FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Financial Statements
And
Supplementary Information

June 30, 2017

WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Franklin County Community Development Corporation (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entities' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Franklin County Community Development Corporation and Affiliate as of June 30, 2017, and the changes in their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The consolidated financial statements of Franklin County Community Development Corporation and Affiliate as of June 30, 2016 were audited by other auditors, whose report dated May 8, 2017, expresses an unmodified opinion on those consolidated financial statements.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards and the supplemental information included on pages 24-26 for the year ended June 30, 2017 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 October 4, 2017, on our consideration of Franklin County Community Development Corporation and Affiliate's internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Franklin County Community Development Corporation and Affiliate's internal control over financial reporting and compliance.

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
October 4, 2017

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Statement of Financial Position

June 30, 2017

(With Comparative Totals for 2016)

	2017	2016
ASSETS		
Current Assets		
Restricted cash, net of operating cash used	$ 73,960	$ 29,155
Accounts receivable, net	48,512	48,799
Pledged contributions receivable	42,100	47,000
Grants receivable - program	257,820	193,407
Grants receivable - construction in process	302,416	-
Loans receivable, lending, current	338,797	359,107
Other	22,698	2,528
Total Current Assets	1,086,303	679,996
Property and Equipment	1,494,364	1,900,182
Other Assets		
Restricted cash, lending	778,064	1,124,260
Restricted cash, mortgage	10,989	6,993
Loans receivable, lending, net	1,639,709	1,325,655
Loans receivable, non-lending, deferred	446,580	446,580
Total Other Assets	2,875,342	2,903,488
Total Assets	$ 5,456,009	$ 5,483,666
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable - operating	$ 110,453	$ 84,633
Accounts payable - construction in progress	186,135	-
Accrued expenses and other liabilities	87,448	96,692
Deferred revenue	63,843	67,657
Funds held for others	200,438	267,792
Line of credit	32,497	32,497
Long-term debt, lending, current	89,577	90,686
Long-term debt, current	66,277	71,411
Total Current Liabilities	836,668	711,368
Long-Term Liabilities		
Long-term debt, lending	2,070,543	1,994,187
Long-term debt	557,176	624,364
Deferred payment loans	446,580	704,905
Total Long-Term Liabilities	3,074,299	3,323,456
Total Liabilities	3,910,967	4,034,824
Net Assets		
Unrestricted	1,545,042	1,363,849
Temporarily restricted	-	84,993
Total Net Assets	1,545,042	1,448,842
Total Liabilities and Net Assets	$ 5,456,009	$ 5,483,666

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Statement of Activities

For the Year Ended June 30, 2017

(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
Revenues and Support				
Operating Revenues and Support				
Earned Revenue				
Food processing center	$ 286,430	$ -	$ 286,430	$ 274,408
Lending interest and fees	130,302	-	130,302	143,714
PVGrows (lending) interest and fees	14,738	-	14,738	5,144
Venture Center rents	165,362	-	165,362	150,932
Business assistance	6,747	-	6,747	2,388
Other	11,410	-	11,410	2,141
Total Earned Revenue	614,989	-	614,989	578,727
Support				
Grants				
Food processing center	376,795	-	376,795	229,453
Net assets released from restrictions	84,993	(84,993)	-	-
Lending	119,339	-	119,339	18,273
Business assistance	371,770	-	371,770	178,711
Bank building	-	-	-	4,388
Contributions, net	254,759	-	254,759	194,587
Total Support	1,207,656	(84,993)	1,122,663	625,412
Total Operating Revenues and Support	1,822,645	(84,993)	1,737,652	1,204,139
Fiscal sponsors	211,073	-	211,073	172,083
Total Revenues and Support	2,033,718	(84,993)	1,948,725	1,376,222
Expenses				
Program Service Expense				
Food processing center	443,874	-	443,874	569,410
Lending	207,197	-	207,197	285,498
PVGrows (lending)	32,196	-	32,196	17,018
Venture center	171,902	-	171,902	175,334
Business assistance	376,866	-	376,866	226,377
Bank building	8,026	-	8,026	13,930
Contributions	-	-	-	22,055
Total Program Service Expense	1,240,061	-	1,240,061	1,309,622
Support Service Expense				
Fundraising	25,054	-	25,054	21,827
Governance	24,251	-	24,251	11,546
General and administrative	59,555	-	59,555	62,154
Total Support Service Expense	108,860	-	108,860	95,527
Fiscal sponsors	190,473	-	190,473	237,902
Total Expenses	1,539,394	-	1,539,394	1,643,051
Change in Net Assets Before Other Income (Expense)	494,324	(84,993)	409,331	(266,829)
Other Income (Expense) (See Note 16)	(313,131)	-	(313,131)	-
Change in Net Assets	181,193	(84,993)	96,200	(266,829)
Net assets - beginning of year	1,363,849	84,993	1,448,842	1,715,671
Net Assets - End of Year	$ 1,545,042	$ -	$ 1,545,042	$ 1,448,842

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

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017	2016
Change in Net Assets	$ 96,200	$ (266,829)
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities		
Bad debt provision	3,000	3,000
Depreciation	141,675	150,783
Impairment of property and equipment	640,299	-
Write-off of uncollectible loans	-	(25,078)
Change in loan loss provision	(957)	73,602
Loan/interest forgiveness	(327,168)	-
Changes in operating assets and liabilities		
Accounts receivable	(2,713)	(5,125)
Pledges receivable	4,900	(43,500)
Grants receivable - program	(64,413)	178,490
Grants receivable - construction in process	(302,416)	-
Inventory	-	40,974
Other current assets	(20,170)	3,650
Account payable - operating	25,819	(33,445)
Accounts payable - construction in progress	186,135	-
Accrued expenses and other liabilities	9,599	4,247
Deferred revenue	(3,814)	(130,280)
Funds held for others	(67,354)	181,333
Net Cash Provided by Operating Activities	318,622	131,822
Cash Flows from Investing Activities		
Purchases of property and equipment	(376,156)	(41,262)
Restricted cash, mortgage	(3,996)	(6,993)
Net withdrawal from (deposits to) cash - lending	346,197	(743,875)
Loans receivable disbursements	(673,278)	(580,095)
Loans receivable repayments	380,490	561,095
Net Cash Used in Investing Activities	(326,743)	(811,130)
Cash Flows from Financing Activities		
Proceeds from long-term debt, lending	164,812	719,481
Principal payments on long-term debt, lending	(89,565)	(87,801)
Principal payments on long-term debt, other	(22,321)	(22,755)
Net Cash Provided by Financing Activities	52,926	608,925
Net Increase (Decrease) in Cash	44,805	(70,383)
Cash - beginning of year	29,155	99,538
Cash - End of Year	$ 73,960	$ 29,155
Supplemental Information		
Interest paid	$ 35,109	$ 38,459
Interest received	$ 118,469	$ 119,302

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

NOTE 1 – ORGANIZATION

Mission

The mission of the Franklin County Development Corporation ("FCCDC"), organized in 1979, is to stimulate a more vital, rural economy, to maximize control over our future economic destiny, and to expand opportunities for low- and moderate-income residents of Franklin County, the North Quabbin area and other towns in Western Massachusetts that can be appropriately served by the FCCDC.

Operations

The above mission is accomplished by:

- Providing a facility and services to assist local food entrepreneurs in bringing their products to market
- Providing both office and light commercial space for small businesses
- Acquiring, developing and holding real estate to spur local downtown investment
- Providing fiscal sponsorship for projects supporting the FCCDC mission

The services of the FCCDC's mission provide economic opportunity and business counseling in the areas of Food Processing, Lending, Venture Center, Business Assistance, Bank Building and Fiscal Sponsorship.

Food Processing Center

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

Lending

Since 1979, the FCCDC has provided over $10 million through 300 loans in financing to local businesses. It lends between $5,000 and $200,000 to both start-up and existing small businesses for a wide range of purposes. It supports entrepreneurs involved in a variety of industries with an emphasis on supporting businesses committed to either retaining or creating jobs. The FCCDC provides these loans through its own funds and two other loan funds the FCCDC manages and administers for others.

Lending - PVGrows

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

Venture Center

In 1989, the FCCDC purchased and renovated a 36,000 square foot industrial building for operation as a small business incubator. The Venture Center provides space consisting of six light industrial spaces and seven offices, including office equipment and other resources, for start-up and growing businesses.

NOTE 1 – ORGANIZATION – *(CONTINUED)*

Business Assistance

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

Bank Building

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

Fiscal Sponsorship

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

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

Basis of Accounting/Revenue and Expense Recognition

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

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

Revenue – Contributions

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

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

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

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

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

Revenue Recognition – Grants

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

Net Assets

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

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

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

Permanently restricted net assets – amounts from contributions from donors who place restrictions on the use of donated funds mandating that the original principal be used for the restricted purpose. For the years ended June 30, 2017 and 2016 the FCCDC had no permanently restricted net assets.

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Fair Value Measurements

The FCCDC follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurement*, for qualifying assets and liabilities. Fair value is defined as the price that the FCCDC would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

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

The FCCDC uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the FCCDC.

Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk.

Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

> Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measured date.
>
> Level 2 – Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
>
> Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

In January 2016, FASB issued Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments – Overall*. ASU 2016-01provides guidance on organizations that are required to evaluate the need to disclose information about fair value of financial instruments. Under ASU 2016-01, the FCCDC is no longer required to disclose such information in the footnotes to the consolidated financial statements. As a result of this accounting change, fiscal years 2017 and 2016 consolidated financial statements do not include these disclosures.

Cash and Cash Equivalents

The FCCDC maintains checking accounts as well as bank certificates of deposit (CDs) which it classifies as cash for the purposes of the consolidated Statements of Financial Position and Cash Flows. Cash that is restricted for lending funds and mortgage reserves are not considered cash for the purposes of the consolidated Statement of Cash Flows.

Accounts and Grants Receivable/Bad Debt Expense

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

The accounts receivable balance, consisting of current amounts due from tenants and other service customers, is shown net of the allowance for doubtful accounts at June 30, 2017 and 2016 of $17,625 and $14,625, respectively.

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

Pledges Receivable

Pledges are recorded after discounting to the present value of the future cash flow. All pledges receivable for the years ended June 30, 2017 and 2016 ($42,100 and $47,000, respectively) were all completely received in July of the subsequent fiscal year. Therefore, no allowance for uncollectible accounts or net present value discount was considered necessary at June 30, 2017 and 2016.

Property and Equipment and Depreciation

The FCCDC accounts for the carrying value of its long-lived assets in accordance with ASC Topic, *Property, Plant and Equipment*. As of June 30, 2016, the FCCDC had not recognized any reduction in the carrying value of its property and equipment when considering these requirements. However, as of June 30, 2017 the FCCDC an impairment loss of $640,300 on the former First National Bank Building at its current fair market value of $33,000.

Property and equipment are recorded at cost or, if donated at estimated fair market value at the date of donation. Major additions and improvements are capitalized while ordinary maintenance, repairs and minor renewals are expensed against revenue as incurred. The FCCDC capitalizes purchases of $1,000 or more.

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

Building and improvements	7-30 years
Equipment	3-10 years

Loans Receivable and Loan Loss Reserve

Loans receivable are stated at the unpaid principal balance less the loan loss reserve (See Note 6). Interest on loans is calculated by using the simple interest method on monthly balances of the principal amount outstanding.

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

U.S. GAAP requires non-for-profit organizations to record interest expense and contribution revenue in connection with loans payable that are interest-free or that have below-market interest rates. Likewise, funds loaned to borrowers at below-market interest rates should also result in imputed revenue and contribution expenses.

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

The loan loss reserve is increased by a provision for loan losses which is charged to expense and reduced by write-downs, net of recoveries.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the accompanying consolidated Supplemental Statements of Activities. Accordingly, certain costs that benefited more than one program have been allocated to the programs that benefited. General and administrative expenses are allocated to programs in the same ratio as its payroll to total payroll.

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

Prior-Year Information

The consolidated supplementary statement of activities includes certain prior-year summarized comparative information in total but not by function and the consolidated statement of activities include certain prior-year summarized comparative in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with FCCDC's consolidated financial statements for the year ended June 30, 2016 from which the summarized information was derived.

Income Taxes/Non-Profit Status

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

The FCCDC's tax information returns are subject to examination by the Federal and the Commonwealth of Massachusetts state jurisdictions and, generally, remain open for the most recent three years.

Reclassifications

The 2016 consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications have no effect on the previously reported change in net assets for the year ended June 30, 2016.

NOTE 3 – RESTRICTED CASH – OPERATING

Restricted cash at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Funds held on behalf of fiscal sponsorship agencies (see note 9)	$ 170,114	$ 108,807
Less - funds used by operating cash	(96,154)	(79,652)
Total	$ 73,960	$ 29,155

NOTE 4 – RESTRICTED CASH – LENDING

Cash in lending funds are held in separate bank accounts which may only be used for the purposes specified in related agreements. Restricted lending cash at June 30, 2017 and 2016 consisted of the following:

	2017	2016
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	$ 10,769	$ 131,758
Cash accounts from three Federal lending program operations (see Note 5) which may only be used for new loans and other program related costs.	245,230	411,138
Cash accounts for the PVGrows lending program operations (see Note 5) which may only be used for new loans and other program related costs.	522,065	581,364
Total	$ 778,064	$ 1,124,260

NOTE 5 – LOANS RECEIVABLE, LENDING

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

The FCCDC's lending policy requires that no single loan exceed $200,000. As of June 30, 2017 and 2016, there were no loans that exceeded this threshold.

On June 30, 2017 and 2016, there were 61 and 52, respectively, loans receivable from the FCCDC to various small business borrowers, maturing through September 2024 and bearing interest rates ranging between 5.0% and 8.0%. As of June 30, 2017, the balances due on these loans varied in amounts from $2,110 and $197,898, and, in terms from 2 months to 7 years.

The overall weighted average interest rate on the portfolio of loans receivable was 6.03% and 6.09% as of June 30, 2017 and 2016, respectively.

Loans receivable consist of the following at June 30, 2017 and 2016:

	2017	2016
Loans receivable	$ 2,159,249	$ 1,866,462
Less - allowance for loan losses	180,743	181,700
	1,978,506	1,684,762
Less - amount due within one year	338,797	359,107
Amount due after one year	$ 1,639,709	$ 1,325,655

Loans receivable by program at June 30, 2017 and 2016:

	2017			2016		
PVGrows loans issued to individual food/farm businesses using investor community investments.	13	$ 338,066	15.7%	5	$ 141,413	7.6%
United States Department of Agriculture/Rural Microentrepreneur Assistance Program (USDA/RMAP) loans issued to individual businesses with funds provided by the Rural Microloan Assistance Program loan payable. Loan terms may not exceed 10 years.	17	377,667	17.5	17	398,424	21.3
Sudden and Severe Economic Dislocation (SSED) Revolving Loan Fund loans issued to businesses with funds originally provided by the U.S. Economic Development Administration (EDA). Interest rates (minimum 4%) and maturities are restricted by the EDA.	16	629,539	29.2	13	593,348	31.8

NOTE 5 – LOANS RECEIVABLE, LENDING – *(CONTINUED)*

United States Department of Agriculture Rural Development (USDA/RD) loans issued to businesses with fund provided by the Intermediary Relending Program/USDA loans payable. Interest rates and maturities are restructed by the USDA/RD. Interest rates range between 1% and 4% above prime.	15	813,977	37.6	17	733,277	39.3
Total	61	$ 2,159,249	100%	52	$ 1,866,462	100%

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

Outstanding loan receivable balances which are security for long-term debt totaled $1,191,644 and $1,131,701 at June 30, 2017 and 2016, respectively.

In addition to loans receivable, the FCCDC had loan commitments to borrowers totaling $91,000 and $61,000 at June 30, 2017 and 2016, respectively. Loan commitments represent arrangements to lend funds at specified terms and interest rates and contain fixed expiration dates or other termination clauses.

NOTE 6 – ALLOWANCE FOR LOAN LOSSES

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

The loan loss reserve is maintained at the minimum required by the Federal agency that funded the original loan (USDA/RD and USDA/RMAP), or that granted the loan funds (SSED), or which, in management's judgment, is adequate to absorb losses inherent in the loan portfolio as of the date of the consolidated financial statements. At June 30, 2017 and 2016, the mandated loan loss reserve was 3% for USDA/RD and SSED and 5% for USDA/RMAP.

The FCCDC follows the *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* standard under U.S. GAAP. This standard requires disclosure on the accounting policies and methodology used to estimate the allowance for loan losses. The total Allowance for Loan Losses (ALL) at June 30, 2017 and 2016, was $180,743 and $181,700, representing 8.4% and 9.7%, respectively, of loans receivable.

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

NOTE 6 – ALLOWANCE FOR LOAN LOSSES – *(CONTINUED)*

The balance in the ALL, which has been allocated to the long-term portion of the loan portfolio in the accompanying financial statements, consisted of the following at June 30, 2017 and 2016:

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

	ALL June 30, 2015	Net Charge-offs of Loans	Provision	ALL June 30, 2016
PVGrows	$ -	$ -	$ 4,242	$ 4,242
RMAP	41,945	-	16,380	58,325
SSED	90,033	(25,078)	(19,852)	45,103
USDA	26,276	-	47,754	74,030
Total	$ 158,254	$ (25,078)	$ 48,524	$ 181,700

Impaired Loans

The FCCDC identifies a loan as impaired when it is probable that interest or principal will not be collected according to the contractual terms of the loan agreement. In accordance with guidance provided by the criteria under ASC Topic, *Impairment (Recoverability)*, management can employ one of three methods to determine and measure impairment: The Present Value of Future Cash Flow Method; the Fair Value of Collateral Method; and the Observable Market Price of a Loan Method. To perform an impairment analysis, the FCCDC reviews a loan's internally assigned risk rating, its outstanding balance, value of the collateral, guarantors, and a current report of the action being implemented. The FCCDC uses the Fair Value Collateral Method for all loans deemed to be impaired.

Loans are considered delinquent when 30 days past due based on the contractual terms of the loan. In general, loans are fully or partially charged off when deemed uncollectible based on management's assessment of individual circumstances. The investment in loans classified as delinquent totaled $345,020 and $201,772 at June 30, 2017 and 2016, respectively.

Loan portfolio delinquencies greater than 120 days past due totaled $84,481 and $140,595 at June 30, 2017 and 2016, respectively.

Impaired loans as of June 30, 2017 and 2016, are set forth in the tables below:

	2017		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
PVGrows	1	$ 2,110	$ 63
RMAP	4	95,635	43,350
SSED	3	158,341	24,150
USDA	4	88,934	54,136
Total	12	$ 345,020	$ 121,699

NOTE 6 – ALLOWANCE FOR LOAN LOSSES – *(CONTINUED)*

	2016		
	Number of Impaired Loans	Amount of Impaired Loans	Allowance for Loan Losses
PVGrows	-	$ -	$ -
RMAP	3	85,179	42,663
SSED	3	19,254	578
USDA	3	97,339	54,953
Total	9	$ 201,772	$ 98,194

NOTE 7 – LOANS RECEIVABLE, NON-LENDING, DEFERRED

All deferred payment receivables are considered to be other assets.

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

	2017	2016
Due from home buyers	$ 321,860	$ 321,860
Due from Pioneer Cooperative of Franklin County, Inc.	124,720	124,720
Total of loans receivable, non-lending, deferred	$ 446,580	$ 446,580

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2017 and 2016:

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

NOTE 8 – PROPERTY AND EQUIPMENT – *(CONTINUED)*

	2016			
	Venture Center	Processing Center	Other	Total
Buildings and Improvements	$ 1,479,826	$ 759,402	$ -	$ 2,239,228
Equipment	77,032	403,734	11,740	492,506
Asset Not In Service*	-	-	673,299	673,299
Land	118,800	-	-	118,800
Total Property and Equipment	1,675,658	1,163,136	685,039	3,523,833
Less accumulated depreciation				
Buildings and Improvements	(961,093)	(362,983)	-	(1,324,076)
Equipment	(70,216)	(219,250)	(10,109)	(299,575)
Total Accumulated Depreciation	(1,031,309)	(582,233)	(10,109)	(1,623,651)
Total Property and Equipment, net	$ 644,349	$ 580,903	$ 674,930	$ 1,900,182

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

**This balance of construction in progress represents amounts spent towards the construction of a cold storage building (estimated completion date: November 2017)

Depreciation expense for the years ended June 30, 2017 and 2016 was:

	2017	2016
Venture Center	$ 72,392	$ 77,408
Food Processing Center	68,304	72,299
General and Administrative	979	1,076
Total	$ 141,675	$ 150,783

NOTE 9 – FUNDS HELD FOR OTHERS

	2017	2016
Advance from tenant	$ -	$ 8,900
Tenant security deposits	19,555	18,327
Funds held on behalf of fiscal sponsorship agencies (see note 3)	170,114	108,807
Loan repayments collected by the FCCDC on behalf of a loan program administered for the Town of Erving	10,769	131,758
Total Funds Held for Others	$ 200,438	$ 267,792

NOTE 10 – LINES OF CREDIT

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

Secured Line of Credit

The FCCDC has available one secured hard-maturity line of credit.

NOTE 10 – AVAILABLE CREDIT – *(CONTINUED*

A $60,000 hard-maturity line of credit from Greenfield Cooperative Bank (for working capital needs), which is secured by all business assets of FCCDC. At June 30, 2017 and 2016, there were no outstanding balances on this line of credit. The line of credit was established in March 2015 and has a maturity date of March 2025. This line of credit requires interest-only monthly payments. Interest is the prime rate (4.25% and 3.50% at June 30, 2017 and 2016, respectively). This loan is subject to annual review and may be extended, renewed, modified, or terminated at the bank's discretion.

Unsecured Line of Credit

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

A $32,500 hard-maturity line of credit from Greenfield Savings Bank (related to pre-development for the former First National Bank Building), which is unsecured. There was an outstanding balance of $32,497 at both June 30, 2017 and 2016. This line of credit is payable on demand with interest-only monthly payments. Interest is at prime rate (4.25% and 3.5% at June 30, 2017 and 2016, respectively). This line of credit, included all accrued interest, was paid off in full and retired in October 2017.

NOTE 11 – DEFERRED REVENUE

Deferred revenue consisted principally of prepaid parking lot rent to be recognized over the next 13 years.

NOTE 12 – LONG-TERM DEBT

Lending Debt

Long-term debt consisted of the following at June 30, 2017 and 2016:

	2017	2016
Note payable to USDA/RD in annual installments of $42,450 including interest of 1%. The loan is due in full in September 2022. This note is secured by an interest in both the Intermediary Relending Portfolio (IRP) loans and the related segregated cash account.	$ 243,200	$ 282,821
Note payable to USDA/RD in annual installments of $30,848 including interest of 1%. The loan is due in full in October 2038. This note is secured by an interest in both the IRP loans and the related segregated cash account.	606,363	630,902
Note payable to USDA/RMAP in annual installments of $2,801 including interest of 2%. The loan is due in full in March 2032. This note is secured by an interest in both the USDA/RMAP loans and the related segregated cash account.	426,262	451,667

NOTE 12 – LONG-TERM DEBT – *(CONTINUED)*

Notes payble to various PVGrows Fund investors (individuals and institutions) to fund PVGrows loans. Investments range from $1,000 to $100,000. Interest rates are either 2% or 4% with maturity dates ranging from October 2020 through December 2023. At June 30, 2017, $100,104 was in the Community Pool to fund loans between $1,000 and $10,000, $682,284 was in the Patient Capital Pool to fund loans above $10,000, and $101,907 was in the Risk Capital pool to provide a loan loss reserve. These notes are unsecured, with investors having no recourse on any assets of FCCDC.	884,295	719,483
Total lending long-term debt	2,160,120	2,084,873
Less lending debt due within one year	89,577	90,686
Lending long-term debt, due after one year	$ 2,070,543	$ 1,994,187

Other Debt

Other debt consisted of the following at June 30, 2017 and 2016:

	2017	2016
Note payable to Franklin County Council of Governments (FRCOG) with scheduled quarterly installments (including interest of 1%) of $500 from April 2015 to April 2020 and $1,130 from July 2020 to April 2029. The loan was due in April 2029. In September 2017 the FRCOG gave the FCCDC a grant to retire the balance of this loan.	$ 43,997	$ 44,774
Loan Payable to Massachusetts Development Finance Agency (MDFA) for the former First National Bank Building project. The loan was due August 1, 2015. This loan was unsecured. Interest was deferred and accrued (but not compunded) at 5.5% and was due at maturity. In June 2017 the MDFA completely forgave the loan and its related deferred interest.	-	50,000
Mortgage payable to the USDA/RD in monthly installments of $3,458 including interest of 3.375%. The loan is due in full September 2042. This note is secured by both the Venture Center and the Food Processing Center.	579,456	601,001
Total other long-term debt	623,453	695,775
Less other debt due within one year	66,277	71,411
Other long-term debt, due after one year	$ 557,176	$ 624,364

NOTE 12 – LONG-TERM DEBT – *(CONTINUED)*

The estimated aggregate principal payments to retire the FCCDC's outstanding long-term and other debt at June 30, 2017 are as follows:

2018	$ 155,854
2019	114,339
2020	116,283
2021	202,416
2022	228,272
Thereafter	1,966,409
Total	$ 2,783,573

NOTE 13 – DEFERRED PAYMENT LOANS

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

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

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

	2017	2016
Various home buyers	$ 321,860	$ 321,860
Pioneer Coop of Franklin County, Inc.	124,720	124,720
Three notes payable to the Town of Greenfield, which were non-interest bearing, and were due October, 2014. Funds from these notes were used for the Venture Center. These notes allowed for total forgiveness by the Town of Greenfield provided the FCCDC complied with the Massachusetts Small Cities Program Agreement. The FCCDC has satisfied all requirments to receive total forgiveness of these notes from the Town of Greenfield.	-	235,000
Reduction of the loan principal; as allowed by EPA on the loan for the former First National Bank Building cleanup.	-	23,325
Total deferred payment loans payable	$ 446,580	$ 704,905

NOTE 14 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets restricted by time consisted of the following at June 30, 2017 and 2016:

	2017	2016
Kendall Foundation - FBDS (Food Processing Center)	$ -	$ 84,993

NOTE 15 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by the use of funds for the required purposes for the years ended June 30, 2017 and 2016 as follows:

	2017	2016
Kendall Foundation - FBDS (Food Processing Center)	$ 84,993	$ 19,603
Kendall Foundation (PVGrows)	-	57,007
Solidago Foundation (PVGrows)	-	37,054
Jane's Trust (Fiscal Sponsor)	-	49,042
Merck Foundation (Fiscal Sponsor)	-	33,629
Total	$ 84,993	$ 196,335

NOTE 16 – OTHER INCOME (EXPENSE)

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

	2017
Impairment of former First National Bank Building to fair market value (see Note 8)	$ (640,299)
Forgiveness of MDFA loan and related accrued interest payable (see Note 12)	68,843
Forgiveness of Town of Greenfield loan (see Note 13)	235,000
Elimination of FRCOG loan (see Note 13)	23,325
Other income (expense)	$ (313,131)

There was no other income (expense) for the year ended June 30, 2016.

NOTE 17 – CONTINGENCIES

FCCDC receives a significant portion of its support from grants, including federal and state sources. Some of the grants permit the funding source to audit the financial operation of the grantee and compliance with the terms of the grant agreements. Such audits could result in disallowance of some costs charged to the grants and, therefore, create a liability. Liabilities resulting from these audits, if any, will be recorded in the period in which the amount of the liability is ascertained. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the FCCDC expects no such amounts. The FCCDC has regularly been audited by LISC for its grants from LISC. There have been no negative outcomes from these regular audits. During the past 17 years no grant expenditures have been disallowed.

NOTE 17 – CONTINGENCIES – *(CONTINUED)*

Bank Building – During fiscal years 2009 and 2010 the Greenfield Area Development Corporation (GACD) provided the FCCDC with $72,500 in pre-development funds for the Performing Arts Center (PAC) in the former First National Bank Building property owned by the FCCDC. These costs were added to the value of the former First National Bank Building asset of the FCCDC, although the purchases were made directly by GADC on behalf of the FCCDC. The PAC project did not move forward and according to the Agreement dated September 22, 2009 "the owner of the building will be under no further obligation to the GADC for repayment of the pre-development funds". Therefore a liability has not been recorded on the FCCDC's consolidated Statement of Financial Position.

NOTE 18 – CONCENTRATION OF CREDIT RISK

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

The FCCDC receives revenue and support from various federal and state entities and its branches, private lenders and financial institutions. The FCCDC was owed $560,236 and $193,407 in grants receivable from these sources at June 30, 2017 and 2016, respectively. These grants receivable are unsecured but considered collectible.

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

NOTE 19 – RISK MANAGEMENT

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

NOTE 20 – RELATED PARTIES

A board member is employed by Greenfield Savings Bank while another is employed by the Greenfield Cooperative Bank, the FCCDC's two banks. Two other board members are employed by FRCOG. The FCCDC sometimes receives grants from and sub-awards grants to FRCOG, and has a loan outstanding with FRCOG of $43,997.

NOTE 21 – RELATED PARTY TRANSACTIONS

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

NOTE 22 – SUBSEQUENT EVENTS

FCCDC has evaluated events that have occurred subsequent to June 30, 2017, through October 4, 2017, the date of the financial statements were available to be issued, and has determined there were no material events that met the criteria for recognition or disclosure in the financial statements, other than noted below.

NOTE 22 – SUBSEQUENT EVENTS – *(CONTINUED)*

In September 2015, the FCCDC was approved for a $250,000 loan/$50,000 grant through the USDA to construct a cold storage facility. The loan carries an interest rate of 4% and is payable over 20 years. In October 2016, the FCCDC was approved for an additional $250,000 grant from the Commonwealth of Massachusetts for this project. As of June 30, 2017, some of the grants funds had been disbursed with the balance being received by August 14, 2017. As of June 30, 2017 and as of the date of this report, no loan funds have yet been disbursed.

In September 2017, the former First National Bank Builidng was sold to the Town of Greenfield for $33,000.

In September 2017, the Franklin County Council of Governments (FRCOG) gave the FCCDC a grant to retire the balance of a note payable to the FRCOG in the amount of $43,997.

In conjunction with this sale, the sale proceeds were used in October 2017 to pay off in full the $32,500 line of credit (including all accrued interest) related to this building.

SUPPLEMENTARY INFORMATION

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Supplemental Schedule of Activities

For the Year Ended June 30, 2017

(With Comparative Totals for 2016)

	2017													2016
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Bank Building	Total Program	Fundraising	Governance	General and Administrative	Total Service Suport	Fiscal Sponsors	Total	Total
Income	$ 663,225	$ 249,390	$ 14,988	$ 165,362	$ 378,518	$ -	$ 1,471,483	$ 254,759	$ -	$ 11,410	$ 266,169	$ 211,073	$ 1,948,725	$ 1,376,222
Expenses														
Payroll Taxes, Fringe	231,594	149,067	-	26,137	205,273	873	612,944	15,661	12,814	30,227	58,702	-	671,646	638,966
Staff Development/Convenings	2,068	1,284	-	-	-	-	3,352	-	-	7,812	7,812	-	11,164	14,754
Temporary Labor	12,404	-	-	-	-	-	12,404	-	-	-	-	-	12,404	55,272
Contractors	1,794	30,071	-	-	147,329	-	179,194	-	-	795	795	190,473	370,462	375,795
Supplies	34,783	29	-	-	14,946	-	49,758	-	-	6,929	6,929	-	56,687	96,583
Equipment Rental	11,899	-	-	-	-	-	11,899	-	-	-	-	-	11,899	12,589
Rent	-	-	-	-	300	-	300	-	-	-	-	-	300	3,600
Utilities	31,610	-	-	17,433	-	364	49,407	-	-	-	-	-	49,407	46,097
Repairs and Maintenance	36,342	-	-	27,564	-	278	64,184	-	-	-	-	-	64,184	47,895
Memberships/Subscriptions	1,294	1,765	-	-	155	-	3,214	-	-	2,039	2,039	-	5,253	4,993
Marketing/Outreach	6,783	3,600	-	-	6,563	-	16,946	9,393	7,685	-	17,078	-	34,024	42,245
Insurance	2,701	359	-	6,949	-	1,935	11,944	-	1,454	-	1,454	-	13,398	12,607
Audit/Legal/Other Professional	2,298	10,907	513	1,497	2,300	609	18,124	-	2,298	1,101	3,399	-	21,523	25,894
Communications	-	-	-	-	-	-	-	-	-	6,576	6,576	-	6,576	7,351
Loan Loss Reserve/Bad Debt	-	(6,734)	5,777	-	-	-	(957)	-	-	3,000	3,000	-	2,043	51,524
Interest	-	16,849	25,906	19,930	-	3,967	66,652	-	-	97	97	-	66,749	56,103
Depreciation	68,304	-	-	72,392	-	-	140,696	-	-	979	979	-	141,675	150,783
Subtotal	443,874	207,197	32,196	171,902	376,866	8,026	1,240,061	25,054	24,251	59,555	108,860	190,473	1,539,394	1,643,051
G and A Allocation	17,672	11,371	-	2,091	14,499	96	45,729	1,330	1,088	(48,145)	(45,727)	-	-	-
Total Expenses	461,546	218,568	32,196	173,993	391,365	8,122	1,285,790	26,384	25,339	11,410	63,133	190,473	1,539,394	1,643,051
Change in Net Assets Before Other Income (Expense)	$ 201,679	$ 30,822	$ (17,208)	$ (8,631)	$ (12,847)	$ (8,122)	$ 185,693	$ 228,375	$ (25,339)	$ -	$ 203,036	$ 20,600	$ 409,331	$ (266,829)

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Supplemental Schedule of Activities (Operational)

For the Year Ended June 30, 2017

(With Comparative Totals for 2016)

	2017													2016
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Bank Building	Total Program	Fundraising	Governance	General and Administrative	Total Service Suport	Fiscal Sponsors	Total	Total
Program Revenues	$ 286,430	$ 130,052	$ 14,988	$ 165,362	$ 6,747	$ -	$ 603,579	$ 254,759	$ -	$ 11,410	$ 266,169	$ 211,073	$ 1,080,821	$ 945,398
Expenses														
Payroll Taxes, Fringe	159,668	66,198	-	26,136	13,254	873	266,129	15,661	12,814	30,227	58,702	-	324,831	367,131
Staff Development/Convenings	2,068	963	-	-	-	-	3,031	-	-	7,812	7,812	-	10,843	12,230
Temporary Labor	12,404	-	-	-	-	-	12,404	-	-	-	-	-	12,404	55,272
Contractors	1,794	-	-	-	-	-	1,794	-	-	795	795	190,473	193,062	228,862
Supplies	32,743	-	-	-	-	-	32,743	-	-	6,929	6,929	-	39,672	96,300
Equipment Rental	11,899	-	-	-	-	-	11,899	-	-	-	-	-	11,899	12,589
Rent	-	-	-	-	300	-	300	-	-	-	-	-	300	3,600
Utilities	31,610	-	-	17,433	-	364	49,407	-	-	-	-	-	49,407	46,096
Repairs and Maintenance	36,342	-	-	27,564	-	278	64,184	-	-	-	-	-	64,184	47,895
Memberships/Subscriptions	1,294	1,469	-	-	155	-	2,918	-	-	2,039	2,039	-	4,957	4,993
Marketing/Outreach	6,783	140	-	-	5,498	-	12,421	9,393	7,685	-	17,078	-	29,499	40,585
Insurance	2,701	359	-	6,949	-	1,935	11,944	-	1,454	-	1,454	-	13,398	12,607
Audit/Legal/Other Professional	2,298	9,116	513	1,497	2,300	609	16,333	-	2,298	1,101	3,399	-	19,732	25,654
Communications	-	-	-	-	-	-	-	-	-	6,576	6,576	-	6,576	7,351
Loan Loss Reserve/Bad Debt	-	(6,734)	5,777	-	-	-	(957)	-	-	3,000	3,000	-	2,043	51,524
Interest	-	16,849	25,906	19,930	-	3,967	66,652	-	-	97	97	-	66,749	56,103
Depreciation	68,304	-	-	72,392	-	-	140,696	-	-	979	979	-	141,675	150,783
Subtotal	369,908	88,360	32,196	171,901	21,507	8,026	691,898	25,054	24,251	59,555	108,860	190,473	991,231	1,219,575
G and A Allocation	12,133	5,242	-	2,091	892	96	20,454	1,330	1,088	(48,145)	(45,727)	-	(25,273)	(30,173)

FRANKLIN COUNTY COMMUNITY DEVELOPMENT CORPORATION AND AFFILIATE

Consolidated Supplemental Schedule of Activities (Grant)

For the Year Ended June 30, 2017

(With Comparative Totals for 2016)

	2017													2016
	Food Processing	Lending	PVGrows	Venture Center	Business Assistance	Bank Building	Total Program	Fundraising	Governance	General and Administrative	Total Service Suport	Fiscal Sponsors	Total	Total
Grant Income	$ 376,795	$ 119,339	$ -	$ -	$ 371,770	$ -	$ 867,904	$ -	$ -	$ -	$ -	$ -	$ 867,904	$ 430,825
Expenses														
Payroll Taxes, Fringe	71,926	82,870	-	-	192,019	-	346,815	-	-	-	-	-	346,815	271,834
Staff Development/Convenings	-	321	-	-	-	-	321	-	-	-	-	-	321	2,524
Temporary Labor	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Contractors	-	30,071	-	-	147,329	-	177,400	-	-	-	-	-	177,400	146,933
Supplies	2,040	29	-	-	14,946	-	17,015	-	-	-	-	-	17,015	283
Equipment Rental	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Memberships/Subscriptions	-	296	-	-	-	-	296	-	-	-	-	-	296	-
Marketing/Outreach	-	3,460	-	-	1,065	-	4,525	-	-	-	-	-	4,525	1,660
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Audit/Legal/Other Professional	-	1,791	-	-	-	-	1,791	-	-	-	-	-	1,791	240
Communications	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loan Loss Reserve/Bad Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	73,966	118,838	-	-	355,359	-	548,163	-	-	-	-	-	548,163	423,474
G and A Allocation	5,539	6,130	-		13,606		25,275					-	25,275	30,173
Total Expenses	79,505	124,968	-	-	368,965	-	573,438	-	-	-	-	-	573,438	453,647
Net	$ 297,290	$ (5,629)	$ -	$ -	$ 2,805	$ -	$ 294,466	$ -	$ -	$ -	$ -	$ -	$ 294,466	$ (22,822)

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Total Federal Funds Expended
U.S. Department of Agriculture		
Local Food Promotion Program	10.172	$ 28,531
Intermediary Relending Program	10.767	913,723
Rural Microentrepreneur Assistance Program	10.870	451,667
Total U.S. Department of Agriculture		1,393,921
U.S. Department of Commerce		
Economic Adjustment Assistance	11.307	438,761
U.S. Department of Housing and Urban Development		
Passed through Local Initiatives Support Corporation (LISC)/Section 4 Capacity Building for Community Development and Affordable Housing	14.252	11,127
Total Expenditures of Federal Awards		$ 1,843,809

Schedule 1
(Continued)

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Franklin County Community Development Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements. Franklin County Community Development Corporation did not elect to use the 10% de minimis indirect cost rate for the year ended June 30, 2017.

NOTE 2 – SUBRECIPIENTS

There were no payments to subrecipients in any of the federal award programs during the year ended June 30, 2017.

NOTE 3 – LOAN BALANCES

U.S. Department of Agriculture	
Intermediary Relending Program	$ 813,977
Rural Microentrepeneur Assistance Program	
Revolving Loan Fund	377,667

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INDEPENDENT AUDITORS' 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Franklin County Community Development Corporation (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2017, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 4, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
October 4, 2017

WHITTLESEY & HADLEY, P.C.

Certified Public Accountants/Consultants

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

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

Report on Compliance for Each Major Federal Program

We have audited Franklin County Community Development Corporation and Affiliate's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Franklin County Community Development Corporation and Affiliate's major federal program for the year ended June 30, 2017. Franklin County Community Development Corporation and Affiliate's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Franklin County Community Development Corporation and Affiliate complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

Whittlesey & Hadley, P.C.

Holyoke, Massachusetts
October 4, 2017

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

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

Identification of Major Program(s)

CFDA Number	Name of Federal Program or Cluster
10.767	Intermediary Relending Program

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__x__ yes _____ no

II. FINANCIAL STATEMENT FINDINGS

None

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None

There were no findings or questioned costs disclosed for the year ended June 30, 2016.