



**AND 1803 DORCHESTER AVENUE TRUST**

**CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2019 AND 2018**

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

Contents  
March 31, 2019 and 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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 12, 2019

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

Consolidated Statements of Financial Position  
March 31, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
Current Assets:						
Cash	\$ 148,778	\$ 270,581	\$ 419,359	\$ 213,211	\$ 66,334	\$ 279,545
Accounts receivable, less allowance for doubtful accounts of \$2,500	82,849	2,500	85,349	100,437	2,500	102,937
Current portion of pledges receivable	40,000	156,127	196,127	30,000	-	30,000
Prepaid expenses and deposits	18,965	-	18,965	11,481	-	11,481
Current portion of due from (to)	(10,000)	10,000	-	(10,000)	10,000	-
Total current assets	280,592	439,208	719,800	345,129	78,834	423,963
Pledges receivable, net of current portion	-	159,690	159,690	-	-	-
Property and Equipment, net	3,729,472	-	3,729,472	3,853,001	-	3,853,001
Restricted Cash	109,351	-	109,351	107,603	-	107,603
Due From (To), net of current portion	(55,000)	55,000	-	(65,000)	65,000	-
Total assets	<u>\$ 4,064,415</u>	<u>\$ 653,898</u>	<u>\$ 4,718,313</u>	<u>\$ 4,240,733</u>	<u>\$ 143,834</u>	<u>\$ 4,384,567</u>
<b>Liabilities and Net Assets</b>						
Current Liabilities:						
Current portion of long-term debt	\$ 79,154	\$ -	\$ 79,154	\$ 76,156	\$ -	\$ 76,156
Accounts payable, accrued expenses and other	60,449	-	60,449	51,675	-	51,675
Total current liabilities	139,603	-	139,603	127,831	-	127,831
Long-Term Debt, net	1,386,159	-	1,386,159	1,462,845	-	1,462,845
Total liabilities	<u>1,525,762</u>	<u>-</u>	<u>1,525,762</u>	<u>1,590,676</u>	<u>-</u>	<u>1,590,676</u>
Net Assets:						
Without donor restrictions:						
Operating	165,143	-	165,143	228,454	-	228,454
Property and equipment	2,373,510	-	2,373,510	2,421,603	-	2,421,603
Total without donor restrictions	2,538,653	-	2,538,653	2,650,057	-	2,650,057
With donor restrictions	-	653,898	653,898	-	143,834	143,834
Total net assets	<u>2,538,653</u>	<u>653,898</u>	<u>3,192,551</u>	<u>2,650,057</u>	<u>143,834</u>	<u>2,793,891</u>
Total liabilities and net assets	<u>\$ 4,064,415</u>	<u>\$ 653,898</u>	<u>\$ 4,718,313</u>	<u>\$ 4,240,733</u>	<u>\$ 143,834</u>	<u>\$ 4,384,567</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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Support and Revenues:</b>						
Grants and contributions	\$ 318,318	\$ 758,500	\$ 1,076,818	\$ 290,073	\$ 170,500	\$ 460,573
Program service fees	355,770	-	355,770	351,090	-	351,090
Rental income	51,404	-	51,404	52,421	-	52,421
Donated goods and services	22,981	-	22,981	23,400	-	23,400
Interest and other	2,799	-	2,799	1,486	-	1,486
Net assets released from time restrictions	47,500	(47,500)	-	123,326	(123,326)	-
Net assets released from purpose restrictions	200,936	(200,936)	-	147,916	(147,916)	-
Total operating support and revenues	999,708	510,064	1,509,772	989,712	(100,742)	888,970
<b>Operating Expenses:</b>						
Program services	718,164	-	718,164	668,417	-	668,417
General and administrative	177,587	-	177,587	144,671	-	144,671
Development	91,832	-	91,832	90,292	-	90,292
Total operating expenses before depreciation	987,583	-	987,583	903,380	-	903,380
Depreciation	123,529	-	123,529	123,596	-	123,596
Total operating expenses	1,111,112	-	1,111,112	1,026,976	-	1,026,976
Changes in net assets	(111,404)	510,064	398,660	(37,264)	(100,742)	(138,006)
<b>Net Assets:</b>						
Beginning of year	2,650,057	143,834	2,793,891	2,687,321	244,576	2,931,897
End of year	<u>\$ 2,538,653</u>	<u>\$ 653,898</u>	<u>\$ 3,192,551</u>	<u>\$ 2,650,057</u>	<u>\$ 143,834</u>	<u>\$ 2,793,891</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 Cash Flows  
For the Years Ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 398,660	\$ (138,006)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	123,529	123,596
Interest - amortization of debt issuance costs	2,434	2,434
Changes in operating assets and liabilities:		
Accounts receivable	17,588	51,995
Pledges receivable	(325,817)	90,000
Prepaid expenses and deposits	(7,484)	(422)
Accounts payable, accrued expenses and other	8,774	14,342
Net cash provided by operating activities	<u>217,684</u>	<u>143,939</u>
<b>Cash Flows from Investing Activities:</b>		
Withdrawals from restricted cash	4,624	8,069
Deposits to and interest earned on restricted cash	<u>(6,372)</u>	<u>(7,153)</u>
Net cash provided by (used in) investing activities	<u>(1,748)</u>	<u>916</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments of long-term debt	<u>(76,122)</u>	<u>(75,098)</u>
<b>Net Change in Cash</b>	139,814	69,757
<b>Cash:</b>		
Beginning of year	<u>279,545</u>	<u>209,788</u>
End of year	<u>\$ 419,359</u>	<u>\$ 279,545</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 59,940</u>	<u>\$ 59,817</u>

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

Consolidated Statements of Functional Expenses  
For the Years Ended March 31, 2019 and 2018

	2019				2018			
	Program Services	General and Administrative	Development	Total	Program Services	General and Administrative	Development	Total
<b>Personnel and Related Costs:</b>								
Salaries	\$ 407,597	\$ 62,589	\$ 34,415	\$ 504,601	\$ 372,988	\$ 61,309	\$ 34,311	\$ 468,608
Payroll taxes and employee benefits	120,960	16,217	8,733	145,910	118,936	16,059	8,646	143,641
Total personnel and related costs	528,557	78,806	43,148	650,511	491,924	77,368	42,957	612,249
<b>Outside Services:</b>								
Professional fees	-	70,192	-	70,192	-	35,655	-	35,655
Consultants	31,781	-	-	31,781	28,452	-	-	28,452
Donated goods and services	-	902	22,079	22,981	-	-	23,400	23,400
Total outside services	31,781	71,094	22,079	124,954	28,452	35,655	23,400	87,507
<b>Occupancy:</b>								
Interest expense	56,348	1,798	1,794	59,940	55,033	2,990	1,794	59,817
Maintenance and equipment rental	40,067	4,623	-	44,690	36,811	8,069	-	44,880
Rent, utilities and other	9,108	6,119	297	15,524	7,200	6,014	236	13,450
Total occupancy	105,523	12,540	2,091	120,154	99,044	17,073	2,030	118,147
<b>Other:</b>								
Office supplies	12,058	5,706	-	17,764	8,541	4,301	-	12,842
Special events	-	-	16,365	16,365	-	-	20,487	20,487
Meetings and conferences	13,228	-	-	13,228	3,664	-	-	3,664
Telephone	7,639	745	932	9,316	7,418	724	905	9,047
Insurance	223	371	6,826	7,420	7,036	382	229	7,647
Stipends	7,407	-	-	7,407	6,280	-	-	6,280
Mailing and postage	5,049	313	391	5,753	3,442	228	284	3,954
Payroll and merchant fees	-	5,578	-	5,578	-	6,506	-	6,506
Travel	3,708	-	-	3,708	1,955	-	-	1,955
Advertising	2,441	-	-	2,441	4,744	-	-	4,744
Interest - amortization of debt issuance costs	-	2,434	-	2,434	-	2,434	-	2,434
Miscellaneous	550	-	-	550	5,917	-	-	5,917
Total other	52,303	15,147	24,514	91,964	48,997	14,575	21,905	85,477
Total operating expenses before depreciation	718,164	177,587	91,832	987,583	668,417	144,671	90,292	903,380
<b>Depreciation</b>	113,647	6,176	3,706	123,529	113,708	6,180	3,708	123,596
Total operating expenses	<u>\$ 831,811</u>	<u>\$ 183,763</u>	<u>\$ 95,538</u>	<u>\$ 1,111,112</u>	<u>\$ 782,125</u>	<u>\$ 150,851</u>	<u>\$ 94,000</u>	<u>\$ 1,026,976</u>

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, 2019 and 2018

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### 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.

During January 2019, MAHA implemented a new program called S.T.A.S.H. with collaboration from The Midas Collaborative, Inc. (Midas). Under the S.T.A.S.H. program, MAHA will enroll first-generation homebuyers in a monthly match-savings club and provide them a 1:1 match up to \$2,000 for down payment. MAHA will prepare program participants for homeownership through training programs. Midas agrees to fund this program with \$20,000 initially and up to \$150,000 by the end of the program on December 31, 2022.

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. MAHA LLC has no activity. All intercompany transactions and balances have been eliminated in the consolidation.

#### Recently Adopted Accounting Pronouncement

In fiscal year 2019, the Agency adopted FASB's Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses. The Agency has adjusted the presentation of these consolidated statements accordingly. The adoption of this ASU did not impact the Agency's net asset classes, results of operations, or cash flows for the year ended March 31, 2019. This ASU has been applied retrospectively to all periods presented. This ASU provides an option to omit the following information for the 2018 consolidated financial statements:

- Qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date (see Note 13).

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

Notes to Consolidated Financial Statements  
March 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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

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, 2019 and 2018, the Agency has not recognized any reduction in the carrying value of property and equipment under this standard.

#### 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.

#### Revenue Recognition

The Agency reports grants and contributions when received or unconditionally committed by the donor as net assets without donor restrictions and net assets with donor restrictions, depending on the existence and nature of any donor restrictions. When a donor 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 consolidated statements of activities and changes in net assets as net assets released from restrictions.

Program service fees are recognized as services are performed. Interest, other income and rental income are recorded as earned.

#### 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.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation and benefits, which are allocated on the basis of estimates of time and effort; occupancy costs and depreciation, which are allocated on a square footage basis; and supplies and telephone costs, which are allocated based on usage studies conducted annually.

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

Notes to Consolidated Financial Statements  
March 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, 2019 and 2018, the Agency received \$22,981 and \$23,400, 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, 2019 and 2018. The Agency's information returns are subject to examination by the Federal and state jurisdictions.

#### 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.

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

Notes to Consolidated Financial Statements  
March 31, 2019 and 2018

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Fair Value Measurements (Continued)

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. All qualifying assets and liabilities are valued at level 1.

#### Subsequent Events

Subsequent events have been evaluated through August 12, 2019, 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

#### Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions. The Agency has grouped its net assets without donor restrictions 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).

#### Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Purpose restricted	\$ 552,898	\$ 33,334
Time restricted - event sponsorship and general support	<u>101,000</u>	<u>110,500</u>
	<u>\$ 653,898</u>	<u>\$ 143,834</u>

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

Notes to Consolidated Financial Statements  
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### 4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2019</u>	<u>2018</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>1,367,873</u>	<u>1,244,344</u>
	<u>\$ 3,729,472</u>	<u>\$ 3,853,001</u>

### 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 2019 and 2018, the Trust obtained approval from the bank to withdraw \$4,624 and \$8,069, respectively, to fund certain repairs and maintenance costs that were incurred. The balance of the replacement reserve at March 31, 2019 and 2018, was \$23,391 and \$21,944, 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, 2019 and 2018, was \$85,960 and \$85,659, respectively.

### 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 expires on 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 year 2018 was \$81,600. The Agency no longer received the "floor" payment in 2019.

### 7. PLEDGES RECEIVABLE

One donor comprises 89% and 100% of the pledges receivable at March 31, 2019 and 2018, respectively.

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

Notes to Consolidated Financial Statements  
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### 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, 2019 and 2018, 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 \$87,616 and \$85,523 for the years ended March 31, 2019 and 2018, respectively, which is eliminated in the accompanying consolidated financial statements.

Future minimum lease payments under this agreement are as follows:

2020	\$ 80,203
2021	\$ 80,405
2022	\$ 80,614
2023	\$ 80,829
2024	\$ 81,050

#### Sublease Agreements

MAHA subleases a portion of its leased space to two organizations (the lessees). Each lessee pays MAHA a fixed rent per month, plus its proportionate share of operating expenses, as defined in the agreements. Sublease income is included in rental income in the accompanying consolidated statement of activities and changes in net assets for the year ended March 31, 2019 and 2018. The subleases expire during fiscal year 2020. Future lease payments for fiscal year 2020 is \$5,400.

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

Notes to Consolidated Financial Statements  
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**9. LONG-TERM DEBT**

<b>The Trust</b>	<u>2019</u>	<u>2018</u>
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 28, 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 \$34,175 and \$33,473 for the years ended March 31, 2019 and 2018, respectively.	\$ 1,020,415	\$ 1,067,190

**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, 2017. 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 \$25,783 and \$26,344 for the years ended March 31, 2019 and 2018, respectively.	<u>472,485</u> <u>1,492,900</u>	<u>501,832</u> <u>1,569,022</u>
Less - current portion	79,154	76,156
Less - unamortized debt issuance costs	<u>27,587</u>	<u>30,021</u>
	<u>\$ 1,386,159</u>	<u>\$ 1,462,845</u>

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>
2020	\$ 79,154	\$ 2,434
2021	\$ 82,589	\$ 2,434
2022	\$ 86,023	\$ 2,434
2023	\$ 89,607	\$ 2,434
2024	\$ 1,155,527	\$ 15,417

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

Notes to Consolidated Financial Statements  
March 31, 2019 and 2018

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### 9. LONG-TERM DEBT (Continued)

Debt issuance costs are being amortized over the terms of the related long-term debt and are shown net of accumulated imputed interest of \$8,925 and \$6,491 as of March 31, 2019 and 2018, 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, 2019 and 2018.

### 10. LINE OF CREDIT

MAHA has a \$50,000 line of credit agreement with a bank, which expires on October 30, 2019. Interest is at the *Wall Street Journal's* prime rate (5.75% and 4.75% as of March 31, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018.

### 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.

### 13. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The financial assets available for use by the Agency within one year from the consolidated statements of financial position date, comprise the following at March 31, 2019:

Cash	\$ 419,359
Accounts receivable	85,349
Pledges receivable	<u>196,127</u>
Subtotal	700,835
Less:	
Donor restricted cash	(270,581)
Donor restricted accounts receivable	(2,500)
Donor restricted pledge	<u>(156,127)</u>
Total	<u>\$ 271,627</u>

The Agency's financial assets are available for use to cover its obligations as they become due. As of March 31, 2019, the Agency has financial assets equal to approximately three months of operating expenses excluding financial assets with donor restrictions. MAHA also has a \$50,000 line of credit (see Note 10) as well as an operating reserve account (see Note 5) that can be utilized to fund obligations as they become due.