

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

For the Years Ended June 30, 2024 and 2023

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
For the Years Ended June 30, 2024 and 2023

TABLE OF CONTENT

	Page
INDEPENDENT AUDITOR'S REPORT	1 - 3
FINANCIAL STATEMENTS:	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5 - 6
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Cash Flows	8
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	9 - 29
SUPPLEMENTARY INFORMATION:	
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards	31
Summary Schedule of Status of Prior Audit Findings	32 - 34
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	35 - 36
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	37 - 39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	40 - 44
MANAGEMENT'S VIEWS AND CORECTIVE ACTION PLAN	45

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Lower Cape Cod Community Development Corporation

Opinion

We have audited the accompanying consolidated financial statements of the Lower Cape Cod Community Development Corporation, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Lower Cape Cod Community Development Corporation, as of June 30, 2024 and 2023, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Lower Cape Cod Community Development Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Lower Cape Cod Community Development Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing*

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lower Cape Cod Community Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lower Cape Cod Community Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2025 on our consideration of Lower Cape Cod Community Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of Lower Cape Cod Community Development Corporation's 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 Lower Cape Cod Community Development Corporation's internal control over financial reporting and compliance.

Sanders, Walsh & Eaton, CPAs, LLC

West Chatham, Massachusetts
January 24, 2025

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Consolidated Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,155,491	\$ 3,245,584
Restricted cash	59,173	71,953
Operating investments	1,102,302	208,914
Grants receivable, net	150,231	295,736
Rents receivables	45,472	34,794
Prepaid expenses	108,962	81,773
Notes receivable, current portion	238,933	203,461
Total Current Assets	<u>3,860,565</u>	<u>4,142,215</u>
Noncurrent Assets		
Restricted cash	605,855	487,694
Property and equipment, net	5,509,693	5,815,105
Fishing permits	513,946	513,946
Notes receivable - (less of current portions and allowances for loan losses of \$30,000 in 2024 and \$30,000 in 2023)	278,761	217,751
Total Noncurrent Assets	<u>6,908,255</u>	<u>7,034,496</u>
Total Assets	<u><u>\$ 10,768,821</u></u>	<u><u>\$ 11,176,712</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 70,517	\$ 101,697
Accrued expenses	197,460	160,236
Refundable loan advances	-	13,524
Deferred revenue	87,314	78,977
Security deposits	49,718	47,493
Notes payable, current portion	125,648	138,351
Total Current Liabilities	<u>530,657</u>	<u>540,279</u>
Long-Term Liabilities:		
Notes payable - (less of current portion and unamortized debt financing costs)	7,204,477	7,326,394
Total Long-Term Liabilities	<u>7,204,477</u>	<u>7,326,394</u>
Total Liabilities	<u>7,735,133</u>	<u>7,866,673</u>
Net Assets:		
With donor restrictions	629,582	812,258
Without donor restrictions		
Undesignated	1,540,106	2,137,781
Designated by the Board for operating reserve	864,000	360,000
Total Net Assets	<u>2,404,106</u>	<u>2,497,781</u>
Total Liabilities and Net Assets	<u><u>\$ 10,768,821</u></u>	<u><u>\$ 11,176,712</u></u>

The accompanying notes are an integral part of these financial statements

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Consolidated Statements of Activities

For the Year Ended June 30, 2024

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains (Losses):			
Contributions	\$ 771,323	\$ 175,000	\$ 946,323
Government contracts and grants	598,714	200,000	798,714
Program service revenue			
Rent revenue, net	903,899	-	903,899
Notes interest	38,766	-	38,766
Fishing permits	73,732	-	73,732
Management and consulting fees	205,746	-	205,746
Managed properties reimbursements	342,106	-	342,106
Total Program Service Revenue	1,564,249	-	1,564,249
Special events, net of \$13,980 direct benefits to donors	1,495	-	1,495
Investment revenue, net	435	-	435
Other income (loss)	9,718	-	9,718
Gain (loss) on sale of fixed asset	-	-	-
Net assets released from restrictions	557,676	(557,676)	-
Total Revenue, Support, and Gains (Losses)	3,503,610	(182,676)	3,320,935
Expenses:			
Program	2,740,514	-	2,740,514
Management and general	550,256	-	550,256
Fundraising	306,514	-	306,514
Total Expenses	3,597,285	-	3,597,285
Change in Net Assets	(93,674)	(182,676)	(276,350)
Net Assets, Beginning of Year	2,497,780	812,257	3,310,038
Net Assets, End of Year	\$ 2,404,106	\$ 629,582	\$ 3,033,688

The accompanying notes are an integral part of these financial statements

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Consolidated Statements of Activities

For the Year Ended June 30, 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, Support, and Gains (Losses):			
Contributions	\$ 1,048,606	\$ 25,000	\$ 1,073,606
Government contracts and grants	1,215,302	235,000	1,450,302
Program service revenue			
Rent revenue, net	701,633	-	701,633
Notes interest	41,804	-	41,804
Fishing permits	101,608	-	101,608
Management and consulting fees	317,664	-	317,664
Managed properties reimbursements	47,845	-	47,845
Total Program Service Revenue	1,210,554	-	1,210,554
Special events, net of \$9,846 direct benefits to donors	1,928	-	1,928
Investment revenue, net	576	-	576
Other income (loss)	(1,158)	-	(1,158)
Gain (loss) on sale of fixed asset	198,894	-	198,894
Net assets released from restrictions	317,423	(317,423)	-
Total Revenue, Support, and Gains (Losses)	3,992,124	(57,423)	3,934,701
Expenses:			
Program	2,786,324	-	2,786,324
Management and general	560,940	-	560,940
Fundraising	161,082	-	161,082
Total Expenses	3,508,346	-	3,508,346
Change in Net Assets	483,778	(57,423)	426,355
Net Assets, Beginning of Year	2,014,002	869,681	2,883,683
Net Assets, End of Year	\$ 2,497,781	\$ 812,258	\$ 3,310,039

The accompanying notes are an integral part of these financial statements

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Consolidated Statements of Functional Expenses

For the Years Ended June 30, 2024 and 2023

	2024			
	Program	Management and General	Fundraising	Total
Salaries, benefits, and payroll taxes	\$ 1,570,251	\$ 311,006	\$ 237,362	\$ 2,118,620
Advertising	15,012	3,389	7,717	26,118
Depreciation	348,821	19,769	-	368,590
Dues and memberships	1,410	8,275	280	9,965
Insurance	72,681	20,942	-	93,623
Interest	123,091	4,427	-	127,518
Licenses, permits and fees	3,737	3,249	7,398	14,384
Maintenance and repairs	320,861	8,212	-	329,073
Office supplies and equipment	55,976	-	39,673	95,649
Other	-	5,521	-	5,521
Professional fees	65,613	112,225	13,292	191,129
Real estate tax	13,615	-	-	13,615
Rent	30	33,520	-	33,550
Grants and other assistance	19,583	-	-	19,583
Housing rehab	-	-	-	-
Training	4,296	1,083	-	5,379
Travel	16,804	1,395	254	18,453
Occupancy	108,734	17,244	538	126,515
	<u>\$ 2,740,514</u>	<u>\$ 550,256</u>	<u>\$ 306,514</u>	<u>\$ 3,597,285</u>

	2023			
	Program	Management and General	Fundraising	Total
Salaries, benefits, and payroll taxes	\$ 1,329,961	\$ 283,678	\$ 141,344	\$ 1,754,983
Advertising	27,680	7,827	2,161	37,667
Depreciation	357,689	19,638	-	377,327
Dues and memberships	1,595	6,795	225	8,615
Insurance	62,636	18,975	-	81,611
Interest	131,599	6,300	-	137,900
Licenses, permits and fees	4,828	4,828	4,001	13,657
Maintenance and repairs	303,246	33,524	-	336,769
Office supplies and equipment	45,113	17,247	8,102	70,462
Other	-	4,140	-	4,140
Professional fees	74,544	96,369	4,726	175,639
Real estate tax	14,567	-	-	14,567
Rent	-	28,917	-	28,917
Grants and other assistance	40,422	-	-	40,422
Housing rehab	271,332	-	-	271,332
Training	13,832	12,518	60	26,410
Travel	12,822	1,296	113	14,230
Occupancy	94,460	18,887	350	113,698
	<u>\$ 2,786,324</u>	<u>\$ 560,940</u>	<u>\$ 161,082</u>	<u>\$ 3,508,346</u>

The accompanying notes are an integral part of these financial statements

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Consolidated Statements of Cash Flows For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities:		
Change in net assets	\$ (276,350)	\$ 426,355
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	368,590	377,327
Amortization of deferred financing cost	1,220	1,220
(Gain) on sale of property and equipment	-	(198,894)
(Increase) decrease in operating assets:		
Grants receivables, net	145,505	789,692
Rents receivables, net	(10,678)	(8,051)
Prepaid expenses	(27,190)	(10,545)
Notes receivable, net	(96,482)	10,718
Increase (decrease) in operating liabilities:		
Accounts payable	(31,180)	61,676
Accrued expenses	37,223	41,198
Refundable loan advances	(13,524)	-
Deferred revenue	8,337	(19,555)
Security deposits	2,225	219
Net Cash Provided by Operating Activities	<u>107,696</u>	<u>1,471,361</u>
Cash Flows from Investing Activities:		
Interest income reinvested	-	(1,357)
Purchases of operating investments	(893,388)	-
Proceeds from sale of fixed assets	-	375,078
Purchases of property and equipment	(63,178)	(86,706)
Net Cash Used in Investing Activities	<u>(956,566)</u>	<u>287,015</u>
Cash Flows from Financing Activities:		
Principal payments on notes	(135,841)	(228,296)
Net Cash Used in Financing Activities	<u>(135,841)</u>	<u>(228,296)</u>
Change in Cash, Cash Equivalents, and Restricted Cash	(984,712)	1,530,080
Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	<u>3,805,230</u>	<u>2,275,151</u>
Cash, Cash Equivalents, and Restricted Cash, End of Year	<u><u>\$ 2,820,519</u></u>	<u><u>\$ 3,805,231</u></u>
Supplemental Disclosure of Cash Flow Information		
Interest costs incurred	\$ 127,518	\$ 137,900
Less amortization of deferred financing cost	(1,220)	(1,220)
Less government interest subsidy	(45,762)	(44,968)
Interest Costs Paid	<u><u>\$ 80,536</u></u>	<u><u>\$ 107,937</u></u>

The accompanying notes are an integral part of these financial statements

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Lower Cape Cod Community Development Corporation d/b/a Community Development Partnership (CDP) was organized July 1, 1992, as a nonprofit organization under the Massachusetts General Laws Chapter 180 and was formed to promote and assist community-based development organizations and individuals in their efforts to address the needs of low and moderate income residents in the lower Cape Cod area.

Thankful Chases Pathway, LLC (TCP) is a for-profit company owned 100% by CDP. TCP was formed for the purpose of investment and holding of a leasehold interest in, and development of, real estate and interests therein, including, but not limited to, the leasing, acquiring, operating, selling, financing, refinancing, disposing of and otherwise dealing with interests in real estate, directly or indirectly through joint ventures, partnerships or other entities, specifically those associated with the property known as 35 Main Street Extension, Harwich, Massachusetts, to be known as TCP, with the specific intention of holding the property as affordable housing, and to engage in any activities directly or indirectly related or incidental thereto.

Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP).

Principals of Consolidation

The consolidated financial statements include the accounts of CDP and TCP. CDP is the sole corporate member of TCP, therefore, CDP has a controlling financial interest. All significant intercompany balances and transactions were eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as "CDP."

Cash, Cash Equivalents, and Restricted Cash

The CDP considers all cash and highly liquid financial instruments with original maturities of three months or less, which are neither held for nor restricted by lenders or donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects or other long-term purposes are excluded from this definition.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of financial position to the sum of the corresponding amounts within the consolidated statement of cash flows:

	2024	2023
Cash and cash equivalents	\$ 2,155,491	\$ 3,245,584
Cash restricted for security deposits and escrows	59,173	71,953
Cash restricted for replacement reserves	605,855	487,694
Total	<u>\$ 2,820,519</u>	<u>\$ 3,805,231</u>

CDP is obligated to make monthly payments to fund its various properties' reserve accounts. Withdrawals from the reserve accounts are allowed for an extraordinary repair or capital replacement of the property with the oversight agency's prior written approval.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Cash, Cash Equivalents, and Restricted Cash

CDP maintains accounts for security deposits received from tenants. The cash is restricted for reimbursement of the security deposits unless there is evidence of default by a tenant under the lease agreement.

Tax and insurance escrow is restricted cash for payments of real estate taxes and insurance. The CDP is required to establish and maintain this escrow for TCP. The account is used to receive monthly deposits sufficient to pay annual real estate taxes and insurance premiums that are paid from this escrow.

Receivables and Credit Policies

Grants receivable consists primarily of noninterest-bearing amounts due from funding sources for program activities. The amounts are within existing grant awards and are, therefore, recorded as revenue in the year the expenditures are incurred. The CDP determines the allowance for uncollectable grants receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Grants receivable are written off when deemed uncollectable. At June 30, 2024 and 2023, management has determined that any allowance would be immaterial.

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Rents receivable consists of amounts due for rental income, security deposits, or the charges for damages and cleaning fees. The CDP does not accrue interest on the rents receivable balances. Rents receivable are expected to be collected in one year or less. The CDP has not established an allowance for doubtful accounts for rent receivables and does not use the reserve method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that the rent collection is not probable.

Notes receivable consists of loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff. Notes receivables are reported at their unpaid principal balance less an allowance for loan losses as described in Note D.

Property and Equipment

The CDP records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the consolidated statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

CDP reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Investments

The CDP records investment purchases at cost, or if donated, at fair value on the date of donation. The CDP investments consist of non-brokered CD's with local financial institutions that are reported at carrying value in the consolidated statement of financial position. Net investment income is reported in the consolidated statement of activities and consists of interest income.

Net Assets

Net assets are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor or certain grantor imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

Net Assets With Donor Restrictions – Net assets subject to donor or certain grantor imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The CDP reports contributions restricted by donors as increases in net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. The CDP reports conditional contributions restricted by donors as increases in net assets without donor restrictions if the restrictions and conditions expire simultaneously in the reporting period. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized when received and released from restrictions when the assets are placed in service.

Revenue and Revenue Recognition

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. The CDP recognizes special events revenue equal to the fair value of direct benefits to donors when the special event takes place. The CDP recognizes the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

The CDP recognizes revenue from the sale of management and consulting services when the performance obligations of providing the services are met. Managed properties reimbursements are recognized when expenses are incurred on behalf of managed properties. Interest on loans is recognized over the term of the loan and is calculated using the interest method on principal amounts outstanding. Loan origination fees are nominal and recognized as revenue at the time of closing. The CDP accounts for its leases of fishing permits to local fisherman as operating leases and revenue is recognized on a straight-line basis over the term of the lease. The CDP's fishing permits' lease term is generally one year or less. Advanced receipts of fishing permits revenue are deferred to the applicable period.

All goods and services are transferred at point in time. Payments are required at time of sales.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Revenue and Revenue Recognition (Continued)

The CDP accounts for its leases with residents as operating leases. Rent revenue earned from the leases consist of a fixed base rent. For lease agreements that provide for scheduled fixed and determinable rent increases, rent revenue is recognized on a straight-line basis over the noncancellable term of the lease. The residential lease term is generally one year. Total rent income represents potential rent income less vacancies. Rents collected in advance are deferred until the rental income is earned. The CDP recognizes revenue for rental related activities not included as component of a lease, as earned, and has concluded that this is appropriate under the revenue recognition standard.

The CDP recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of the CDP's revenue is derived from cost-reimbursable government contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the CDP has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. No amounts have been received in advance under these cost-reimbursable government contracts and grants at June 30, 2024 and 2023.

In-Kind Contributions

Contributed nonfinancial assets include donated professional services, donated equipment, and other in-kind contributions which are recorded at the respective fair values of the goods or services received. The Organization does not sell donated gifts-in-kind. In addition to contributed nonfinancial assets, volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the consolidated financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. No significant contributions of such goods or services were received during the years ended June 30, 2024 and 2023.

Advertising

The CDP follows the policy of charging the costs of advertising to expense as incurred. Advertising costs for the years ended June 30, 2024 and 2023, were \$26,118 and \$37,667, respectively.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited on a reasonable basis that is constantly applied. The expenses that are allocated include salaries, benefits and payroll taxes, advertising, depreciation, insurance, interest, license, permits and fees, maintenance and repairs, professional fees, training, travel, occupancy, offices supplies and equipment, and other, which are allocated on the basis of estimates of time and effort.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Income Taxes

The CDP is organized as a Massachusetts nonprofit organization and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organization described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be a private foundation under IRC Sections 509(a)(1) and (3), respectively. TCP is solely owned by the CDP and has been disregarded as a separate entity by the IRS and is not required to file a separate tax return. The CDP is annually required to file a consolidated Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the CDP is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The CDP has determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Amortization

Financing costs of \$19,327 are being amortized over thirty years, the time of the loan. Amortization expense totaled \$1,220 for the years ended June 30, 2024 and 2023, and is presented with interest expense on the accompanying consolidated statement of functional expenses. Accumulated amortization totaled \$8,743 and \$7,523 respectively, for the years ended June 30, 2024 and 2023. The unamortized portion is shown net of mortgage payable on the accompanying consolidated statement of financial position.

Financial Instruments and Credit Risk

The CDP manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. Insured accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. As of June 30, 2024 and 2023, the CDP had approximately \$1,690,022 and \$1,962,549 respectively, in excess of FDIC insurance limits. To date, the CDP has not experienced losses in any of these accounts. Credit risk associated with grants and rents receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies.

Compensated Absences

Employees of the CDP are entitled to paid vacation depending on the length of service. Employees may carry over unused earned vacation subject to a maximum limit as defined by the CDP's policy. the allowed limits. Accordingly, accrued vacation in the amount of \$110,019 and \$73,069 as of June 30, 2024 and 2023, respectively, have been recorded in accrued expenses on the statements of financial position.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Leases

The CDP determines if an arrangement is or contains a lease at inception. The CDP has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis. The CDP elected the practical expedient to not separate lease and non-lease components for a real estate leases. All of the Organization's leases are short-term operating leases.

NOTE B - FISHING PERMITS:

The CDP is a part of the Cape Cod Fisheries Trust (the Trust), a community based economic development program. The Trust leases fishing quota (allocated to different permits) to qualifying small-scale, independent fishermen who agree to adopt sustainable fishing practices, at affordable rates. In addition, the Trust offers financing, business planning, and technical assistance to fishermen who want to grow their own business. The Trust is a means of supporting a viable fishing economy on Cape Cod, ensuring that the quota, and the fishing jobs associated with it, do not migrate away from Cape Cod.

The fishing permits are stated on the consolidated statements of financial position at lower of cost or net realizable value. For the years ended June 30, 2024 and 2023.

<u>2024</u>	<u>Permits</u>	<u>Cost</u>
Beginning of Year	1	\$ 513,946
Purchased	-	-
Transaction fees	-	-
Sold	-	-
End of Year	<u>1</u>	<u>\$ 513,946</u>
<u>2023</u>	<u>Permits</u>	<u>Cost</u>
Beginning of Year	1	\$ 513,946
Purchased	-	-
Transaction fees	-	-
Sold	-	-
End of Year	<u>1</u>	<u>\$ 513,946</u>

The CDP uses an annual appraisal, performed by an independent contractor for Cape Cod Commercial Fishermen's Alliance (a nonprofit organization part of the Trust), to test for impairment the value of its permit portfolio. The appraised value as of June 30, 2024 and 2023 substantially exceeded the cost basis of the permits with the attached quota. As such, the Organization does not deem the value of its permit to be impaired as of June 30, 2024 and 2023.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE C - RENTAL REHABILITATION AND HOUSING LOANS:

The CDP held contracts with the Town of Truro to offer Community Development Block Grant Funds to low income property owners to rehabilitate residential properties. This contract ended in September 2022. Loans were capped at \$50,000 per unit and were issued with provisions requiring the property to be used by low to moderate income households over a fifteen-year period.

Collection on outstanding loans was deferred as long as the recipient adhered to the loan provisions. The loan balance was forgiven at a rate of 6.67% each year, provided the recipient was in compliance with the loan provisions. The loans were secured by a lien on the property imposed by towns, which required payment of the un-amortized loan balance upon sale of the property or other transfer, including interest.

The CDP recorded issuance of the loans as program/grant expense (cost reimbursable grants). In case of the sale of the property or other transfer, all un-amortized loan balances, included interest, were paid directly to towns. Since these loans do not represent available resources and are expected to fully amortize, they are not recorded as assets, liabilities or net assets on the CDP's books.

NOTE D - NOTES RECEIVABLES AND THE ALLOWANCE FOR CREDIT LOSSES

The CDP has designated funds to create a small business revolving loan program for micro-enterprises in the lower Cape Cod area. These micro-loans of up to \$40,000 are issued to eligible individuals to start up or expand small, private businesses. Principal and interest is repayable monthly at interest rates of prime plus 2%, and the loan maturities do not exceed a five year term.

From September 2015 to 2020 the CDP provided microloans to shellfishing businesses through a special Shellfish Microloan Fund that was capitalized by a \$60,000 contribution from Wellfleet SPAT (a nonprofit organization). SPAT loans were made to eligible Wellfleet-based shellfish and aquaculture businesses. Principal and interest was repayable monthly at interest rates of prime plus 2%, and the loan maturities did not exceed a five year term. One loan made through this fund remains and will be paid in full by June 15, 2025.

CDP's Ground Fish Revolving loan fund (RLF) was funded by a \$250,000 federal grant from the Massachusetts Department of Marine Fisheries (DMF). The Ground fish revolving loans of up to \$50,000 are issued to eligible individuals to encourage the continued profitability of small-scale ground fish fishing businesses with leasing ground fish quota. In December of 2019 DMF ended the program and recalled the funds. Principal received from current loans will be returned annually and are due by January 31st of the following year, with the final payment due by January 31, 2024. As of May 23, 2024, RLF was closed out, with DMF forgiving \$10,353 in uncollectable loans. At June 30, 2024 and 2023 the remaining principal balance of RLF was \$0 and \$13,524 respectively, and is reflected on the balance sheet as refundable loan advances.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE D - NOTES RECEIVABLES AND THE ALLOWANCE FOR CREDIT LOSSES (Continued)

The CDP, through funding provided by the State, has loan contracts (ADU) with property owners to help them create an accessory dwelling unit. Loans are capped at \$25,000 per unit and are issued with provisions requiring the property to be rented in 12 month increments for a period of five consecutive years from the date of the note. The borrower shall continue to provide proof of a minimum twelve (12) month lease each year for the four (4) consecutive years following the date of the note. Said proof is to be provided within 30 days of the anniversary date of the note.

There are no payments on ADU loans as long as the recipient adheres to the loan provisions. The loans are secured by a lien on the property imposed by the CDP, which requires payment of the outstanding loan balance including interest upon default, the sale of the property, or other transfer. The loan balance is forgiven at a rate of 20% each year, provided the recipient is in compliance with the loan provisions. In the event the loan is in default and the outstanding principal remains unpaid for a period of thirty-one (31) days or more after payment is due, a late fee equivalent to five percent (5%) of the outstanding principal shall be charged. The CDP records issuance of the loans as a note receivable. ADU loans receivable included in notes receivable on Statement of Financial Position were \$55,000 and \$0 respectively at June 30, 2024 and 2023.

The allowance for loan losses is maintained at a level that, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries.

The majority of the CDP's loans are unsecured and require only a signed loan agreement.

The CDP's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating or deteriorated financial condition, the depreciation of the underlying collateral, or for other reasons.

There were no changes in the CDP's accounting policies during the period. There have been no purchases, sales, or reclassifications of notes receivables.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE D - NOTES RECEIVABLES AND THE ALLOWANCE FOR CREDIT LOSSES (Continued)

Activity in the allowance for loan loss follows at June 30, 2024

	Micro Loans	SPAT Loans	RLF Loans	Total
Beginning balance	\$ 29,960	\$ 40	\$ -	\$ 30,000
Written off	-	-	-	-
Recovered	-	-	-	-
Provision	-	-	-	-
Ending balance	<u>\$ 29,960</u>	<u>\$ 40</u>	<u>\$ -</u>	<u>\$ 30,000</u>

The components of loans receivable at June 30, 2024 are as follows:

Micro Loans	\$ 488,974
SPAT Loans	3,720
RLF Loans	-
ADU Loans	55,000
Total	<u>547,695</u>
Less:	
Allowance for loan losses	<u>30,000</u>
	<u>\$ 517,695</u>

Activity in the allowance for loan loss follows at June 30, 2023

	Micro Loans	SPAT Loans	RLF Loans	Total
Beginning balance	\$ 24,487	\$ 243	\$ 5,269	\$ 30,000
Written off	-	-	-	-
Recovered	-	-	-	-
Provision	-	-	-	-
Ending balance	<u>\$ 24,487</u>	<u>\$ 243</u>	<u>\$ 5,269</u>	<u>\$ 30,000</u>

The components of loans receivable at June 30, 2023 are as follows:

Micro Loans	\$ 430,494
SPAT Loans	9,058
RLF Loans	11,660
ADU Loans	-
Total	<u>451,212</u>
Less:	
Allowance for loan losses	<u>30,000</u>
	<u>\$ 421,212</u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE D - NOTES RECEIVABLES AND THE ALLOWANCE FOR CREDIT LOSSES (Continued)

The recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become ninety (90) days past due unless, in the opinion of management, the outstanding interest remains collectible. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated to management the ability to make payments of principal and interest as scheduled. At June 30, 2023 and 2024, there were no impaired loans and the CDP has deemed all of the loans as collectable. There are no committed loans that have not been disbursed as of June 30, 2023 and 2024.

NOTE E - CONTINGENCY:

The CDP receives a substantial portion of its support from government contracts subject to audit by the applicable government agency. Should an audit be conducted and result in any disallowed costs, the CDP would be liable for such disallowed amounts. In management's opinion, liability resulting from such an audit would not have a material adverse effect on the CDP's financial position.

Additionally, the U.S. Department of Agriculture (USDA) and U.S. Department of Housing and Urban Development (HUD) funding contains compliance provisions which require the CDP to adhere to specified operating methods and procedures. In the event of noncompliance, USDA and HUD has the discretion to demand immediate repayment of the mortgage notes described in Note G.

NOTE F - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS:

The CDP's operations are concentrated in the affordable housing real estate market which is a heavily regulated environment. The operations of the CDP are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, USDA and HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by USDA and HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE G - NOTES PAYABLE:

Long-term notes payable consisted of the following at June 30, 2024 and 2023:

	2024	2023
Note payable to US Department of Agriculture (USDA), interest rate of 6.75% and interest and principal payment of \$2,183 payable monthly, final payment due September, 2032, collateralized by property located at 324 Old Kings Highway, Wellfleet, MA.	\$ 906,802	\$ 917,164
Note payable to Cape Cod Five Cent Savings Bank, variable interest rate currently 7.87% and interest and principal payment of \$1,559 payable monthly, final payment due October, 2025, collateralized by property located at 836 Main Street, Harwich, MA.	23,591	40,002
Note payable to the Cape Cod Five Cents Savings Bank, variable interest rate currently 4% interest and principal payment of \$831 payable monthly, final payment due August, 2030, collateralized by property located at Gull Cottages, Eastham, MA.	54,336	61,932
Note payable to Seamen's Bank, interest rate of 5.0% and interest and principal payment of \$724 payable monthly, final payment due August, 2037, collateralized by property located at 27 Nelson Ave., Provincetown, MA.	83,351	87,685
Note payable to TD Bank, variable interest rate currently 5.42% interest and principal payment of \$2,521 payable monthly, final payment due May, 2027, collateralized by property located at 17 & 19 Robert Lane, Harwich, MA.	81,317	106,323
Note payable to TD Bank, variable interest rate currently 6.37% interest and principal payment of \$679 payable monthly, final payment due March, 2033, collateralized by property located at 1475 State Highway, Eastham, MA.	54,305	58,775
Note payable to Cape Cod Five Cents Savings Bank, variable interest rate currently 7.47% interest and principal payment of \$397 payable monthly, final payment due July, 2033, collateralized by property located at Gull Cottages, Eastham, MA.	31,216	33,525
Note payable to Cape Cod Commercial Fisherman's Alliance interest rate of 3.0% and interest and principal payment of \$4,143 payable monthly, final payment due October, 2026, collateralized by Northeast Federal Fishery Permits.	32,009	79,985

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements For the Years Ended June 30, 2024 and 2023

NOTE G - NOTES PAYABLE (continued):

	2024	2023
Economic Injury Disaster Loan (EIDL) under the CARES Act from the Small Business Administration (SBA), 2.75% interest and principal payment of \$641 payable monthly, final payment due May 28, 2050, collateralized by all intangible and tangible personal property. Each payment will be applied first to interest accrued to date of receipt, and the balance, if any, will be applied to principal. Installment payments will begin 30 months from the date of the promissory note.	150,000	150,000
Note payable to the Massachusetts Housing Partnership (MHP), interest rate of 6.58% and interest and principal payment of \$4,653 payable monthly, final payment due August 25, 2031, collateralized by TCP.	574,935	592,310
Note payable to Massachusetts Department of Housing and Community Development (DHCD) under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$550,000 due April, 2032, collateralized by property located at 324 Old Kings Highway, Wellfleet, MA.	550,000	550,000
Note payable to the Massachusetts DHCD through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$170,000 due March, 2037, collateralized by property located at 71 Canal Rd., Orleans, MA .	170,000	170,000
Note payable to the Barnstable County through the Cape Cod Commission under the HOME Investment Partnership Program, 0.00% interest and balloon payment of \$120,000 due March, 2037, collateralized by property located at 71 Canal Rd., Orleans, MA .	120,000	120,000
Note payable to Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$166,000 due August, 2040, collateralized by property located at Gull Cottages, Eastham.	166,000	166,000
Note payable to Barnstable County through the Cape Cod Commission under the HOME Investment Partnership Program, 0.00% interest and balloon payment of \$60,000 due June, 2041, collateralized by property located at 27 Nelson Ave., Provincetown, MA .	60,000	60,000
Note payable to Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$175,000 due April, 2042, collateralized by property known as Fred Bell Way, Wellfleet, MA.	175,000	175,000

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE G - NOTES PAYABLE (continued):

	2024	2023
Note payable to Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$160,000 due July, 2044, collateralized by property located at 58 Harry Kemp Way, Provincetown, MA.	160,000	160,000
Note payable to the Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$117,714 due October, 2055, collateralized by property located at 836 Main Street, Harwich, MA.	117,714	117,714
Note payable to the Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$37,286 due October, 2055, collateralized by property located at 836 Main Street, Harwich, MA.	37,286	37,286
Note payable to DCHD through the Town of Provincetown under the Housing Development Support Program CDBG, 0.00% interest and balloon payment of \$176,373 due August, 2041, collateralized by property located at 27 Nelson Ave., Provincetown, MA .	176,373	176,373
Note payable to DCHD through the Town of Harwich under the Housing Development Support Program CDBG, 0.00% interest and balloon payment of \$493,000 due November, 2052, collateralized by property located at 17 & 19 Robert Lane, Harwich, MA .	493,000	493,000
Note payable to DCHD through the Town of Eastham under the Housing Development Support Program CDBG, 0.00% interest and balloon payment of \$248,400 due April, 2052, collateralized by property located at 1475 State Highway, Eastham, MA .	248,400	248,400
Note payable to the Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$550,500 due March, 2041, collateralized by TCP.	550,000	550,000
Note payable to the Barnstable County through the Cape Cod Commission under the HOME Investments Partnership Program, 0.00% interest and balloon payment of \$150,000 due February 26, 2060, collateralized by TCP.	150,000	150,000

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE G - NOTES PAYABLE (continued):

	<u>2024</u>	<u>2023</u>
Note payable to the Massachusetts Housing Fund Board under the Massachusetts Housing Stabilization Fund, 0.00% interest and balloon payment of \$400,000 due October, 2055, collateralized by property located at 836 Main Street, Harwich, MA.	400,000	400,000
Note payable to Massachusetts DHCD under the Housing Stabilization Program, 0.00% interest and balloon payment of \$159,750 due July, 2044, collateralized by property located at 58 Harry Kemp Way, Provincetown, MA.	159,750	159,750
Note payable to the Massachusetts DHCD under the Affordable Housing Trust, 0.00% interest and balloon payment of \$265,325 due October, 2035, collateralized by property located at 836 Main Street, Harwich, MA.	265,325	265,325
TCP secured financing from Community Economic Development Assistance Corporation, (CEDAC), for a maximum amount of \$350,000 due March 31, 2041. If the requirements of the Housing Innovations Funds are met, CEDAC may extend the maturity date for another ten (10) years period until March 31, 2051. Principal and interest payments are not required before the maturity dates unless the cash flow generated by the project exceeds 105% of the capital expenditures of the project. This loan is collateralized by TCP's property.	350,000	350,000
Note payable to the Massachusetts Housing Partnership (MHP) at 0% interest, final payment due March 31, 2031, collateralized by TCP.	400,000	400,000
Note payable to the Affordable Housing Trust, 0.00% interest and balloon payment of \$600,000 due March, 2041, collateralized by TCP.	<u>600,000</u>	<u>600,000</u>
Notes payable balance at year end	7,340,709	7,476,550
Less unamortized debt financing cost	10,584	11,805
Less current portion of notes payable	<u>125,648</u>	<u>138,351</u>
Net long term notes payable as presented on the consolidated statements of financial position	<u><u>\$ 7,204,477</u></u>	<u><u>\$ 7,326,394</u></u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE G - NOTES PAYABLE (continued):

The following is a maturity schedule for the above-mentioned notes payable:

<u>June 30</u>	
2025	\$ 125,648
2026	89,239
2027	86,598
2028	63,370
2029	67,223
Thereafter	<u>6,908,631</u>
	<u><u>\$ 7,340,709</u></u>

NOTE H - LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the consolidated statement of financial position, comprise the following:

	<u>2024</u>	<u>2023</u>
Financial assets at year end:		
Cash and cash equivalents	\$ 2,155,491	\$ 3,245,584
Operating investments	1,102,302	208,914
Grants receivable, net	150,231	295,736
Rents receivable, net	45,472	34,794
Notes receivable, current portion	<u>238,933</u>	<u>203,461</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 3,692,430</u></u>	<u><u>\$ 3,988,490</u></u>

As part of its liquidity management, the CDP has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The CDP regularly monitors liquidity to meet its operating needs and other commitments and obligations. The CDP's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in CDs and money market accounts. Management prepares regular cash flow projections to determine liquidity needs. Refer to the consolidated statements of cash flows which identifies the sources and uses of the CDP's cash.

The Board of Directors has designated \$864,000 and \$360,000 at June 30, 2024 and 2023, respectively, as an operating reserve. Although the Board has no plans to use this funds for general operations, they could be made available if necessary.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE I - PENSION PLAN:

Effective January 1, 2023 the CDP sponsored a Safe Harbor 403B plan covering substantially all employees. Employees may voluntarily contribute to the Plan amounts up to the maximum contribution allowed by the IRS. The CDP matches employee voluntarily contributions up to 4% of their earnings, resulting in contributions to the Plan of \$58,607 and \$34,724 for the years ended June 30, 2024 and 2023, respectively.

NOTE J - NET ASSETS WITH DONOR RESTRICTIONS:

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for a specific purpose:	2024	2023
Community Housing Partnership Institute education programs	\$ 150,000	\$ 150,000
Healthy Aging	76,078	88,296
Strategic Planning	15,000	-
First Time Home Buyers certification program	51,900	-
MGCC Business Development	-	35,000
Recruitment and retention grant	-	25,000
ADU Resource Center	336,604	513,962
	<u>\$ 629,582</u>	<u>\$ 812,258</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or other events specified by the donors as follows for the years ended June 30, 2024 and 2023:

Satisfaction of purpose restrictions:	2024	2023
ADU Resource Center	\$ 177,357	\$ 137,829
Healthy Aging	212,218	111,704
First Time Home Buyers certification program	8,100	58,143
Lower Cape Leadership Forum training	-	9,748
MGCC Business Development	35,000	-
Recruitment and retention grant	25,000	-
Community Housing Partnership Institute education programs	100,000	-
	<u>\$ 557,676</u>	<u>\$ 317,423</u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Consolidated Financial Statements

For the Years Ended June 30, 2024 and 2023

NOTE K - DEFERRED REVENUE:

Deferred revenue represents special events and fishing permits revenue received in advance of the period in which they are earned.

The following table provides information about significant changes in deferred revenue for the years ended June 30, 2024 and 2023:

	2024	2023
Deferred revenue, beginning of the year	\$ 78,977	\$ 98,531
Revenue recognized that was included in deferred revenue at the beginning of the year	(64,500)	(84,054)
Increases in deferred revenue due to cash received during the year	72,836	64,500
Deferred revenue, end of year	<u>\$ 87,314</u>	<u>\$ 78,977</u>

NOTE L - LEASES:

The CDP evaluated current contracts to determine which met the criteria of a lease. The CDP's leases consist solely of a short-term (12 months) operating lease for an office space. The lease can be renewed at current rates and may be cancelled with 30 day's notice with no significant penalty.

For the years ended June 30, 2024 and 2023, total lease cost recorded as rent expense on the statements of functional expenses comprise of short-term lease cost of \$33,550 and \$28,917, respectively. There were no noncash investing and financing transactions related to leasing for the years ended June 30, 2024 and 2023.

NOTE M - SUBSEQUENT EVENTS:

CDP evaluated subsequent events through January 24, 2025 the date which the consolidated financial statements were available to be issued.

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2024 and 2023

NOTE N - CONSOLIDATING SCHEDULES OF FINANCIAL POSITION AND ACTIVITIES:

Consolidating Statement of Financial Position Information at June 30, 2024

	CDP	TCP	Eliminations	TOTAL
Current Assets:				
Cash and cash equivalents	\$ 1,849,489	\$ 306,002	\$ -	\$ 2,155,491
Restricted cash	46,357	12,816	-	59,173
Operating investments	1,102,302	-	-	1,102,302
Grants receivable, net	150,231	-	-	150,231
Rents receivables, net	27,903	17,569	-	45,472
Due from related party	171,425	-	(171,425)	-
Prepaid expenses	101,316	7,646	-	108,962
Notes receivable, current portion	238,933	-	-	238,933
Total Current Assets	<u>3,687,957</u>	<u>344,034</u>	<u>(171,425)</u>	<u>3,860,565</u>
Noncurrent Assets				
Restricted cash	516,125	89,729	-	605,855
Property and equipment, net	3,396,091	2,113,602	-	5,509,693
Fishing permits	513,946	-	-	513,946
Notes receivable - (less of current portions and allowances for loan losses of \$30,000)	278,761	-	-	278,761
Total Noncurrent Assets	<u>4,704,924</u>	<u>2,203,331</u>	<u>-</u>	<u>6,908,255</u>
Total Assets	<u>\$ 8,392,880</u>	<u>\$ 2,547,366</u>	<u>\$ (171,425)</u>	<u>\$ 10,768,821</u>
Current Liabilities:				
Accounts payable	\$ 63,361	\$ 7,156	\$ -	\$ 70,517
Due to related party	-	171,425	(171,425)	-
Accrued expenses	197,460	-	-	197,460
Refundable advances	-	-	-	-
Deferred revenue	87,314	-	-	87,314
Security deposits	34,647	15,071	-	49,718
Notes payable, current portion	125,648	-	-	125,648
Total Current Liabilities	<u>508,430</u>	<u>193,652</u>	<u>(171,425)</u>	<u>530,657</u>
Long-Term Liabilities:				
Notes payable - (less current portion and unamortized debt financing costs)	4,579,541	2,624,935	-	7,204,477
Total Long-Term Liabilities	<u>4,579,541</u>	<u>2,624,935</u>	<u>-</u>	<u>7,204,477</u>
Total Liabilities	<u>5,087,971</u>	<u>2,818,588</u>	<u>(171,425)</u>	<u>7,735,133</u>
Net Assets:				
With donor restrictions	629,582	-	-	629,582
Without donor restrictions				
Undesignated	1,811,328	(271,222)	-	1,540,106
Designated by the Board for operating reserve	864,000	-	-	864,000
	<u>2,675,328</u>	<u>(271,222)</u>	<u>-</u>	<u>2,404,106</u>
Total Net Assets	<u>3,304,910</u>	<u>(271,222)</u>	<u>-</u>	<u>3,033,688</u>
Total Liabilities and Net Assets	<u>\$ 8,392,880</u>	<u>\$ 2,547,366</u>	<u>\$ (171,425)</u>	<u>\$ 10,768,821</u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2024 and 2023

NOTE N - CONSOLIDATING SCHEDULES OF FINANCIAL POSITION AND ACTIVITIES (continued):

Consolidating Statement of Financial Position Information at June 30, 2023

	CDP	TCP	Eliminations	TOTAL
Current Assets:				
Cash and cash equivalents	\$ 2,996,038	\$ 249,546	\$ -	\$ 3,245,584
Restricted cash	43,726	28,227	-	71,953
Operating investments	208,914	-	-	208,914
Grants receivable, net	306,768	-	(11,032)	295,736
Rents receivables, net	18,172	16,622	-	34,794
Due from related party	-	-	-	-
Prepaid expenses	74,818	6,954	-	81,773
Notes receivable, current portion	203,461	-	-	203,461
Total Current Assets	<u>3,851,897</u>	<u>301,350</u>	<u>(11,032)</u>	<u>4,142,215</u>
Noncurrent Assets				
Restricted cash	421,383	66,312	-	487,694
Property and equipment, net	3,602,729	2,212,376	-	5,815,105
Fishing permits	513,946	-	-	513,946
Notes receivable - (less of current portions and allowances for loan losses of \$30,000)	217,751	-	-	217,751
Total Noncurrent Assets	<u>4,755,808</u>	<u>2,278,688</u>	<u>-</u>	<u>7,034,496</u>
Total Assets	<u>\$ 8,607,705</u>	<u>\$ 2,580,038</u>	<u>\$ (11,032)</u>	<u>\$ 11,176,712</u>
Current Liabilities:				
Accounts payable	\$ -	\$ 112,729	\$ (11,032)	\$ 101,697
Due to related party	-	-	-	-
Accrued expenses	160,236	-	-	160,236
Refundable advances	13,524	-	-	13,524
Deferred revenue	78,977	-	-	78,977
Security deposits	34,442	13,052	-	47,493
Notes payable, current portion	120,976	17,375	-	138,351
Total Current Liabilities	<u>408,155</u>	<u>143,155</u>	<u>(11,032)</u>	<u>540,279</u>
Long-Term Liabilities:				
Notes payable - (less current portion and unamortized debt financing costs)	4,701,459	2,624,935	-	7,326,394
Total Long-Term Liabilities	<u>4,701,459</u>	<u>2,624,935</u>	<u>-</u>	<u>7,326,394</u>
Total Liabilities	<u>5,109,614</u>	<u>2,768,090</u>	<u>(11,032)</u>	<u>7,866,673</u>
Net Assets:				
With donor restrictions	812,258	-	-	812,258
Without donor restrictions				
Undesignated	2,325,833	(188,053)	-	2,137,781
Designated by the Board for operating reserve	360,000	-	-	360,000
	<u>2,685,833</u>	<u>(188,053)</u>	<u>-</u>	<u>2,497,781</u>
Total Net Assets	<u>3,498,091</u>	<u>(188,053)</u>	<u>-</u>	<u>3,310,039</u>
Total Liabilities and Net Assets	<u>\$ 8,607,705</u>	<u>\$ 2,580,038</u>	<u>\$ (11,032)</u>	<u>\$ 11,176,712</u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2024 and 2023

NOTE N - CONSOLIDATING SCHEDULES OF FINANCIAL POSITION AND ACTIVITIES (continued):

Consolidating Statement of Activities Information for the Year Ending, June 30, 2024

	CDP	TCP	Eliminations	TOTAL
Revenue, Support, and Gains:				
Contributions	\$ 946,323	\$ -	\$ -	\$ 946,323
Government contracts and grants	798,714	-	-	798,714
Program service revenue				
Rent revenue, net	650,437	253,462	-	903,899
Note interest	38,766	-	-	38,766
Fishing permits	73,732	-	-	73,732
Management and consulting fees	205,746	-	-	205,746
Managed properties reimbursements	342,106	-	-	342,106
Total Program Service Revenue	1,310,787	253,462	-	1,564,249
Special events, net	1,495	-	-	1,495
Investment revenue, net	149	287	-	435
Other income (loss)	9,718	-	-	9,718
Gain (loss) on sale of fixed asset	-	-	-	-
Total Revenue, Support, and Gains	3,067,186	253,749	-	3,320,935
Expenses:				
Program	2,403,596	336,918	-	2,740,514
Management and general	550,256	-	-	550,256
Fundraising	306,514	-	-	306,514
Total Expenses	3,260,366	336,918	-	3,597,285
Change in Net Assets	(193,180)	(83,170)	-	(276,350)
Net Assets, Beginning of Year	3,498,090	(188,053)	-	3,310,038
Net Assets, End of Year	\$ 3,304,910	\$ (271,222)	\$ -	\$ 3,033,688

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 2024 and 2023

NOTE N - CONSOLIDATING SCHEDULES OF FINANCIAL POSITION AND ACTIVITIES (continued):

Consolidating Statement of Activities Information for the Year Ending, June 30, 2023

	CDP	TCP	Eliminations	TOTAL
Revenue, Support, and Gains:				
Contributions	\$ 1,073,606	\$ -	\$ -	\$ 1,073,606
Government contracts and grants	1,450,302	-	-	1,450,302
Program service revenue				
Rent revenue, net	469,578	232,055	-	701,633
Note interest	41,804	-	-	41,804
Fishing permits	101,608	-	-	101,608
Management and consulting fees	317,664	-	-	317,664
Managed properties reimbursements	47,845	-	-	47,845
Total Program Service Revenue	<u>978,499</u>	<u>232,055</u>	<u>-</u>	<u>1,210,554</u>
Special events, net	1,928	-	-	1,928
Investment revenue, net	365	211	-	576
Other income (loss)	(3,433)	2,275	-	(1,158)
Gain (loss) on sale of fixed asset	198,894	-	-	198,894
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Revenue, Support, and Gains	<u>3,700,160</u>	<u>234,541</u>	<u>-</u>	<u>3,934,701</u>
Expenses:				
Program	2,482,340	303,984	-	2,786,324
Management and general	560,940	-	-	560,940
Fundraising	161,082	-	-	161,082
Total Expenses	<u>3,204,362</u>	<u>303,984</u>	<u>-</u>	<u>3,508,346</u>
Change in Net Assets	495,798	(69,443)	-	426,355
Net Assets, Beginning of Year	<u>3,002,292</u>	<u>(118,609)</u>	<u>-</u>	<u>2,883,683</u>
Net Assets, End of Year	<u><u>\$ 3,498,091</u></u>	<u><u>\$ (188,052)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,310,039</u></u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2024

<u>Federal Grantor/Pass Through Grantor/ Program or Cluster name</u>	<u>Assistance Listing Number</u>	<u>Pass Through Entity ID Number</u>	<u>Federal Expenditures</u>
<i>U.S. Department of Housing and Urban Development</i>			
Passed Through the MA Department of Housing and Community Development			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	B16DC250001	\$ 917,773
Home Investment Partnerships Program	14.239		2,256,000
Housing Voucher Cluster			
Section 8 Housing Choice Vouchers	14.871		<u>338,939</u>
<i>Total U.S. Department of Housing and Urban Development</i>			<u>3,512,712</u>
<i>U.S. Department Of Agriculture</i>			
Rural Rental Housing Loans	10.415		917,164
Rural Rental Housing Loans - Interest Subsidy	10.415		45,762
Rural Rental Assistance Payments	10.427		99,305
Rural Business Enterprise Grant	10.769		<u>60,000</u>
			<u>1,122,231</u>
<i>Total U.S. Department Of Agriculture</i>			<u>\$ 4,634,943</u>
Total Expenditures of Federal Awards			

The dollar threshold used to distinguish Type A and Type B programs according to 2CFR 200.518(b)(1) is determined to be \$750,000. There were no awards received that were passed through to subrecipients.

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Notes to Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2024

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Lower Cape Cod Community Development d/b/a Community Development Partnership (CDP) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of CDP it is not intended to and does not present the financial position, changes in net assets, or cash flows of CDP.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE C - INDIRECT COST RATE:

CDP has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE D - NON CASH FEDERAL AWARDS:

The CDP receives an interest credit subsidy from USDA that does not result in cash receipts or disbursements. For the year ended June 30, 2024, the CDP received and expensed \$45,762 worth of non-cash interest credit subsidy under assistance listing 10.415 - Rural Rental Housing Loan Program. This amount is included in the amount presented on the Schedule of Expenditures of Federal Awards.

NOTE E - FEDERAL AWARDS EXPENDED FOR LOAN OR LOAN GUARANTEE PROGRAMS:

Balances of loans and loan guarantee programs outstanding as of June 30, 2024 for loans described in 2 CFR section 200.502(b) are as follows:

Assistance Listing	Program name	Beginning balance as of 6/30/23	New loans from 7/1/23-6/30/24	Outstanding balance as of 6/30/24
14.239	Home Investment Partnerships Program	\$ 2,256,000	\$ -	\$ 2,256,000
	Community Development Block			
	Grants/State's program and Non-			
14.228	Entitlement Grants in Hawaii	917,773	-	917,773
10.415	Rural Rental Housing Loans	917,164	-	906,802
		<u>\$ 4,090,937</u>	<u>\$ -</u>	<u>\$ 4,080,575</u>

LOWER CAPE COD COMMUNITY DEVELOPMENT CORPORATION

Summary Schedule of Status of Prior Audit Findings

For the Year Ended June 30, 2024

2023-001 Separate accounting records for housing project operations - (Material Weakness)

Condition:

The CDP accounting software is not set up to separate transactions for its RD project (Fred Bell Way) and to produce a separate statement of financial position and a general ledger.

Recommendation:

Establish an accounting system that provides for separate accountability for projects by segregating and tracking projects funds separately and producing separate financial records for each project.

Implementation Status:

Not Resolved

Actions Taken:

See findings 2024-001

2023-002 Annual Financial Reports

Condition:

The required financial reports and forms for Fred Bell Way were not submitted to the RD.

Recommendation:

Establish an understanding and initiate the requirements of the management and reporting of RD funds.

Implementation Status:

Not Resolved

Actions Taken:

See findings 2024-002

2023-003 Financial Management System- (Material Weakness)

Cluster:	Not applicable
Sponsoring Agency	U.S. Department Of Agriculture and U.S. Department of Housing and Urban Development
Award Name	Rural Rental Housing Loans and Home Investment Partnerships Program
Award Number	Not applicable
Assisting Listing Number	10.415 and 14.239
Award Year	2022-2023
Pass-through entity	Not applicable

Condition:

Statement of financial position transactions were not allocated properly to programs/properties funded with federal funds.