2016	1,125,552
2017	844,717
2018	253,074
2019	58,188

(4) Mortgage Note Payable

On August 14, 2014, the Corporation entered into a new mortgage agreement totaling \$7,000,000. Proceeds of \$3,876,381 were used to retire the existing mortgage note payable and the remainder \$3,123,619 was used for the purchase of capital assets. The mortgage note payable bears interest at the 30-day London Interbank Offering Rate (LIBOR) (0.156% and 0.18% at August 31, 2015 and 2014, respectively,) plus 1.10%, payable monthly. The maturity date on the mortgage note is the tenth anniversary of the closing date, August 14, 2024. The following represents the future scheduled principal payments:

	<u>Amount</u>
Year ending August 31:	
2015	\$ 217,344
2016	227,664
2017	238,488
2018	249,816
2019	261,684
Thereafter	5,805,004
	<u>\$ 7,000,000</u>

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

In conjunction with its issuance of variable rate debt, the Corporation replaced its existing 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 4.49% 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 \$632,806 and \$556,312 at August 31, 2014 and 2013, 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.

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) Line 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, 2014 or 2013.

(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, 2014 and 2013, the Organization's contributions and administrative expenses under the Plan amounted to \$1,533,176 and \$1,652,285, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

(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:

<u>Nature</u>	<u>2014</u>	<u>2013</u>
Program services:		
Space	\$ 1,334,615	1,480,087
Consultants	852,894	861,133
Supplies	135,778	106,391
Food	405,705	435,120
Equipment	27,324	5,733
Total program services	\$ <u>2,756,316</u>	<u>2,888,464</u>

(8) Funds Raised for Others

ABCD manages separate annual fundraising campaigns for federal employees working in Massachusetts' counties: Worcester, Middlesex, Essex, Norfolk, and Suffolk, 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 statements of activities.

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

	<u>2014</u>	<u>2013</u>
Funds received:		
Federal campaign	\$ 1,806,010	1,776,793
City of Boston campaign	216,504	258,421
Commonwealth of Massachusetts campaign	1,075,582	1,182,282
Total	\$ <u>3,098,096</u>	<u>3,217,496</u>
Funds disbursed to beneficiaries	\$ 2,898,582	3,169,435
Funds due to beneficiaries at August 31, 2014 and 2013	738,556	539,042

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2014 and 2013

(9) Accounts Receivable

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

	<u>2014</u>	<u>2013</u>
Grants receivable:		
Federal	\$ 1,843,662	1,177,499
Commonwealth of Massachusetts	3,716,307	1,366,633
City of Boston	602,762	1,243,337
Other	8,105,466	3,200,383
Accounts receivable:		
Rents	572,404	526,563
Other	977,605	175,582
Notes and other receivables:		
Due from South Boston Action Council, Inc.:		
Original note \$800,000, rate at 6.74%, term 15 years, last payment due October 2014	27,907	88,456
Due from Low Cost Housing Corporation	5,881	—
Total	<u>\$ 15,851,994</u>	<u>7,778,453</u>

(10) Subsequent Events

The Organization evaluated subsequent events for potential recognition or disclosure through December 19, 2014, the date on which the consolidated financial statements were issued.

(11) Surplus/Deficit Revenue Retention (Unaudited)

In compliance with the Massachusetts Division of Purchased Services pursuant to 808 CMR 1.19(3), surplus/deficit revenue retention amounts of \$26,017 and \$(125,642) have been segregated and included in the unrestricted net assets for the years ended August 31, 2014 and 2013, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidating Schedule of Financial Position

August 31, 2014

Assets	ABCD	ABCD Real Estate Corporation, Inc. ⁽¹⁾	Eliminations	Total
Cash and cash equivalents	\$ 11,040,653	779,665	—	11,820,318
Cash held for others	738,556	—	—	738,556
Total cash and cash equivalents	11,779,209	779,665	—	12,558,874
Contracts and accounts receivable	15,249,684	602,310	—	15,851,994
Prepaid assets	358,532	—	—	358,532
Other assets	265,646	—	—	265,646
Property, plant, and equipment, net	567,629	18,793,589	—	19,361,218
Due from Real Estate Corp.	623,087	(623,087)	—	—
Total assets	\$ 28,843,787	19,552,477	—	48,396,264
Liabilities and Net Assets				
Liabilities:				
Accounts payable	\$ 9,085,368	75,413	—	9,160,781
Accrued expenses	4,640,172	—	—	4,640,172
Funds held for others	738,556	—	—	738,556
Deferred revenue	7,796,756	—	—	7,796,756
Mortgage notes payable	—	7,000,000	—	7,000,000
Liability for interest rate swap	—	632,806	—	632,806
Total liabilities	22,260,852	7,708,219	—	29,969,071
Net assets:				
Unrestricted	6,582,935	11,844,258	—	18,427,193
Total liabilities and net assets	\$ 28,843,787	19,552,477	—	48,396,264

⁽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, 2014

	<u>ABCD</u>	<u>ABCD Real Estate Corporation, Inc.⁽¹⁾</u>	<u>Eliminations</u>	<u>Total</u>
Changes in unrestricted net assets:				
Revenues and other support:				
Federal, state, and local grants	\$ 152,775,306	—	—	152,775,306
Contract-related fees	3,495,406	15,446	—	3,510,852
Contributions (in-kind)	2,756,316	—	—	2,756,316
Contributions – unrestricted	395,132	—	—	395,132
Interest income	6,409	4,168	—	10,577
Miscellaneous	646,985	135,497	—	782,482
Rental income	—	4,618,017	(2,787,643)	1,830,374
	<u>160,075,554</u>	<u>4,773,128</u>	<u>(2,787,643)</u>	<u>162,061,039</u>
Total unrestricted revenues and other support				
Expenses:				
Child care choices	53,972,296	—	—	53,972,296
Head start	29,617,034	—	—	29,617,034
Fuel assistance	14,930,041	—	—	14,930,041
Community services	5,853,154	—	—	5,853,154
Employment and training	4,914,270	—	—	4,914,270
Health services	3,382,280	—	—	3,382,280
Weatherization	33,445,659	—	—	33,445,659
Housing	1,414,545	—	—	1,414,545
Day care	4,607,384	—	—	4,607,384
Elder services	953,396	—	—	953,396
Indirect costs	4,592,953	—	—	4,592,953
Other	2,319,898	—	—	2,319,898
Tenant operating costs	—	4,345,568	(2,787,643)	1,557,925
	<u>160,002,910</u>	<u>4,345,568</u>	<u>(2,787,643)</u>	<u>161,560,835</u>
Total expenses				
Increase in unrestricted net assets from operations				
	72,644	427,560	—	500,204
Nonoperating:				
Forgiveness of debt	—	—	—	—
Net gain on interest rate swap agreement	—	(76,494)	—	(76,494)
	<u>72,644</u>	<u>351,066</u>	<u>—</u>	<u>423,710</u>
Increase in net assets				
Net assets, beginning of year	6,510,291	11,493,192	—	18,003,483
Net assets, end of year	<u>\$ 6,582,935</u>	<u>11,844,258</u>	<u>—</u>	<u>18,427,193</u>

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

See accompanying independent auditors' report.