

Boston Local Development Corporation

Financial Statements
and
Independent Auditors' Reports

June 30, 2022 and 2021

Boston Local Development Corporation

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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 Audit of the Financial Statements

Opinion

We have audited the accompanying combined financial statements of Boston Local Development Corporation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Boston Local Development Corporation as of June 30, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Boston Local Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Local Development Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Boston Local Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Boston Local Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary 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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 audit 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 schedule of revenue and expenses of loan and non-loan programs and the schedule of expenditures of federal awards are 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 March 27, 2023 on our consideration of Boston Local Development Corporation'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 solely 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 the effectiveness of Boston Local Development Corporation's 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 Boston Local Development Corporation's internal control over financial reporting and compliance.

Daniel Dennis & Company LLP
March 27, 2023

Boston Local Development Corporation
Statements of Financial Position
June 30, 2022 and 2021

<i>Assets</i>		
	<i>2022</i>	<i>2021</i>
<i>Current Assets</i>		
Cash	\$ 3,505,958	\$ 3,116,376
Accounts receivable (net of allowance for uncollectible accounts totaling \$38,505 and \$8,558 at June 30, 2022 and 2021, respectively)	224,443	210,229
Grants receivable	271,000	43,000
Prepaid expenses	5,928	6,023
Current portion of loans receivable (net of allowance for uncollectible loans totaling \$35,492 and \$61,202 at June 30, 2022 and 2021, respectively)	456,010	401,889
Total current assets	4,463,339	3,777,517
<i>Long-term Assets</i>		
Loans receivable (net of allowance for uncollectible loans totaling \$414,494 and \$299,755 at June 30, 2022 and 2021, respectively)	2,111,117	2,222,995
Total long-term assets	2,111,117	2,222,995
Total assets	\$ 6,574,456	\$ 6,000,512
<i>Liabilities and Net Assets</i>		
<i>Current Liabilities</i>		
Accounts payable and accrued expenses	\$ 142,797	\$ 56,922
Grants payable	271,000	153,100
Deferred income	30,000	30,000
Total liabilities	443,797	240,022
<i>Net Assets</i>		
With donor restrictions	971,163	378,805
Without donor restrictions	5,159,496	5,381,685
Total net assets	6,130,659	5,760,490
Total liabilities and net assets	\$ 6,574,456	\$ 6,000,512

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statements of Activities
For the Years Ended June 30, 2022 and 2021

	2022	2021
<i>Changes in Net Assets Without Donor Restrictions</i>		
Support and revenue:		
Grants and contributions	\$ 583,597	\$ 546,401
Interest income - revolving loans	109,484	38,485
Interest income - other	333	4,991
Miscellaneous income	10,599	152,648
Net assets released from restrictions	<u>87,154</u>	<u>37,192</u>
Total unrestricted support and revenue	<u>791,167</u>	<u>779,717</u>
Program expenses		
Revolving loans	392,274	224,758
Read Boston	12,555	11,600
Earned Income Tax Credit (EITC)	2,155	41,000
Financial Opportunity Center	<u>545,000</u>	<u>340,333</u>
Total program expenses	951,984	617,691
Administrative expenses	<u>61,372</u>	<u>62,513</u>
Total expenses	<u>1,013,356</u>	<u>680,204</u>
Change in net assets without donor restrictions	<u>(222,189)</u>	<u>99,513</u>
<i>Changes in Net Assets With Donor Restrictions</i>		
Contributions	679,512	153,153
Net assets released from restrictions	<u>(87,154)</u>	<u>(37,192)</u>
Change in net assets with donor restrictions	<u>592,358</u>	<u>115,961</u>
Change in net assets	370,169	215,474
Net assets - beginning of year	<u>5,760,490</u>	<u>5,545,016</u>
Net assets - end of year	<u>\$ 6,130,659</u>	<u>\$ 5,760,490</u>

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2022

Program Services

	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>EITC</i>	<i>Financial Opportunity Center</i>	<i>Total</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
Salaries	\$ 117,878	\$ -	\$ -	\$ -	\$ 117,878	\$ -	\$ 117,878
Fringe benefits	35,810	-	-	-	35,810	-	35,810
EDIC overhead	-	-	-	-	-	14,469	14,469
Professional fees	-	-	-	-	-	34,440	34,440
Grants/contributions	13,500	12,555	2,155	545,000	573,210	-	573,210
Bad debt	225,086	-	-	-	225,086	-	225,086
Miscellaneous	-	-	-	-	-	12,463	12,463
Total	<u>\$ 392,274</u>	<u>\$ 12,555</u>	<u>\$ 2,155</u>	<u>\$ 545,000</u>	<u>\$ 951,984</u>	<u>\$ 61,372</u>	<u>\$ 1,013,356</u>

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statement of Functional Expenses
For the Year Ended June 30, 2021

Program Services

	<i>Revolving Loans</i>	<i>Read Boston</i>	<i>EITC</i>	<i>Financial Opportunity Center</i>	<i>Total</i>	<i>Admin- istrative</i>	<i>Total Expenses</i>
Salaries	\$ 114,410	\$ -	\$ -	\$ -	\$ 114,410	\$ -	\$ 114,410
Fringe benefits	35,348	-	-	-	35,348	-	35,348
EDIC overhead	-	-	-	-	-	16,924	16,924
Professional fees	-	-	-	-	-	36,342	36,342
Grants/contributions	75,000	11,600	41,000	340,333	467,933	-	467,933
Miscellaneous	-	-	-	-	-	9,247	9,247
Total	<u>\$ 224,758</u>	<u>\$ 11,600</u>	<u>\$ 41,000</u>	<u>\$ 340,333</u>	<u>\$ 617,691</u>	<u>\$ 62,513</u>	<u>\$ 680,204</u>

See accompanying notes to the financial statements.

Boston Local Development Corporation
Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022	2021
<i>Cash flows from operating activities</i>		
Change in net assets	\$ 370,169	\$ 215,474
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Reduction of allowance for uncollectible loans	-	(13,835)
Bad debt	225,086	-
Loans issued	(503,500)	(226,500)
Principal payments on loans receivable	352,618	57,280
Loan reduction from job creation grants	13,500	75,000
Changes in operating assets and liabilities:		
Increase in accounts receivable	(44,161)	(9,062)
Increase in grants receivable	(228,000)	(22,280)
Decrease in prepaid expenses	95	504
Increase in accounts payable and accrued expenses	85,875	10,513
Increase in grants payable	<u>117,900</u>	<u>63,047</u>
Net cash provided by operating activities	<u>389,582</u>	<u>150,141</u>
Net change in cash and restricted cash	389,582	150,141
Cash - beginning of year	<u>3,116,376</u>	<u>2,966,235</u>
Cash - end of year	<u><u>\$ 3,505,958</u></u>	<u><u>\$ 3,116,376</u></u>

See accompanying notes to the financial statements.

Boston Local Development Corporation

Notes to Financial Statements

June 30, 2022 and 2021

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 Boston Program, which helps children within the City of Boston learn to read, the Mayor's Office of Workforce Development (OWD), which provides job training, job placement, counseling, human services, and other support services for Boston residents, 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 homes (Note 4).

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.

Financial Statement Presentation - The financial statements of BLDC have been prepared on the accrual basis of accounting. Net assets of BLDC are classified into two categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of BLDC. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes. This designation may be removed at the board's direction.

Net Assets With Donor Restrictions - Includes net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by the actions of BLDC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

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, 2022 and 2021

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

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

Revenue Recognition

Interest and Related Fees - 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.

Grants – BLDC receives funding from federal governmental agencies and various other grantors for the direct and indirect program costs associated with specific programs and projects. Various grants are subject to certain restrictions, which are met by incurring qualifying expenses for the particular program or project that is funded by the grant. Revenue from such grants is recognized when the funds have been expended on activities stipulated in the grant agreement. For unconditional grants, revenue is recognized as grant revenue that increases net assets with donor restrictions at the time the grant is received or pledged and the funds are released from restriction when the restrictions have been met. Grants with donor restrictions received and satisfied in the same period are included in grants and contributions without donor restrictions.

Contributions and Contributed Services - Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor-restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Conditional contributions are not included as support until the conditions are met.

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.

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.

Boston Local Development Corporation

Notes to Financial Statements - *Continued*

June 30, 2022 and 2021

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

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. During fiscal year 2021, BLDC recovered and received \$148,011 from a loan that was written off in previous years which is included in miscellaneous income on the statement of activities.

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, 2022 and 2021, 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 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 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 2022 returns and believe they are more-likely-than-not of being sustained if examined by Federal or state tax authorities. BLDC’s 2019 through 2021 tax years remain subject to examination by Federal and state tax authorities.

Adoption of New Accounting Pronouncement

Effective July 1, 2021, BLDC implemented the provisions of the FASB Accounting Standards Update (ASU) No 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for not-for-profits, including additional disclosure requirements for recognized contributed services. BLDC applied this standard on a full retrospective method. The implementation did not require BLDC to restate any previously reported results.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2022 and 2021

3. ***Loans Receivable***

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

<i>Borrower (Rate)</i>	<i>2022</i>	<i>2021</i>
760 Adams Street Realty Trust (6.5%)	\$ -	\$ 29,425
Allied BAP, LLC (7.0%)	40,588	40,588
BonaPita West Roxbury (7.0%)	48,603	48,603
BonaPita West Roxbury (7.0%)	50,000	50,000
Brato Bewhouse and Kitchen LLC (7.5%)	175,000	175,000
Brato Bewhouse and Kitchen LLC (7.5%)	57,000	57,000
Brewer's Fork (6.5%)	15,975	28,738
Children's Museum (1.0%)	900,000	900,000
Dorchester Brewing (6.5%)	54,464	66,017
E. R. Enterprises (6.5%)	87,694	87,694
Evy Tea (6.5%)	39,012	41,108
Evy Tea (6.5%)	34,000	34,000
Family Discount Laundry (8.25%)	147,916	147,916
Floyd Williams Funeral Home (6.0%)	52,660	72,299
Imported Foods Resource Group, Inc. (6.5%)	162,111	162,111
Kayuh One LLC (7.5%)	60,000	99,180
Ketta's Hair Salon (6.5%)	44,360	44,360
Love and Mercy Salon (6.0%)	-	101,802
Love and Mercy Salon (6.0%)	37,500	39,000
MyStryde, LLC (6.5%)	55,178	63,702
Ria Cooperative Brewing (6.5%)	61,662	69,232
Ria Cooperative Brewing (6.5%)	54,000	55,000
Salon De Cheveux (6.75%)	-	75,000
South of Hixbridge LLC (7.0%)	114,243	126,000
Third Piece Knitwear (6.0%)	-	145,566
Marvelous Cuts (6.0%)	95,147	100,000
Cilantro Latin Kitchen (6.0%)	150,000	-
AXL Cycle Studio (6.0%)	125,000	-
Comfort Kitchen (6.0%)	100,000	-
The Little Cocoa Bean (6.0%)	128,500	-
Café Iterum (6.0%)	50,000	50,000
Brato Bewhouse and Kitchen LLC (6.0%)	<u>76,500</u>	<u>76,500</u>
Total loans receivable	3,017,113	2,985,841
Less: current portion	<u>(491,502)</u>	<u>(463,091)</u>
Total long-term loans receivable	<u>\$ 2,525,611</u>	<u>\$ 2,522,750</u>

Boston Local Development Corporation

Notes to Financial Statements - *Continued*

June 30, 2022 and 2021

4. ***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) and grant proceeds received directly from the EDA.

The purpose of these contracts 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, 2022 and 2021

4. ***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 fiscal year 2021, the Board of Directors extended the credit period an additional twelve months. 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. Startup businesses will receive an additional six-month period in year one to allow for construction and initial hiring phase. 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's startup. This program is also supported by private contributions (Note 5).
- 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, 2022 and 2021 totaled \$30,000.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2022 and 2021

5. *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30, 2022 and 2021, and related revenue and expense activity for the years then ended are as follows:

	<i>Year Ended June 30, 2022</i>			
	<i>Beginning</i>			<i>Ending</i>
	<i>Net Assets</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Net Assets</i>
Read Boston	\$ 17,087	\$ 12,505	\$ (22,002)	\$ 7,590
Office of Workforce Development	15,000	-	-	15,000
Don't Borrow Trouble	85,512	-	-	85,512
Boston Small Business				
Exposition	10,421	-	(10,421)	-
Boston Home Ownership				
Preservation Fund	123,633	-	-	123,633
EDA CARES Revolving Loan	126,503	575,007	(54,731)	646,779
HeatWorks	649	-	-	649
Time-restricted contributions	<u>-</u>	<u>92,000</u>	<u>-</u>	<u>92,000</u>
Total	<u>\$ 378,805</u>	<u>\$ 679,512</u>	<u>\$ (87,154)</u>	<u>\$ 971,163</u>

	<i>Year Ended June 30, 2021</i>			
	<i>Beginning</i>			<i>Ending</i>
	<i>Net Assets</i>	<i>Contributions</i>	<i>Expenses</i>	<i>Net Assets</i>
Read Boston	\$ 17,037	\$ 11,650	\$ (11,600)	\$ 17,087
Office of Workforce Development	-	15,000	-	15,000
Don't Borrow Trouble	85,512	-	-	85,512
Boston Small Business				
Exposition	10,421	-	-	10,421
Main Streets	333	-	(333)	-
New Boston Housing	10,429	-	(10,429)	-
Boston Home Ownership				
Preservation Fund	123,633	-	-	123,633
EDA CARES Revolving Loan	-	126,503	-	126,503
HeatWorks	<u>15,479</u>	<u>-</u>	<u>(14,830)</u>	<u>649</u>
Total	<u>\$ 262,844</u>	<u>\$ 153,153</u>	<u>\$ (37,192)</u>	<u>\$ 378,805</u>

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2022 and 2021

6. ***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. 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 \$774,760 and \$355,733, respectively, at June 30, 2022 and 2021.

The following tables present informative data on loans and related accounts receivables regarding their age status at June 30, 2022 and 2021:

	<i>June 30,</i>	
	<i>2022</i>	<i>2021</i>
Current	\$ 2,899,519	\$ 2,869,304
Past due:		
30-59 days	\$ 6,622	\$ 2,561
60-89 days	6,622	2,561
Over 90 days	367,298	330,202
Total past due	380,542	335,324
Total receivables	\$ 3,280,061	\$ 3,204,628

As of June 30, 2022 and 2021, BLDC's outstanding loan to the Children's Museum makes up approximately 30% of BLDC's total loans receivable portfolio.

7. ***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, 2022 and 2021, was approximately \$3,400 and \$3,300, respectively.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2022 and 2021

8. ***Related Party Transactions***

BLDC's contracted employees are paid through EDIC's payroll system and are covered under EDIC's fringe benefit polices. These costs, together with administration overhead are billed to BLDC. For the years ended June 30, 2022 and 2021, EDIC provided grants to BLDC totaling \$153,977 and \$148,041, respectively, to cover operating costs, which are recorded as contributions and grant revenue, respectively, in the statement activities. As of June 30, 2022 and 2021, BLDC has a payable to EDIC totaling \$14,469 and \$22,964, respectively, for salaries, fringe benefits, and administration overhead, which is included in accounts payable on the statement of financial position.

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. As of June 30, 2022 and 2021, BLDC has a payable to EDIC of \$271,000 and \$153,100, respectively, relating to programs operated by EDIC.

9. ***Liquidity and Availability***

The following reflects BLDC's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general use within one year of the balance sheet date:

	2022	2021
<i>Financial Assets:</i>		
Cash	\$ 3,505,958	\$ 3,116,376
Accounts receivable, net	224,443	210,229
Notes receivable, current portion, net	456,010	401,889
Grants receivable	<u>271,000</u>	<u>43,000</u>
Total financial assets	<u>4,457,411</u>	<u>3,771,494</u>
<i>Less amounts not available to be used within one year:</i>		
Net assets with donor restrictions	<u>971,163</u>	<u>378,805</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,486,248</u>	<u>\$ 3,392,689</u>

As part of BLDC's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

Boston Local Development Corporation
Notes to Financial Statements - *Continued*
June 30, 2022 and 2021

10. ***Contingency***

COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. BLDC has continued operating during the pandemic, however there have been disruptions and restrictions on our employees' ability to work. Changes to the operating environment may increase operating costs. The future effects of these issues cannot be reasonably estimated. It is anticipated that these impacts will continue for some time.

11. ***Subsequent Events***

BLDC has performed an evaluation of subsequent events through March 27, 2023, which is the date BLDC's financial statements were available to be issued. No material subsequent events have occurred since June 30, 2022, that require recognition or disclosure in these financial statements.

**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
 For the Year Ended June 30, 2022

	<i>Revolving Loan Program</i>	<i>Non-Loan Programs</i>	<i>Total</i>
<i>Revenue</i>			
Grants and contributions	\$ 703,399	\$ 559,710	\$ 1,263,109
Interest income - revolving loans	109,484	-	109,484
Interest income - other	333	-	333
Miscellaneous income	<u>10,599</u>	<u>-</u>	<u>10,599</u>
Total revenues	<u>823,815</u>	<u>559,710</u>	<u>1,383,525</u>
<i>Operating Expenses</i>			
Salaries	117,878	-	117,878
Fringe benefits	35,810	-	35,810
EDIC overhead	14,469	-	14,469
Professional fees	34,440	-	34,440
Grants/contributions	13,500	559,710	573,210
Bad debt	225,086	-	225,086
Miscellaneous	<u>12,463</u>	<u>-</u>	<u>12,463</u>
Total operating expenses	<u>453,646</u>	<u>559,710</u>	<u>1,013,356</u>
Change in net assets	<u>\$ 370,169</u>	<u>\$ -</u>	<u>\$ 370,169</u>

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Boston Local Development Corporation
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2022

<i>Federal Grantor (Pass-through Grantor) Program Title</i>	<i>Federal Assistance Listing 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 Cluster</i>				
<i>Direct:</i>				
COVID-19 - Economic Adjustment Assistance	11.307	N/A	<u>\$ 688,137</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

Boston Local Development Corporation
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

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, 2022. 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.

BLDC administers a revolving loan program that was funded directly from the Department of Commerce Economic Development Administration (EDA) funded through the Coronavirus Aid, Relief, and Economic Security Act (CARES). 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.

In accordance with the U.S. Office of Management and Budget (OMB) *Compliance Supplement* for this program, expenditures reported on the Schedule include loans and cash balances at June 30, 2022 and administrative expenses paid out of revolving loan fund income. The balance of the Economic Adjustment Assistance federal expenditures as of June 30, 2022 were calculated as follows:

Revolving Loan Fund (RLF) principal outstanding	\$ 630,000
Cash balance in the RLF	12,700
Administrative expense	<u>45,437</u>
Total	<u><u>\$ 688,137</u></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 of
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, 2022, 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 March 27, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 LLP

March 27, 2023



DANIEL DENNIS & Co
Certified Public Accountants

Independent Auditors' Report on Compliance for a Federal Program and Report on Internal Control Over Compliance

The Board of Directors of
Boston Local Development Corporation

Report on Compliance for the Economic Adjustment Assistance 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 its Economic Adjustment Assistance Program for the year ended June 30, 2022.

In our opinion, BLDC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its Economic Adjustment Assistance Program for the year ended June 30, 2022.

Basis for Opinion on the Economic Adjustment Assistance Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of BLDC and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the Economic Adjustment Assistance Program. Our audit does not provide a legal determination of BLDC's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Economic Adjustment Assistance Program.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on BLDC's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about BLDC's compliance with the requirements of the federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding BLDC's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of BLDC's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 BLDC's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 LLP
March 27, 2023

**SCHEDULE OF FINDINGS
AND QUESTIONED COSTS**

Boston Local Development Corporation
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2022

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no

Federal Awards

Internal control over major programs:		
Material weaknesses identified?	_____ yes	_____ <u>X</u> no
Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	_____ <u>X</u> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with section 200.516(a) of the Uniform Guidance?	_____ yes	_____ <u>X</u> no

Boston Local Development Corporation
Schedule of Findings and Questioned Costs - *Continued*
For the Year Ended June 30, 2022

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

**SCHEDULE OF
PRIOR AUDIT FINDINGS**

Boston Local Development Corporation
Summary Schedule of Prior Year Findings
Year Ended June 30, 2022

There were no unresolved audit findings from the prior year's audit of Boston Local Development Corporation.