AGUDAS ACHIM DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

SEPTEMBER 30, 2021 AND 2020



Barrett & Scibelli, LLC
Certified Public Accountants

GCC/IB 56

AGUDAS ACHIM DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

SEPTEMBER 30, 2021 AND 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 29, 2023

AGUDAS ACHIM DEVELOPMENT CORPORATION

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2021 AND 2020

ASSETS

	2021	2020
Current assets		
Cash	$ 1,514,600	$ 1,605,601
Restricted cash	128,678	128,614
Accounts receivable - net	79,828	161,520
Prepaid expenses	37,021	36,119
Total current assets	1,760,127	1,931,854
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	(3,016,428)	(2,987,123)
Net property and equipment	614,998	644,303
Total assets	$ 2,375,125	$ 2,576,157

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable and accrued expenses	$ 83,499	$ 141,782
Prepaid rent	7,198	29,598.00
Total current liabilities	90,697	171,380
Long term liabilities		
Tenants' security deposits	89,578	96,444
Total long term liabilities	89,578	96,444
Total liabilities	180,275	267,824
Unrestricted net assets	2,194,850	2,308,333
Total liabilities and net assets	$ 2,375,125	$ 2,576,157

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

AGUDAS ACHIM DEVELOPMENT CORPORATION

STATEMENTS OF ACTIVITIES

SEPTEMBER 30, 2021 AND 2020

	2021	2020
Operating revenues		
Rent	$ 917,730	$ 1,054,527
Laundry and vending	12,766	17,134
Other	323	729
Total operating revenues	930,819	1,072,390
Operating expenses		
Operating and maintenance	292,042	279,926
Administrative	321,447	350,091
Utilities	214,976	205,006
Taxes and insurance	186,596	179,445
Depreciation	29,305	32,380
Total operating expenses	1,044,366	1,046,848
Total operating income	(113,547)	25,542
Non-operating income		
Interest income	64	64
Total non-operating income	64	64
Change in net assets	(113,483)	25,606
Net assets, beginning of year	2,308,333	2,282,727
Net assets, end of year	$ 2,194,850	$ 2,308,333

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

AGUDAS ACHIM DEVELOPMENT CORPORATION

STATEMENTS OF CASH FLOWS

SEPTEMBER 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	$ (113,483)	$ 25,606
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Depreciation	29,305	32,380
Changes in operating assets and liabilities:		
Restricted cash	(64)	(64)
Accounts receivable	81,692	(33,159)
Prepaid expenses	(902)	(1,700)
Accounts payable and accrued expenses	(58,283)	(2,216)
Prepaid assessments	(22,400)	29,598
Tenants' security deposits	(6,866)	(4,931)
Net cash provided by operating activities	(91,001)	45,514
Net increase in cash	(91,001)	45,514
Cash, beginning of year	1,605,601	1,560,087
Cash, end of year	$ 1,514,600	$ 1,605,601

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, 2021 and 2020.

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 9/30/21	Year Ended 9/30/20
Rent Receivable – residential	$ 180,639	$ 203,443
Rent Receivable – commercial	4,046	33,821
	184,685	237,264
Allowance for Bad Debt	(104,857)	(75,744)
Accounts Receivable – net	$ 79,828	$ (161,520)

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.

Without donor restrictions – net assets that are not restricted by donors and may include net assets whose use is limited by internally imposed restrictions.

With donor restrictions – net assets subject to donor-imposed restrictions that will be met either by actions of the Corporation or the passage of time. Upon fulfillment of all donor limitations, the donor restricted net assets are released from restriction.

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.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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, 2021 or 2020.

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 2018. Currently, there are no income tax audits in process.

Adoption of New Accounting Standard

The Corporation adopted the provisions of Accounting Standards Update (ASU) No. 2018-08, Not-For-Profit Entities (Topic 958) Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. The new guidance helps distinguish if grants and contracts with resource providers are exchange transactions or contributions. Once a transaction is deemed to be a contribution, the ASU also provides guidance to help determine when a contribution is conditional and evaluates the possibility that a condition will not be met is remote. Unconditional contributions are recognized immediately and classified as either net assets with or without donor restrictions, while conditional contributions received are accounted for as a liability until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with or without restrictions. The adoption of this standard did not result in a change in the accounting for the Corporation’s revenues.

The Financial Accounting Standards Board (FASB) issued ASU 2016-18, Restricted Cash (Topic 230). The purpose of this pronouncement is to provide guidance on the classification of restricted cash in the statements of cash flows. The Corporation adopted the provisions of ASU 2016-18 on a retrospective basis and did not necessitate an adjustment to net assets in the prior period.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

New Accounting Pronouncements

FASB issued ASU No. 2016-02 – *Leases,* and additional ASUs containing modifications to this standard. The standard is effective for periods beginning after December 15, 2021, for non-public entities. Implementation of this standard will require lessees to recognize a right to use asset and a lease liability, for all leases with terms longer than 12 months, on their statements of financial position. Management does not believe that this standard will have a material effect on the financial statements.

FASB issued 2014-09 Revenue from Contracts with Customers and additional ASUs containing modifications to ASU 2014-09 (collectively referred to as "the new revenue recognition standard"). In May 2020, The FASB voted to extend the implementation date by one year for non-public entities for periods beginning after December 15, 2019. The purpose of this new standard is to remove inconsistencies and weaknesses and improve comparability in current revenue recognition requirements. Management is in the process of evaluating this standard and has not yet determined the impact on the financial statements.

NOTE C - RENTAL INCOME

Residential rent revenue for the years ended September 30, 2021 and 2020 was $975,327 and $1,089,833, 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, 2021 and 2020 was $79,200 and $79,200, net of vacancies, respectively. Lease terms vary from 1-3 years and expire at various times through September 2021. Generally, each lease also provides for month-to-month lease arrangements upon expiration of the initial term.

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 $69,932 and $66,504 for the years ended September 30, 2021 and 2020, 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, 2021	Year ended September 30, 2020
Program services	$ 722,919	$ 696,757
Supporting services		
Management and general		
Office expenses	570	727
Employee benefits	43,238	42,234
Management fee	69,932	66,504
Management and superintendent salaries	136,422	138,578
License and fees	3,390	-
Legal expense	1,071	2,517
Auditing expense	16,875	12,125
Telephone expense	4,919	3,419
Bad debt	29,113	75,701
Miscellaneous administrative expenses	15,917	8,286
Total supporting services	321,447	350,091
Total functional expenses	$ 1,044,366	$ 1,046,848

Note F - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statements of financial position date:

	2021	2020
Financial assets at year-end:		
Cash	$ 1,643,278	$ 1,734,215
Accounts receivable	79,828	161,520
Less restricted funds	(128,678)	(128,614)
Financial assets available to meet general operating expenses within one year:	$ 1,594,428	$ 1,767,121

NOTE G - 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 H - SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 29, 2023, 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.