FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Independent Auditors' Report
Consolidated Financial Statements
And Supplementary Information

June 30, 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 statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows 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.

Report on Summarized Comparative Information

We have previously audited Franklin County Community Development Corporation and Affiliate's 2017 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated October 4, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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, 2018, 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.

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 and the consolidated supplemental information included on pages 21-23 for the year ended June 30, 2018 are presented for the purposes of additional analysis and are not a required part of the basic consolidated financial statements. The schedule of expenditures of federal awards is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. 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 September 4, 2018, 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.

Whittlesey PC

Holyoke, Massachusetts
September 4, 2018

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2018

(With Comparative Totals for 2017)

	2018	2017
ASSETS		
Current Assets		
Cash	$ 231,671	$ 75,339
Accounts receivable, net	54,025	48,512
Pledged contributions receivable	50,000	42,100
Grants receivable - program	228,183	257,820
Grants receivable - construction in process	-	302,416
Loans receivable, lending, current	311,000	338,797
Other current assets	17,709	22,698
Total Current Assets	892,588	1,087,682
Property and Equipment, net	1,908,952	1,494,364
Other Assets		
Restricted cash, lending	430,469	776,685
Restricted cash, mortgage	15,426	10,989
Loans receivable, lending, net	2,134,904	1,639,709
Loans receivable, non-lending, deferred	446,580	446,580
Total Other Assets	3,027,379	2,873,963
Total Assets	$ 5,828,919	$ 5,456,009
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - operating	$ 143,284	$ 110,453
Accounts payable - construction in progress	-	186,135
Accrued expenses and other liabilities	86,662	87,448
Deferred revenue	59,958	63,843
Funds held for others	242,431	200,438
Line of credit	-	32,497
Long-term debt, lending, current	90,989	89,577
Long-term debt, current	31,910	66,277
Total Current Liabilities	655,234	836,668
Long-Term Liabilities		
Long-term debt, lending	2,155,279	2,070,543
Long-term debt	773,151	557,176
Deferred payment loans	446,580	446,580
Total Long-Term Liabilities	3,375,010	3,074,299
Total Liabilities	4,030,244	3,910,967
Net Assets		
Unrestricted	1,746,415	1,545,042
Temporarily restricted	52,260	-
Total Net Assets	1,798,675	1,545,042
Total Liabilities and Net Assets	$ 5,828,919	$ 5,456,009

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Statement of Activities
For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and Support				
Operating Revenues and Support				
Earned Revenue				
Food processing center	$ 419,848	$ -	$ 419,848	$ 286,430
Lending interest and fees	129,445	-	129,445	130,302
PVGrows (lending) interest and fees	30,225	-	30,225	14,738
Venture center rents	174,098	-	174,098	165,362
Business assistance	118	-	118	6,747
Other	7,801	-	7,801	11,410
Total Earned Revenue	761,535	-	761,535	614,989
Support				
Grants				
Food processing center	75,585	-	75,585	26,301
Fixed assets	252,937	-	252,937	350,494
Lending	128,801	52,260	181,061	119,339
Business assistance	53,122	-	53,122	356,492
Fixed assets	-	-	-	15,278
Contributions, net	258,475	-	258,475	254,759
Total Support	768,920	52,260	821,180	1,122,663
Total Operating Revenues and Support	1,530,455	52,260	1,582,715	1,737,652
Fiscal sponsors	180,739	-	180,739	211,073
Total Revenues and Support	1,711,194	52,260	1,763,454	1,948,725
Expenses				
Program Service Expense				
Food processing center	678,570	-	678,570	443,874
Lending	258,656	-	258,656	207,197
PVGrows (lending)	46,042	-	46,042	32,196
Venture center	180,368	-	180,368	171,902
Business assistance	117,352	-	117,352	376,866
Bank building	917	-	917	8,026
Total Program Service Expense	1,281,905	-	1,281,905	1,240,061
Support Service Expense				
Fundraising	26,421	-	26,421	25,054
Governance	25,494	-	25,494	24,251
General and administrative	56,333	-	56,333	59,555
Total Support Service Expense	108,248	-	108,248	108,860
Fiscal sponsors	162,439	-	162,439	190,473
Total Expenses	1,552,592	-	1,552,592	1,539,394
Change in Net Assets Before Other Income (Expense)	158,602	52,260	210,862	409,331
Other Income (Expense) (See Note 15)	42,771	-	42,771	(313,131)
Change in Net Assets	201,373	52,260	253,633	96,200
Net assets - beginning of year	1,545,042	-	1,545,042	1,448,842
Net Assets - End of Year	$ 1,746,415	$ 52,260	$ 1,798,675	$ 1,545,042

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

Franklin County Community Development Corporation and Affiliate

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2018

(With Comparative Totals for 2017)

		0
Change in Net Assets	$ 253,633	$ 96,200
Cash Flows from Operating Activities		
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Bad debt provision	3,000	3,000
Depreciation	160,531	141,675
Impairment of property and equipment	-	640,299
Loss on disposal of asset	1,225	-
Write-off of uncollectible loans	(55,643)	-
Change in loan loss provision	17,913	(957)
Loan/interest forgiveness	(43,997)	(327,168)
Changes in operating assets and liabilities		
Accounts receivable	(8,513)	(2,713)
Pledged contributions receivable	(7,900)	4,900
Grants receivable - program	29,637	(64,413)
Other current assets	4,989	(20,170)
Account payable - operating	32,831	25,819
Accrued expenses and other liabilities	(786)	9,599
Deferred revenue	(3,885)	(3,814)
Funds held for others	41,993	(67,354)
Net Cash Provided by Operating Activities	425,028	434,903
Cash Flows from Investing Activities		
Grants receivable - construction in process	302,416	(302,416)
Accounts payable - construction in progress	(186,135)	186,135
Purchases of property and equipment	(608,119)	(376,156)
Proceeds from disposal of asset	31,775	-
Restricted cash, mortgage	(4,437)	(3,996)
Net withdrawal from cash - lending	346,216	347,576
Loans receivable disbursements	(863,930)	(673,278)
Loans receivable repayments	434,262	380,490
Net Cash Used in Investing Activities	(547,952)	(441,645)
Cash Flows from Financing Activities		
Net repayments on line of credit	(32,497)	-
Proceeds from long-term debt, lending	176,963	164,812
Principal payments on long-term debt, lending	(90,814)	(89,565)
Proceeds from long-term debt, other	250,000	-
Principal payments on long-term debt, other	(24,396)	(22,321)
Net Cash Provided by Financing Activities	279,256	52,926
Net Increase in Cash	156,332	46,184
Cash - beginning of year	75,339	29,155
Cash - End of Year	$ 231,671	$ 75,339
Supplemental Information		
Interest paid	$ 73,798	$ 35,109
Interest received	$ 134,399	$ 118,469

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

NOTE 1 – ORGANIZATION

Mission

The mission of the Franklin County 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 $10 million in financing over 300 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 Food Processing Center.

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.

Bank Building

In 2001, the FCCDC took ownership of the former First National Bank Building (Greenfield, MA) which had been neglected for 25 years. The FCCDC stabilized the structure, cleaned it, replaced the roof, sealed the exterior, and improved the facade to prepare it for the next stage of renovation. After the improvements were made to the building, other nearby vacant properties were purchased and redeveloped by new owners, bringing economic activity to a section of downtown that had been vacant and dilapidated. This building was sold to the City of Greenfield for $33,000 in September 2017.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The FCCDC prepares its consolidated financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to United States (U.S.) Generally Accepted Accounting Principles (GAAP) in these notes are to the FASB Accounting Standards Codification (ASC).

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

Basis of Accounting/Revenue and Expense Recognition

The FCCDC consolidated financial statements are prepared 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. Other revenue is recognized upon services rendered.

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying consolidated Statements of Activities. Non-direct program transactions, specifically fiscal sponsorships, are reported as both non-operating revenue and non-operating expense.

Revenue – Contributions

The FCCDC follows *Accounting for Contributions Received and Contributions Made and Financial Statements of Not-For-Profit Organization*s as required by the FASB ASC. Under these guidelines, the FCCDC is required to distinguish between contributions that increase permanently restricted net assets, temporarily restricted net assets, and unrestricted net assets. It also requires recognition of contributions (including contributed services) that meet certain criteria at fair values. These reporting standards establish standards for financial statements of not-for-profit organizations and require a consolidated Statement of Financial Position, a Statement of Activities, and a Statement of Cash Flows.

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

The FCCDC recognizes unconditional promises to give as revenues or gains in the periods pledged, and as assets or as decreases of liabilities or expenses, depending on the form of the benefits received. Promises to give are recorded at net realizable value if expected to be collected in one year and at net present value if expected to be collected in more than one year.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. The FCCDC reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated Statement of Activities as net assets released from restrictions. Temporarily restricted contributions received where related restrictions are met in the same reporting period are classified as unrestricted revenue.

Community Investment Tax Credit

The FCCDC has been receiving an annual Community Investment Tax Credit (CITC) allocation from the state of Massachusetts. For calendar year 2018 the FCCDC received an allocation of $150,000. This allows donors to the FCCDC 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. Therefore, 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, 2018 and 2017, these contributions totaled $30,722 and $60,750, 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.

Net Assets

The FCCDC's consolidated financial statement presentation follows U.S. GAAP for not-for-profit organizations, which requires that resources to be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions. A description of the applicable net asset categories is as follows:

Unrestricted net assets – include net resources of the FCCDC that bear no external restrictions and are generally available for use by the FCCDC. These include certain funds set aside for loan loss reserves.

Temporarily restricted net assets – amounts that are subject to donor-imposed stipulations for specific purposes that may or will be met either by actions of the FCCDC or the passage of time. When a donor restriction expires, either by the passage of a stipulated time restriction or by the accomplishment of a specific purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated Statements of Activities as net assets released from restrictions.

Permanently restricted net assets – amounts from contributions from donors who place restrictions on the use of donated funds mandating that the original principal be used for the restricted purpose. For the years ended June 30, 2018 and 2017 the FCCDC had no permanently restricted net assets.

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

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

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 lending funds and mortgage reserves are not considered cash for the purposes of the consolidated Statement of Cash Flows.

Accounts and Grants Receivable/Bad Debt Expense

Grants and accounts 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, 2018 and 2017 of $20,625 and $17,625, respectively.

Pledges Receivable

Pledges are recorded after discounting to the present value of the future cash flow. All pledges receivable for the years ended June 30, 2018 and 2017 ($50,000 and $42,100, respectively) 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, 2018 and 2017.

Property and Equipment and Depreciation

The FCCDC accounts for the carrying value of its long-lived assets in accordance with ASC Topic, *Property, Plant and Equipment*. However, as of June 30, 2017 the FCCDC recognized an impairment loss of $640,299 on the former First National Bank Building at its June 30, 2017 current fair market value of $33,000.

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

Both assets not in service and construction in progress are 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

Loans Receivable and Loan Loss Reserve

Loans receivable are stated at the unpaid principal balance less the loan loss reserve (See Note 4). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

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

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

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 Supplemental Statements of Activities. Accordingly, certain costs that benefited more than one program have been allocated to the programs that benefited. General and administrative expenses are allocated to programs in the same ratio as its payroll to total payroll.

Prior-Year Information

The consolidated Supplementary Statements of Activities includes certain prior-year summarized comparative information in total but not by function and the consolidated Statement of Activities includes certain prior-year summarized comparative in total but not by net asset class. 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 FCCDC's consolidated financial statements for the year ended June 30, 2017 from which the summarized information was derived.

Income Taxes/Non-Profit Status

FCCDC is a not-for-profit corporation organized in 1979 under the laws of the Commonwealth of Massachusetts and has been recognized as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The FCCDC is also exempt from state income taxes. Accordingly, the FCCDC does not record a provision for income taxes in its net assets. Donors may deduct contributions made to the FCCDC within the IRC requirements as the FCCDC qualifies for the charitable deduction under Section 170(b)(1)(A) and has been classified as a corporation that is not a private foundation under Section 509(a)(1).

The FCCDC's 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 2017 consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications have no effect on the previously reported change in net assets for the year ended June 30, 2017.

NOTE 3 – 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.

NOTE 3 –RESTRICTED CASH – LENDING - *(CONTINUED)*

Restricted lending cash at June 30, 2018 and 2017 consisted of the following:

	2018	2017
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	$ 21,679	$ 10,769
Cash accounts from three Federal lending program operations (see Note 4) which may only be used for new loans and other program related costs.	115,368	243,851
Cash accounts for the PVGrows lending program operations (see Note 4) which may only be used for new loans and other program related costs.	293,422	522,065
Total	$ 430,469	$ 776,685

NOTE 4 – LOANS RECEIVABLE, LENDING

The FCCDC lends in defined areas. Loan products vary by type and presence of collateral, risk level, loan size, degree of mission match, and presence of designated subsidized funding sources. Loans are primarily secured by business assets and, on occasion, by first or second mortgages on residences owned by the principal owners of the business. All loans receivable are from businesses and individuals within the service area of the FCCDC.

The FCCDC's lending policy requires that no single loan exceed $250,000. As of June 30, 2018 and 2017, there were no loans that exceeded this threshold.

On June 30, 2018 and 2017, there were 67 and 61, respectively, loans outstanding to various small business borrowers, maturing through May 2028 and bearing interest rates ranging between 5.0% and 8.0%. As of June 30, 2018, the balances due on these loans varied in amounts from $3,571 to $187,574, and in terms from 7 months to 10 years.

The overall weighted average interest rate on the portfolio of loans receivable was 6.19% and 6.03% as of June 30, 2018 and 2017, respectively.

Loans receivable consist of the following at June 30, 2018 and 2017:

	2018	2017
Loans receivable	$ 2,588,917	$ 2,159,249
Less - allowance for loan losses	143,013	180,743
	2,445,904	1,978,506
Less - amount due within one year	311,000	338,797
Amount due after one year	$ 2,134,904	$ 1,639,709

Loans receivable by program at June 30, 2018 and 2017 consists of the following:

	2018			2017		
	#	$	%	#	$	%
PVGrows loans issued to individual food/farm businesses using community investments.	23	763,063	29.5	13	338,066	15.7

NOTE 4 – LOANS RECEIVABLE, LENDING–*(CONTINUED)*

	2018			2017		
	#	$	%	#	$	%
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 terms may not exceed 10 years.	16	350,222	13.5	17	377,667	17.5
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). Interest rates (minimum 4%) and maturities are restricted by the EDA.	16	711,536	27.5	16	629,539	29.2
United States Department of Agriculture Rural Development (USDA/RD) loans issued to businesses with funds provided by the Intermediary Relending Program/USDA loans payable. Interest rates and maturities are restricted by the USDA/RD. Interest rates range between 1% and 4% above prime.	12	764,096	29.5	15	813,977	37.6
Total	67	2,588,917	100%	61	2,159,249	100%

Loan payments received on USDA/RMAP, USDA/RD 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 balance sheet totaled $1,114,318 and $1,191,644 at June 30, 2018 and 2017, respectively.

In addition to loans receivable, the FCCDC had loan commitments to borrowers totaling $298,000 and $91,000 at June 30, 2018 and 2017, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

NOTE 5 – 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/RD 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, 2018 and 2017, the mandated minimum loan loss reserve was 3% for USDA/RD and SSED and 5% for USDA/RMAP.

The total Allowance for Loan Losses (ALL) at June 30, 2018 and 2017, was $143,013 and $180,743, representing 5.5% and 8.4%, respectively, of loans receivable.

NOTE 5 – ALLOWANCE FOR LOAN LOSSES − *(CONTINUED)*

The ALL is estimated based on a system adopted by the FCCDC 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, 2018 and 2017:

	ALL June 30, 2017	Net Charge-offs of Loans	Provision	ALL June 30, 2018
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

	ALL June 30, 2016	Net Charge-offs of Loans	Provision	ALL June 30, 2017
PVGrows	$ 4,242	$ -	$ 5,777	$ 10,019
RMAP	58,325	-	(874)	57,451
SSED	45,103	-	(6,817)	38,286
USDA	74,030	-	957	74,987
Total	$ 181,700	$ -	$ (957)	$ 180,743

Delinquent Loans

Loans are considered delinquent when 30 days past due based on the contractual terms of the loan. In general, loans are fully or partially charged off when deemed uncollectible based on management's assessment of individual circumstances.

Loan portfolio delinquencies greater than 120 days past due totaled $103,098 and $84,481 at June 30, 2018 and 2017, respectively.

Impaired Loans

The FCCDC identifies 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. The FCCDC uses the Fair Value Collateral Method of all loans deemed to be impaired. To perform an impairment analysis, the FCCDC reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented.

NOTE 5 – ALLOWANCE FOR LOAN LOSSES − *(CONTINUED)*

Impaired loans as of June 30, 2018 and 2017 are set forth in the tables below:

	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

	2017		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
RMAP	2	$ 52,083	$ 41,172
SSED	1	20,000	20,000
USDA	2	57,809	52,302
Total	5	$ 129,892	$ 113,474

NOTE 6 – LOANS RECEIVABLE, NON-LENDING, DEFERRED

All deferred payment receivables are considered to be other assets.

The FCCDC acquired the following loans receivables 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 12). 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.

	2018	2017
Due from home buyers	$ 321,860	$ 321,860
Due from Pioneer Cooperative of Franklin County, Inc.	124,720	124,720
Total of loans receivable, non-lending, deferred	$ 446,580	$ 446,580

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2018 and 2017:

	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	$ 530,092	$ 1,378,860	$ -	$ 1,908,952

	2017			
	Venture Center	Food Processing Center	Other	Total
Buildings and Improvements	$ 1,479,826	$ 759,402	$ -	$ 2,239,228
Equipment	77,032	406,902	11,741	495,675
Asset Not In Service*	-	-	33,000	33,000
Construction In Progress**	-	372,987	-	372,987
Land	118,800	-	-	118,800
Total Property and Equipment	1,675,658	1,539,291	44,741	3,259,690
Less Accumulated Depreciation				
Buildings and Improvements	(1,028,784)	(392,566)	-	(1,421,350)
Equipment	(74,917)	(257,971)	(11,088)	(343,976)
Total Accumulated Depreciation	(1,103,701)	(650,537)	(11,088)	(1,765,326)
Total Property and Equipment, net	$ 571,957	$ 888,754	$ 33,653	$ 1,494,364

*This balance of asset not in service represented the residual value of costs incurred related to the purchase and renovation of the former First National Bank Building. This $33,000 value was the September 2017 selling price to the City of Greenfield.

**This balance of construction in progress represented amounts expended towards the construction of a cold storage building (completed: January 2018).

NOTE 7 – PROPERTY AND EQUIPMENT – *(CONTINUED)*

Depreciation expense for the years ended June 30, 2018 and 2017 was:

	2018	2017
Venture Center	$ 68,260	$ 72,392
Food Processing Center	91,618	68,304
General and Administrative	653	979
Total	$ 160,531	$ 141,675

NOTE 8 – FUNDS HELD FOR OTHERS

	2018	2017
Tenant security deposits*	$ 23,085	$ 19,555
Funds held on behalf of fiscal sponsorship agencies*	197,667	170,114
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	21,679	10,769
Total Funds Held for Others	$ 242,431	$ 200,438

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

NOTE 9 – LINES OF CREDIT

The FCCDC procures secured and unsecured lines of credit to meet liquidity needs in the course of fulfilling its mission.

Secured Line of Credit

The FCCDC has available one secured hard-maturity 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, 2018 and 2017, 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 (5.0% and 4.25% at June 30, 2018 and 2017, respectively). This loan is subject to annual review and may be extended, renewed, modified, or terminated at the bank's discretion.

Unsecured Line of Credit

The FCCDC also had available one unsecured hard-maturity line of credit.

A $32,500 hard-maturity line of credit from Greenfield Savings Bank (related to pre-development for the former First National Bank Building), which was unsecured. There was an outstanding balance of $32,497 at June 30, 2017. This line of credit, including all accrued interest, was paid off in full and retired in October 2017.

NOTE 10 – DEFERRED REVENUE

Deferred revenue consists principally of prepaid parking lot rent to be recognized over the next 12 years.

NOTE 11 – LONG-TERM DEBT

Lending Debt

Long-term lending debt consisted of the following at June 30, 2018 and 2017:

	2018	2017
Note payable to USDA/RD 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.	$ 203,183	$ 243,200
Note payable to USDA/RD 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.	581,578	606,363
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.	400,249	426,262
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 either 2% or 4% with maturity dates ranging from October 2020 through March, 2025. These notes are unsecured, with investors having no recourse on any assets of FCCDC.	1,061,258	884,295
Total lending long-term debt	2,246,268	2,160,120
Less lending debt due within one year	90,989	89,577
Lending long-term debt, due after one year	$ 2,155,279	$ 2,070,543

Other Debt

Long-term other debt consisted of the following at June 30, 2018 and 2017:

	2018	2017
Note payable to the Franklin County Council of Governments (FRCOG). In September 2017 the FRCOG forgave the remaining balance of this loan.	$ -	$ 43,997
Mortgage payable to the USDA/RD in monthly installments of $3,458 including interest of 3.375%. The loan is due in full in September 2042. This note is secured by both the Venture Center and the Food Processing Center.	557,230	579,456

NOTE 11 – LONG-TERM DEBT – *(CONTINUED)*

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. This note is secured by both the Venture Center and the Food Processing Center.	247,831	-
Total other long-term debt	805,061	623,453
Less other debt due within one year	31,910	66,277
Other long-term debt, due after one year	$ 773,151	$ 557,176

The estimated aggregate principal payments to retire the FCCDC's outstanding long-term debt at June 30, 2018 are as follows:

2019	$ 122,899
2020	125,327
2021	211,831
2022	239,987
2023	168,574
Thereafter	2,182,711
Total	$ 3,051,329

NOTE 12 – 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 bear 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 6).

	2018	2017
Various home buyers	$ 321,860	$ 321,860
Pioneer Coop of Franklin County, Inc.	124,720	124,720
Total deferred payment loans	$ 446,580	$ 446,580

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets restricted by time or purpose consisted of the following at June 30, 2018 and 2017:

	2018	2017
PVGrows	$ 52,260	$ -

NOTE 14 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by the use of funds for the required purposes for the years ended June 30, 2018 and 2017 as follows:

	2018	2017
Food Processing Center	$ -	$ 84,993

NOTE 15 – OTHER INCOME (EXPENSE)

Other income (expense) for the year ended June 30, 2018 and 2017 consisted of:

	2018	2017
Impairment of former First National Bank Building to fair market value (see Note 2)	$ -	$ (640,299)
Loss on sale of former First National Bank Building to fair market value (see Note 7)	(1,225)	-
Forgiveness of Massachusetts Development Finance Agency loan and related accrued interest payable	-	68,843
Forgiveness of Town of Greenfield loan	-	235,000
Forgiveness of FRCOG loan (see Note 11)	43,997	-
Elimination of FRCOG loan	-	23,325
Other income (expense)	$ 42,772	$ (313,131)

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 18 years no grant expenditures have been disallowed.

NOTE 17 – CONCENTRATION OF CREDIT RISK

The FCCDC maintains cash accounts at Greenfield Cooperative Bank and Greenfield Savings Bank. These cash accounts are insured by the Federal Deposit Insurance Company (FDIC) to at least $250,000. All deposits above the FDIC Insurance amount are insured by the Depositors Insurance Fund (DIF).

The FCCDC receives revenue and support from various federal and state entities and its branches, private lenders and financial institutions. The FCCDC was owed $228,183 and $560,236 in grants receivable from these sources at June 30, 2018 and 2017, respectively. These grants receivable are unsecured but considered collectible.

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

NOTE 18 – RISK MANAGEMENT

The FCCDC is 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 FCCDC carries 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

A board member is employed by Greenfield Savings Bank while another is employed by the Greenfield Cooperative Bank, the FCCDC's two banks. Two other board members are employed by FRCOG. The FCCDC sometimes receives grants from and sub-awards grants to FRCOG, and had a loan outstanding with FRCOG.

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 has evaluated events that have occurred subsequent to June 30, 2018, through September 4, 2018, the date of the consolidated financial statements were available to be issued, and has 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, 2018

(With Comparative Totals for 2017)

	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Bank Building	Total Program	Fundraising	Governance	General and Administrative	Total Service Suport	Fiscal Sponsors	Total	0 Total
Income	$ 748,370	$ 310,506	$ 30,225	$ 174,098	$ 53,240	$ -	$ 1,316,439	$ 258,475	$ -	$ 7,801	$ 266,276	$ 180,739	$ 1,763,454	$ 1,948,725
Expenses														
Payroll, Taxes, Fringe	301,600	182,698	-	41,017	102,247	-	627,562	15,655	12,808	29,279	57,742	-	685,304	671,646
Staff Development	7,392	2,585	-	-	-	-	9,977	-	-	5,679	5,679	-	15,656	11,164
Temporary Labor	49,149	-	-	-	-	-	49,149	-	-	-	-	-	49,149	12,404
Contractors	900	31,983	-	-	10,231	-	43,114	-	-	639	639	162,439	206,192	370,462
Supplies	97,645	5,681	-	-	-	-	103,326	-	-	6,274	6,274	-	109,600	56,687
Equipment Rental	15,700	-	-	-	-	-	15,700	-	-	-	-	-	15,700	11,899
Rent	-	-	-	-	300	-	300	-	-	-	-	-	300	300
Utilities	40,941	-	-	18,643	-	127	59,711	-	-	-	-	-	59,711	49,407
Repairs and Maintenance	51,500	-	-	28,071	-	-	79,571	-	-	-	-	-	79,571	64,184
Memberships/Subscriptions	1,759	1,785	-	-	41	-	3,585	-	-	2,216	2,216	-	5,801	5,253
Marketing/Outreach	4,051	2,640	-	-	2,111	-	8,802	10,766	8,809	-	19,575	-	28,377	34,024
Insurance	6,607	359	-	3,457	-	373	10,796	-	1,454	-	1,454	-	12,250	13,398
Audit/Legal/Other Professional	2,423	9,229	193	1,695	2,422	-	15,962	-	2,423	1,110	3,533	-	19,495	21,523
Communications	-	-	-	-	-	-	-	-	-	6,889	6,889	-	6,889	6,576
Loan Loss Reserve/Bad Debt	-	5,040	12,872	-	-	-	17,912	-	-	3,000	3,000	-	20,912	2,043
Interest	7,285	16,656	32,977	19,225	-	417	76,560	-	-	594	594	-	77,154	66,749
Depreciation	91,618	-	-	68,260	-	-	159,878	-	-	653	653	-	160,531	141,675
Subtotal	678,570	258,656	46,042	180,368	117,352	917	1,281,905	26,421	25,494	56,333	108,248	162,439	1,552,592	1,539,394
G and A Allocation	22,298	12,809	-	3,160	8,110	-	46,377	1,185	970	(48,532)	(46,377)	-	-	-
Total Expenses	700,868	271,465	46,042	183,528	125,462	917	1,328,282	27,606	26,464	7,801	61,871	162,439	1,552,592	1,539,394
Change in Net Assets Before Other Income (Expense)	$ 47,502	$ 39,041	$ (15,817)	$ (9,430)	$ (72,222)	$ (917)	$ (11,843)	$ 230,869	$ (26,464)	$ -	$ 204,405	$ 18,300	$ 210,862	$ 409,331

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Supplemental Schedule of Activities (Operational)

For the Year Ended June 30, 2018

(With Comparative Totals for 2017)

	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Bank Building	Total Program	Fundraising	Governance	General and Administrative	Total Service Suport	Fiscal Sponsors	Total	0 Total
Program Revenues	$ 419,848	$ 129,445	$ 30,225	$ 174,098	$ 118	$ -	$ 753,734	$ 258,475	$ -	$ 7,801	$ 266,276	$ 180,739	$ 1,200,749	$ 1,080,821
Expenses														
Payroll, Taxes, Fringe	190,903	94,628	-	41,017	59,784	-	386,332	15,655	12,809	29,279	57,743	-	444,075	324,831
Staff Development	3,143	2,585	-	-	-	-	5,728	-	-	5,679	5,679	-	11,407	10,843
Temporary Labor	49,149	-	-	-	-	-	49,149	-	-	-	-	-	49,149	12,404
Contractors	900	228	-	-	95	-	1,223	-	-	639	639	162,439	164,301	193,062
Supplies	99,685	(964)	-	-	-	-	98,721	-	-	6,274	6,274	-	104,995	39,672
Equipment Rental	15,700	-	-	-	-	-	15,700	-	-	-	-	-	15,700	11,899
Rent	-	-	-	-	300	-	300	-	-	-	-	-	300	300
Utilities	40,941	-	-	18,643	-	127	59,711	-	-	-	-	-	59,711	49,407
Repairs and Maintenance	51,500	-	-	28,071	-	-	79,571	-	-	-	-	-	79,571	64,184
Memberships/Subscriptions	1,759	1,785	-	-	41	-	3,585	-	-	2,216	2,216	-	5,801	4,957
Marketing/Outreach	4,051	255	-	-	2,111	-	6,417	10,766	8,809	-	19,575	-	25,992	29,499
Insurance	6,607	359	-	3,457	-	373	10,796	-	1,454	-	1,454	-	12,250	13,398
Audit/Legal/Other Professional	2,423	9,229	193	1,695	2,422	-	15,962	-	2,423	1,110	3,533	-	19,495	19,732
Communications	-	-	-	-	-	-	-	-	-	6,889	6,889	-	6,889	6,576
Loan Loss Reserve/Bad Debt	-	5,040	12,873	-	-	-	17,913	-	-	3,000	3,000	-	20,913	2,043
Interest	7,285	16,656	32,977	19,225	-	417	76,560	-	-	594	594	-	77,154	66,749
Depreciation	91,618	-	-	68,260	-	-	159,878	-	-	653	653	-	160,531	141,675
Subtotal	565,664	129,801	46,043	180,368	64,753	917	987,546	26,421	25,495	56,333	108,249	162,439	1,258,234	991,231
G and A Allocation	13,691	7,126	-	3,160	4,920	-	28,897	1,185	970	(48,532)	(46,377)	-	(17,480)	(25,273)
Total Expenses	579,355	136,927	46,043	183,528	69,673	917	1,016,443	27,606	26,465	7,801	61,872	162,439	1,240,754	965,958
Change in Net Assets Before Other Income (Expense)	$ (159,507)	$ (7,482)	$ (15,818)	$ (9,430)	$ (69,555)	$ (917)	$ (262,709)	$ 230,869	$ (26,465)	$ -	$ 204,404	$ 18,300	$ (40,005)	$ 114,863

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Supplemental Schedule of Activities (Grant)

For the Year Ended June 30, 2018

(With Comparative Totals for 2017)

	2018													2017
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Bank Building	Total Program	Fundraising	Governance	General and Administrative	Total Service Suport	Fiscal Sponsors	Total	Total
Grant Income	$ 328,522	$ 181,061	$ -	$ -	$ 53,122	$ -	$ 562,705	$ -	$ -	$ -	$ -	$ -	$ 562,705	$ 867,904
Expenses														
Payroll, Taxes, Fringe	110,694	88,070	-	-	42,463	-	241,227	-	-	-	-	-	241,227	346,815
Staff Development	4,249	-	-	-	-	-	4,249	-	-	-	-	-	4,249	321
Temporary Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractors	-	31,756	-	-	10,136	-	41,892	-	-	-	-	-	41,892	177,400
Supplies	(2,040)	6,645	-	-	-	-	4,605	-	-	-	-	-	4,605	17,015
Equipment Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memberships/Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	-	296
Marketing/Outreach	-	2,386	-	-	-	-	2,386	-	-	-	-	-	2,386	4,525
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Audit/Legal/Other Professional	-	-	-	-	-	-	-	-	-	-	-	-	-	1,791
Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Loss Reserve/Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	112,903	128,857	-	-	52,599	-	294,359	-	-	-	-	-	294,359	548,163
G and A Allocation	8,607	5,682	-		3,190		17,479					-	17,479	25,275
Total Expenses	121,510	134,539	-	-	55,789	-	311,838	-	-	-	-	-	311,838	573,438
Change in Net Assets Before Other Income (Expense)	$ 207,012	$ 46,522	$ -	$ -	$ (2,667)	$ -	$ 250,867	$ -	$ -	$ -	$ -	$ -	$ 250,867	$ 294,466

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE
Consolidated Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Funds Expended
U.S. Department of Agriculture		
Local Food Promotion Program	10.172	$ 79,102
Intermediary Relending Program	10.767	849,562
Rural Microentrepreneur Assistance Program	10.870	426,262
Total U.S. Department of Agriculture		1,354,926
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	19,608
Total Expenditures of Federal Awards		$ 1,813,295

Schedule 1
(Continued)

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Franklin County Community Development Corporation and Affiliate and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. Franklin County Community Development Corporation and Affiliate did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2018.

NOTE 2 – SUBRECIPIENTS

There were no payments to subrecipients in any of the federal award programs during the year ended June 30, 2018.

NOTE 3 – LOAN BALANCES

U.S. Department of Agriculture	
Intermediary Relending Program	$ 764,096
Rural Microentrepeneur Assistance Program	
Revolving Loan Fund	350,222

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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 statement of financial position as of June 30, 2018, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 4, 2018.

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.

Whittlesey PC

Holyoke, Massachusetts
September 4, 2018

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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, 2018. 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 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 each 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 its major federal program for the year ended June 30, 2018.

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.

Whittlesey PC

Holyoke, Massachusetts
September 4, 2018

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

I. SUMMARY OF AUDITORS' RESULTS

Consolidated Financial Statements

Type of auditors' report issued:	*Unmodified*
Internal control over financial reporting:	
• Material weakness(es) identified?	____ yes __x__ no
• Significant deficiency(ies) identified not considered to be material weakness(es)?	____ yes __x__ none reported
Noncompliance material to financial statements noted?	____ yes __x__ no

Federal Awards

Internal control over major program(s):	
• Material weakness(es) identified?	____ yes __x__ no
• Significant deficiency(ies) identified not considered to be material weakness(es)?	____ yes __x__ none reported
Type of auditors' report issued on compliance for major program(s):	*Unmodified*
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, Section 200.516(a)?	____ yes __x__ no

Identification of Major Program(s)

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

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