

Boston Local Development Corporation

Financial Statements
and
Independent Auditors' Reports

June 30, 2017 and 2016

Boston Local Development Corporation
Financial Statements and Independent Auditors' Report
Including the Schedule of Expenditures of Federal Awards and
Reports on Federal Award Programs in Accordance with the Uniform Guidance

June 30, 2017 and 2016

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DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors of
Boston Local Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Local Development Corporation (BLDC) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the 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 presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of BLDC as of June 30, 2017 and 2016, 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.

Other Matter

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of revenue and expenses of loan and non-loan programs on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 19, as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is also presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 February 22, 2018 on our consideration of BLDC'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 BLDC's internal control over financial reporting and compliance.

Daniel Dennis + Company, LPA

February 22, 2018

Boston Local Development Corporation
Statements of Financial Position
June 30, 2017 and 2016

<i>Assets</i>		
	<i>2017</i>	<i>2016</i>
<i>Current Assets</i>		
Cash	\$ 3,756,169	\$3,766,324
Investments	25,000	25,000
Accounts receivable - (net of allowance for uncollectible accounts totaling \$66,978 and \$54,989 at June 30, 2017 and 2016, respectively)	115,226	95,587
Grants receivable	53,430	-
Prepaid expenses	5,555	5,055
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$489,051 and \$489,851 at June 30, 2017 and 2016, respectively)	230,533	202,411
Total current assets	4,185,913	4,094,377
<i>Long-term Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$16,325 and \$7,514 at June 30, 2017 and 2016, respectively)	1,769,333	1,888,314
Total long-term assets	1,769,333	1,888,314
Total assets	\$ 5,955,246	\$5,982,691
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 41,224	\$ 117,582
Grants payable	53,430	-
Deferred income	30,000	30,000
Total liabilities	124,654	147,582
<i>Net Assets</i>		
Temporarily restricted	353,946	359,985
Unrestricted	5,476,646	5,475,124
Total net assets	5,830,592	5,835,109
Total liabilities and net assets	\$ 5,955,246	\$5,982,691

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statements of Activities
For the Years Ended June 30, 2017 and 2016

	2017	2016
<i>Changes in Unrestricted Net Assets</i>		
Support and revenue:		
Grant revenue	\$ 350,430	\$ 331,301
Contributions	390,505	742,156
Interest income - revolving loans	93,466	99,110
Interest income - other	732	719
Miscellaneous income	6,351	51,304
Net assets released from restrictions	<u>15,039</u>	<u>23,697</u>
Total unrestricted support and revenue	<u>856,523</u>	<u>1,248,287</u>
Program expenses		
Revolving loans	123,761	201,132
Read Boston	6,000	100,230
Write Boston	25,000	6,013
Earned Income Tax Credit (EITC)	247,000	230,988
Financial Opportunity Center	378,935	536,500
Home Preservation	<u>9,039</u>	<u>6,660</u>
Total program expenses	789,735	1,081,523
Administrative expenses	<u>65,266</u>	<u>57,553</u>
Total expenses	<u>855,001</u>	<u>1,139,076</u>
Change in unrestricted net assets	<u>1,522</u>	<u>109,211</u>
<i>Changes in Temporarily Restricted Net Assets</i>		
Contributions	9,000	17,037
Net assets released from restrictions	<u>(15,039)</u>	<u>(23,697)</u>
Change in temporarily restricted net assets	<u>(6,039)</u>	<u>(6,660)</u>
Change in net assets	(4,517)	102,551
Net assets - beginning of year	<u>5,835,109</u>	<u>5,732,558</u>
Net assets - end of year	<u><u>\$5,830,592</u></u>	<u><u>\$5,835,109</u></u>

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2017

Program Services

	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Financial Opportunity Center</i>	<i>Home Preservation</i>	<i>Total</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
Salaries	\$ 70,934	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 70,934	\$ -	\$ 70,934
Fringe benefits	24,827	-	-	-	-	-	24,827	-	24,827
EDIC overhead	-	-	-	-	-	-	-	13,014	13,014
Professional fees	-	-	-	-	-	-	-	32,277	32,277
Grants/contributions	8,000	6,000	25,000	247,000	378,935	9,039	673,974	-	673,974
Bad Debt	20,000	-	-	-	-	-	20,000	-	20,000
Miscellaneous	-	-	-	-	-	-	-	19,975	19,975
Total	<u>\$ 123,761</u>	<u>\$ 6,000</u>	<u>\$ 25,000</u>	<u>\$ 247,000</u>	<u>\$ 378,935</u>	<u>\$ 9,039</u>	<u>\$ 789,735</u>	<u>\$ 65,266</u>	<u>\$ 855,001</u>

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2016

	<i>Program Services</i>								
	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>Write Boston</i>	<i>EITC</i>	<i>Financial Opportunity Center</i>	<i>Home Preservation</i>	<i>Total</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
Salaries	\$ 142,797	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,797	\$ -	\$ 142,797
Fringe benefits	55,335	-	-	-	-	-	55,335	-	55,335
EDIC overhead	-	-	-	-	-	-	-	14,459	14,459
Professional fees	-	-	-	-	-	-	-	31,130	31,130
Grants/contributions	3,000	100,230	6,013	230,988	536,500	6,660	883,391	-	883,391
Miscellaneous	-	-	-	-	-	-	-	11,964	11,964
Total	<u>\$ 201,132</u>	<u>\$ 100,230</u>	<u>\$ 6,013</u>	<u>\$ 230,988</u>	<u>\$ 536,500</u>	<u>\$ 6,660</u>	<u>\$ 1,081,523</u>	<u>\$ 57,553</u>	<u>\$ 1,139,076</u>

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statements of Cash Flows
For the Years Ended June 30, 2017 and 2016

	2017	2016
<i>Operating Activities</i>		
Change in net assets	\$ (4,517)	\$ 102,551
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Bad debt expense	20,000	-
Loans issued	(200,000)	(230,000)
Principal payments on loans receivable	282,848	451,298
Reduction of allowance for uncollectible loans	-	(40,000)
Changes in operating assets and liabilities:		
Decrease in advance on contracts	-	23,538
(Increase)/decrease in accounts receivable	(31,628)	3,550
(Increase) in grants receivable	(53,430)	-
(Increase) in prepaid expenses	(500)	(1,087)
(Decrease)/increase in accounts payable and accrued expenses	(76,358)	79,225
Increase in grants payable	53,430	
(Decrease) in deferred income	-	(117,169)
Net cash (used in)/provided by operating activities	<u>(10,155)</u>	<u>271,906</u>
Net (decrease)/increase in cash	(10,155)	271,906
Cash - beginning of year	<u>3,766,324</u>	<u>3,494,418</u>
Cash - end of year	<u>\$3,756,169</u>	<u>\$3,766,324</u>

See accompanying notes to the financial statements.

Boston Local Development Corporation

Notes to Financial Statements

June 30, 2017 and 2016

1. *Operations*

Boston Local Development Corporation (BLDC) is a nonprofit corporation, established to benefit the community by fostering increased employment opportunities and expansion of business and industry for the citizens of the City of Boston. BLDC accomplishes this by providing long-term financing to firms and companies located in the City of Boston, Massachusetts. BLDC's other programs, funded primarily through grants and contributions, include the Read and Write Boston Programs, which help children within the City of Boston learn to read and write, the Earned Income Tax Credit (EITC) program, which helps low-income City of Boston residents take advantage of the Federal EITC, and the Financial Opportunity Center (FOC) program, which provides financial services to low and moderate income residents. BLDC also has three grant programs that help City of Boston residents purchase their homes (Note 5).

2. *Summary of Significant Accounting Policies*

Basis of Accounting - BLDC prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Revenue and Expense Recognition - BLDC recognizes interest income from revolving loans and bank accounts when earned, and from fees charged to private firms and companies when the fees are earned. Grant funds received from exchange transactions are recorded as deferred income on the statement of financial position until earned. Grant revenue is recognized on the statement of activities as loans are initially issued from these funds and when program expenses are incurred. Expenses are recognized when goods or services are received.

BLDC classifies its net assets, revenues and expenses into two classes of net assets - temporarily restricted and unrestricted, based on the existence or absence of donor-imposed restrictions on contributions received. Contributions are recognized as revenue in the period received or unconditionally pledged. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue on the statement of activities. All other restricted contributions received are classified as such on the statement of activities. Temporarily restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Contributed Services - BLDC recognizes the fair value of contributed services received if such services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. BLDC receives services from a large number of volunteers who give significant amounts of their time to BLDC's programs and fund-raising campaigns, which do not meet the criteria for financial statement recognition.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

2. *Summary of Significant Accounting Policies - Continued*

Accounts Receivable - Accounts receivable are presented net of allowance for uncollectible accounts. BLDC's evaluation of the adequacy of the reserve is based on past due or delinquent receivables. Accounts receivable are charged off when deemed uncollectible.

Loans Receivable - Loans receivable are recorded at unpaid principal balance less an allowance for uncollectible loans. Past due status is determined based on contractual terms. Loans are considered impaired if full principal or interest payments are not anticipated in accordance with the contractual terms. Potential loan losses are reserved when management determines that a borrower is in an extremely negative financial position and is unlikely to repay the loan. Loans are written off against this reserve when the borrower enters bankruptcy and/or BLDC has no collateral, or the collateral is deemed worthless. Recoveries of loans that were written off in previous years are recorded as income in the year received.

Loans are placed on nonaccrual status when management believes, after considering economic conditions, business conditions, and collection efforts that the loans are impaired or collection of interest is doubtful. Uncollected interest previously accrued is charged off or an allowance is established for this accrual. Interest income on nonaccrual loans is recognized only to the extent cash payments are received.

Income Taxes - BLDC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state income taxes under Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which there was none for the fiscal years ended June 30, 2017 and 2016, would be subject to Federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

BLDC evaluates the tax positions taken or expected to be taken in their 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 penalties thereon, would be recorded as an expense in the current year financial statements. BLDC has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its fiscal year 2017 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC's fiscal years 2014 through 2016 tax years remain subject to examination by Federal and state tax authorities.

Estimates and Assumptions - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

3. ***Loans Receivable***

Outstanding balances of loans receivable are as follows (the interest rate is noted in parentheses):

<i>Borrower (Rate)</i>	<i>2017</i>	<i>2016</i>
760 Adams Street Realty Trust (6.5%)	\$ 31,908	\$ 37,140
A B Seafood, LLC (6.5%)	61,522	83,472
Allied BAP, LLC (5.9%)	48,803	48,803
Artaic, LLC (9.0%)	-	799
Blow Hair Salon (6.5%)	87,522	87,522
Boston Common Coffee Company (7.0%)	-	2,992
Brewer's Fork (6.5%)	67,423	76,957
Children's Museum (1.0%)	900,000	900,000
City Feed & Supply (6.0%)	17,923	22,392
Cogito Health, Inc. (6.5%)	-	128,596
Color Media Group (6.5%)	-	15,654
Crazy Dough's Inc. (6.5%)	177,183	177,183
Dorchester Brewing (6.5%)	100,000	100,000
Dorchester Brewing (6.5%)	50,000	50,000
Ecco Pizzerias (6.5%)	36,095	39,102
Ecco Pizzerias (6.5%)	42,000	50,000
E. R. Enterprises (6.5%)	87,694	87,694
Evy Tea (6.5%)	50,000	-
Family Discount Laundry (8.25%)	147,916	148,716
Geekhouse Bike Company (6.5%)	76,430	76,430
Imported Foods Resource Group, Inc. (6.5%)	107,074	130,326
Ketta's Hair Salon (6.5%)	44,360	44,360
Lope's Memorial Services, Inc. (6.5%)	26,637	33,569
Love and Mercy Salon (6.0%)	150,000	-
Marathon Food LLC (9.0%)	-	24,000
MyStryde, LLC (6.5%)	29,146	30,000
Parker's Auto Service (6.5%)	26,039	33,008
SMH Fine Foods (1.0%)	43,933	43,933
Velo - City Back Bay (6.5%)	<u>95,634</u>	<u>115,442</u>
Total loans receivable	2,505,242	2,588,090
Less: current portion	<u>(719,584)</u>	<u>(692,262)</u>
Total long-term loans receivable	<u>\$ 1,785,658</u>	<u>\$ 1,895,828</u>

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

4. ***Investments***

Investments at June 30, 2017 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 0.9% interest rate at June 30, 2017 and will mature in March 2018. Investments at June 30, 2016 consist of a \$25,000 certificate of deposit at One United Bank. This certificate has a 0.9% interest rate at June 30, 2016 and matured in March 2017.

5. ***Program Activity***

Revolving loan programs include the following:

- Grant proceeds received through the Economic Development and Industrial Corporation (EDIC)/Boston under a revolving loan fund contract with the Economic Development Administration (EDA).

The purpose of this contract is to establish a revolving loan fund to encourage public and private investment in Boston's industrial and commercial enterprises through long-term low interest loans.

- Grant proceeds totaling approximately \$1 million under a contract with the City of Boston's Department of Neighborhood Development (DND).

The purpose of this contract is to establish a revolving loan fund for Boston based small businesses. Loan funds issued under this program are restricted to eligible economic development activities under the U.S. Department of Housing and Urban Development (HUD) Title I Program.

- Grant proceeds from DND totaling \$200,000 under BLDC's Create Boston Program.

This loan fund is geared specifically toward providing financial assistance to creative businesses and individuals and will be used in conjunction with existing Boston Redevelopment Authority programs.

- Grant proceeds from DND totaling \$500,000 under BLDC's Life Tech Finance Program.

This finance program is focused on helping Boston's biotech and life science sectors. The program is designed to attract, retain, support and strengthen biotechnology, pharmaceutical, medical devices and other related industries. This program also awards grants to BLDC loan recipients to be used to pay interest within the first two years of the loans.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

5. ***Program Activity - Continued***

- Grant proceeds from DND totaling \$500,000 under BLDC's New Boston Jobs Creation Program.

The purpose of this fund is to provide loans to small businesses in Boston that have either a history of and/or a demonstrable potential for job creation. The intent of the program is to create new opportunities for small businesses in Boston as well as unemployed Boston residents. Qualified borrowers will receive the loan and pay interest only for a period of two years. During that period, the borrower will receive upon each new Boston resident hire completing one year of employment, a grant of \$2,000. An additional \$2,000 will be converted to a grant once the employee has completed two years of continuous service. The grant(s) amount will be deducted from the outstanding principal on an annual basis on the employee's anniversary date of hire. The maximum allowable write down is \$4,000 per new Boston resident employee. If upon the second anniversary of the loan the business has not created a target job, the loan will convert from an interest only loan to amortization debt with a five year payout.

An agreement between BLDC and DND allows BLDC to utilize twenty percent of each of the above DND programs' original amount of funding, plus up to twenty percent of each programs' annual program income to support the direct costs of maintaining the respective loan portfolios.

BLDC has three non-loan programs administered by DND under the *Boston Home Certificate Initiative*:

- The Boston Home Ownership Preservation Fund is a pool of resources provided by partner organizations and institutions that complement City of Boston resources dedicated exclusively to support various technical financial services to help Boston homeowners avoid losing their homes to foreclosure. The City of Boston provided BLDC a grant funding this program startup. This program is also supported by private contributions (Note 6).
- The Three Decker Plus Pilot Initiative Program (Triple-Deck) was implemented to provide financial assistance to eligible first-time homebuyers of three-unit residential properties located in Boston that do not require significant rehabilitation.
- The CreditSmart Boston Initiative is a program focused on helping Boston's low to moderate income consumers build and maintain good credit that will help them become qualified homebuyers. Deferred revenue for this program at June 30, 2017 and 2016 totaled \$30,000.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

6. ***Temporarily Restricted Net Assets***

Temporarily restricted net assets at June 30, 2017 and 2016, and related revenue and expense activity under these programs for the years then ended are as follows:

<i>Year Ended June 30, 2017</i>				
	<i>Beginning</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Ending</i>
	<i>Net Assets</i>			<i>Net Assets</i>
Read Boston	\$ 17,037	\$ 6,000	\$ (6,000)	\$ 17,037
Write Boston	-	25,000	(25,000)	-
Don't Borrow Trouble	85,512	-	-	85,512
Earned Income Tax Credit	-	247,000	(247,000)	-
Boston Small Business				
Exposition	10,421	-	-	10,421
Main Streets	333	-	-	333
New Boston Housing	10,429	-	-	10,429
Boston Home Ownership				
Preservation Fund	220,774	3,000	(9,039)	214,735
Financial Opp. Center	-	118,505	(118,505)	-
HeatWorks	15,479	-	-	15,479
Total	<u>\$ 359,985</u>	<u>\$ 399,505</u>	<u>\$ (405,544)</u>	<u>\$ 353,946</u>

<i>Year Ended June 30, 2016</i>				
	<i>Beginning</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Ending</i>
	<i>Net Assets</i>			<i>Net Assets</i>
Read Boston	\$ 17,037	\$ 100,230	\$ (100,230)	\$ 17,037
Write Boston	-	6,013	(6,013)	-
Don't Borrow Trouble	85,512	-	-	85,512
Earned Income Tax Credit	-	116,450	(116,450)	-
Boston Small Business				
Exposition	10,421	-	-	10,421
Main Streets	333	-	-	333
New Boston Housing	10,429	-	-	10,429
Boston Home Ownership				
Preservation Fund	227,434	-	(6,660)	220,774
Financial Opp. Center	-	536,500	(536,500)	-
HeatWorks	15,479	-	-	15,479
Total	<u>\$ 366,645</u>	<u>\$ 759,193</u>	<u>\$ (765,853)</u>	<u>\$ 359,985</u>

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

7. ***Concentration of Credit Risk***

Deposits

BLDC's bank accounts are held at a financial institution that is FDIC insured up to the maximum amount of \$250,000 per institution. Balances held in these accounts may, at times, exceed this limit. BLDC has not experienced any losses in these accounts, and believes it is not exposed to any significant credit risk on such deposits.

Loans/Accounts Receivable

Financial instruments that potentially subject BLDC to credit risk are primarily loans and accounts receivable. Amounts are past due when not paid by the end of the following month. Loans and accounts receivable past due ninety days or more and still accruing finance charges totaled \$713,841 and \$714,641, respectively, at June 30, 2017 and 2016.

The following tables present informative data on loans and related accounts receivables regarding their age status at June 30, 2017 and 2016:

	<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>
Current	\$ 2,373,673	\$ 2,464,257
Past due:		
30-59 days	\$ 3,831	\$ 3,830
60-89 days	3,830	4,361
Over 90 days	306,112	266,218
Total past due	313,773	274,409
Total receivables	\$ 2,687,446	\$ 2,738,666

As of June 30, 2017 and 2016, BLDC's outstanding loan to the Children's Museum makes up approximately 36% and 35%, respectively, of BLDC's total loans receivable portfolio.

8. ***Subsequent Events***

BLDC has performed an evaluation of subsequent events through February 22, 2018, which is the date BLDC's financial statements were issued. No material subsequent events have occurred since June 30, 2017 that required recognition or disclosure in the financial statements.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2017 and 2016

9. ***Retirement Plan***

All BLDC contracted employees are eligible to participate in EDIC's Thrift Savings Plan (the Plan) after three months of service. The Plan is a defined contribution plan and an eligible tax-deferred plan under Internal Revenue Service (IRS) Code Sections 457 and 401(a). The Plan is serviced by The Great-West Life Assurance Company. Participants can contribute one percent (1%) to twenty-five percent (25%) of their taxable compensation on a pre-tax basis, subject to the maximum deferral limits as set by the IRS. BLDC will match the first six percent (6%) of compensation that is contributed by the participant. Participants can also contribute one percent (1%) to fifteen (15%) of their total compensation on an after-tax basis, also subject to a maximum deferral limit, which is inclusive of BLDC's match amount. Retirement plan expense for the years ending June 30, 2017 and 2016 was approximately \$2,200 and \$4,800, respectively.

10. ***Related Party Transactions***

BLDC contracted employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit policies. These costs, together with administration overhead are billed to BLDC. For the years ended June 30, 2017 and 2016, EDIC provided grants to BLDC totaling \$90,000 and \$123,132, respectively, to cover operating costs, which are recorded as grant revenue in the statement activities. As of June 30, 2016, BLDC has a payable to EDIC totaling \$79,768 for salaries, fringe benefits, and administration overhead, which is included in accounts payable on the balance sheet.

BLDC receives contributions from corporations that support the Earned Income Tax Credit, Read Boston, and Financial Opportunity Center Programs operated by EDIC, the Boston Small Business Exposition operated by the Boston Empowerment Center, and the Main Streets, New Boston Housing, Boston Home Ownership Preservation Fund, HeatWorks, and Don't Borrow Trouble Programs operated by the City of Boston. Solicitation efforts and related fundraising is provided by these respective agencies.

**SUPPLEMENTARY SCHEDULE OF REVENUE AND EXPENSES OF
LOAN AND NON-LOAN PROGRAMS**

Boston Local Development Corporation
 Supplementary Schedule of Revenue and Expenses of
 Loan and Non-Loan Programs
 June 30, 2017

	<i>Revolving Loan Program</i>	<i>Non-Loan Programs</i>	<i>Total</i>
<i>Revenue</i>			
Grant revenue	\$ 90,000	\$ 260,430	\$ 350,430
Contributions	-	399,505	399,505
Interest income - revolving loans	93,466	-	93,466
Interest income - other	732	-	732
Miscellaneous income	<u>6,351</u>	<u>-</u>	<u>6,351</u>
 Total revenues	 <u>190,549</u>	 <u>659,935</u>	 <u>850,484</u>
<i>Operating Expenses</i>			
Salaries	70,934	-	70,934
Fringe benefits	24,827	-	24,827
EDIC overhead	13,014	-	13,014
Professional fees	32,277	-	32,277
Grants/contributions	8,000	665,974	673,974
Bad Debt	20,000	-	20,000
Miscellaneous	<u>19,975</u>	<u>-</u>	<u>19,975</u>
 Total operating expenses	 <u>189,027</u>	 <u>665,974</u>	 <u>855,001</u>
 Change in net assets	 <u>\$ 1,522</u>	 <u>\$ (6,039)</u>	 <u>\$ (4,517)</u>

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Boston Local Development Corporation
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

<i>Federal Grantor (Pass-through Grantor) Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass Through Grant Number</i>	<i>Total Federal Expenditures</i>	<i>Passed Through to Subrecipients</i>
<i>Department of Commerce</i>				
<i>Economic Development Administration</i>				
<i>(Economic Development and Industrial Corporation/Boston)</i>				
<i>Economic Adjustment Assistance</i>				
<i>Revolving Loan *</i>	11.307	None	<u>\$ 711,820</u>	<u>\$ -</u>
<i>Total Department of Commerce</i>			<u>711,820</u>	<u>-</u>
<i>Corporation for National and Community Service</i>				
<i>(Local Initiatives Support Corporation)</i>				
<i>Social Innovations Fund</i>	94.019	15SIHNY002	<u>226,430</u>	<u>226,430</u>
<i>Total Corporation for National and Community Service</i>			<u>226,430</u>	<u>226,430</u>
<i>Total expenditures for Federal Awards</i>			<u>\$ 938,250</u>	<u>\$226,430</u>

*Part of the Economic Development Cluster.

See accompanying notes to schedule.

Boston Local Development Corporation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. ***Basis of Presentation***

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Boston Local Development Corporation (BLDC) under programs of the Federal government for the year ended June 30, 2017. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedule presents only a selected portion of the operations of BLDC, it is not intended to and does not present the financial position, changes in net assets or cash flows of BLDC.

2. ***Summary of Significant Accounting Policies***

Expenditures for non-loan programs are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass through entity identifying numbers are presented where available.

BLDC administers a revolving loan program that was funded through the Economic Development and Industrial Corporation/Boston and the City of Boston by an Economic Development Administration (EDA) Title IX Grant (CFDA No. 11.307). The purpose of this program is to encourage public and private investment in the City of Boston's industrial and commercial enterprises through long-term, low interest loans. No administrative expenses were allocated to the program in fiscal year 2017.

In accordance with the U.S. Office of Management and Budget (OMB) *Compliance Supplement* for this program, expenditures reported on the Schedule include loans, receivables and cash balances at June 30, 2017, as follows:

RLF loans and accounts receivable	\$523,057
Cash balance in the RLF	<u>188,763</u>
Total	<u>\$711,820</u>

3. ***Indirect Cost Rate***

BLDC has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**REPORTS ON COMPLIANCE
AND ON INTERNAL CONTROL**



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards*

The Board of Directors
Boston Local Development Corporation

We have audited, in accordance with the 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, the financial statements of Boston Local Development Corporation (BLDC) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered BLDC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of BLDC's internal control. Accordingly, we do not express an opinion on the effectiveness of BLDC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether BLDC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of BLDC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering BLDC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Daniel Dennis + Company LLC

February 22, 2018



DANIEL DENNIS & Co
Certified Public Accountants

*Independent Auditors' Report on Compliance for each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance*

The Board of Directors
Boston Local Development Corporation

Report on Compliance for Each Major Federal Program

We have audited Boston Local Development Corporation (BLDC)'s compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on BLDC's major federal program for the year ended June 30, 2017. BLDC's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for BLDC's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about BLDC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for BLDC's major federal program. However, our audit does not provide a legal determination of BLDC's compliance.

Opinion on Major Federal Program

In our opinion, BLDC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of BLDC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered BLDC's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of BLDC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Daniel Dennis + Company LLC

February 22, 2018

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Local Development Corporation
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2017

Section I - Summary of Auditors' Results

Financial Statements

Type of audit report issued:	Unmodified	
Internal control over financial reporting:	Yes _____	No <u> X </u>
Material weakness(es) identified?	Yes _____	No <u> X </u>
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes _____	No <u> X </u>
Noncompliance which is material to financial statements noted?	Yes _____	No <u> X </u>

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	Yes _____	No <u> X </u>
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	Yes _____	No <u> X </u>
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance With 2 CFR 200.516(a)?	Yes _____	No <u> X </u>

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program</i>
11.307	Economic Adjustment Assistance Revolving Loan
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualifies as a low-risk auditee?	No

Boston Local Development Corporation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

A. Deficiencies in Internal Control over Financial Reporting

None

B. Material Fraud and Noncompliance with Provisions of Laws and Regulations

None

C. Material Noncompliance with Provisions of Contracts and Grant Agreements

None

D. Material Abuse

None

Section III - Federal Award Findings and Questioned Costs

No matters reported.

**SCHEDULE OF
PRIOR AUDIT FINDINGS**

Boston Local Development Corporation
Schedule of Prior Year Findings
For the Year Ended June 30, 2017

Federal Award Findings

Finding No. 2015-001

CONDITION

The semi-annual report (Standard Form ED-209S) for the Economic Development Administration (EDA) Title IX Revolving Loan Fund (RLF) (CFDA #11.307) for the period ending March 31, 2015 contained reporting errors, as follows:

- Part II-A- Lines 10-17 – Active loan types do not agree in total to the total active loans of \$440,000. The following is a summary of the type and respective total:
 - Loans for Fixed Assets and for Working Capital Total \$610,000
 - Loans for Start-up, Expansion, Retention Total \$510,000
 - Loans for Industrial, Commercial, and Service Total \$610,630
- Part II-A- Line 17 – RLF \$ Loaned for Service has a difference of \$19,370 due to errors noted above.
- Several RLF income lines were overstated or understated by small amounts (less than \$1,000).

CURRENT STATUS

BLDC project management staff has worked closely with the Budget and Finance Department to ensure the accuracy of EDA Title IX Revolving Loan Fund reporting based on amounts recorded in BLDC's general ledger and that the form is completed in accordance with the instructions. The semi-annual report for the period ending March 31, 2017 was tested during fiscal year 2017 audit with no exceptions noted. As such, management believes that this finding has been resolved.