

**FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION
AND AFFILIATE**

Independent Auditors' Report
Consolidated Financial Statements
And Consolidated Supplementary Information

June 30, 2019

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
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June 30, 2019 and 2018

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INDEPENDENT AUDITORS' REPORT

To the Officers and Directors
Franklin County Community Development Corporation and Affiliate

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Franklin County Community Development Corporation (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 auditors' 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 auditors consider internal control relevant to the entities' 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 entities' 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 above present fairly, in all material respects, the consolidated financial position of Franklin County Community Development Corporation and Affiliate as of June 30, 2019, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Franklin County Community Development Corporation and Affiliate's 2018 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated September 4, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the consolidated supplementary information included on pages 21-23 for the year ended June 30, 2019 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019, on our consideration of Franklin County Community Development Corporation and Affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Community Development Corporation and Affiliate's internal control over financial reporting and compliance.



Holyoke, Massachusetts
August 30, 2019

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statements of Financial Position
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
Current Assets		
Cash	\$ 267,268	\$ 231,671
Accounts receivable, net	77,811	54,025
Contributions receivable	-	50,000
Grants receivable	322,324	228,183
Loans receivable, lending, current	423,313	311,000
Other	28,706	17,709
Total Current Assets	<u>1,119,422</u>	<u>892,588</u>
Property and Equipment, net	1,917,145	1,908,952
Other Assets		
Restricted cash, lending	714,939	430,469
Restricted cash, mortgage	21,171	15,426
Loans receivable, lending, net	2,652,398	2,134,904
Loans receivable, non-lending, deferred	446,580	446,580
Total Other Assets	<u>3,835,088</u>	<u>3,027,379</u>
Total Assets	<u><u>\$ 6,871,655</u></u>	<u><u>\$ 5,828,919</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - operating	\$ 79,074	\$ 143,284
Accounts payable - construction in progress	37,490	-
Accrued expenses	101,921	86,662
Deferred revenue	54,087	59,958
Funds held for others	342,012	242,431
Long-term debt, lending, current	92,377	90,989
Long-term debt, current	32,944	31,910
Total Current Liabilities	<u>739,905</u>	<u>655,234</u>
Long-Term Liabilities		
Long-term debt, lending	2,763,226	2,155,279
Long-term debt	740,207	773,151
Deferred payment loans	446,580	446,580
Total Long-Term Liabilities	<u>3,950,013</u>	<u>3,375,010</u>
Total Liabilities	<u>4,689,918</u>	<u>4,030,244</u>
Net Assets		
Without donor restrictions		
Undesignated	152,998	34,098
Invested in lending program	922,235	608,426
Invested in property and equipment	1,106,504	1,103,891
Total without donor restrictions	<u>2,181,737</u>	<u>1,746,415</u>
With donor restrictions	-	52,260
Total Net Assets	<u>2,181,737</u>	<u>1,798,675</u>
Total Liabilities and Net Assets	<u><u>\$ 6,871,655</u></u>	<u><u>\$ 5,828,919</u></u>

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statement of Activities
Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and Support				
Operating Revenues and Support				
Earned Revenue				
Food processing center	\$ 448,274	\$ -	\$ 448,274	\$ 419,848
Lending	129,592	-	129,592	129,445
PVGrows	69,600	-	69,600	30,225
Venture center	190,707	-	190,707	174,098
Business assistance	4,500	-	4,500	118
Other	2,813	-	2,813	2,120
Total Earned Revenue	<u>845,486</u>	<u>-</u>	<u>845,486</u>	<u>755,854</u>
Support				
Grants				
Food processing center	248,533	-	248,533	75,585
Assets	155,668	-	155,668	252,937
Lending	190,640	-	190,640	181,061
Net assets released from restrictions	52,260	(52,260)	-	-
Assets	285,000	-	285,000	-
Venture center				
Assets	3,105	-	3,105	-
Business assistance	133,544	-	133,544	53,122
Contributions, net	215,966	-	215,966	258,475
Total Support	<u>1,284,716</u>	<u>(52,260)</u>	<u>1,232,456</u>	<u>821,180</u>
Total Operating Revenues and Support	<u>2,130,202</u>	<u>(52,260)</u>	<u>2,077,942</u>	<u>1,577,034</u>
Fiscal sponsors	360,608	-	360,608	180,739
Total Revenues and Support	<u>2,490,810</u>	<u>(52,260)</u>	<u>2,438,550</u>	<u>1,757,773</u>
Expenses				
Program Service Expense				
Food processing center	864,602	-	864,602	678,570
Lending	386,718	-	386,718	258,656
PVGrows	64,168	-	64,168	46,042
Venture center	189,867	-	189,867	180,368
Business assistance	158,805	-	158,805	117,352
Bank building	-	-	-	917
Total Program Service Expense	<u>1,664,160</u>	<u>-</u>	<u>1,664,160</u>	<u>1,281,905</u>
Support Service Expense				
Fundraising	30,698	-	30,698	26,421
Governance	29,324	-	29,324	25,494
General and administrative	3,643	-	3,643	50,652
Total Support Service Expense	<u>63,665</u>	<u>-</u>	<u>63,665</u>	<u>102,567</u>
Fiscal sponsors	327,663	-	327,663	162,439
Total Expenses	<u>2,055,488</u>	<u>-</u>	<u>2,055,488</u>	<u>1,546,911</u>
Change in Net Assets Before Other Income (Expense)	435,322	(52,260)	383,062	210,862
Other Income (Expense) (See Note 15)	-	-	-	42,771
Change in Net Assets	435,322	(52,260)	383,062	253,633
Net assets - beginning of year	1,746,415	52,260	1,798,675	1,545,042
Net Assets - End of Year	<u>\$ 2,181,737</u>	<u>\$ -</u>	<u>\$ 2,181,737</u>	<u>\$ 1,798,675</u>

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in Net Assets	\$ 383,062	\$ 253,633
Adjustments to Reconcile Net Assets to Net Cash from Operations		
Bad debt provision	3,000	3,000
Depreciation	167,635	160,531
Loss on disposal of asset	-	1,225
Write-off of uncollectible loans	-	(55,642)
Change in loan loss provision	15,906	17,912
Loan/interest forgiveness	-	(43,997)
Changes in operating assets and liabilities		
Accounts receivable	(26,786)	(8,513)
Contributions receivable	50,000	(7,900)
Grants receivable	(94,141)	29,637
Other	(10,997)	4,989
Accounts payable - operating	(64,210)	32,831
Accrued expenses and other liabilities	15,259	(786)
Deferred revenue	(5,871)	(3,885)
Funds held for others	99,581	41,993
Net Cash From Operating Activities	<u>532,438</u>	<u>425,028</u>
Cash Flows from Investing Activities		
Grants receivable - construction in process	-	302,416
Accounts payable - construction in progress	37,490	(186,135)
Purchases of property and equipment	(175,828)	(608,119)
Proceeds from disposal of asset	-	31,775
Restricted cash, mortgage	(5,745)	(4,437)
Net (investments) withdrawal from cash - lending	(284,470)	346,216
Loans receivable - disbursements	(1,180,315)	(863,930)
Loans receivable - repayments	534,602	434,262
Net Cash From Investing Activities	<u>(1,074,266)</u>	<u>(547,952)</u>
Cash Flows from Financing Activities		
Net repayments on line of credit	-	(32,497)
Proceeds from long-term debt, lending	701,168	176,963
Principal payments on long-term debt, lending	(91,833)	(90,814)
Proceeds from long-term debt, other	-	250,000
Principal payments on long-term debt, other	(31,910)	(24,396)
Net Cash From Financing Activities	<u>577,425</u>	<u>279,256</u>
Net Change in Cash	35,597	156,332
Cash - beginning of year	<u>231,671</u>	<u>75,339</u>
Cash - End of Year	<u>\$ 267,268</u>	<u>\$ 231,671</u>
Supplemental Information		
Interest paid (mortgages and investors)	<u>\$ 80,171</u>	<u>\$ 73,798</u>
Interest received (borrowers and banks)	<u>\$ 172,678</u>	<u>\$ 134,399</u>

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statement of Functional Expense
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019												2018
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Payroll, Taxes, Fringe	\$ 291,175	\$ 214,260	\$ -	\$ 65,592	\$ 114,928	\$ 685,955	\$ 14,832	\$ 12,135	\$ 13,184	\$ 40,151	\$ -	\$ 726,106	\$ 685,302
Staff Development	3,423	2,028	-	-	-	5,451	-	-	14,576	14,576	-	20,027	15,656
Temporary Labor	46,442	-	-	-	-	46,442	-	-	-	-	-	46,442	49,149
Contractors	130,390	101,785	-	-	35,578	267,753	-	-	5,652	5,652	327,663	601,068	206,193
Supplies	106,759	539	-	-	-	107,298	-	-	6,488	6,488	-	113,786	109,600
Utilities	48,444	-	-	21,045	-	69,489	-	-	-	-	-	69,489	59,711
Repairs and Maintenance	75,447	-	-	32,635	-	108,082	-	-	-	-	-	108,082	79,571
Rental/Rent	2,160	-	-	-	-	2,160	-	-	-	-	-	2,160	16,000
Marketing/Outreach	3,870	5,105	-	-	4,873	13,848	15,866	12,981	-	28,847	-	42,695	28,377
Audit/Legal/Other Professional	2,754	13,025	277	1,927	2,754	20,737	-	2,754	1,262	4,016	-	24,753	19,495
Indirect	15,771	35,000	-	-	-	50,771	-	-	(50,771)	(50,771)	-	-	-
Other	8,729	1,580	-	3,593	672	14,574	-	1,454	10,038	11,492	-	26,066	19,259
Loan Loss Reserve/Bad Debt	-	(1,391)	17,297	-	-	15,906	-	-	3,000	3,000	-	18,906	20,913
Interest	8,533	14,787	46,594	18,430	-	88,344	-	-	(71)	(71)	-	88,273	77,154
Depreciation	120,705	-	-	46,645	-	167,350	-	-	285	285	-	167,635	160,531
Subtotal	864,602	386,718	64,168	189,867	158,805	1,664,160	30,698	29,324	3,643	63,665	327,663	2,055,488	1,546,911
G and A Allocation	1,244	(1,154)	-	857	(294)	653	96	78	(827)	(653)	-	-	-
Total Expenses	\$ 865,846	\$ 385,564	\$ 64,168	\$ 190,724	\$ 158,511	\$ 1,664,813	\$ 30,794	\$ 29,402	\$ 2,816	\$ 63,012	\$ 327,663	\$ 2,055,488	\$ 1,546,911

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Notes to the Consolidated Financial Statements
June 30, 2019

NOTE 1 – ORGANIZATION

Mission

The mission of the Franklin County Community Development Corporation (“FCCDC”) is to stimulate a more vital, rural economy, to maximize control over our future economic destiny, and to expand opportunities for low- and moderate-income residents of Franklin County, the North Quabbin area, and those towns within Western Massachusetts that can be appropriately served by the FCCDC.

To accomplish this mission, the Corporation shall sponsor projects that:

- A. Expand and diversify the area’s economy by building a strong climate for new entrepreneurship and supporting locally controlled businesses.
- B. Promote the expansion of stable jobs that pay a living wage.
- C. Pursue economic development projects that reinforce the preservation of rural character and environmental quality, particularly agricultural land.
- D. Build a greater sense of “community” among diverse interest groups through both formal and informal events that encourage broad-based participation.
- E. Work with direct service providers to advocate for and develop programs as needed to meet the basic requirements of low- and moderate-income residents, including the need for affordable housing.

Lending

Since 1979, the FCCDC has provided over \$11 million in financing over 320 loans to local businesses. It lends between \$5,000 and \$250,000 to both start-up and existing small businesses for a wide range of purposes. It supports entrepreneurs involved in a variety of industries with an emphasis on supporting businesses committed to either retaining or creating jobs. The FCCDC provides these loans through its own funds and other loan funds the FCCDC manages and administers for others.

Lending - PVGrows

In 2015, the Pioneer Valley Grows Investment Fund, Inc. (PVGIF) was established as a separate entity (supporting organization to the FCCDC) to be administered by the FCCDC. PVGIF uses community investments to provide financing to local farm and food businesses. PVGIF offers an investment vehicle for individuals, institutions, and foundations to invest in building a healthier food system. Its mission is to strengthen and grow the local food economy – more vibrant farm and food businesses, more local jobs, and more access to healthy food in the Pioneer Valley.

Venture Center

In 1989, the FCCDC purchased and renovated a 36,000 square foot industrial building for operation as a small business incubator. The Venture Center provides space consisting of five light industrial spaces and eight offices, including office equipment and other resources, for start-up and growing businesses. The Venture Center is also home to the FCCDC offices and the Western MA Food Processing Center.

Western MA Food Processing Center

The Western Mass Food Processing Center, created in 2001, has a mission to promote economic development through entrepreneurship, provide opportunities for sustaining local agriculture, and promote best practices for food producers.

NOTE 1 – ORGANIZATION – (CONTINUED)

Business Assistance

Since 1979, the FCCDC has provided business assistance to entrepreneurs and business owners to help them start or grow their business and lay the foundation for long-term stability and potential growth. This takes various forms, including one-on-one counseling, group classes and trainings, and referrals to others to help them with their business issues.

Fiscal Sponsorship

The FCCDC offers its legal and tax-exempt status to groups engaged in activities related to the FCCDC's mission. FCCDC charges fees to the projects based upon their size and the services to be provided by the FCCDC to the projects.

Adoption of New Accounting Pronouncement

For the year ended June 30, 2019, FCCDC and Affiliate adopted the Financial Accounting Standard Board's Accounting Standards Update (ASU) No. 2016-14 – Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. This update 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 and investment return among not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these consolidated financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These consolidated financial statements include Franklin County Community Development Corporation and its Affiliate (PVGrows Investment Fund, Inc. (PVGIF)). All intercompany transactions and account balances have been eliminated in consolidation.

Basis of Presentation

FCCDC and Affiliate prepare their consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), which requires the Organizations to report information regarding their consolidated financial position and activities according to the following net asset classifications:

Net assets without donor restrictions – net assets that are not subject to donor imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of FCCDC's management and board of directors.

Net assets with donor restrictions – net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature and will be met by actions of FCCDC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. For the years ended June 30, 2019 and 2018, FCCDC had no donor restrictions which were perpetual in nature.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is met or expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Basis of Accounting/Revenue and Expense Recognition

The consolidated statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Transactions deemed by management to be ongoing, major, or central to the provisions of program services are reported as operating revenues and operating expenses in the accompanying consolidated statement of activities. Non-direct program transactions, specifically fiscal sponsorship, are reported as non-operating revenues and non-operating expenses.

FCCDC and Affiliate prepare their consolidated financial statements on the accrual basis of accounting. Under this basis, revenues and expenses are reported when incurred, without regard to the date of receipt or payment of cash. The only two departures from this are interest income from lending activities and finance charges: both recognized when received. All other revenue is recognized upon services rendered.

Cash and Restricted Cash

The FCCDC maintains checking accounts as well as bank certificates of deposit (CDs) which it classifies as cash and restricted cash for the purposes of the consolidated statements of financial position and cash flows. Restricted cash for the lending of funds and mortgage reserves are not considered cash for purposes of the consolidated statements of cash flows.

Accounts and Grants Receivable/Bad Debt Expense

Accounts and grants receivable are stated at the amounts management expects to collect from outstanding balances. Management provides for possible uncollectible amounts through a charge to bad debt expense and a credit to an allowance account based on its assessment of the current status of individual accounts. The adequacy of the allowance for doubtful accounts of receivables is reviewed on an ongoing basis by the FCCDC's management and adjusted as necessary. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the allowance account and a credit to the receivable.

The accounts receivable balance, consisting of current amounts due from tenants and other service customers, is shown net of the allowance for doubtful accounts at June 30, 2019 and 2018 of \$18,737 and \$20,625, respectively.

Contributions Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted rates applicable to the years in which the promises are received. Discount amortization is included in contribution revenue if applicable.

Conditional promises to give are not included as support until the conditions are met.

There were no contributions receivable at June 30, 2019. All contributions receivable at June 30, 2018 were completely received in July of the subsequent fiscal year. Therefore, no allowance for uncollectible accounts or net present value discount was considered necessary at June 30, 2019 and 2018.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires or is met in the same reporting period in which the contribution is recognized.

In-Kind Donations

Contributed services (in-kind) are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks in furtherance of FCCDC's mission but do not meet the requirements for being recognized and, therefore, they are not reflected in these consolidated financial statements.

Community Investment Tax Credit

The FCCDC has been receiving an annual Community Investment Tax Credit (CITC) allocation from the state of Massachusetts. For calendar years 2019 and 2018 the FCCDC received allocations of \$180,000 and \$150,000, respectively. This allows donors to the FCCDC (of at least \$1,000) to get a Massachusetts state tax credit equal to 50% of the contribution made to the FCCDC.

On occasion the FCCDC partners with other non-profit organizations to meet the objective of our Community Investment Plan. Therefore, some CITC contributions to the FCCDC are distributed to these organizations. Consequently, the consolidated statement of activities shows contributions as net of these contributions made for the benefit of these organizations. For the years ending June 30, 2019 and 2018, these contributions to others totaled \$45,313 and \$30,722, respectively.

Revenue Recognition – Grants

The FCCDC recognizes revenue from grant agreements as eligible costs are incurred. Grant funds received in excess of costs incurred or services performed for the grant are recorded as deferred revenue.

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 disclosures 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. Accordingly, actual results could differ from these estimates.

Property and Equipment and Depreciation

Property and equipment are stated at cost when purchased or, if donated, at estimated fair market value at the date of donation. Major additions and improvements are capitalized while ordinary maintenance and repairs are expensed against revenue as incurred. The FCCDC capitalizes purchases of \$2,500 or more.

Construction in progress is not depreciated. Depreciation of property and equipment is calculated using the straight-line method over the following estimated useful lives:

Building and improvements	5-30 years
Equipment	3-25 years

FCCDC's management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

Loans Receivable and Loan Loss Reserve

Loans receivable are stated at the unpaid principal balance less the loan loss reserve (See Note 5). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

Interest is not recognized on the accrual basis but, instead, is recognized when paid. Costs and fees associated with the issuance of loans are expensed in the period incurred.

U.S. GAAP requires not-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest-free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expenses.

FCCDC and Affiliate believe that the benefits derived from below-market rate loans are passed through to the borrowers via below-market rate loans made and the stated rates of loans in their portfolios. Consequently, no adjustments have been made to the accompanying consolidated financial statements to reflect rate differentials.

The loan loss reserve is changed by the provision for loan losses which is charged or credited to expense and reduced by write-downs, net of recoveries.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expense. Expenses are charged directly to program, general and administrative, or fundraising in general categories based on specific identification. Indirect general and administrative expenses are allocated to programs in the same ratio as its payroll to total payroll.

Prior-Year Information

The consolidated statement of activities includes certain prior-year summarized comparative information in total but not by net asset class and the consolidated statement of functional expense and the consolidated supplementary schedules of activities include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with Organizations' consolidated financial statements for the year ended June 30, 2018 from which the summarized information was derived.

Income Taxes/Non-Profit Status

FCCDC and Affiliate are not-for-profit corporations organized in 1979 and 2015, respectively, under the laws of the Commonwealth of Massachusetts and have been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organizations are also exempt from state income taxes. Accordingly, FCCDC and Affiliate do not record a provision for income taxes in their consolidated net assets. Donors may deduct contributions made to the Organizations within the IRC requirements as they qualify for the charitable deduction under Section 170(b)(1)(A) and have been classified as corporations that are not private foundations under Section 509(a)(1).

The FCCDC is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the IRC. FCCDC has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. FCCDC has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

The Organizations’ tax information returns are subject to examination by the federal and the Commonwealth of Massachusetts state jurisdictions and, generally, remain open for the most recent three years.

Reclassifications

The 2018 consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications have no effect on the previously reported consolidated change in net assets for the year ended June 30, 2018.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date of June 30, 2019, are comprised of the following:

Cash	\$	267,268
Accounts receivable, net		77,811
Grants receivable		322,324
		<u>667,403</u>
Less - funds held for others (Note 9)		(329,200)
	\$	<u><u>338,203</u></u>

FCCDC maintains a line of credit in the amount of \$60,000, which could be drawn upon in the event of an anticipated liquidity need.

NOTE 4 – RESTRICTED CASH – LENDING

Cash in lending funds are held in separate bank accounts which may only be used for the purposes specified in related agreements.

Restricted lending cash at June 30, 2019 and 2018 consisted of the following:

	<u>2019</u>	<u>2018</u>
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	\$ 12,812	\$ 21,679
Cash accounts for three Federal lending program operations (see Note 5) which may only be used for loans and other program related costs.	252,220	115,368
Cash accounts for the MA Food Trust Program lending operations (see Note 5) which may only be used for loans and other program related costs.	60	-
Cash accounts for the PVGrows lending program operations (see Note 5) which may only be used for loans and other program related costs.	<u>449,847</u>	<u>293,422</u>
Total	<u><u>\$ 714,939</u></u>	<u><u>\$ 430,469</u></u>

NOTE 5 – LOANS RECEIVABLE, LENDING

FCCDC and Affiliate lend in defined areas. Loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated funding sources. Loans are primarily secured by business assets and, on occasion, by mortgages on residences owned by the principal owners of the business.

The FCCDC’s lending policy requires that no single loan exceed \$250,000. As of June 30, 2019 and 2018, there were no loans that exceeded this threshold.

NOTE 5 – LOANS RECEIVABLE, LENDING – (CONTINUED)

On June 30, 2019 and 2018, there were 78 and 67, respectively, loans outstanding to various small business borrowers, maturing through May 2028 and bearing interest rates ranging between 3.0% and 8.0%. As of June 30, 2019, the balances due on these loans varied in amounts from \$1,741 to \$250,000, and in terms from 2 months to 10 years.

Loans receivable consist of the following at June 30, 2019 and 2018:

	2019	2018
Loans receivable	\$ 3,234,630	\$ 2,588,917
Less - allowance for loan losses	158,919	143,013
	3,075,711	2,445,904
Less - amount due within one year	423,313	311,000
Amount due after one year	<u>\$ 2,652,398</u>	<u>\$ 2,134,904</u>

Loans receivable by program at June 30, 2019 and 2018 consists of the following:

	2019			2018		
	#	\$	%	#	\$	%
MA Food Trust Program (MFTP) loans issued to individual healthy food businesses using funds provided by the Commonwealth of Massachusetts	3	285,000	8.8	-	-	-
PVGrows loans issued to individual food/farm businesses using community investments.	33	1,339,627	41.4	23	763,063	29.5
United States Department of Agriculture/Rural Microentrepreneur Assistance Program (USDA/RMAP) loans issued to individual businesses with funds provided by the Rural Microloan Assistance Program loan payable. Loan amounts may not exceed \$50,000 and terms may not exceed 10 years.	16	329,979	10.2	16	350,222	13.5
Sudden and Severe Economic Dislocation (SSED) Revolving Loan Fund loans issued to businesses with funds originally provided by the U.S. Economic Development Administration (EDA) and matching funds. Interest rates (minimum 4%) and maturities are restricted by the EDA.	15	621,298	19.2	16	711,536	27.5
United States Department of Agriculture Rural Development - Intermediary Relending Program (USDA/IRP) loans issued to businesses with funding provided by the USDA/IRP debt (See Note 12). Interest rates and maturities are restricted by the USDA/IRP. Interest rates range between 1% and 4% above prime.	11	658,726	20.4	12	764,096	29.5
Total	<u>78</u>	<u>3,234,630</u>	<u>100%</u>	<u>67</u>	<u>2,588,917</u>	<u>100%</u>

NOTE 5 – LOANS RECEIVABLE, LENDING—(CONTINUED)

Loan payments received on USDA/RMAP, USDA/IRP and SSED loans are required to be segregated and can only be used for program-related costs (repayment of the original federal loans, new loans to eligible recipients, administrative costs).

Outstanding loan receivable balances which are security for long-term debt on FCCDC’s consolidated statements of financial position totaled \$988,705 and \$1,114,318 at June 30, 2019 and 2018, respectively.

In addition to loans receivable, the FCCDC had loan commitments to borrowers totaling \$50,000 and \$298,000 at June 30, 2019 and 2018, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

NOTE 6 – ALLOWANCE FOR LOAN LOSSES

Management evaluates loan collectability through consideration of factors such as previous loss experience, performance of individual loans in accordance with contract terms, financial strength and cash flows of the borrower, realizable values of collateral, and current economic conditions that may affect the borrower’s ability to repay.

The loan loss reserve is maintained at the minimum required by the Federal agency that funded the original loan (USDA/IRP and USDA/RMAP), or that granted the loan funds (SSED), or which, in management’s judgment, is adequate to absorb losses inherent in the loan portfolio as of the date of the consolidated financial statements. At June 30, 2019 and 2018, the mandated minimum loan loss reserve was 3% for USDA/IRP and SSED and 5% for USDA/RMAP.

The total Allowance for Loan Losses (ALL) at June 30, 2019 and 2018, was \$158,919 and \$143,013, representing 4.9% and 5.5%, respectively, of loans receivable.

The ALL is estimated based on a system adopted by the FCCDC’s board of directors, and the amount is determined by an individually assigned risk rating for each loan. The balance in the ALL is based on management’s judgment and evaluation of the loan portfolio in relation to past loss experience, the size and composition of the portfolio, current economic events and conditions, and other pertinent factors, including management’s assumptions as to future delinquencies, recoveries and losses. All of these factors are susceptible to significant change. All loans undergo continuous monitoring. To the extent actual outcomes differ from management’s estimates, additional provisions for loan losses may be required that would adversely impact earnings in future periods.

The following table sets forth activity in the ALL by loan segment for the years ended June 30, 2019 and 2018:

	ALL June 30, 2018	Net Charge-offs of Loans	Provision	ALL June 30, 2019
MA Food Trust	\$ -	\$ -	\$ 8,550	\$ 8,550
PVGrows	22,892	-	17,297	40,189
RMAP	26,774	-	13,740	40,514
SSED	21,346	-	19,878	41,224
USDA	72,001	-	(43,559)	28,442
Total	<u>\$ 143,013</u>	<u>\$ -</u>	<u>\$ 15,906</u>	<u>\$ 158,919</u>

NOTE 6 – ALLOWANCE FOR LOAN LOSSES – (CONTINUED)

	ALL June 30, 2017	Net Charge-offs		ALL June 30, 2018
		of Loans	Provision	
PVGrows	\$ 10,019	\$ -	\$ 12,873	\$ 22,892
RMAP	57,451	(28,372)	(2,305)	26,774
SSED	38,286	(20,000)	3,060	21,346
USDA	74,987	(7,270)	4,284	72,001
Total	\$ 180,743	\$ (55,642)	\$ 17,912	\$ 143,013

Delinquent Loans

Loans are considered delinquent when 30 days past due based on the contractual terms of the loan. Delinquent loans totaled \$524,486 and \$416,820 at June 30, 2019 and 2018, respectively.

Loan portfolio delinquencies greater than 120 days past due totaled \$309,338 and \$103,098 at June 30, 2019 and 2018, respectively.

Impaired Loans

FCCDC and Affiliate identify a loan as impaired when it is probable that interest or principal will not be collected according to the contractual terms of the loan agreement. Management can employ one of three methods to determine and measure impairment: the Present Value of Future Cash Flows Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. FCCDC and Affiliate use the Fair Value Collateral Method for all loans deemed to be impaired. To perform an impairment analysis, FCCDC and Affiliate review a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented.

Impaired loans as of June 30, 2019 and 2018 are set forth in the tables below:

	2019		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
RMAP	2	\$ 40,016	\$ 26,016
SSED	1	23,284	23,284
USDA	1	10,669	9,000
Total	4	\$ 73,969	\$ 58,300

	2018		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
RMAP	1	\$ 24,181	\$ 10,472
USDA	2	54,484	50,713
Total	3	\$ 78,665	\$ 61,185

Charge-Offs

Loans are fully or partially charged off when deemed uncollectible based on management's assessment of individual circumstances. Loan charge-offs were \$0 and \$55,642 for the years ended June 30, 2019 and 2018, respectively.

NOTE 7 – LOANS RECEIVABLE, NON-LENDING, DEFERRED

All deferred payment receivables are considered to be other assets.

The FCCDC acquired the following loans receivable to be used for a former program (Town of Greenfield Community Development Block Grant loans) for home buyers and for acquiring and renovating certain properties. These loans are collateralized by mortgages on certain properties and are receivable by the FCCDC upon the sale of the secured real estate. Loans may be assumed by the purchaser of the real estate upon meeting income eligibility requirements and at the discretion of the FCCDC. These loans bear no interest and are offset by deferred payment loans (see Note 13). Repayment is required upon sale of the collateralized real estate or upon collection of the loans given. Many of the loans have provisions which allow them to be forgiven.

	<u>2019</u>	<u>2018</u>
Due from home buyers	\$ 321,860	\$ 321,860
Due from Pioneer Cooperative of Franklin County, Inc.	<u>124,720</u>	<u>124,720</u>
Total of loans receivable, non-lending, deferred	<u><u>\$ 446,580</u></u>	<u><u>\$ 446,580</u></u>

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>			
	<u>Venture Center</u>	<u>Food Processing Center</u>	<u>Other</u>	<u>Total</u>
Buildings and Improvements	\$ 1,498,636	\$ 759,402	\$ -	\$ 2,258,038
Equipment	53,825	1,329,272	16,543	1,399,640
Construction In Progress	-	77,945	-	77,945
Land	<u>118,800</u>	<u>-</u>	<u>-</u>	<u>118,800</u>
Total Property and Equipment	1,671,261	2,166,619	16,543	3,854,423
Less Accumulated Depreciation				
Buildings and Improvements	(1,138,268)	(449,588)	-	(1,587,856)
Equipment	<u>(41,278)</u>	<u>(299,866)</u>	<u>(8,278)</u>	<u>(349,422)</u>
Total Accumulated Depreciation	<u>(1,179,546)</u>	<u>(749,454)</u>	<u>(8,278)</u>	<u>(1,937,278)</u>
Total Property and Equipment, net	<u><u>\$ 491,715</u></u>	<u><u>\$ 1,417,165</u></u>	<u><u>\$ 8,265</u></u>	<u><u>\$ 1,917,145</u></u>

NOTE 8 – PROPERTY AND EQUIPMENT – (CONTINUED)

	2018			
	Venture Center	Food Processing Center	Other	Total
Buildings and Improvements	\$ 1,498,392	\$ 759,402	\$ -	\$2,257,794
Equipment	45,802	1,282,771	9,885	1,338,458
Land	118,800	-	-	118,800
Total Property and Equipment	1,662,994	2,042,173	9,885	3,715,052
Less Accumulated Depreciation				
Buildings and Improvements	(1,094,033)	(421,326)	-	(1,515,359)
Equipment	(38,869)	(241,987)	(9,885)	(290,741)
Total Accumulated Depreciation	(1,132,902)	(663,313)	(9,885)	(1,806,100)
Total Property and Equipment, net	<u>\$ 530,092</u>	<u>\$ 1,378,860</u>	<u>\$ -</u>	<u>\$ 1,908,952</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was:

	2019	2018
Food Processing Center	\$ 120,705	\$ 91,618
Venture Center	46,645	68,260
General and Administrative	285	653
Total	<u>\$ 167,635</u>	<u>\$ 160,531</u>

NOTE 9 – FUNDS HELD FOR OTHERS

	2019	2018
Tenant security deposits*	\$ 20,755	\$ 23,085
Funds held on behalf of fiscal sponsorship agencies*	308,445	197,667
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	12,812	21,679
Total Funds Held for Others	<u>\$ 342,012</u>	<u>\$ 242,431</u>

*These funds are held without restrictions and, thus, are commingled with operating cash.

NOTE 10 – LINE OF CREDIT

A \$60,000 hard-maturity line of credit from Greenfield Cooperative Bank (for working capital needs), which is secured by all business assets of FCCDC. At June 30, 2019 and 2018, there were no outstanding balances on this line of credit. The line of credit was established in March 2015 and has a maturity date of March 2025. This line of credit requires interest-only monthly payments. Interest is the prime rate (5.5% and 5.0% at June 30, 2019 and 2018, respectively). This loan is subject to annual review and may be extended, renewed, modified, or terminated at the bank's discretion.

NOTE 11 – DEFERRED REVENUE

Deferred revenue consists principally of prepaid parking lot rent to be recognized over the next 11 years.

NOTE 12 – LONG-TERM DEBT

Lending Debt

Long-term lending debt consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Note payable to USDA/IRP in annual installments of \$42,450 including interest of 1%. The loan is due in full in September 2022. This note is secured by an interest in both the Intermediary Relending Portfolio (IRP) loans and the related segregated cash account.	\$ 162,763	\$ 203,183
Note payable to USDA/IRP in annual installments of \$30,848 including interest of 1%. The loan is due in full in October 2038. This note is secured by an interest in both the IRP loans and the related segregated cash account.	556,546	581,578
Note payable to USDA/RMAP in monthly installments of \$2,801 including interest of 2%. The loan is due in full in March 2032. This note is secured by an interest in both the USDA/RMAP loans and the related segregated cash account.	373,867	400,249
Notes payable to various PVGrows Fund investors (individuals and institutions) to fund PVGrows loans. Investments range from \$1,000 to \$100,000. Interest rates are from 2% to 4% with maturity dates ranging from October 2020 through June 2027. These notes are unsecured, with investors having no recourse on any assets of FCCDC.	<u>1,762,427</u>	<u>1,061,258</u>
Total lending long-term debt	2,855,603	2,246,268
Less lending debt due within one year	<u>92,377</u>	<u>90,989</u>
Lending long-term debt, due after one year	<u>\$ 2,763,226</u>	<u>\$ 2,155,279</u>

Other Debt

Long-term other debt consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Mortgage payable to the United States Department of Agriculture Rural Development (USDA/RD) in monthly installments of \$3,458 including interest of 3.375%. The loan is due in full in September 2042.	\$ 534,187	\$ 557,230
Mortgage payable to the USDA/RD (origination: March 2018 - \$250,000) in monthly installments of \$1,450 including interest at 3.5%. The loan is due in full in March 2038.	<u>238,964</u>	<u>247,831</u>
Total other long-term debt	773,151	805,061
Less other debt due within one year	<u>32,944</u>	<u>31,910</u>
Other long-term debt, due after one year	<u>\$ 740,207</u>	<u>\$ 773,151</u>

This other debt is secured by both the Venture Center and the Food Processing Center.

NOTE 12 – LONG-TERM DEBT – (CONTINUED)

The estimated aggregate principal payments to retire the FCCDC’s outstanding long-term debt at June 30, 2019 are as follows:

2020	\$ 125,321
2021	211,847
2022	252,172
2023	158,590
2024	647,824
Thereafter	<u>2,233,000</u>
Total	<u><u>\$ 3,628,754</u></u>

NOTE 13 – DEFERRED PAYMENT LOANS

All deferred payment loans are considered to be long-term liabilities.

The following two deferred payment loans from a Town of Greenfield Community Development Block Grant were used for a former program for home buyers and for acquiring and renovating certain properties. The loan is collateralized by the multiple properties that received financing and bears no interest. Repayment is required upon sale of the collateralized real estate or upon collection of the loans given.

Many of the loans have provisions which allow them to be forgiven. These notes are offset by corresponding notes receivable, non-lending (see Note 7).

	<u>2019</u>	<u>2018</u>
Various home buyers	\$ 321,860	\$ 321,860
Pioneer Coop of Franklin County, Inc.	<u>124,720</u>	<u>124,720</u>
Total deferred payment loans	<u><u>\$ 446,580</u></u>	<u><u>\$ 446,580</u></u>

NOTE 14 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets restricted by time or purpose consisted of the following at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Specific purpose - Lending - PVGrows	\$ -	<u>\$ 52,260</u>

Net assets were released from donor restrictions by the use of funds for the required purposes for the years ended June 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restriction - Lending - PVGrows	<u>\$ 52,260</u>	<u>\$ -</u>

NOTE 15 – OTHER INCOME (EXPENSE)

Other income (expense) for the years ended June 30, 2019 and 2018 consisted of:

	<u>2019</u>	<u>2018</u>
Loss on sale	\$ -	\$ (1,225)
Forgiveness of loan	<u>-</u>	<u>43,997</u>
Other income (expense)	<u><u>\$ -</u></u>	<u><u>\$ 42,772</u></u>

NOTE 16 – CONTINGENCIES

FCCDC receives a significant portion of its support from grants, including federal and state sources. Some of the grants permit the funding source to audit the financial operation of the grantee and compliance with the terms of the grant agreements. Such audits could result in disallowance of some costs charged to the grants and, therefore, create a liability. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the FCCDC expects no such amounts. The FCCDC has regularly been audited by Local Initiatives Support Corporation (LISC) for its grants from LISC. There have been no negative outcomes from these regular audits. During the past 19 years no grant expenditures have been disallowed.

NOTE 17 – CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject FCCDC to concentrations of credit risk consist principally of cash. The FCCDC maintains cash accounts at Greenfield Cooperative Bank and Greenfield Savings Bank. These cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) to at least \$250,000. All deposits above the FDIC Insurance amount are insured by the Share Insurance Fund (SIF) or the Depositors Insurance Fund (DIF). FCCDC has not experienced, nor does it anticipate, any losses with respect to such accounts.

The FCCDC receives revenue and support from various federal and state entities and its branches, private lenders and financial institutions. The FCCDC was owed \$322,324 and \$228,183 in grants receivable from these sources at June 30, 2019 and 2018, respectively. These grants receivable are unsecured but considered collectible.

All loans receivable are from small businesses. The lending policies of FCCDC and Affiliate consider collateral in its underwriting. FCCDC and Affiliate obtain collateral when available but, due to the missions of the Organizations, it may approve loans which are either completely unsecured or are functionally unsecured based on the likely limited collateral value in a liquidation scenario. FCCDC and Affiliate also recognize that in instances where it is a subordinate lender it will be at a financial disadvantage in liquidation scenarios.

NOTE 18 – RISK MANAGEMENT

FCCDC and Affiliate are exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organizations carry commercial insurance. There were no reductions in insurance coverage from the prior year and there have been no settlements in any of the past three fiscal years.

NOTE 19 – RELATED PARTIES

One board member is employed by Greenfield Savings Bank while another is employed by the Greenfield Cooperative Bank, the FCCDC's two banks.

NOTE 20 – RELATED PARTY TRANSACTIONS

Board members and staff are typically donors to the FCCDC. Donations and investments are accepted from employees, individual board members, or organizations with which current and former employees and board members are employed or associated. These transactions are part of the FCCDC's normal course of business.

NOTE 21 – SUBSEQUENT EVENTS

FCCDC and Affiliate have evaluated events that have occurred subsequent to June 30, 2019, through August 30, 2019, the date the consolidated financial statements were available to be issued, and have determined there were no material events that met the criteria for recognition or disclosure in the consolidated financial statements.

CONSOLIDATED SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Supplemental Schedule of Activities
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019											2018	
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Income	\$ 852,475	\$ 605,232	\$ 69,600	\$ 193,812	\$ 138,044	\$ 1,859,163	\$ 215,966	\$ -	\$ 2,813	\$ 218,779	\$ 360,608	\$ 2,438,550	\$ 1,757,773
Expenses													
Payroll, Taxes, Fringe	291,175	214,260	-	65,592	114,928	685,955	14,832	12,135	13,184	40,151	-	726,106	685,302
Staff Development	3,423	2,028	-	-	-	5,451	-	-	14,576	14,576	-	20,027	15,656
Temporary Labor	46,442	-	-	-	-	46,442	-	-	-	-	-	46,442	49,149
Contractors	130,390	101,785	-	-	35,578	267,753	-	-	5,652	5,652	327,663	601,068	206,193
Supplies	106,759	539	-	-	-	107,298	-	-	6,488	6,488	-	113,786	109,600
Utilities	48,444	-	-	21,045	-	69,489	-	-	-	-	-	69,489	59,711
Repairs and Maintenance	75,447	-	-	32,635	-	108,082	-	-	-	-	-	108,082	79,571
Rental/Rent	2,160	-	-	-	-	2,160	-	-	-	-	-	2,160	16,000
Marketing/Outreach	3,870	5,105	-	-	4,873	13,848	15,866	12,981	-	28,847	-	42,695	28,377
Audit/Legal/Other Professional	2,754	13,025	277	1,927	2,754	20,737	-	2,754	1,262	4,016	-	24,753	19,495
Indirect	15,771	35,000	-	-	-	50,771	-	-	(50,771)	(50,771)	-	-	-
Other	8,729	1,580	-	3,593	672	14,574	-	1,454	10,038	11,492	-	26,066	19,259
Loan Loss Reserve/Bad Debt	-	(1,391)	17,297	-	-	15,906	-	-	3,000	3,000	-	18,906	20,913
Interest	8,533	14,787	46,594	18,430	-	88,344	-	-	(71)	(71)	-	88,273	77,154
Depreciation	120,705	-	-	46,645	-	167,350	-	-	285	285	-	167,635	160,531
Subtotal	864,602	386,718	64,168	189,867	158,805	1,664,160	30,698	29,324	3,643	63,665	327,663	2,055,488	1,546,911
G and A Allocation	1,244	(1,154)	-	857	(294)	653	96	78	(827)	(653)	-	-	-
Total Expenses	865,846	385,564	64,168	190,724	158,511	1,664,813	30,794	29,402	2,816	63,012	327,663	2,055,488	1,546,911
Change in Net Assets Before													
Other Income (Expense)	\$ (13,371)	\$ 219,668	\$ 5,432	\$ 3,088	\$ (20,467)	\$ 194,350	\$ 185,172	\$ (29,402)	\$ (3)	\$ 155,767	\$ 32,945	\$ 383,062	\$ 210,862

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Supplemental Schedule of Activities (Operational)
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019											2018	
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Program Revenues	\$ 448,274	\$ 129,592	\$ 69,600	\$ 190,707	\$ 4,500	\$ 842,673	\$ 215,966	\$ -	\$ 2,813	\$ 218,779	\$ 360,608	\$ 1,422,060	\$ 1,195,069
Expenses													
Payroll, Taxes, Fringe	190,441	113,046	-	65,592	18,357	387,436	14,832	12,135	13,184	40,151	-	427,587	444,075
Staff Development	1,785	2,028	-	-	-	3,813	-	-	14,576	14,576	-	18,389	11,407
Temporary Labor	46,442	-	-	-	-	46,442	-	-	-	-	-	46,442	49,149
Contractors	-	-	-	-	-	-	-	-	5,652	5,652	327,663	333,315	164,301
Supplies	106,759	-	-	-	-	106,759	-	-	6,488	6,488	-	113,247	104,995
Utilities	48,444	-	-	21,045	-	69,489	-	-	-	-	-	69,489	59,711
Repairs and Maintenance	75,447	-	-	32,635	-	108,082	-	-	-	-	-	108,082	79,571
Rental/Rent	2,160	-	-	-	-	2,160	-	-	-	-	-	2,160	16,000
Marketing/Outreach	3,870	738	-	-	4,873	9,481	15,866	12,981	-	28,847	-	38,328	25,991
Audit/Legal/Other Professional	2,754	13,025	277	1,927	2,754	20,737	-	2,754	1,262	4,016	-	24,753	19,495
Indirect	-	-	-	-	-	-	-	-	(50,771)	(50,771)	-	(50,771)	-
Other	8,729	1,580	-	3,593	672	14,574	-	1,454	10,038	11,492	-	26,066	19,260
Loan Loss Reserve/Bad Debt	-	(1,391)	17,297	-	-	15,906	-	-	3,000	3,000	-	18,906	20,913
Interest	8,533	14,787	46,594	18,430	-	88,344	-	-	(71)	(71)	-	88,273	77,154
Depreciation	120,705	-	-	46,645	-	167,350	-	-	285	285	-	167,635	160,531
Subtotal	616,069	143,813	64,168	189,867	26,656	1,040,573	30,698	29,324	3,643	63,665	327,663	1,431,901	1,252,553
G and A Allocation	479	(421)	-	857	194	1,109	96	78	(827)	(653)	-	456	(17,480)
Total Expenses	616,548	143,392	64,168	190,724	26,850	1,041,682	30,794	29,402	2,816	63,012	327,663	1,432,357	1,235,073
Change in Net Assets Before													
Other Income (Expense)	\$ (168,274)	\$ (13,800)	\$ 5,432	\$ (17)	\$ (22,350)	\$ (199,009)	\$ 185,172	\$ (29,402)	\$ (3)	\$ 155,767	\$ 32,945	\$ (10,297)	\$ (40,004)

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Supplemental Schedule of Activities (Grant)
For the Year Ended June 30, 2019
(With Comparative Totals for 2018)

	2019											2018	
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Total Program	Fundraising	Governance	General and Administrative	Total Service Support	Fiscal Sponsors	Total	Total
Grant Income	\$ 404,201	\$ 475,640	\$ -	\$ 3,105	\$ 133,544	\$ 1,016,490	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,016,490	\$ 562,705
Expenses													
Payroll, Taxes, Fringe	100,734	101,214	-	-	96,571	298,519	-	-	-	-	-	298,519	241,227
Staff Development	1,638	-	-	-	-	1,638	-	-	-	-	-	1,638	4,249
Contractors	130,390	101,785	-	-	35,578	267,753	-	-	-	-	-	267,753	41,892
Supplies	-	539	-	-	-	539	-	-	-	-	-	539	4,605
Marketing/Outreach	-	4,367	-	-	-	4,367	-	-	-	-	-	4,367	2,386
Indirect	15,771	35,000	-	-	-	50,771	-	-	-	-	-	50,771	-
Subtotal	248,533	242,905	-	-	132,149	623,587	-	-	-	-	-	623,587	294,359
G and A Allocation	765	(733)	-	-	(488)	(456)	-	-	-	-	-	(456)	17,480
Total Expenses	249,298	242,172	-	-	131,661	623,131	-	-	-	-	-	623,131	311,839
Change in Net Assets Before Other Income (Expense)	\$ 154,903	\$ 233,468	\$ -	\$ 3,105	\$ 1,883	\$ 393,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 393,359	\$ 250,866

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Funds Expended	Payments to Subrecipients
U.S. Department of Agriculture			
Local Food Promotion Program	10.172	\$ 198,267	\$ 18,360
Community Food Project	10.225	109,088	109,088
Intermediary Relending Program	10.767	784,760	-
Rural Microentrepreneur Assistance Program	10.870	400,249	-
Rural Microentrepreneur Assistance Program	10.870	48,693	-
Passed through University of Massachusetts Sustainable Agriculture Research and Education	10.215	<u>4,529</u>	<u>-</u>
Total U.S. Department of Agriculture		1,545,586	127,448
U.S. Department of Commerce			
Economic Adjustment Assistance	11.307	438,761	-
U.S. Department of Housing and Urban Development			
Passed through Local Initiatives Support Corporation/Section 4 Capacity Building for Community Development and Affordable Housing	14.252	<u>14,472</u>	<u>-</u>
Total Expenditures of Federal Awards		<u>\$ 1,998,819</u>	<u>\$ 127,448</u>

See accompany notes to the Consolidated Schedule of Expenditures of Federal Awards

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Notes to Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

NOTE 1 – BASIS OF PRESENTATION

The accompanying consolidated schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Franklin County Community Development Corporation and Affiliate under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Franklin County Community Development Corporation and Affiliate it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of Franklin County Community Development Corporation and Affiliate

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, *Cost Principles for Non-Profit Organizations* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – LOAN BALANCES AT JULY 1, 2018

U.S. Department of Agriculture	
Intermediary Relending Program	\$ 784,760
Rural Microentrepreneur Assistance Program	
Revolving Loan Fund	\$ 400,249

NOTE 4 – INDIRECT COST RATE

Franklin County Community Development Corporation and Affiliate has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Officers and Directors
Franklin County Community Development Corporation and Affiliate

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Franklin County Community Development Corporation (a nonprofit organization) and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2019, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated August 30, 2019.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Whittlesey PC".

Holyoke, Massachusetts
August 30, 2019



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Officers and Directors
Franklin County Community Development Corporation and Affiliate

Report on Compliance for Each Major Federal Program

We have audited Franklin County Community Development Corporation and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Franklin County Community Development Corporation and Affiliate's major federal program for the year ended June 30, 2019. Franklin County Community Development Corporation and Affiliate's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for Franklin County Community Development Corporation and Affiliate's major federal program. However, our audit does not provide a legal determination of Franklin County Community Development Corporation and Affiliate's compliance.

Opinion on Each Major Federal Program

In our opinion, Franklin County Community Development Corporation and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

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



Holyoke, Massachusetts
August 30, 2019

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

I. SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of report the auditor issued on whether the consolidated financial statements audited were reported in accordance with GAAP.

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Noncompliance material to the consolidated financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes x no
- Significant deficiency(ies) identified? _____ yes x none reported

Type of auditors' report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 cfr 200.516(a)?

_____ yes x no

Identification of Major Programs

CFDA Number

Name of Federal Program or Cluster

10.767

Intermediary Relending Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 x yes _____ no

II. CONSOLIDATED FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Status of Prior Year Findings and Questioned Costs
June 30, 2019

There were no findings or questioned costs disclosed for the year ended June 30, 2018.