



**AND 1803 DORCHESTER AVENUE TRUST**

**CONSOLIDATED FINANCIAL STATEMENTS  
MARCH 31, 2016 AND 2015**

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

Contents  
March 31, 2016 and 2015

---

	<u>Pages</u>
<b>Independent Auditor’s Report</b> .....	1 - 1A
<b>Consolidated Financial Statements:</b>	
Consolidated Statements of Financial Position .....	2
Consolidated Statements of Activities and Changes in Net Assets .....	3
Consolidated Statements of Cash Flows .....	4
Consolidated Statements of Functional Expenses .....	5
Notes to Consolidated Financial Statements .....	6 - 14



21 East Main Street  
Westborough, MA 01581  
508.366.9100  
aafcpcpa.com

## 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, 2016 and 2015, 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, 2016 and 2015, 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 1, 2016

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

Consolidated Statements of Financial Position  
March 31, 2016 and 2015

<b>Assets</b>	<b>2016</b>			<b>2015</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Current Assets:</b>						
Cash	\$ 123,272	\$ 58,832	\$ 182,104	\$ 145,798	\$ 60,916	\$ 206,714
Accounts receivable, less allowance for doubtful accounts of \$2,500	90,265	-	90,265	154,141	2,000	156,141
Pledges receivable	40,000	235,000	275,000	2,500	30,000	32,500
Prepaid expenses and deposits	5,116	-	5,116	13,378	-	13,378
Due from (to)	(10,000)	10,000	-	-	-	-
Total current assets	248,653	303,832	552,485	315,817	92,916	408,733
Property and Equipment, net	4,086,936	-	4,086,936	4,210,870	-	4,210,870
Restricted Cash	110,040	-	110,040	122,590	-	122,590
Financing Fees, net	34,889	-	34,889	-	-	-
Due from (to), net of current portion	(85,000)	85,000	-	-	-	-
Total assets	<u>\$ 4,395,518</u>	<u>\$ 388,832</u>	<u>\$ 4,784,350</u>	<u>\$ 4,649,277</u>	<u>\$ 92,916</u>	<u>\$ 4,742,193</u>
<b>Liabilities and Net Assets</b>						
<b>Current Liabilities:</b>						
Accounts payable, accrued expenses and other	\$ 64,768	\$ -	\$ 64,768	\$ 66,127	\$ -	\$ 66,127
Current portion of long-term debt	78,649	-	78,649	162,348	-	162,348
Total current liabilities	143,417	-	143,417	228,475	-	228,475
Long-Term Debt, net of current portion	1,643,904	-	1,643,904	2,935,627	-	2,935,627
Total liabilities	1,787,321	-	1,787,321	3,164,102	-	3,164,102
<b>Net Assets:</b>						
<b>Unrestricted:</b>						
Operating	185,941	-	185,941	249,690	-	249,690
Property and equipment	2,422,256	-	2,422,256	1,235,485	-	1,235,485
Total unrestricted	2,608,197	-	2,608,197	1,485,175	-	1,485,175
Temporarily restricted	-	388,832	388,832	-	92,916	92,916
Total net assets	2,608,197	388,832	2,997,029	1,485,175	92,916	1,578,091
Total liabilities and net assets	<u>\$ 4,395,518</u>	<u>\$ 388,832</u>	<u>\$ 4,784,350</u>	<u>\$ 4,649,277</u>	<u>\$ 92,916</u>	<u>\$ 4,742,193</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, 2016 and 2015

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Operating Support and Revenues:</b>						
Grants and contributions	\$ 203,082	\$ 722,613	\$ 925,695	\$ 138,216	\$ 204,000	\$ 342,216
Program service fees	356,496	-	356,496	381,864	-	381,864
Rental income	47,904	-	47,904	46,254	-	46,254
Donated goods and services	19,331	-	19,331	21,471	-	21,471
Interest and other	4,289	-	4,289	10,383	-	10,383
Net assets released from purpose restrictions	331,697	(331,697)	-	352,997	(352,997)	-
Net assets released from time restrictions	95,000	(95,000)	-	50,000	(50,000)	-
Total operating support and revenues	<u>1,057,799</u>	<u>295,916</u>	<u>1,353,715</u>	<u>1,001,185</u>	<u>(198,997)</u>	<u>802,188</u>
<b>Operating Expenses:</b>						
Program services	782,602	-	782,602	708,717	-	708,717
General and administrative	157,321	-	157,321	143,778	-	143,778
Development	82,394	-	82,394	73,406	-	73,406
Total operating expenses before depreciation and amortization	<u>1,022,317</u>	<u>-</u>	<u>1,022,317</u>	<u>925,901</u>	<u>-</u>	<u>925,901</u>
<b>Depreciation and Amortization</b>	<u>125,557</u>	<u>-</u>	<u>125,557</u>	<u>126,702</u>	<u>-</u>	<u>126,702</u>
Total operating expenses	<u>1,147,874</u>	<u>-</u>	<u>1,147,874</u>	<u>1,052,603</u>	<u>-</u>	<u>1,052,603</u>
Changes in net assets from operations	<u>(90,075)</u>	<u>295,916</u>	<u>205,841</u>	<u>(51,418)</u>	<u>(198,997)</u>	<u>(250,415)</u>
<b>Non-Operating Revenue (Expense):</b>						
Forgiveness of debt	1,213,097	-	1,213,097	-	-	-
Interest expense	-	-	-	(32,521)	-	(32,521)
Total non-operating revenue (expense)	<u>1,213,097</u>	<u>-</u>	<u>1,213,097</u>	<u>(32,521)</u>	<u>-</u>	<u>(32,521)</u>
Changes in net assets	<u>1,123,022</u>	<u>295,916</u>	<u>1,418,938</u>	<u>(83,939)</u>	<u>(198,997)</u>	<u>(282,936)</u>
<b>Net Assets:</b>						
Beginning of year	<u>1,485,175</u>	<u>92,916</u>	<u>1,578,091</u>	<u>1,569,114</u>	<u>291,913</u>	<u>1,861,027</u>
End of year	<u>\$ 2,608,197</u>	<u>\$ 388,832</u>	<u>\$ 2,997,029</u>	<u>\$ 1,485,175</u>	<u>\$ 92,916</u>	<u>\$ 1,578,091</u>

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

Consolidated Statements of Cash Flows  
For the Years Ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ 1,418,938	\$ (282,936)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	125,557	126,702
Forgiveness of debt	(1,213,097)	-
Debt converted to restricted contribution	(105,000)	-
Changes in operating assets and liabilities:		
Accounts receivable	65,876	(29,107)
Pledges receivable	(242,500)	217,500
Prepaid expenses and deposits	8,262	(5,833)
Accounts payable, accrued expenses and other	(1,359)	9,510
	<u>56,677</u>	<u>35,836</u>
<b>Cash Flows from Investing Activities:</b>		
Withdrawals from restricted cash	14,750	8,221
Deposits to and interest earned on restricted cash	(2,200)	(5,981)
Cash paid for financing fees	(36,512)	-
	<u>(23,962)</u>	<u>2,240</u>
<b>Cash Flows from Financing Activities:</b>		
Principal payments of long-term debt	(57,325)	(11,065)
<b>Net Change in Cash</b>	(24,610)	27,011
<b>Cash:</b>		
Beginning of year	<u>206,714</u>	<u>179,703</u>
End of year	<u>\$ 182,104</u>	<u>\$ 206,714</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid for interest	<u>\$ 46,293</u>	<u>\$ 32,521</u>

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

Consolidated Statements of Functional Expenses  
For the Years Ended March 31, 2016 and 2015

	2016				2015			
	Program Services	General and Administrative	Development	Total	Program Services	General and Administrative	Development	Total
<b>Personnel and Related Costs:</b>								
Salaries	\$ 433,322	\$ 63,341	\$ 30,373	\$ 527,036	\$ 381,968	\$ 64,066	\$ 28,419	\$ 474,453
Payroll taxes and employee benefits	138,760	15,986	7,666	162,412	129,049	19,580	7,201	155,830
Total personnel and related costs	572,082	79,327	38,039	689,448	511,017	83,646	35,620	630,283
<b>Outside Services:</b>								
Professional fees	-	58,259	-	58,259	-	30,417	-	30,417
Consultants	50,588	-	-	50,588	24,275	-	-	24,275
Donated goods and services	-	-	19,331	19,331	-	-	21,471	21,471
Total outside services	50,588	58,259	19,331	128,178	24,275	30,417	21,471	76,163
<b>Occupancy:</b>								
Interest expense	61,574	3,346	2,008	66,928	88,329	4,800	2,880	96,009
Maintenance and equipment rental	30,132	4,949	-	35,081	34,283	8,221	-	42,504
Rent, utilities and other	12,981	705	423	14,109	7,983	6,069	275	14,327
Total occupancy	104,687	9,000	2,431	116,118	130,595	19,090	3,155	152,840
<b>Other:</b>								
Special events	-	-	21,211	21,211	-	-	8,633	8,633
Office supplies	12,285	2,547	-	14,832	10,818	1,550	-	12,368
Telephone	6,338	618	773	7,729	6,655	578	656	7,889
Insurance	6,792	369	221	7,382	6,908	376	225	7,509
Payroll and merchant fees	-	6,891	-	6,891	-	8,065	-	8,065
Stipends	6,672	-	-	6,672	5,217	-	-	5,217
Travel	5,954	-	-	5,954	3,005	-	-	3,005
Mailing and postage	4,981	310	388	5,679	4,359	56	2,919	7,334
Miscellaneous	4,438	-	-	4,438	525	-	-	525
Meetings and conferences	4,420	-	-	4,420	2,974	-	-	2,974
Advertising	3,365	-	-	3,365	2,369	-	727	3,096
Total other	55,245	10,735	22,593	88,573	42,830	10,625	13,160	66,615
Total operating expenses before depreciation and amortization	782,602	157,321	82,394	1,022,317	708,717	143,778	73,406	925,901
<b>Depreciation and Amortization</b>	115,512	6,278	3,767	125,557	116,566	6,335	3,801	126,702
Total operating expenses	<u>\$ 898,114</u>	<u>\$ 163,599</u>	<u>\$ 86,161</u>	<u>\$ 1,147,874</u>	<u>\$ 825,283</u>	<u>\$ 150,113</u>	<u>\$ 77,207</u>	<u>\$ 1,052,603</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, 2016 and 2015

---

**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 partnership for Federal tax purposes and is classified as a qualified active low-income community business, as defined in Treasury Reg. 1.45D-1(d)(5). During fiscal year 2016, St. Mark's Area Main Streets transferred its 21% ownership interest in the Trust to MAHA LLC, a newly formed single-member limited liability company. MAHA is the sole member of MAHA LLC. This resulted in MAHA having a 100% ownership interest in the Trust.

During fiscal year 2015, MAHA and the Trust unwound the NMTC financing of the building (see Note 7). In connection of the unwind, some of the long term debt was forgiven and other debt was refinanced (see Note 10). The unwind also included transferred of St. Mark's Area Main Street's ownership interest in the Trust (see above).

**2. SIGNIFICANT ACCOUNTING POLICIES**

MAHA and the Trust prepare their consolidated financial statements in accordance with generally accepted accounting standards and principles 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 (see Note 7).

**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

Depreciation expense for the years ended March 31, 2016 and 2015, was \$125,557 and \$126,702, respectively.

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

---

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Financing Fees**

Financing fees, net consist of legal and other costs totaling \$36,512 for the year ended March 31, 2016, incurred in connection with the refinancing of long-term debt (see Note 10). These costs have been capitalized and are being amortized on the straight-line method over the term of the loan agreement. Accumulated amortization and amortization expense as of and for the year ended March 31, 2016, was \$1,623. Amortization expense for the next five years is expected to be \$2,434 per year.

**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.

**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.

**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, 2016 and 2015, the Agency received \$19,331 and \$21,471, 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.

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

---

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 8).

**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, 2016 and 2015. The Agency's income tax returns are subject to examination by the appropriate taxing jurisdiction.

**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.

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

---

**2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Consolidated Statements of Activities and Changes in Net Assets**

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating support and revenue and operating expenses on the accompanying consolidated statements of activities and changes in net assets. Peripheral or incidental transactions are reported as non-operating revenue (expense). Non-operating revenue (expense), consistent with industry practice, includes forgiveness of debt and interest expense other than interest expense related to occupancy (see Note 10).

**Subsequent Events**

Subsequent events have been evaluated through August 1, 2016, 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 13).

**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>2016</u>	<u>2015</u>
Purpose restricted	\$ 293,832	\$ 92,916
Time restricted - Sponsorship	<u>95,000</u>	<u>-</u>
	<u>\$ 388,832</u>	<u>\$ 92,916</u>

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

---

**4. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at March 31:

	<u>2016</u>	<u>2015</u>
Land	\$ 349,343	\$ 349,343
Building	4,145,858	4,145,858
Leasehold improvements	507,200	507,200
Furniture and fixtures	31,362	31,362
Computer and telephone equipment	<u>51,733</u>	<u>51,733</u>
	5,085,496	5,085,496
Less - accumulated depreciation	<u>998,560</u>	<u>874,626</u>
	<u>\$ 4,086,936</u>	<u>\$ 4,210,870</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, 2016 and 2015, the Agency has not recognized any reduction in the carrying value of property and equipment under this standard.

**5. 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.

**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, 2016, with one additional three-year renewal term, which is subject to satisfactory performance and compliance with contract terms.

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 2016 and 2015 were \$172,366 and \$189,964, respectively.

**7. LAND AND BUILDING**

On July 2, 2007, MAHA acquired land and a building located at 1803 Dorchester Avenue for \$340,000. Subsequent to the closing, the building was demolished and the Trust constructed a new building. MAHA retained ownership of the land and the new building is owned by the Trust. MAHA leases the land at 1803 Dorchester Avenue to the Trust under a sixty-year lease. The Trust leases space in the building to MAHA under a thirty-year lease (see Note 9).

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

---

**7. LAND AND BUILDING (Continued)**

The Trust obtained project financing through Massachusetts Housing Investment Corporation (MHIC), MAHA and various financial institutions (see Note 10). The loans contain various terms and conditions, including the availability of New Markets Tax Credits (NMTC) under Section 45D of the IRC.

As part of the project NMTC financing, MAHA loaned \$2,236,851 to a fund controlled by MHIC (MHIC New Markets Fund III, LLC, the Fund). In return, the Fund made an equity investment in Series 4 of MHIC New Markets CDE III, LLC (the CDE) and the CDE, using the proceeds of the equity investment, made three loans totaling \$4,649,948 to the Trust (see Note 10). On July 30, 2015, in connection with the NMTC financing unwind, MAHA agreed to release the Fund's obligation to repay the entire outstanding loan balance in exchange for the CDE's assignment of its \$2,236,851 note receivable from the Trust to MAHA (see Note 10).

**8. PLEDGES RECEIVABLE**

One donor comprises 73% and 77% of the pledges receivable at March 31, 2016 and 2015, respectively.

**9. 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 (see Note 7). 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. Rental income under this agreement was \$5,622 for the years ended March 31, 2016 and 2015, which is eliminated in the accompanying consolidated financial statements.

In 2007, the Trust 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 term began in July 2007. MAHA occupied the space and began paying rent in August 2008. MAHA pays the Trust a fixed rent through July 2037. Additionally, MAHA pays real estate taxes and operating expenses based on the square footage of their space. MAHA incurred rent expense from the sublease of \$86,924 and \$101,832 for the years ended March 31, 2016 and 2015, respectively, which is eliminated in the accompanying consolidated financial statements.

Subsequent to June 30, 2016, MAHA and the Trust modified the agreement to adjust the annual fixed rent payments through July 2037. The terms for additional rent for taxes and operating expenses remain the same.

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

**9. LEASE AGREEMENTS (Continued)**

**Sublease Agreements**

During fiscal years 2016 and 2015, MAHA sublet 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.

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

2017	\$ 10,800
2018	\$ 10,800
2019	\$ 10,800
2020	\$ 5,400

**10. LONG-TERM DEBT**

**The Trust**

	<u>2016</u>	<u>2015</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 is 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 expires in June 2017. This note is guaranteed by MAHA and MAHA LLC and is secured by a first mortgage on the property. This note matures on June 30, 2022. Prior to July 30, 2015 (refinance date), this note bore interest at 5.0% and was due in monthly interest-only payments through May 31, 2015. In connection with the NMTC financing unwind, the note was assigned from the CDE to Radius Bank (see page 12).	\$ 1,163,481	\$ 1,200,000
2.0% note payable to the CDE, compounded annually, maturing on June 30, 2037. No payments of principal and interest were required until maturity. At maturity, the entire outstanding principal balance, together with all accrued and unpaid interest, fees, costs, and other charges were to be paid in full. This note was guaranteed by MAHA and secured by a third mortgage on the property. On July 30, 2015, in connection with the NMTC financing unwind, the CDE assigned all of its rights under this note to MAHA in full satisfaction of MAHA's note receivable from the Fund (see Note 7). MAHA's Board of Directors voted and approved for MAHA to forgive this note.	-	2,236,851
2.86% note payable to the CDE, through the maturity date of June 30, 2037. Monthly payments of interest-only were due beginning on November 1, 2008. The note was secured by a second mortgage on the property. On July 30, 2015, in connection with the NMTC financing unwind, the CDE forgave the entire outstanding loan balance.	<u>-</u>	<u>1,213,097</u>
Total - the Trust	<u>1,163,481</u>	<u>4,649,948</u>

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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

**10. LONG-TERM DEBT (Continued)**

<b>MAHA</b>	<u><b>2016</b></u>	<u><b>2015</b></u>
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. There is an option to extend the maturity date for five additional years at a rate of 300 basis points over the FHLB Classic Advance Rate that expires in June 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. Prior to July 30, 2015 (refinance date), this note bore interest at 5.5% and was due in monthly principal and interest payments of \$3,713 through May 31, 2015.	559,072	579,878
Non-interest bearing unsecured note payable to a contractor, payable over five years in equal installments of \$35,000 beginning May 1, 2009 (see Note 7). During fiscal year 2016, the contractor converted the remaining balance of \$105,000 as a sponsorship donation at the \$10,000 level to the Agency's annual fundraising event over an eleven-year period. This amount is shown as due from (to) and included in temporarily restricted net assets on the accompanying consolidated statement of financial position.	-	105,000
Total - MAHA	<u>559,072</u>	<u>684,878</u>
	1,722,553	5,334,826
Less - current portion	78,649	162,348
Less - elimination	<u>-</u>	<u>2,236,851</u>
	<u>\$ 1,643,904</u>	<u>\$ 2,935,627</u>

Future minimum payments of long-term debt are as follows:

2017	\$ 78,649
2018	\$ 80,939
2019	\$ 83,303
2020	\$ 85,640
2021	\$ 88,267

Total interest incurred for the years ended March 31, 2016 and 2015, was as follows:

	<u><b>2016</b></u>			<u><b>2015</b></u>		
	<u><b>MAHA</b></u>	<u><b>The Trust</b></u>	<u><b>Total</b></u>	<u><b>MAHA</b></u>	<u><b>The Trust</b></u>	<u><b>Total</b></u>
Interest expense	<u>\$ 27,656</u>	<u>\$ 39,272</u>	<u>\$ 66,928</u>	<u>\$ 32,521</u>	<u>\$ 96,009</u>	<u>\$ 128,530</u>

The note payable agreements contain various covenants with which the Agency must comply. All covenants have been met or waived as of March 31, 2016 and 2015.



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

Notes to Consolidated Financial Statements  
March 31, 2016 and 2015

---

**11. LINE OF CREDIT**

MAHA has a \$50,000 line of credit agreement with a bank, which expires on November 30, 2016. Interest is at the *Wall Street Journal's* prime rate (3.50% and 3.25% as of March 31, 2016 and 2015, respectively) and principal is due on demand. The line of credit is secured by all business assets and is renewed every three years. As of March 31, 2016 and 2015, there was no outstanding balance.

**12. 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, 2016 and 2015.

**13. RESTRICTED CASH**

**Replacement Reserve**

The Trust is required to maintain a replacement reserve to fund future repairs and replacements at the property and make monthly deposits of approximately \$450. The replacement reserve was adequately funded subsequent to March 31, 2016. Prior to the NMTC financing unwind, the Trust was required to obtain approval from the CDE to withdraw funds from this account. Subsequent to the NMTC financing unwind, the Trust must obtain approval from Radius Bank to withdraw funds from this account. During fiscal year 2016, the Trust obtained approval from the bank to withdraw \$4,950 to fund certain repairs and maintenance costs that were incurred. The balance of the replacement reserve at March 31, 2016 and 2015, was \$24,756 and \$27,669, respectively.

**Operating Reserve**

Pursuant to the first mortgage agreement, the Trust was required to establish an operating reserve to fund operating deficits. Prior to the NMTC unwind, the Trust was required to obtain approval from the CDE to withdraw funds from this account. Subsequent to the NMTC financing unwind, the Trust must obtain approval from Radius Bank to withdraw funds from this account. The reserve was adequately funded as of March 31, 2016 and 2015. The balance of this account as of March 31, 2016 and 2015, was \$85,284 and \$94,921, respectively.