

**Chinese Consolidated Benevolent
Association of New England, Inc.
and Subsidiaries**

Consolidated Financial Statements
and
Independent Auditors' Reports
December 31, 2016 and 2015

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To The Board of Directors of
Chinese Consolidated Benevolent Association of New England, Inc.

We have audited the accompanying consolidated financial statements of Chinese Consolidated Benevolent Association of New England, Inc. (a nonprofit organization) and Subsidiaries (the Organization), which comprise the consolidated statements of financial position as of December 31, 2016 and 2015, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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. 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of Chinese Consolidated Benevolent Association of New England, Inc. and Subsidiaries as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – *Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Organization has adopted the provisions of ASU No. 2015-03, *Interest - Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. Our opinion is not modified with respect to that matter.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental schedules of consolidation on pages 17 through 18 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 information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Daniel Dennis & Company LLP

August 28, 2017

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Consolidated Statements of Financial Position
December 31, 2016 and 2015

Assets:	<i>2016</i>	<i>2015</i>
Cash - unrestricted	\$ 1,428,255	\$ 2,138,323
Cash - restricted	3,113,137	8,512,744
Accounts receivable	24,620	2,921
Prepaid expenses	85,907	88,968
Other investments	7,178,090	-
Deferred rent receivable	51,696	41,815
Property and equipment, net	<u>23,157,023</u>	<u>22,791,758</u>
Total assets	<u>\$ 35,038,728</u>	<u>\$ 33,576,529</u>
Liabilities:		
Accounts payable	\$ 58,881	\$ 82,387
Accrued expenses	381,957	361,095
Deferred revenue	15,485	-
Prepaid rent	8,660	16,609
Tenant security deposits	320,614	322,021
Mortgages payable	6,216,525	6,319,598
Accrued interest payable	<u>91,154</u>	<u>74,101</u>
Total liabilities	<u>7,093,276</u>	<u>7,175,811</u>
Net Assets:		
Unrestricted	24,280,679	23,017,666
Temporarily restricted	<u>3,664,773</u>	<u>3,383,052</u>
Total net assets	<u>27,945,452</u>	<u>26,400,718</u>
Total liabilities and net assets	<u>\$ 35,038,728</u>	<u>\$ 33,576,529</u>

See accompanying notes to consolidated financial statements.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Consolidated Statements of Activities
For the Years Ended December 31, 2016 and 2015

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2016 Total</i>	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>2015 Total</i>
Support and Revenue:						
Contributions	\$ 6,480	\$ -	\$ 6,480	\$ 37,700	\$ -	\$ 37,700
Membership dues	8,660	-	8,660	9,860	-	9,860
Program income	20,353	-	20,353	20,567	-	20,567
Special event income	76,927	-	76,927	57,776	-	57,776
Interest and dividends	80,068	-	80,068	13,067	-	13,067
Rental income, net of vacancies	5,329,483	304,779	5,634,262	5,101,581	314,660	5,416,241
Parking income	161,114	-	161,114	161,351	-	161,351
Laundry Income	151,854	-	151,854	145,312	-	145,312
Miscellaneous	99,415	-	99,415	28,781	-	28,781
Release from restriction	<u>23,058</u>	<u>(23,058)</u>	<u>-</u>	<u>23,362</u>	<u>(23,362)</u>	<u>-</u>
Total support and revenue	<u>5,957,412</u>	<u>281,721</u>	<u>6,239,133</u>	<u>5,599,357</u>	<u>291,298</u>	<u>5,890,655</u>
Expenses:						
Payroll and related cost	861,840	-	861,840	770,793	-	770,793
Advertising	8,739	-	8,739	19,883	-	19,883
Bad debts	14	-	14	1,370	-	1,370
Community outreach	16,447	-	16,447	4,113	-	4,113
Interest	273,501	-	273,501	292,442	-	292,442
Insurance	126,322	-	126,322	124,709	-	124,709
Legal and professional fees	122,646	-	122,646	76,397	-	76,397
Licenses and dues	1,500	-	1,500	500	-	500
Management fee	178,788	-	178,788	172,427	-	172,427
Office expense and supplies	63,977	-	63,977	76,887	-	76,887
Operating and maintenance	454,369	-	454,369	468,343	-	468,343
Real estate tax	565,737	-	565,737	536,179	-	536,179
Safety program expense	2,995	-	2,995	324	-	324
Special event expense	63,068	-	63,068	55,766	-	55,766
Scholarships	-	-	-	8,000	-	8,000
Telephone	13,148	-	13,148	17,773	-	17,773
Utilities	783,041	-	783,041	800,831	-	800,831
Miscellaneous	<u>103,610</u>	<u>-</u>	<u>103,610</u>	<u>5,265</u>	<u>-</u>	<u>5,265</u>
Total expenses before depreciation and amortization	<u>3,639,742</u>	<u>-</u>	<u>3,639,742</u>	<u>3,432,002</u>	<u>-</u>	<u>3,432,002</u>
Depreciation and amortization	<u>1,054,657</u>	<u>-</u>	<u>1,054,657</u>	<u>1,047,951</u>	<u>-</u>	<u>1,047,951</u>
Total expenses	<u>4,694,399</u>	<u>-</u>	<u>4,694,399</u>	<u>4,479,953</u>	<u>-</u>	<u>4,479,953</u>
Change in net assets	1,263,013	281,721	1,544,734	1,119,404	291,298	1,410,702
Net assets, beginning of year	<u>23,017,666</u>	<u>3,383,052</u>	<u>26,400,718</u>	<u>21,898,262</u>	<u>3,091,754</u>	<u>24,990,016</u>
Net assets, end of year	<u>\$ 24,280,679</u>	<u>\$ 3,664,773</u>	<u>\$ 27,945,452</u>	<u>\$ 23,017,666</u>	<u>\$ 3,383,052</u>	<u>\$ 26,400,718</u>

See accompanying notes to consolidated financial statements

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2016 and 2015

	2016	2015
<i>Cash Flows From Operating Activities:</i>		
Change in net assets	\$ 1,544,734	\$ 1,410,702
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,054,657	1,047,951
Amortization charged as interest expense	13,789	9,077
Imputed interest on mortgage payable	7,819	7,629
(Increase)/decrease in operating assets:		
Accounts receivable	(21,699)	80,869
Prepaid expenses	3,061	19,990
Deferred rent receivable	(9,881)	(14,385)
Increase/(decrease) in operating liabilities:		
Accounts payable	(23,506)	(380,417)
Accrued expenses	20,862	204,050
Deferred revenue	15,485	-
Prepaid rent	(7,949)	7,271
Accrued interest payable	17,053	-
Tenant security deposits	(1,407)	7,776
Net cash provided by operating activities	<u>2,613,018</u>	<u>2,400,513</u>
<i>Cash Flows From Investing Activities:</i>		
Decrease/(increase) in restricted cash	5,399,607	(555,378)
Purchases of other investments	(7,178,090)	-
Purchases of property and equipment	(1,420,274)	(1,164,886)
Net cash used in investing activities	<u>(3,198,757)</u>	<u>(1,720,264)</u>
<i>Cash Flows From Financing Activities:</i>		
Payments on mortgages payable	(124,329)	(88,850)
Net cash used in financing activities	<u>(124,329)</u>	<u>(88,850)</u>
Net change in cash	(710,068)	591,399
Cash at beginning of year	2,138,323	1,546,924
Cash at end of year	<u>\$ 1,428,255</u>	<u>\$ 2,138,323</u>
<i>Supplementary Disclosure of Cash Flow Information</i>		
Cash paid for interest	<u>\$ 259,713</u>	<u>\$ 267,702</u>

See accompanying notes to consolidated financial statements.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements
December 31, 2016 and 2015

1. *Organization and Summary of Significant Accounting Policies*

Organization

The Chinese Consolidated Benevolent Association of New England, Inc. (CCBA) is a non-profit corporation originally organized as a social service agency to serve, unite and promote the Chinese community in New England. Today, CCBA serves as an umbrella organization to network and collaborate with other Asian community organizations; to promote Chinese culture and tradition; to further the cause of freedom and democracy; to safeguard human and civil rights and to enhance the general welfare of the Chinese community. CCBA also initiates and coordinates charitable events and educational activities for the Chinese community and is engaged in developing and maintaining affordable housing for Asian families.

CCBA Waterford Place LLC (Waterford Place), a Massachusetts limited liability company formed on March 30, 2007, is a 40 unit affordable housing complex known as Waterford Place. CCBA is the sole managing member of Waterford Place.

CCBA Tai Tung Management, Inc., (Tai Tung Village) was formed on July 21, 1994 as a non-profit corporation under Chapter 180 of the General Laws of the Commonwealth of Massachusetts. Tai Tung Village is a subsidiary of CCBA. Tai Tung Village was formed to purchase and own Tai Tung Village Apartments, a 214 unit affordable housing complex located in Boston's Chinatown.

CCBA, Waterford Place and Tai Tung Village are collectively known as the Organization.

Principles of Consolidation

The consolidated financial statements include the accounts of CCBA and its subsidiaries, Tai Tung Village and Waterford Place. Both subsidiaries have a fiscal year end of December 31, 2016 and 2015. All material intercompany accounts and transactions have been eliminated in consolidation.

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America (GAAP).

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

1. *Organization and Summary of Significant Accounting Policies - Continued*

Financial Statement Format/Contributions

GAAP requires classification of the Organization's net assets, revenues, expenses, gains and losses into three classes of net assets - permanently restricted, temporarily restricted and unrestricted, based on the existence or absence of donor imposed restrictions. There were no permanently restricted net assets at December 31, 2016 and 2015, respectively.

Contributions are recognized at their fair values in the period that the contribution is received or promised, including distinguishing between contributions received that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets.

Gifts of cash and other assets are recorded as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purchase restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue.

Gifts of land, building and equipment are recorded as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization has adopted the policy of reporting the donation as unrestricted support in the year it is received.

Income Taxes

CCBA and Tai Tung Village are qualified tax-exempt organizations under Internal Revenue Code Section 501(c)(3) and, accordingly, no income tax provision has been made in these consolidated financial statements.

Waterford Place is a single member LLC and is reported with CCBA for tax purposes.

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are more-likely-than-not of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold, along with accrued interest and penalty thereon would be recorded as an expense in the current year consolidated financial statements. At December 31, 2016 the Organization believes that it has no uncertain tax positions within any of its open tax years.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

1. *Organization and Summary of Significant Accounting Policies - Continued*

Property and Equipment

Property and equipment is stated at cost, if purchased, or if donated, at fair market value at the date of receipt. Betterments which materially add to the value of related assets or materially extend the useful life of assets are capitalized. Normal building maintenance and minor equipment purchased are expensed when incurred. Depreciation is computed on a straight line basis over the assets estimated useful lives.

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2016 and 2015.

Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Rental Income

Rent income is recognized as rentals become due. Rent payments received in advance are deferred until earned. All leases between the Organization and its tenants are operating leases.

Cash

Cash consists of funds in the Organization's cash accounts and all highly liquid investments with a maturity of three months or less to be cash equivalents. As of December 31, 2016 and 2015, the Organization held no cash equivalents.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the debt obligation to which such costs relate. Amortization of debt issuance costs is calculated using the effective interest method and is reported as a component of interest expense.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

1. *Organization and Summary of Significant Accounting Policies - Continued*

Change in Accounting Principle

During 2016, the Organization adopted the provisions of ASU No. 2015-03, *Interest – Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs*. Under this new accounting policy, the Organization has presented all debt issuance costs as a direct deduction from the carrying amount of the related debt in the consolidated statements of financial position. Amortization of the debt issuance costs is calculated using the effective interest method and is included as a component of interest expense. The effects of the retrospective application of the accounting change on the year ended December 31, 2015, is a decrease of total assets and total liabilities of \$308,268 in the accompanying consolidated statements of financial position and reclassify \$9,077 of amortization expense to interest expense in the accompanying consolidated statements of activities.

Other Investments

Certificates of deposit held for investment that are not debt securities are included in “Other investments.” Other investments are accounted for using the cost method.

Below Market Loans

Waterford Place was created in order to develop low income housing. Other governmental entities having a similar policy have lent money to Waterford Place at advantageous terms. Waterford Place has not discounted these below market interest rate loans as they were made at arm’s length.

Functional Allocation of Expenses

Expenses charged directly to program, and management and general are based on specific identification. Indirect expenses are allocated based on methodologies determined by management. The consolidated statements of activities discloses expenses by natural classification. The functional classification is as follows:

<i>Description</i>	<i>2016</i>	<i>2015</i>
Program Support	\$ 4,010,063	\$ 3,892,925
Management and general	<u>684,336</u>	<u>587,028</u>
Total	<u><u>\$ 4,694,399</u></u>	<u><u>\$ 4,479,953</u></u>

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

2. Cash - Restricted

Tai Tung Village

Tai Tung Village maintains a replacement reserve and insurance and real estate taxes escrow.

Tai Tung Village paid-off their HUD insured mortgage in August 2013. In doing so, HUD has released both replacement reserve and residual receipts funds back to Tai Tung Village along with its use restrictions. However, management has elected to maintain reserves in the event they are needed for future improvements of the project.

Waterford Place

As required under the terms of a regulatory agreement, Waterford Place is required to set aside monthly payments for a replacement reserve, insurance and real estate taxes escrow and repairs escrow held and disbursed by MassHousing.

CCBA

CCBA has received a security deposit related to a lease agreement with an unrelated third party. See note 5 for more information.

In addition, based on a use restriction on the property that is being leased at 50 Herald Street (SCM Building), all cash received from rental payments has also been classified as restricted cash at December 31, 2016 and 2015. See note 7 for more information.

Restricted cash consisted of the following at December 31, 2016 and 2015:

<i>Description</i>	<i>2016</i>			
	CCBA	Tai Tung Village	Waterford Place	Total
Reserve for replacements	\$ -	\$ 321,351	\$ 112,195	\$ 433,546
Insurance and tax escrow	-	92,114	11,563	103,677
Repairs escrow	-	-	12,615	12,615
Other reserves	-	42	-	42
SCM building fund	2,239,120	-	-	2,239,120
Tenant security deposits	<u>106,474</u>	<u>146,429</u>	<u>71,234</u>	<u>324,137</u>
Total	<u>\$ 2,345,594</u>	<u>\$ 559,936</u>	<u>\$ 207,607</u>	<u>\$ 3,113,137</u>

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

2. ***Cash - Restricted - Continued***

	2015			
<i>Description</i>	CCBA	Tai Tung Village	Waterford Place	Total
Reserve for replacements	\$ -	\$ 5,788,597	\$ 254,047	\$ 6,042,644
Insurance and tax escrow	-	206,819	38,317	245,136
Repairs escrow	-	-	135,471	135,471
Other reserves	-	785,755	-	785,755
SCM building fund	983,101	-	-	983,101
Tenant security deposits	<u>103,579</u>	<u>142,799</u>	<u>74,259</u>	<u>320,637</u>
Total	<u>\$ 1,086,680</u>	<u>\$ 6,923,970</u>	<u>\$ 502,094</u>	<u>\$ 8,512,744</u>

3. ***Concentration of Credit Risk***

At December 31, 2016 and 2015, cash on deposit with the Organization's financial institutions have federal insured limits of up to \$250,000. Balances held at these institutions during the year can exceed this limit. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on cash.

4. ***Mortgages Payable***

CCBA Chinatown Charitable Trust loan

On March 25, 2004, CCBA received a \$550,000 mortgage loan from CI Associates LLC. The loan is for a 30 year term with a simple interest rate of 1% per annum. The loan does not require any payment of interest or principal until maturity. CI Associates LLC assigned its interest in this loan to the Chinatown Charitable Trust, the governing body of the Chinatown Community Development Fund. During 2013, a \$50,000 principal payment was made on the mortgage loan. At December 31, 2016 and 2015, the mortgage loan is recorded at its net present value of \$320,583 and \$312,764, respectively, using an effective interest rate of 2.5%. At December 31, 2016 and 2015, accrued interest outstanding totaled \$72,887 and \$67,215, respectively.

Waterford Place First Mortgage

On July 1, 2014, Waterford Place refinanced and replaced their first mortgage with MassHousing with a FHA Insured 223(f) program loan. Waterford Place borrowed \$5,570,100 from Jones Lang LaSalle Multifamily LLC at a fixed interest rate of 3.89% per annum for 35 years with a maturity date of August 1, 2049. Monthly principal and interest payments are \$24,297. At December 31, 2016 and 2015, the outstanding principal balance was \$5,387,502 and \$5,467,789, respectively. At December 31, 2016 and 2015, accrued interest outstanding totaled \$17,464 and \$6,886, respectively.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

4. *Mortgages Payable - Continued*

Waterford Place State Housing Assistance for Rental Production (SHARP) Loan

Waterford Place has a restructured SHARP loan. The restructured loan terms of the SHARP loan is for 50 years, maturing on July 1, 2064 and accrues interest at an annual rate of .1%. The loan is payable in annual installments of an amount equal to 25% of surplus cash. At December 31, 2016 and 2015, the outstanding principal balance was \$802,919 and \$847,313, respectively. At December 31, 2016 and 2015, outstanding accrued interest totaled \$803 and zero, respectively.

Annual maturities of debt for the ensuing five years and thereafter are summarized as follows:

<i>Year</i>	<i>Amount</i>
2017	\$ 168,693
2018	86,711
2019	90,207
2020	93,780
2021	97,493
Thereafter	<u>6,153,537</u>
Total	<u>\$ 6,690,421</u>

Debt Issuance Costs

As of December 31, 2016 and 2015, unamortized debt issuance costs of \$294,479 and \$308,268, respectively, consists of debt issuance costs of \$325,390 less accumulated amortization of \$30,911 and \$17,122, respectively. The effective interest rate is approximately 4% over the life of the loans. During the years ended December 31, 2016 and 2015, amortization expense incurred was \$13,789 and \$9,077, respectively, and was included in interest expense on the consolidated statements of activities.

5. *Description of Rental Leasing Arrangements*

CCBA

CCBA owns and leases its properties located in the Chinatown area. The following are brief descriptions of each leasing arrangement:

90 Tyler Street

Rental income earned for the years ended December 31, 2016 and 2015, from conference and classroom rentals was \$73,095 and \$66,299, respectively.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

5. *Description of Rental Leasing Arrangements - Continued*

CCBA - Continued

SCM Building

On June 11, 2012, CCBA entered into a ten year triple net lease agreement with C-Mart Herald Street, Inc. with a commencement date of August 1, 2013 and expiration date of July 31, 2023. The lease also gives the tenant two five year options after the initial lease term. The annual rental rate is \$294,000 payable in equal monthly installments of \$24,500 increasing approximately 1.5% in each year. The base rent revenue is recognized under the straight-line method over the term of the lease. Rental income for the years ended December 31, 2016 and 2015, was \$315,695 and \$314,660, respectively, and deferred rent receivable was \$51,696 and \$41,815, respectively. See note 7 for more information.

Tai Tung Village and Waterford Place.

Rental income is comprised of (1) short-term leases on apartment units and (2) commercial leases from commercial tenants. The commercial leases contain provisions for rent increases during the option periods based on changes in the consumer price index. Additionally, some tenants are subject to rent increases based on stated percentages. The lease periods run for 1-3 years. Tai Tung Village has a contract with HUD for Section 8 Housing Assistance Payments. Rental income is recognized as income under the operating method as rentals become due. Rental income earned, net of vacancies, for the years ended December 31, 2016 and 2015, was \$5,245,472 and \$5,035,282, respectively.

Rental of Parking Spaces

The Organization rents parking spaces on long-term and short-term arrangements. Rental income earned for the years ended December 31, 2016 and 2015, was \$161,114 and \$161,351, respectively.

6. *Management Fee*

Property management services for Waterford Place and Tai Tung Village are currently provided by a management agent under the terms of a contract. For the years ended December 31, 2016 and 2015, management fees totaled \$178,788 and \$172,427, respectively, based on 3.25% of effective rental income. The management agent also charges for payroll costs and other expenses related to the operations of Waterford Place and Tai Tung Village.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

7. *Temporarily Restricted Net Assets*

SCM Building

The SCM Building was purchased in 1985 by funds donated to CCBA, for the benefit of the Chinese community, by the New England Medical Center (NEMC) and Tufts College (TC) in exchange for community support on issues with the Boston Redevelopment Authority.

Pursuant to an understanding with NEMC and TC, the revenue from rental of the building and the proceeds in the event of a sale are to be used solely to increase the availability of adequate affordable housing within the Chinatown community.

As of December 31, 2016 and 2015, CCBA has received approximately \$3,668,796 and \$3,364,017, respectively, of commercial rental revenue to date for the SCM Building and has maintained a five percent asset management fee totaling \$183,440 and \$168,201, respectively. At December 31, 2016 and 2015, CCBA had cash on hand of \$2,239,120 and \$983,101, respectively, related to this activity and the remaining amount has been spent on CCBA's operating expenses in prior years. It is CCBA's intent to restore this fund up to the commercial rental revenue received to date, net of the asset management fee, and utilize that money for the development of affordable housing in the Chinese community. As of December 31, 2016 and 2015, based on the use restriction agreement on the SCM Building, the net rental revenue of \$3,485,356 and \$3,195,816, respectively, has been recorded as temporarily restricted net assets in these consolidated financial statements.

CCBA Chinatown Charitable Trust loan

The excess of the amount due at maturity over the net present value of the CCBA Chinatown Charitable Trust loan has been classified as grant income and is being amortized to interest expense over the life of the loan. The excess at December 31, 2016 and 2015, was \$179,417 and \$187,236, respectively.

8. *Current Vulnerability Due to Concentrations*

The Organization's sole assets are its buildings located in Boston, Massachusetts. The Organization's operations are concentrated in the multifamily real estate market. In addition, the entities operate in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of the federal, state and local regulatory agencies, including, but not limited to U.S. Department of Housing and Urban Development (HUD). Such administrative, rules and regulations are subject to change by an act of Congress or an administrative change mandated by or passed through HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with such changes.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

9. Waterford Place Distributions

Under its regulatory agreement and mortgage note payable agreement, payment of the mortgage note payable to MassHousing and distributions to owners are subject to a surplus cash calculation. Surplus cash is defined in the regulatory agreement and consists of cash and receivables from HUD less current operating liabilities. The amount of the distribution of surplus cash, if any, is allocated 25% to MassHousing and the remaining balance to CCBA. At December 31, 2016, surplus cash was \$340,908, distributable \$85,227 to MassHousing and \$255,681 to CCBA. At December 31, 2015, surplus cash was \$179,286, distributable \$44,822 to MassHousing and \$134,464 to CCBA.

10. Property and Equipment

The following is a summary of property and equipment at December 31, 2016 and 2015:

	2016			
<i>Property and Equipment</i>	CCBA	Tai Tung Village	Waterford Place	Total
Land and improvements	\$ 1,034,361	\$ 1,483,584	\$ 1,709,317	\$ 4,227,262
Building and Improvements	2,363,317	17,376,596	5,743,986	25,483,899
Equipment and furnishings	<u>57,099</u>	<u>4,201,096</u>	<u>470,399</u>	<u>4,728,594</u>
Total fixed assets	3,454,777	23,061,276	7,923,702	34,439,755
Less accumulated depreciation	<u>(1,731,149)</u>	<u>(8,077,023)</u>	<u>(1,474,560)</u>	<u>(11,282,732)</u>
Property and equipment, net	<u>\$ 1,723,628</u>	<u>\$ 14,984,253</u>	<u>\$ 6,449,142</u>	<u>\$ 23,157,023</u>
	2015			
<i>Property and Equipment</i>	CCBA	Tai Tung Village	Waterford Place	Total
Land and improvements	\$ 1,034,361	\$ 1,462,014	\$ 1,707,842	\$ 4,204,217
Building and Improvements	2,291,177	16,614,982	5,541,951	24,448,110
Equipment and furnishings	<u>57,099</u>	<u>4,016,538</u>	<u>293,869</u>	<u>4,367,506</u>
Total fixed assets	3,382,637	22,093,534	7,543,662	33,019,833
Less accumulated depreciation	<u>(1,690,283)</u>	<u>(7,261,456)</u>	<u>(1,276,336)</u>	<u>(10,228,075)</u>
Property and equipment, net	<u>\$ 1,692,354</u>	<u>\$ 14,832,078</u>	<u>\$ 6,267,326</u>	<u>\$ 22,791,758</u>

11. Other Investments

Tai Tung Village

During 2016, Tai Tung Village purchased a certificate deposit, which is carried at cost. At December 31, 2016, the certificate of deposit had a balance of \$7,066,062, earns interest at a rate of 1.34% and matures on August 4, 2017. Certificates of deposit amounts in excess of the FDIC insured limit of \$250,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2016, Tai Tung Village believes it is not exposed to any significant credit risk on its certificate of deposit.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Notes to Consolidated Financial Statements - *Continued*
December 31, 2016 and 2015

11. *Other Investments - Continued*

CCBA

During 2016, CCBA purchased a certificate deposit, which is carried at cost. At December 31, 2016, the certificate of deposit had a balance of \$112,028, earns interest at a rate of 1% and matures in January 2019. Certificates of deposit amounts in excess of the FDIC insured limit of \$250,000 are exposed to custodial credit risk as uninsured and uncollateralized. As of December 31, 2016, CCBA believes it is not exposed to any significant credit risk on its certificate of deposit.

Management annually performs an assessment of any possible impairment. As of December 31, 2016, management has determined that no such impairment exists.

12. *Subsequent Events*

The Organization has performed an evaluation of subsequent events through August 28, 2017, which is the date of the Organization's consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2016 that requires recognition or disclosure in these consolidated financial statements.

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Consolidating Statement of Financial Position
December 31, 2016

	CCBA	Tai Tung Village	Waterford Place	Eliminations	Consolidated
Assets:					
Cash - unrestricted	\$ 122,848	\$ 830,530	\$ 474,877	\$ -	\$ 1,428,255
Cash - restricted	2,345,594	559,936	207,607	-	3,113,137
Accounts receivable	-	24,620	-	-	24,620
Prepaid expenses	-	53,080	32,827	-	85,907
Investments in affiliates	1,039,177	-	-	(1,039,177)	-
Other investments	112,028	7,066,062	-	-	7,178,090
Deferred rent receivable	51,696	-	-	-	51,696
Property and equipment, net	<u>1,723,628</u>	<u>14,984,253</u>	<u>6,449,142</u>	<u>-</u>	<u>23,157,023</u>
Total assets	<u>\$ 5,394,971</u>	<u>\$ 23,518,481</u>	<u>\$ 7,164,453</u>	<u>\$ (1,039,177)</u>	<u>\$ 35,038,728</u>
Liabilities:					
Accounts payable	\$ 2,675	\$ 55,470	\$ 736	\$ -	\$ 58,881
Accrued expenses	-	255,387	126,570	-	381,957
Deferred revenue	-	15,485	-	-	15,485
Prepaid rent	-	-	8,660	-	8,660
Tenant security deposits	106,474	144,903	69,237	-	320,614
Mortgages payable	314,719	-	5,901,806	-	6,216,525
Accrued interest payable	<u>72,887</u>	<u>-</u>	<u>18,267</u>	<u>-</u>	<u>91,154</u>
Total liabilities	<u>496,755</u>	<u>471,245</u>	<u>6,125,276</u>	<u>-</u>	<u>7,093,276</u>
Net Assets:					
Unrestricted	1,233,443	23,047,236	1,039,177	(1,039,177)	24,280,679
Temporarily restricted	<u>3,664,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,664,773</u>
Total net assets	<u>4,898,216</u>	<u>23,047,236</u>	<u>1,039,177</u>	<u>(1,039,177)</u>	<u>27,945,452</u>
Total liabilities and net assets	<u>\$ 5,394,971</u>	<u>\$ 23,518,481</u>	<u>\$ 7,164,453</u>	<u>\$ (1,039,177)</u>	<u>\$ 35,038,728</u>

**Chinese Consolidated Benevolent Association
of New England, Inc. and Subsidiaries**
Consolidating Statement of Activities
December 31, 2016

	CCBA	Tai Tung Village	Waterford Place	Eliminations	Consolidated
Support and Revenue:					
Contributions	\$ 1,216,480	\$ -	\$ -	\$ (1,210,000)	\$ 6,480
Membership dues	8,660	-	-	-	8,660
Program income	20,353	-	-	-	20,353
Special event income	76,927	-	-	-	76,927
Interest and dividends	1,018	78,929	121	-	80,068
Rental income, net of vacancies	388,790	4,196,280	1,049,192	-	5,634,262
Parking income	39,578	69,036	52,500	-	161,114
Gain from investment in partnership	144,086	-	-	(144,086)	-
Laundry income	-	145,143	6,711	-	151,854
Miscellaneous	14,441	84,410	564	-	99,415
Total support and revenue	<u>1,910,333</u>	<u>4,573,798</u>	<u>1,109,088</u>	<u>(1,354,086)</u>	<u>6,239,133</u>
Expenses:					
Payroll and related cost	110,178	632,674	118,988	-	861,840
Advertising	1,890	3,679	3,170	-	8,739
Bad debts	-	-	14	-	14
Community outreach	16,447	-	-	-	16,447
Interest	15,688	-	257,813	-	273,501
Insurance	24,014	84,389	17,919	-	126,322
Legal and professional fees	57,655	53,676	11,315	-	122,646
Licenses and dues	1,500	-	-	-	1,500
Management fee	-	142,802	35,986	-	178,788
Office expense and supplies	26,641	20,543	16,793	-	63,977
Operating and maintenance	23,151	349,150	82,068	-	454,369
Real estate tax	48,776	441,622	75,339	-	565,737
Safety program expense	2,995	-	-	-	2,995
Special event expense	63,068	-	-	-	63,068
Telephone	1,930	11,218	-	-	13,148
Utilities	22,614	629,290	131,137	-	783,041
Contributions	-	1,210,000	-	(1,210,000)	-
Miscellaneous	82,049	5,325	16,236	-	103,610
Total expenses before depreciation and amortization	498,596	3,584,368	766,778	(1,210,000)	3,639,742
Depreciation and amortization	40,866	815,567	198,224	-	1,054,657
Total expenses	<u>539,462</u>	<u>4,399,935</u>	<u>965,002</u>	<u>(1,210,000)</u>	<u>4,694,399</u>
Change in net assets	1,370,871	173,863	144,086	(144,086)	1,544,734
Net assets, beginning of year	3,527,345	22,873,373	895,091	(895,091)	26,400,718
Net assets, end of year	<u>\$ 4,898,216</u>	<u>\$ 23,047,236</u>	<u>\$ 1,039,177</u>	<u>\$ (1,039,177)</u>	<u>\$ 27,945,452</u>