



AND 1803 DORCHESTER AVENUE TRUST

**CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2018 AND 2017**

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

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March 31, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors of
Massachusetts Affordable Housing Alliance, Inc.
and 1803 Dorchester Avenue Trust:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Massachusetts Affordable Housing Alliance, Inc. (a Massachusetts corporation, not for profit) and 1803 Dorchester Avenue Trust (a Massachusetts business trust), which comprise the consolidated statements of financial position as of March 31, 2018 and 2017, and the related consolidated statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to on page one present fairly, in all material respects, the consolidated financial position of Massachusetts Affordable Housing Alliance, Inc. and 1803 Dorchester Avenue Trust as of March 31, 2018 and 2017, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

Alexander, Brown, Fenning & Co., P.C.

Boston, Massachusetts
August 6, 2018

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Consolidated Statements of Financial Position
March 31, 2018 and 2017

Assets	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Current Assets:						
Cash	\$ 213,211	\$ 66,334	\$ 279,545	\$ 146,962	\$ 62,826	\$ 209,788
Accounts receivable, less allowance for doubtful accounts of \$2,500	100,437	2,500	102,937	138,182	16,750	154,932
Pledges receivable	30,000	-	30,000	40,000	80,000	120,000
Prepaid expenses and deposits	11,481	-	11,481	11,059	-	11,059
Current portion of due from (to)	(10,000)	10,000	-	(10,000)	10,000	-
Total current assets	345,129	78,834	423,963	326,203	169,576	495,779
Property and Equipment, net	3,853,001	-	3,853,001	3,976,597	-	3,976,597
Restricted Cash	107,603	-	107,603	108,519	-	108,519
Due From (To), net of current portion	(65,000)	65,000	-	(75,000)	75,000	-
Total assets	<u>\$ 4,240,733</u>	<u>\$ 143,834</u>	<u>\$ 4,384,567</u>	<u>\$ 4,336,319</u>	<u>\$ 244,576</u>	<u>\$ 4,580,895</u>
Liabilities and Net Assets						
Current Liabilities:						
Current portion of long-term debt	\$ 76,156	\$ -	\$ 76,156	\$ 75,135	\$ -	\$ 75,135
Accounts payable, accrued expenses and other	51,675	-	51,675	37,333	-	37,333
Total current liabilities	127,831	-	127,831	112,468	-	112,468
Long-Term Debt, net	1,462,845	-	1,462,845	1,536,530	-	1,536,530
Total liabilities	1,590,676	-	1,590,676	1,648,998	-	1,648,998
Net Assets:						
Unrestricted:						
Operating	228,454	-	228,454	213,870	-	213,870
Property and equipment	2,421,603	-	2,421,603	2,473,451	-	2,473,451
Total unrestricted	2,650,057	-	2,650,057	2,687,321	-	2,687,321
Temporarily restricted	-	143,834	143,834	-	244,576	244,576
Total net assets	2,650,057	143,834	2,793,891	2,687,321	244,576	2,931,897
Total liabilities and net assets	<u>\$ 4,240,733</u>	<u>\$ 143,834</u>	<u>\$ 4,384,567</u>	<u>\$ 4,336,319</u>	<u>\$ 244,576</u>	<u>\$ 4,580,895</u>

The accompanying notes are an integral part of these consolidated statements.

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended March 31, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenues:						
Grants and contributions	\$ 290,073	\$ 170,500	\$ 460,573	\$ 263,573	\$ 239,000	\$ 502,573
Program service fees	351,090	-	351,090	430,057	-	430,057
Rental income	52,421	-	52,421	44,937	-	44,937
Donated goods and services	23,400	-	23,400	20,052	-	20,052
Interest and other	1,486	-	1,486	7,876	-	7,876
Net assets released from time restrictions	123,326	(123,326)	-	310,006	(310,006)	-
Net assets released from purpose restrictions	147,916	(147,916)	-	73,250	(73,250)	-
Total operating support and revenues	989,712	(100,742)	888,970	1,149,751	(144,256)	1,005,495
Operating Expenses:						
Program services	668,417	-	668,417	750,762	-	750,762
General and administrative	144,671	-	144,671	124,058	-	124,058
Development	90,292	-	90,292	73,619	-	73,619
Total operating expenses before depreciation	903,380	-	903,380	948,439	-	948,439
Depreciation	123,596	-	123,596	122,188	-	122,188
Total operating expenses	1,026,976	-	1,026,976	1,070,627	-	1,070,627
Changes in net assets	(37,264)	(100,742)	(138,006)	79,124	(144,256)	(65,132)
Net Assets:						
Beginning of year	2,687,321	244,576	2,931,897	2,608,197	388,832	2,997,029
End of year	<u>\$ 2,650,057</u>	<u>\$ 143,834</u>	<u>\$ 2,793,891</u>	<u>\$ 2,687,321</u>	<u>\$ 244,576</u>	<u>\$ 2,931,897</u>

The accompanying notes are an integral part of these consolidated statements.

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUSTConsolidated Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (138,006)	\$ (65,132)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	123,596	122,188
Interest - amortization of debt issuance costs	2,434	2,434
Changes in operating assets and liabilities:		
Accounts receivable	51,995	(64,667)
Pledges receivable	90,000	155,000
Prepaid expenses and deposits	(422)	(5,943)
Accounts payable, accrued expenses and other	14,342	(27,435)
Net cash provided by operating activities	<u>143,939</u>	<u>116,445</u>
Cash Flows from Investing Activities:		
Withdrawals from restricted cash	8,069	11,849
Deposits to and interest earned on restricted cash	(7,153)	(10,328)
Acquisition of property and equipment	-	(11,849)
Net cash provided by (used in) investing activities	<u>916</u>	<u>(10,328)</u>
Cash Flows from Financing Activities:		
Principal payments of long-term debt	(75,098)	(78,433)
Net Change in Cash	69,757	27,684
Cash:		
Beginning of year	<u>209,788</u>	<u>182,104</u>
End of year	<u>\$ 279,545</u>	<u>\$ 209,788</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	<u>\$ 59,535</u>	<u>\$ 46,722</u>

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Consolidated Statements of Functional Expenses
For the Years Ended March 31, 2018 and 2017

	2018				2017			
	Program Services	General and Administrative	Development	Total	Program Services	General and Administrative	Development	Total
Personnel and Related Costs:								
Salaries	\$ 372,988	\$ 61,309	\$ 34,311	\$ 468,608	\$ 387,449	\$ 54,266	\$ 30,213	\$ 471,928
Payroll taxes and employee benefits	118,936	16,059	8,646	143,641	129,094	14,533	8,091	151,718
Total personnel and related costs	491,924	77,368	42,957	612,249	516,543	68,799	38,304	623,646
Outside Services:								
Professional fees	-	35,655	-	35,655	-	34,985	-	34,985
Consultants	28,452	-	-	28,452	94,403	-	-	94,403
Donated goods and services	-	-	23,400	23,400	-	-	20,052	20,052
Total outside services	28,452	35,655	23,400	87,507	94,403	34,985	20,052	149,440
Occupancy:								
Interest expense	55,033	2,990	1,794	59,817	42,905	2,331	1,399	46,635
Maintenance and equipment rental	36,811	8,069	-	44,880	34,715	-	-	34,715
Rent, utilities and other	7,200	6,014	236	13,450	8,028	3,269	2,058	13,355
Total occupancy	99,044	17,073	2,030	118,147	85,648	5,600	3,457	94,705
Other:								
Special events	-	-	20,487	20,487	-	-	10,540	10,540
Office supplies	8,541	4,301	-	12,842	9,673	5,530	-	15,203
Telephone	7,418	724	905	9,047	7,119	694	868	8,681
Insurance	7,036	382	229	7,647	6,860	373	224	7,457
Payroll and merchant fees	-	6,506	-	6,506	-	5,504	-	5,504
Stipends	6,280	-	-	6,280	7,074	-	-	7,074
Miscellaneous	5,917	-	-	5,917	7,180	-	-	7,180
Advertising	4,744	-	-	4,744	4,863	-	-	4,863
Mailing and postage	3,442	228	284	3,954	2,706	139	174	3,019
Meetings and conferences	3,664	-	-	3,664	6,177	-	-	6,177
Interest - amortization of debt issuance costs	-	2,434	-	2,434	-	2,434	-	2,434
Travel	1,955	-	-	1,955	2,516	-	-	2,516
Total other	48,997	14,575	21,905	85,477	54,168	14,674	11,806	80,648
Total operating expenses before depreciation	668,417	144,671	90,292	903,380	750,762	124,058	73,619	948,439
Depreciation	113,708	6,180	3,708	123,596	112,413	6,109	3,666	122,188
Total operating expenses	\$ 782,125	\$ 150,851	\$ 94,000	\$ 1,026,976	\$ 863,175	\$ 130,167	\$ 77,285	\$ 1,070,627

The accompanying notes are an integral part of these consolidated statements.

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Notes to Consolidated Financial Statements
March 31, 2018 and 2017

1. OPERATIONS AND NONPROFIT STATUS

Massachusetts Affordable Housing Alliance, Inc. (MAHA) is a nonprofit organization formed in 1985. MAHA provides homebuyer and homeownership education programs to low and moderate-income consumers in the Boston area, as well as organizing grassroots support for affordable housing and conducting research on important housing issues.

MAHA is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). MAHA is also exempt from state income taxes. Donors may deduct contributions made to MAHA within the IRC requirements.

1803 Dorchester Avenue Trust (the Trust), a Massachusetts business trust, is treated as a disregarded entity for Federal tax purposes. MAHA is the sole member of MAHA LLC, a single-member limited liability company and MAHA LLC owns 100% of the Trust.

2. SIGNIFICANT ACCOUNTING POLICIES

MAHA and the Trust prepare their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Consolidation

The consolidated financial statements include the activities of MAHA and the Trust (collectively, the Agency). MAHA and the Trust are combined for financial reporting purposes as MAHA controls and is financially responsible for the Trust. MAHA owns the land on which the Trust's building is located.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment and Depreciation

Property and equipment are recorded at cost when purchased or at fair value at the time of donation. Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building	40 years
Leasehold improvements	Life of lease
Furniture and fixtures	7 years
Computer and telephone equipment	3 years

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method.

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Notes to Consolidated Financial Statements
March 31, 2018 and 2017

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

The Agency records revenues from unrestricted grants and contributions when received or unconditionally committed. Program service fees are recognized as services are performed. Interest, other income and rental income are recorded as earned.

The Agency reports gifts of cash and other assets as temporarily restricted support, if they are received or unconditionally committed with donor stipulations that limit the use of the donated assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program.

Cash

For the purpose of the consolidated statements of cash flows, cash consists of checking and money market accounts and excludes cash restricted for long-term purposes.

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any.

Donated Goods and Services

For the years ended March 31, 2018 and 2017, the Agency received \$23,400 and \$20,052, respectively, of in-kind goods and services relating primarily to fundraising event activity. These amounts are included in donated goods and services in the accompanying consolidated statements of activities and changes in net assets and functional expenses. The value of these goods and services is reflected in the accompanying consolidated financial statements based upon a value assigned by the donor or a reasonable estimate as determined by management.

Advertising

The Agency expenses advertising costs as they are incurred.

Pledges Receivable

Pledges are recorded at their net present value when unconditionally committed (see Note 7).

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, Income Taxes. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at March 31, 2018 and 2017. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Subsequent Events

Subsequent events have been evaluated through August 6, 2018, which is the date the consolidated financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidated financial statements.

3. NET ASSETS

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions. The Agency has grouped its unrestricted net assets into the following categories:

- **Operating** net assets include amounts which are currently available for operations.
- **Property and equipment** net assets reflect the net book value of the Agency's property and equipment, net of related debt, and also includes restricted cash (see Note 5).

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUSTNotes to Consolidated Financial Statements
March 31, 2018 and 2017

3. NET ASSETS (Continued)**Temporarily Restricted Net Assets**

The Agency receives contributions and grants that are designated by donors for specific purposes. These contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or as time restrictions expire. Temporarily restricted net assets are restricted as follows at March 31:

	<u>2018</u>	<u>2017</u>
Time restricted - event sponsorship	\$ 110,500	\$ 129,000
Purpose restricted	<u>33,334</u>	<u>115,576</u>
	<u>\$ 143,834</u>	<u>\$ 244,576</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 349,343	\$ 349,343
Building	4,145,858	4,145,858
Leasehold improvements	519,049	519,049
Furniture and fixtures	31,362	31,362
Computer and telephone equipment	<u>51,733</u>	<u>51,733</u>
	5,097,345	5,097,345
Less - accumulated depreciation	<u>1,244,344</u>	<u>1,120,748</u>
	<u>\$ 3,853,001</u>	<u>\$ 3,976,597</u>

The Agency reviews the value of its property and equipment for impairment whenever changes in circumstances indicate that the carrying value of such property may not be recoverable in accordance with the standards pertaining to ASC Topic, *Property, Plant and Equipment*, under U.S. GAAP. As of March 31, 2018 and 2017, the Agency has not recognized any reduction in the carrying value of property and equipment under this standard.

5. RESTRICTED CASH**Replacement Reserve**

The Trust is required to maintain a replacement reserve to fund future repairs and replacements to the property and make monthly deposits of approximately \$500 (increasing 3% every January). During fiscal years 2018 and 2017, the Trust obtained approval from the bank to withdraw \$8,069 and \$11,849, respectively, to fund certain repairs and maintenance costs that were incurred. The balance of the replacement reserve at March 31, 2018 and 2017, was \$21,944 and \$23,064, respectively.

Operating Reserve

Pursuant to the first mortgage agreement, the Trust maintains an operating reserve to fund operating deficits. The Trust is not required to make annual deposits into the reserve account. All withdrawals must be approved by the bank. The balance of this account as of March 31, 2018 and 2017, was \$85,659 and \$85,455, respectively.

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Notes to Consolidated Financial Statements
March 31, 2018 and 2017

6. FUNDING

The Agency receives significant program funding from Massachusetts Housing Partnership (MHP). The Agency currently has an agreement with MHP, whereby the Agency provides post-purchase education and counseling and foreclosure prevention services to ONE Mortgage homeowners and others in approximately 100 communities and six counties in eastern Massachusetts. The Agency provides ongoing assistance to these homeowners and is reimbursed on a fee-for-service basis as outlined in the contract. The contract period was set to expire on December 31, 2017, and was renewed to December 31, 2020.

The agreement provides for a “floor” payment to the Agency equal to what the Agency would have earned under the expired contract for previous mortgage closings. The annual floor payments of the contract required for fiscal years 2018 and 2017 were \$81,600 and \$166,500, respectively.

7. PLEDGES RECEIVABLE

One donor comprises 100% and 67% of the pledges receivable at March 31, 2018 and 2017, respectively.

8. LEASE AGREEMENTS

Intercompany Lease Agreements

In 2007, MAHA entered into an agreement with the Trust to lease its land located at 1803 Dorchester Avenue to the Trust and the Trust constructed a building on the land. This agreement commenced in July 2007 and terminates in July 2067. Upon the execution of this agreement, the Trust prepaid the entire rent obligation of \$337,344 to MAHA. The prepaid rent and deferred rental income are being amortized and recognized over the life of the lease on a straight-line basis and is eliminated in the accompanying consolidated financial statements. Rental income under this agreement was \$5,622 for the years ended March 31, 2018 and 2017, which is eliminated in the accompanying consolidated financial statements.

The Trust has entered into an agreement to sublease the building located at 1803 Dorchester Avenue to MAHA for the use of offices, community meeting space, classrooms, and other uses, as defined. The sublease commenced in July 2007 and expires in July 2037. Additionally, MAHA pays real estate taxes and operating expenses based on the square footage of their space. Total expenses under the sublease was \$85,523 and \$85,707 for the years ended March 31, 2018 and 2017, respectively, which is eliminated in the accompanying consolidated financial statements.

Future minimum lease payments under this agreement are as follows:

2019	\$ 80,006
2020	\$ 80,203
2021	\$ 80,405
2022	\$ 80,614
2023	\$ 80,829

Sublease Agreements

MAHA subleases a portion of its leased space to three unrelated nonprofit organizations and two other organizations (the lessees). Each lessee pays MAHA a fixed rent per month, plus its proportionate share of operating expenses, as defined in the agreements. The subleases expire between fiscal year 2019 and fiscal year 2020.

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Notes to Consolidated Financial Statements
March 31, 2018 and 2017

8. LEASE AGREEMENTS (Continued)

Sublease Agreements (Continued)

The future minimum lease receipts under these agreements are as follows:

2019	\$ 10,800
2020	\$ 5,400

9. LONG-TERM DEBT

The Trust

2.06% note payable to Radius Bank, due in monthly principal and interest payments of \$6,122 based on a twenty-year amortization schedule. There was an option to extend the maturity date for five additional years at a rate of 100 basis points over the Federal Home Loan Bank of Boston (FHLB) Classic Advance Rate that expired in June 2017. In July 2017, the Agency exercised the option to extend the note for an additional five years; the new maturity date is June 30, 2022. The new interest rate under this extension is 3.23% and monthly principal and interest payments of \$6,775 commenced in July 2017. This note is guaranteed by MAHA and MAHA LLC and is secured by a first mortgage on the property. Interest expense was \$33,473 and \$23,758 for the years ended March 31, 2018 and 2017, respectively.

<u>2018</u>	<u>2017</u>
\$ 1,067,190	\$ 1,113,871

MAHA

4.15% note payable to Radius Bank, due in monthly principal and interest payments of \$4,317 (based on a fifteen-year amortization schedule) beginning on September 1, 2015, through June 1, 2022. This note expired on June 1, 2017. During fiscal year 2018, MAHA exercised their option to extend the note to June 1, 2022, at a rate of 300 basis points over the FHLB Classic Advance Rate. The new interest rate is 5.23% and monthly principal and interest payments of \$4,605 commenced in July 2017. This note is secured by all existing and future pledges and assignment of all agreements, contracts, pledges, grants, contributions, donations, and similar arrangements relating to funds contributed to MAHA, and is guaranteed by MAHA LLC and the Trust. Interest expense was \$26,344 and \$22,877 for the years ended March 31, 2018 and 2017, respectively.

	<u>501,832</u>	<u>530,249</u>
	1,569,022	1,644,120
Less - current portion	76,156	75,135
Less - unamortized debt issuance costs	<u>30,021</u>	<u>32,455</u>
	<u>\$ 1,462,845</u>	<u>\$ 1,536,530</u>

MASSACHUSETTS AFFORDABLE HOUSING ALLIANCE, INC. AND 1803 DORCHESTER AVENUE TRUST

Notes to Consolidated Financial Statements
March 31, 2018 and 2017

9. LONG-TERM DEBT (Continued)

Future minimum payments and amortization of debt issuance costs relating to long-term debt are as follows:

	<u>Principal Payments</u>	<u>Amortization of Debt Issuance Costs</u>
2019	\$ 76,156	\$ 2,434
2020	\$ 79,154	\$ 2,434
2021	\$ 82,589	\$ 2,434
2022	\$ 86,023	\$ 2,434
2023	\$ 1,245,100	\$ 20,285

Debt issuance costs are being amortized over the terms of the related long-term debt and are shown net of accumulated imputed interest of \$6,491 and \$4,057 as of March 31, 2018 and 2017, respectively. Net debt issuance costs are reported in the accompanying consolidated statements of financial position as a direct reduction to the face amount of related long-term debt (see Note 2).

The note payable agreements contain various covenants with which the Agency must comply. All covenants have been met or waived as of March 31, 2018 and 2017.

10. LINE OF CREDIT

MAHA has a \$50,000 line of credit agreement with a bank, which expires on October 30, 2018. Interest is at the *Wall Street Journal's* prime rate (4.75% and 4.0% as of March 31, 2018 and 2017, respectively) and principal is due on demand. The line of credit is secured by all business assets and is renewed annually. As of March 31, 2018 and 2017, there was no outstanding balance.

11. RETIREMENT PLAN

All of MAHA's employees who work at least 20 hours per week are eligible to participate in an IRC Section 403(b) Tax Deferred Annuity Plan (the Plan). Payments are made by participating employees in the form of voluntary salary reductions. MAHA has the option to make discretionary contributions to the Plan. MAHA did not make any contributions to the Plan for the years ended March 31, 2018 and 2017.

12. CONCENTRATION OF CREDIT

The Agency maintains its cash balances in four Massachusetts banks and is insured within the limits of the Federal Deposit Insurance Corporation. At certain times during the year, cash balances exceeded the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on its cash.