



ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.
Consolidated Financial Statements and Supplementary Schedules
August 31, 2017 and 2016
(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 financial statements of Action for Boston Community Development, Inc. and subsidiaries (the Organization), which comprise the consolidated statements of financial position as of August 31, 2017 and 2016, 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 financial statements are free of 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 its 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 entity'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 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 financial statement presentation.

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, 2017 and 2016, 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 is presented for purposes of additional analysis and is 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 is 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 21, 2017 on our consideration of the Organization's internal control over financial reporting and 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 21, 2017

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Financial Position

August 31, 2017 and 2016

| Assets | 2017 | 2016 |
|----------------------------------------------|----------------------|-------------------|
| Cash and cash equivalents | \$ 6,421,294 | 9,835,297 |
| Cash held for others (note 8) | 503,581 | 502,516 |
| Accounts receivable (note 9) | 16,230,747 | 16,929,536 |
| Prepaid assets | 922,929 | 874,396 |
| Other assets | 382,550 | 340,080 |
| Investments (note 2) | 13,967,085 | 16,480,772 |
| Property, plant, and equipment, net (note 3) | 24,444,400 | 20,109,309 |
| Total assets | <u>\$ 62,872,586</u> | <u>65,071,906</u> |
| Liabilities and Net Assets | | |
| Liabilities: | | |
| Accounts payable | \$ 11,150,735 | 8,617,497 |
| Accrued expenses | 4,973,667 | 8,899,355 |
| Funds held for others (note 8) | 503,581 | 502,516 |
| Deferred revenue | 4,821,886 | 7,113,256 |
| Total liabilities | 21,449,869 | 25,132,624 |
| Net assets: | | |
| Unrestricted | 41,422,717 | 39,939,282 |
| Total liabilities and net assets | <u>\$ 62,872,586</u> | <u>65,071,906</u> |

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Activities

Years ended August 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|------------------------------------------------------------------|----------------------|--------------------|
| Revenues and other support: | | |
| Federal, state, and local grants | \$ 172,059,673 | 164,918,151 |
| Contract-related fees | 1,469,736 | 2,859,834 |
| Contributions (in-kind) (note 7) | 2,925,338 | 3,550,158 |
| Contributions | 270,393 | 378,165 |
| Interest income (note 2) | 326,789 | 239,410 |
| Rental income (note 4) | 1,090,395 | 1,208,327 |
| Miscellaneous | <u>888,315</u> | <u>573,933</u> |
| Unrestricted revenues and other support | <u>179,030,639</u> | <u>173,727,978</u> |
| Expenses: | | |
| Child care choices | 51,524,127 | 56,295,359 |
| Head start | 35,147,304 | 35,341,524 |
| Fuel and energy assistance | 13,642,387 | 13,977,823 |
| Community services | 7,052,745 | 7,520,434 |
| Employment and training | 5,408,903 | 5,568,766 |
| Health services | 2,908,747 | 3,202,651 |
| Weatherization | 44,879,078 | 35,043,823 |
| Housing | 2,507,558 | 2,361,989 |
| Day care | 4,610,297 | 4,561,648 |
| Elder services | 962,748 | 828,906 |
| Other | 2,779,688 | 2,434,446 |
| Tenant operating costs | 1,293,559 | 227,731 |
| Indirect costs | <u>5,684,431</u> | <u>5,602,629</u> |
| Total expenses | <u>178,401,572</u> | <u>172,967,729</u> |
| Increase in unrestricted net assets from operations | <u>629,067</u> | <u>760,249</u> |
| Nonoperating activities: | | |
| Net gain from investment activity (note 2) | <u>854,368</u> | <u>78,769</u> |
| Increase in unrestricted net assets from nonoperating activities | <u>854,368</u> | <u>78,769</u> |
| Increase in net assets | 1,483,435 | 839,018 |
| Net assets, beginning of year | <u>39,939,282</u> | <u>39,100,264</u> |
| Net assets, end of year | <u>\$ 41,422,717</u> | <u>39,939,282</u> |

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2017

| | Personnel | Consultants and contracted services | Payments on behalf of program participants | Travel | Occupancy | Consumable supplies | Rental or lease of equipment | Other costs | Tenant operating costs | Total expenses |
|--------------------------|----------------------|--------------------------------------------------------|---------------------------------------------------------------|----------------|-------------------|--------------------------------|---------------------------------------------|------------------------|---------------------------------------|---------------------------|
| Child care choices | \$ 935,786 | — | 50,366,582 | 4,418 | 145,019 | 5,385 | 6,243 | 60,694 | — | 51,524,127 |
| Head start | 20,274,896 | 2,772,749 | 120,388 | 125,476 | 7,729,838 | 915,654 | 365,365 | 2,842,938 | — | 35,147,304 |
| Fuel assistance | 1,741,229 | 46,375 | 11,587,567 | 1,936 | 61,875 | 8,537 | 11,950 | 182,918 | — | 13,642,387 |
| Community services | 4,011,296 | 650,254 | 12,170 | 79,387 | 862,629 | 556,937 | 90,449 | 789,623 | — | 7,052,745 |
| Employment and training | 3,525,335 | 847,651 | 111,236 | 66,842 | 460,362 | 92,488 | 11,957 | 293,032 | — | 5,408,903 |
| Health services | 879,206 | 1,151,230 | — | 11,294 | 97,733 | 671,150 | 2,159 | 95,975 | — | 2,908,747 |
| Weatherization | 1,129,138 | 27,078,523 | 16,091,576 | 111,721 | 183,506 | 18,629 | 27,108 | 238,877 | — | 44,879,078 |
| Housing | 969,387 | 2,295 | 1,305,196 | 39,905 | 98,938 | 17,112 | 15,661 | 59,064 | — | 2,507,558 |
| Day care | 3,928,750 | — | 1,780 | 8,098 | 667,730 | 710 | 2,594 | 635 | — | 4,610,297 |
| Elder services | 297,328 | 480 | 457,943 | 62,084 | 49,694 | 53,285 | 3,057 | 38,877 | — | 962,748 |
| Other | 2,969,969 | 370,190 | — | 261,192 | 484,427 | 389,726 | 116,086 | (1,811,902) | — | 2,779,688 |
| Tenant operating costs | — | — | — | — | — | — | — | — | 1,293,559 | 1,293,559 |
| Subtotal | 40,662,320 | 32,919,747 | 80,054,438 | 772,353 | 10,841,751 | 2,729,613 | 652,629 | 2,790,731 | 1,293,559 | 172,717,141 |
| Indirect costs | 4,512,189 | 400,101 | 234 | 48,553 | 233,710 | 42,380 | 17,291 | 429,973 | — | 5,684,431 |
| Total operating expenses | \$ <u>45,174,509</u> | <u>33,319,848</u> | <u>80,054,672</u> | <u>820,906</u> | <u>11,075,461</u> | <u>2,771,993</u> | <u>669,920</u> | <u>3,220,704</u> | <u>1,293,559</u> | <u>178,401,572</u> |

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statement of Functional Expenses

Year ended August 31, 2016

| | Personnel | Consultants and contracted services | Payments on behalf of program participants | Travel | Occupancy | Consumable supplies | Rental or lease of equipment | Other costs | Tenant operating costs | Total expenses |
|--------------------------|----------------------|--------------------------------------------------------|---------------------------------------------------------------|----------------|-------------------|--------------------------------|---------------------------------------------|------------------------|---------------------------------------|---------------------------|
| Child care choices | \$ 1,065,806 | 400 | 55,035,212 | 5,860 | 114,132 | 17,674 | 8,324 | 47,951 | — | 56,295,359 |
| Head start | 19,659,515 | 3,092,096 | 67,963 | 112,605 | 7,557,155 | 1,275,585 | 529,136 | 3,047,469 | — | 35,341,524 |
| Fuel assistance | 1,711,902 | 45,343 | 11,695,289 | 3,317 | 190,454 | 23,426 | 11,952 | 296,140 | — | 13,977,823 |
| Community services | 4,072,992 | 671,391 | 300 | 93,934 | 1,156,357 | 623,297 | 130,183 | 771,980 | — | 7,520,434 |
| Employment and training | 3,502,722 | 1,050,839 | 41,525 | 42,417 | 463,686 | 96,829 | 45,464 | 325,284 | — | 5,568,766 |
| Health services | 915,713 | 1,363,282 | — | 20,132 | 93,839 | 717,857 | 1,799 | 90,029 | — | 3,202,651 |
| Weatherization | 1,059,341 | 28,530,751 | 5,099,445 | 101,792 | 91,520 | 17,189 | 27,821 | 115,964 | — | 35,043,823 |
| Housing | 972,077 | — | 1,017,610 | 47,588 | 110,205 | 152,309 | 10,794 | 51,406 | — | 2,361,989 |
| Day care | 3,973,927 | — | 2,813 | 18,633 | 553,235 | 10,491 | 781 | 1,768 | — | 4,561,648 |
| Elder services | 238,232 | 2,520 | 380,749 | 42,871 | 53,492 | 63,555 | 4,763 | 42,724 | — | 828,906 |
| Other | 2,623,866 | 270,391 | — | 257,720 | 618,409 | 265,417 | 141,443 | (1,742,800) | — | 2,434,446 |
| Tenant operating costs | — | — | — | — | — | — | — | — | 227,731 | 227,731 |
| Subtotal | 39,796,093 | 35,027,013 | 73,340,906 | 746,869 | 11,002,484 | 3,263,629 | 912,460 | 3,047,915 | 227,731 | 167,365,100 |
| Indirect costs | 4,392,286 | 327,293 | — | 47,181 | 242,118 | 105,052 | 35,515 | 453,184 | — | 5,602,629 |
| Total operating expenses | \$ <u>44,188,379</u> | <u>35,354,306</u> | <u>73,340,906</u> | <u>794,050</u> | <u>11,244,602</u> | <u>3,368,681</u> | <u>947,975</u> | <u>3,501,099</u> | <u>227,731</u> | <u>172,967,729</u> |

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidated Statements of Cash Flows

Years ended August 31, 2017 and 2016

| | <u>2017</u> | <u>2016</u> |
|---------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|
| Cash flows from operating activities: | | |
| Increase in net assets | \$ 1,483,435 | 839,018 |
| Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation | 1,755,496 | 1,272,317 |
| Net realized and unrealized investment gains | (854,368) | (78,769) |
| Changes in operating assets and liabilities, excluding cash: | | |
| Accounts receivable | 698,789 | (3,846,424) |
| Other assets | (42,470) | (38,033) |
| Prepaid assets | (48,533) | (863,188) |
| Accounts payable | 1,327,632 | (531,541) |
| Accrued expenses | (3,925,688) | 5,265,271 |
| Deferred revenue | (2,291,370) | 546,170 |
| Net cash (used in) provided by operating activities | <u>(1,897,077)</u> | <u>2,564,821</u> |
| Cash flows from investing activities: | | |
| Purchases of investments (see note 2) | (8,492,255) | (18,430,985) |
| Proceeds from sale of investments (see note 2) | 11,860,310 | 2,028,982 |
| Purchase of property, plant, and equipment | (4,884,981) | (3,804,412) |
| Net cash used in investing activities | <u>(1,516,926)</u> | <u>(20,206,415)</u> |
| Change in cash and cash equivalents | (3,414,003) | (17,641,594) |
| Cash and cash equivalents, beginning of year | <u>9,835,297</u> | <u>27,476,891</u> |
| Cash and cash equivalents, end of year | \$ <u><u>6,421,294</u></u> | \$ <u><u>9,835,297</u></u> |
| Supplemental information: | | |
| Taxes refunded | — | (718,446) |
| Noncash investing activity: | | |
| Noncash acquisition of property, plant, and equipment | \$ 186,164 | 1,391,770 |
| Change in accounts payable attributable to property, plant and equipment | 1,205,606 | 881,668 |

See accompanying notes to consolidated financial statements.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(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 operation, Action for Boston Community Development Real Estate Corporation, Inc. (the Corporation). 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 can 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, 2017 and 2016.

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.

(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

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

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 to be cash equivalents. Cash included in investments will be used for investing activity, and as such is excluded from cash and cash equivalents.

(d) Property, Plant, and Equipment

Acquisitions of property, plant, and equipment are recorded at cost, unless the assets are acquired through donation, in which case they are recorded at estimated fair value. 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

The Office of Management and Budget Uniform Guidance (Uniform Guidance) 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 nonprofit organizations, if the organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance. 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.

(g) Income Taxes

ABCD is a not-for-profit organization as described under Internal Revenue Code (IRC) Section 501(c)(3), and the Corporation is a not-for-profit organization as described under Internal Revenue Code (IRC) Section 501(c)(2). As such, the Organization is 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 consolidated financial statements.

(h) Deferred Revenue

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

(i) Fundraising Costs

ABCD's fundraising costs totaled \$709,496 and \$735,502 for the years ended August 31, 2017 and 2016, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(j) Investments

Investments are reported at fair value in the Organization's consolidated financial statements.

(k) Fair Value

Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. 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. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The Organization's investments are categorized in Level 1 of the hierarchy.

(l) Use of Estimates

The preparation of 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) Investments

At August 31, the Organization's investments are summarized as follows:

| <u>Investment class</u> | <u>2017</u> | <u>2016</u> |
|-------------------------|----------------------|----------------------|
| U.S. equities | \$ 9,511,355 | \$ 9,011,290 |
| Corporate bonds | 3,055,627 | 3,049,822 |
| Mutual funds | 650,214 | 662,207 |
| Cash | 735,725 | 3,734,717 |
| Accrued interest | 14,164 | 22,736 |
| | <u>\$ 13,967,085</u> | <u>\$ 16,480,772</u> |

Total return on investments consisted of the following for the year ended August 31:

| | | |
|------------------------------|---------------------|-------------------|
| Interest and dividend income | \$ 294,157 | \$ 183,342 |
| Unrealized gain | 901,537 | 405,678 |
| Realized loss | <u>(47,169)</u> | <u>(326,909)</u> |
| Total return on investments | <u>\$ 1,148,525</u> | <u>\$ 262,111</u> |

During the year ending August 31, 2017, ABCD withdrew funds of \$3,600,000 from the investment account. Additionally, there were \$3,949,436 in purchases and \$4,310,874 in sales of various investments within the investment account.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(3) Property, Plant, and Equipment

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

| | <u>2017</u> | <u>2016</u> | <u>Estimated useful lives</u> |
|---------------------------------------|----------------------|---------------------|-----------------------------------|
| Land | \$ 2,065,100 | 2,065,100 | — |
| Buildings and improvements | 27,587,318 | 27,389,988 | 5–40 years |
| Computer equipment | 1,763,871 | 1,801,842 | 3 years |
| Furniture and equipment | 1,610,157 | 1,569,412 | 3–10 years |
| Automobiles | 25,996 | 25,995 | 5 years |
| Leasehold improvements | <u>9,571,243</u> | <u>3,735,646</u> | Applicable lease term |
| | 42,623,685 | 36,587,983 | |
| Less accumulated depreciation | <u>(18,179,285)</u> | <u>(16,478,674)</u> | |
| Net property, plant, and equipment | \$ <u>24,444,400</u> | <u>20,109,309</u> | |

Depreciation expense for the years ended August 31, 2017 and 2016 was \$1,755,496 and \$1,272,317, respectively.

(4) 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, 2022. All of the leases may be terminated if the funding agencies cease to fund ABCD. For the years ended August 31, 2017 and 2016, total rental expense amounted to \$2,408,714 and \$2,291,616, 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 \$802,916 and \$486,191 for the years ended August 31, 2017 and 2016, respectively.

At August 31, 2017, ABCD had the following minimum lease commitments:

| | <u>Amount</u> |
|------------------------|---------------|
| Year ending August 31: | |
| 2018 | \$ 1,591,827 |
| 2019 | 1,448,432 |
| 2020 | 1,286,324 |
| 2021 | 1,145,343 |
| 2022 | 566,016 |

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

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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, 2017, the Corporation had the following minimum lease rentals:

| | <u>Amount</u> |
|------------------------|---------------|
| Year ending August 31: | |
| 2018 | \$ 774,909 |
| 2019 | 637,409 |
| 2020 | 211,284 |
| 2021 | 87,448 |
| 2022 | 7,333 |

(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, 2017 or 2016.

(6) Pension Plan

The Organization has a defined contribution money purchase plan (the Plan), which provides benefits for its employees. 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.

For the years ended August 31, 2017 and 2016, the Organization's contributions and administrative expenses under the Plan amounted to \$1,965,990 and \$1,845,971, 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:

| <u>Nature</u> | <u>2017</u> | <u>2016</u> |
|------------------------|---------------------|------------------|
| Program services: | | |
| Space | \$ 2,190,998 | 2,474,711 |
| Consultants | 90,345 | 528,862 |
| Supplies | 171,323 | 109,206 |
| Food | 472,672 | 431,440 |
| Equipment | — | 5,939 |
| Total program services | <u>\$ 2,925,338</u> | <u>3,550,158</u> |

ABCD acknowledges the use of the Savin Street facility as a "gift in title" from the Trustees of the George Robert White Fund at a value of \$10 per square foot or \$115,000 annually.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(8) Funds Raised for Others

ABCD manages separate annual fundraising campaigns for federal employees working in Massachusetts, Rhode Island, and Connecticut, and for employees of the Commonwealth of Massachusetts. 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>2017</u> | <u>2016</u> |
|--------------------------------------------------------|---------------------|------------------|
| Funds received: | | |
| Federal campaign | \$ 2,039,575 | 1,216,074 |
| City of Boston campaign | 79 | 77,642 |
| Commonwealth of Massachusetts campaign | <u>696,385</u> | <u>753,731</u> |
| Total | \$ <u>2,736,039</u> | <u>2,047,447</u> |
| Funds disbursed to beneficiaries | \$ 2,734,974 | 2,051,708 |
| Funds due to beneficiaries at August 31, 2017 and 2016 | 503,581 | 502,516 |

(9) Accounts Receivable

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

| | <u>2017</u> | <u>2016</u> |
|-------------------------------|----------------------|-------------------|
| Grants receivable: | | |
| Federal | \$ 536,630 | 1,691,235 |
| Commonwealth of Massachusetts | 7,022,689 | 5,512,628 |
| City of Boston | 1,520,847 | 1,660,047 |
| Other | 6,424,344 | 7,389,562 |
| Other receivables: | | |
| Rents | 608,117 | 558,730 |
| Other | <u>118,120</u> | <u>117,334</u> |
| Total | \$ <u>16,230,747</u> | <u>16,929,536</u> |

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Notes to Consolidated Financial Statements

August 31, 2017 and 2016

(10) Subsequent Events

The Organization evaluated subsequent events for potential recognition or disclosure through December 21, 2017, the date on which the consolidated financial statements were available to be issued.

(11) Surplus (Deficit) Revenue Retention (Unaudited)

In compliance with Massachusetts Division of Purchased Services requirements pursuant to 808 CMR 1.19(3), surplus (deficit) revenue retention amounts of \$(68,099) and \$(233,822) have been segregated and included in the unrestricted net assets for the years ended August 31, 2017 and 2016, respectively.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidating Schedule of Financial Position

August 31, 2017

| Assets | ABCD | ABCD Real Estate Corporation, Inc. | Eliminations | Total |
|-------------------------------------|---------------|-------------------------------------------------------|---------------------|--------------|
| Cash and cash equivalents | \$ 6,284,869 | 136,425 | — | 6,421,294 |
| Cash held for others | 503,581 | — | — | 503,581 |
| Total cash and cash equivalents | 6,788,450 | 136,425 | — | 6,924,875 |
| Accounts receivable | 15,622,630 | 608,117 | — | 16,230,747 |
| Prepaid assets | 922,929 | — | — | 922,929 |
| Other assets | 347,580 | 34,970 | — | 382,550 |
| Investments | 13,967,085 | — | — | 13,967,085 |
| Property, plant, and equipment, net | 7,467,424 | 16,976,976 | — | 24,444,400 |
| Intercompany due from (to) | (15,336,902) | 15,336,902 | — | — |
| Total assets | \$ 29,779,196 | 33,093,390 | — | 62,872,586 |
| Liabilities and Net Assets | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 11,126,600 | 24,135 | — | 11,150,735 |
| Accrued expenses | 4,973,667 | — | — | 4,973,667 |
| Funds held for others | 503,581 | — | — | 503,581 |
| Deferred revenue | 4,821,886 | — | — | 4,821,886 |
| Total liabilities | 21,425,734 | 24,135 | — | 21,449,869 |
| Net assets: | | | | |
| Unrestricted | 8,353,462 | 33,069,255 | — | 41,422,717 |
| Total liabilities and net assets | \$ 29,779,196 | 33,093,390 | — | 62,872,586 |

See accompanying independent auditors' report.

ACTION FOR BOSTON COMMUNITY DEVELOPMENT, INC.

Consolidating Schedule of Activities

Year ended August 31, 2017

| | ABCD | ABCD Real Estate Corporation, Inc. | Eliminations | Total |
|----------------------------------------------------------------|---------------------|-------------------------------------------------------|---------------------|--------------------|
| Revenues and other support: | | | | |
| Federal, state, and local grants | \$ 172,059,673 | — | — | 172,059,673 |
| Contract-related fees | 1,469,736 | — | — | 1,469,736 |
| Contributions (in-kind) | 2,925,338 | — | — | 2,925,338 |
| Contributions | 270,043 | 350 | — | 270,393 |
| Interest income | 326,619 | 170 | — | 326,789 |
| Rental income | — | 3,729,549 | (2,639,154) | 1,090,395 |
| Miscellaneous | 888,315 | — | — | 888,315 |
| Unrestricted revenues and other support | <u>177,939,724</u> | <u>3,730,069</u> | <u>(2,639,154)</u> | <u>179,030,639</u> |
| Expenses: | | | | |
| Child care choices | 51,524,127 | — | — | 51,524,127 |
| Head start | 35,147,304 | — | — | 35,147,304 |
| Fuel and energy assistance | 13,642,387 | — | — | 13,642,387 |
| Community services | 7,052,745 | — | — | 7,052,745 |
| Employment and training | 5,408,903 | — | — | 5,408,903 |
| Health services | 2,908,747 | — | — | 2,908,747 |
| Weatherization | 44,879,078 | — | — | 44,879,078 |
| Housing | 2,507,558 | — | — | 2,507,558 |
| Day care | 4,610,297 | — | — | 4,610,297 |
| Elder services | 962,748 | — | — | 962,748 |
| Other | 2,779,688 | — | — | 2,779,688 |
| Tenant operating costs | — | 3,932,713 | (2,639,154) | 1,293,559 |
| Indirect costs | 5,684,431 | — | — | 5,684,431 |
| Total expenses | <u>177,108,013</u> | <u>3,932,713</u> | <u>(2,639,154)</u> | <u>178,401,572</u> |
| Increase (decrease) in unrestricted net assets from operations | 831,711 | (202,644) | — | 629,067 |
| Nonoperating activities: | | | | |
| Net gain from investment activity | 854,368 | — | — | 854,368 |
| Increase (decrease) in net assets | 1,686,079 | (202,644) | — | 1,483,435 |
| Net assets, beginning of year | <u>6,667,383</u> | <u>33,271,899</u> | <u>—</u> | <u>39,939,282</u> |
| Net assets, end of year | <u>\$ 8,353,462</u> | <u>33,069,255</u> | <u>—</u> | <u>41,422,717</u> |

See accompanying independent auditors' report.