AGUDAS ACHIM DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2019 AND 2018



Barrett & Scibelli, LLC
Certified Public Accountants

AGUDAS ACHIM DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2019 AND 2018

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Barrett & Scibelli, LLC
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Agudas Achim Development Corporation

We have audited the accompanying statements of financial position of **Agudas Achim Development Corporation** as of September 30, 2019 and 2018, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements referred to above present fairly, in all material respects, the financial position of **Agudas Achim Development Corporation** as of September 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Barrett & Scibelli, LLC

Winchester, Massachusetts
June 18, 2021

AGUDAS ACHIM DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2019 AND 2018

ASSETS

	2019	2018
Current assets		
Cash	$ 1,560,087	$ 1,425,576
Restricted cash	128,550	128,486
Accounts receivable - net	128,361	26,906
Prepaid expenses	34,419	33,778
Total current assets	1,851,417	1,614,746
Property and equipment		
Land	63,907	63,907
Buildings and improvements	3,234,712	3,234,712
Equipment	283,989	283,989
Furniture and fixtures	48,818	48,818
Total property and equipment	3,631,426	3,631,426
Less: accumulated depreciation	(2,954,743)	(2,918,911)
Net property and equipment	676,683	712,515
Total assets	$ 2,528,100	$ 2,327,261

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	$ 143,998	$ 68,026
Prepaid rent	-	56,977
Total current liabilities	143,998	125,003
Long term liabilities		
Tenants' security deposits	101,375	99,610
Total long term liabilities	101,375	99,610
Total liabilities	245,373	224,613
Unrestricted net assets	2,282,727	2,102,648
Total liabilities and net assets	$ 2,528,100	$ 2,327,261

The accompanying notes are an integral part of the financial statements.

AGUDAS ACHIM DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

SEPTEMBER 30, 2019 AND 2018

	2019	2018
Operating revenues		
Rent	$ 1,169,033	$ 1,138,665
Laundry and vending	23,257	23,176
Other	2,992	2,468
Total operating revenues	1,195,282	1,164,309
Operating expenses		
Operating and maintenance	325,136	360,018
Administrative	274,469	264,793
Utilities	197,443	176,171
Taxes and insurance	182,387	166,409
Depreciation	35,832	37,258
Total operating expenses	1,015,267	1,004,649
Total operating income	180,015	159,660
Non-operating income		
Interest income	64	64
Total non-operating income	64	64
Change in net assets	180,079	159,724
Net assets, beginning of year	2,102,648	1,942,924
Net assets, end of year	$ 2,282,727	$ 2,102,648

The accompanying notes are an integral part of the financial statements.

AGUDAS ACHIM DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

SEPTEMBER 30, 2019 AND 2018

	2019	2018
Cash flows from operating activities		
Change in net assets	$ 180,079	$ 159,724
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	35,832	37,258
Changes in operating assets and liabilities:		
Restricted cash	(64)	(64)
Accounts receivable	(101,455)	(24,466)
Prepaid expenses	(641)	(1,540)
Accounts payable and accrued expenses	75,972	(24,763)
Prepaid assessments	(56,977)	40,505
Tenants' security deposits	1,765	7,995
Net cash provided by operating activities	134,511	194,649
Net increase in cash	134,511	194,649
Cash, beginning of year	1,425,576	1,230,927
Cash, end of year	$ 1,560,087	$ 1,425,576

The accompanying notes are an integral part of the financial statements.

AGUDAS ACHIM DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

NOTE A - NATURE OF ACTIVITIES

Agudas Achim Development Corporation (the "Corporation") was organized in June 1965 under Chapter 180 of the laws of the Commonwealth of Massachusetts for the purpose of constructing, owning, and operating government subsidized housing under Section 221(d)(3) of the National Housing Act. The Corporation owns and operates 108 residential units and 9 commercial units located in Malden, Massachusetts, commonly referred to as Bryant Terrace Apartments (the "Property").

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Estimates

The presentation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash, Restricted Cash and Concentrations

The Corporation considers all short-term debt securities purchased with a maturity of ninety days or less to be cash equivalents. The Corporation had no cash equivalents as of September 30, 2019 and 2018.

Restricted cash consists of security deposits received from tenants. These deposits are required to be maintained in a separate interest bearing cash account in accordance with Commonwealth of Massachusetts law.

The corporation maintains its cash and restricted cash in accounts that are federally insured. At times, the balances in the insured accounts may exceed federal limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

The following is a summary of receivables:

	Year Ended 9/30/19	Year Ended 9/30/18
Rent Receivable – residential	$ 139,554	$ 55,608
Rent Receivable – commercial	6,261	1,150
	145,815	56,758
Accounts Receivable – net	17,459	(29,852)
	$ 128,361	$ 26,906

Property and Equipment

Property and equipment is carried at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets. Normal repairs and maintenance costs are expensed as incurred. Major renewals, betterments, improvements, and additions are capitalized.

Building and leasehold improvements	15 - 40 years
Equipment	5 - 12 years
Furniture and fixtures	5 - 7 years

Net Assets

The Corporation reports information regarding its financial position and activities according to the following three classes of net assets based upon the existence, if any, of imposed restrictions.

Unrestricted net assets - are resources over which the Board of Directors has discretionary control.

Temporarily restricted net assets - are resources restricted by donors for specific purposes or for specified time periods. These resources are recorded as temporarily restricted net assets until they are expended for their restricted purposes or the time restriction lapses, and they are reclassified to unrestricted net assets and reported in the statement of activities as net asset released from restriction. As of September 30, 2019 and 2018, there were no net assets in this category.

Permanently restricted net assets - are resources subject to donor-imposed restrictions that they be maintained permanently. As of September 30, 2019 and 2018, there were no net assets in this category.

Contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and or nature of any donor restrictions.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Rental Income
Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the tenants of the property are operating leases.

Advertising and Marketing
Advertising and marketing costs are expensed when incurred.

Income Taxes
The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation as defined in Section 509(a)(2) thereof. Accordingly, no provision or liability for income taxes has been included in these financial statements.

Accounting principles generally accepted in the United States of America prescribe the threshold a tax position is required to meet before being recognized in the financial statements. A liability for uncertain tax positions is recognized and recorded as a component of current income tax expense for differences between financial and income tax reporting positions which do not meet this threshold. Any interest and penalties related to uncertain tax positions are recorded as a component of income tax expense. The Corporation has reviewed its tax positions that remain subject to examination by tax authorities and has not identified any material uncertain tax positions and thus has not recorded any liability as of September 30, 2019 or 2018.

The Corporation's federal and state tax returns are subject to possible examination by taxing authorities until the expiration of the related returns statutes. The Corporation's tax returns are no longer subject to examination by tax authorities for years prior to 2016. Currently, there are no income tax audits in process.

NOTE C - RENTAL INCOME

Residential rent revenue for the years ended September 30, 2019 and 2018 was $1,059,895 and $1,057,523, net of vacancies, respectively. Lease terms are one year or less. Generally, each lease provides for month to month rental arrangements upon expiration of the term.

Commercial rent revenue for the years ended September 30, 2019 and 2018 was $79,200 and $78,770, net of vacancies, respectively. Lease terms vary from 1-3 years and expire at various times through July 2020. Generally, each lease also provides for month-to-month lease arrangements upon expiration of the initial term. Minimum future lease payments to be received under these non-cancellable lease agreements in effect at September 30, 2019 are as follows:

September 30, 2020	$ 12,500

NOTE D - MANAGEMENT AGENT

The Property is managed by an unrelated party under an agreement which provides for a management fee of 6% of the monthly gross collections received as defined in the agreement. Total fees incurred under the agreement were $66,341 and $65,474 for the years ended September 30, 2019 and 2018, respectively.

NOTE E - FUNCTIONAL EXPENSES

The costs of providing various programs and other activities are summarized on a functional basis as follows:

	Year ended September 30, 2019	Year ended September 30, 2018
Program services	$ 740,798	$ 702,254
Supporting services		
Management and general		
Advertising and marketing	-	773
Other renting expenses	-	225
Office expenses	511	1,152
Employee benefits	44,928	38,145
Management fee	66,341	65,474
Management and superintendent salaries	137,424	135,648
Legal expense	1,050	2,546
Auditing expense	7,875	10,000
Telephone expense	3,290	3,133
IT Support	-	4,942
Bad Debt	-	37,602
Miscellaneous administrative expenses	13,050	2,755
Total supporting services	274,469	302,395
Total functional expenses	$ 1,015,267	$ 1,004,649

NOTE F – CONTINGENCIES

Periodically, the Corporation is involved in various claims and legal actions arising in the normal course of operations. In the opinion of Management, based upon current facts and circumstances and on consultation with legal counsel, losses, if any, from those matters, are covered by insurance or are immaterial to the financial position of the Corporation.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 18, 2021, the date the financial statements were approved and authorized for issuance by management, and determined that, other than as disclosed herein, there are no subsequent events that would require recognition or disclosure in the notes to the financial statements.