

**Local Enterprise Assistance Fund, Inc.**

*Financial Statements*

*Years Ended May 31, 2009 and 2008*

**Local Enterprise Assistance Fund, Inc.**  
*Financial Statements*  
*Years Ended May 31, 2009 and 2008*  
*Contents*

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## Independent Auditors' Report

To the Board of Directors  
Local Enterprise Assistance Fund, Inc.  
Brookline, Massachusetts

We have audited the accompanying statements of financial position of Local Enterprise Assistance Fund, Inc. (a Massachusetts nonprofit organization) as of May 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Local Enterprise Assistance Fund, Inc. as of May 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



October 2, 2009

**Local Enterprise Assistance Fund, Inc.**  
**Statements of Financial Position**  
**May 31,**

	2009	2008
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 326,949	\$ 425,555
Notes receivable, current, net of allowance: 2009 - \$46,309; 2008 - \$63,775	200,885	148,161
Grants receivable	66,413	60,000
Dividends receivable	17,500	12,500
Prepaid expenses	1,383	280
<b>Total Current Assets</b>	<b>613,130</b>	<b>646,496</b>
<b>Property and Equipment</b>		
Computer equipment	3,854	3,854
Furniture and fixtures	1,028	1,028
Total	4,882	4,882
Accumulated depreciation	(4,882)	(4,882)
<b>Net Property and Equipment</b>	<b>-</b>	<b>-</b>
<b>Other Assets</b>		
Notes receivable, net of current portion, net of allowance: 2009 - \$90,336; 2008 - \$126,797	391,867	294,573
Program investments, net of allowance: 2009 - \$0; 2008 - \$60,000	25,561	25,561
<b>Total Other Assets</b>	<b>417,428</b>	<b>320,134</b>
<b>Total Assets</b>	<b>\$ 1,030,558</b>	<b>\$ 966,630</b>

	2009	2008
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 213,802	\$ 354,592
Accounts payable	23,573	7,226
<b>Total Current Liabilities</b>	<b>237,375</b>	<b>361,818</b>
<b>Long-Term Debt, Net of Current Portion</b>	<b>407,500</b>	<b>220,000</b>
<b>Commitments (Note F)</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>	<b>644,875</b>	<b>581,818</b>
<b>Net Assets</b>		
Unrestricted	320,683	319,812
Temporarily restricted	65,000	65,000
<b>Total Net Assets</b>	<b>385,683</b>	<b>384,812</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 1,030,558</b>	<b>\$ 966,630</b>

*See accompanying notes.*

**Local Enterprise Assistance Fund, Inc.**  
**Statements of Activities**  
**Years Ended May 31,**  
**(With Comparative Totals for 2008)**

	2009			2008	
	Unrestricted	Temporarily Restricted	Total	Total	
<b>Revenues and Support</b>					
Grants	\$ 33,000	\$ 3,413	\$ 36,413	\$	30,000
Donated services	-	-	-		8,949
Interest income - notes	45,139	-	45,139		41,316
Interest and dividend income	7,740	-	7,740		17,359
Other income	2,591	-	2,591		3,977
Net assets released from restrictions	3,413	(3,413)	-		-
<b>Total Revenues and Support</b>	91,883	-	91,883		101,601
<b>Expenses</b>					
Insurance	1,110	-	1,110		1,108
Interest	12,692	-	12,692		13,022
Management services	32,344	-	32,344		32,344
Other	2,197	-	2,197		1,332
Professional services	27,902	-	27,902		26,607
Rent	14,767	-	14,767		14,351
<b>Total Expenses</b>	91,012	-	91,012		88,764
<b>Excess of Revenues and Support Over Expenses</b>	871	-	871		12,837
<b>Other Expenses</b>					
Increase in notes receivable allowance	-	-	-		(6,123)
<b>Change in Net Assets</b>	871	-	871		6,714
Net assets, beginning of year	319,812	65,000	384,812		378,098
<b>Net Assets, End of Year</b>	\$ 320,683	\$ 65,000	\$ 385,683	\$	384,812

*See accompanying notes.*

**Local Enterprise Assistance Fund, Inc.**  
**Statements of Cash Flows**  
**Years Ended May 31,**

	2009	2008
<b>Operating Activities</b>		
Change in net assets	\$ 871	\$ 6,714
Adjustments to reconcile change in net assets to net cash operating activities:		
Bad debt expense	-	6,123
Accrued interest on notes receivable	-	394
Accrued interest on notes payable	1,710	3,592
Increase (decrease) in cash from:		
Grants receivable	(6,413)	13,000
Dividends receivable	(5,000)	5,000
Prepaid expenses	(1,103)	(3)
Accounts payable	16,347	3,206
<b>Net Cash Operating Activities</b>	<b>6,412</b>	<b>38,026</b>
<b>Investing Activities</b>		
Principal payments on notes receivable	136,629	258,305
Notes receivable issued	(286,647)	(332,950)
Investment in program securities	-	25,000
<b>Net Cash Investing Activities</b>	<b>(150,018)</b>	<b>(49,645)</b>
<b>Financing Activities</b>		
Proceeds from long-term debt	95,000	15,000
Payments on long-term debt	(50,000)	(7,986)
<b>Net Cash Financing Activities</b>	<b>45,000</b>	<b>7,014</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>(98,606)</b>	<b>(4,605)</b>
Cash and cash equivalents, beginning of year	425,555	430,160
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 326,949</b>	<b>\$ 425,555</b>

*See accompanying notes.*

**Local Enterprise Assistance Fund, Inc.**  
*Notes to Financial Statements*  
*May 31, 2009 and 2008*

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**A. Description of Organization**

Local Enterprise Assistance Fund, Inc. (the "Organization") was incorporated in 1982 as a non-profit organization. The Organization promotes human and economic development by providing financing and development assistance to model community-based and employee-owned businesses that create and save jobs.

The Organization is an affiliate of The ICA Group, Inc. ("ICA")(see Note F). ICA provides technical, business, management and financing assistance to create and develop employee owned businesses in low income and blue collar communities. ICA and the Organization share the same Board of Directors. The combined financial statements for the Organization and ICA have been issued separately.

The Community Development Financial Institution Fund of the United States Treasury Department certified the Organization as a Community Development Financial Institution (CDFI). This certification qualifies the Organization for access to certain funding, subject to meeting specified CDFI program criteria.

**B. Summary of Significant Accounting Policies**

1. Basis of presentation - The financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.
2. Use of estimates - The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Significant estimates included in the financial statements include the collectability of loans receivable and the valuation of equity investments. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.
3. Cash and cash equivalents - For purposes of financial statement presentation, the Organization considers all highly liquid instruments with maturities of three months or less to be cash equivalents.
4. Notes receivable - The Organization states its loans receivable at net realizable value from recipients. On a periodic basis, the Organization evaluates its loans receivable and establishes an allowance for doubtful accounts, based on management's rating system as described in Note D. Loans are determined to be past due based on contract terms, including management's extension of payment due dates. Accounts are written off when all collection options have been exhausted.

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**B. Summary of Significant Accounting Policies (continued)**

5. Property, equipment and depreciation - The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. Property and equipment are stated at historical cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets.
6. Program equity investments - Program equity investments are stated at the lower of cost or fair value, as determined by management (See Note C).
7. Contributions and grants - Contributions and grants received are recorded following Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*, as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Contributions and grants that are required to be reported as temporarily restricted support are reclassified to unrestricted net assets upon expiration of the donor restrictions. The Organization receives in-kind contributions from an attorney. These legal services are recorded at the estimated fair value, as determined by the donor.
8. Investment income - Interest on loans is recognized when earned based on the loan agreements. Dividend income is recorded when declared by investees, less an allowance when collectability is uncertain.
9. Income taxes - The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).
10. Prior year information - The financial statements include certain prior year summarized comparative totals. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended May 31, 2008, from which the summarized totals were derived.

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**C. Program Investments**

As of May 31, 2009 and 2008, the Organization has made program related investments in seven companies. In most instances, equity investments made by the Organization are funded by restricted grants made to the Organization by foundations or other institutions that wish to support a specific program related investment. These companies are or will be employee owned. The following is a summary of the program investments as of the years ended May 31, 2009 and 2008:

<u>Shares</u>	<u>Class</u>		<u>Program Investments</u>	
			<u>Cost</u>	<u>Reserve</u>
25	Series E non-voting preferred stock	\$	25,000	\$ -
75	Series B non-voting common stock		<u>561</u>	<u>-</u>
		\$	<u>25,561</u>	\$ <u>-</u>

Investments are in closely held companies in the form of securities that are relatively illiquid with no public market. Investments are presented at the lower of cost or fair market value as determined by management, taking into consideration valuation factors appropriate to the Organization, including financial condition and operating results of the issuer, prices paid in subsequent private offerings of the same types of securities, the amount the Organization can reasonably expect to realize upon redemption or conversion and any other factors deemed relevant by management. The amounts actually realized from the sale or other disposition of the securities could be significantly different from the values presented, and the difference could be material to the financial statements.

During the year ended May 31, 2009, an equity investment with a total original cost of \$60,000 was written off. This investment had a 100% reserve as of May 31, 2008; therefore there was no impact to the Organization's 2009 statement of activities. During the year ended May 31, 2008, equity investments with a total original cost of \$184,000 were written off. These investments had 100% reserves as of May 31, 2007; therefore there was no impact to the Organization's 2008 statement of activities. The Organization's equity investments of \$25,000 and note receivable of \$56,660 from a single investee were repaid in full during the year ended May 31, 2008.

**D. Notes Receivable**

Notes receivable consists of loans to various community based or employee owned businesses. Notes receivable bear interest at rates ranging from 6% to 10.50% during the years ended May 31, 2009 and 2008. Certain notes receivable are subordinated to notes provided by other lenders.

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**D. Notes Receivable (continued)**

Scheduled repayments of notes receivable, before allowance for loan losses, are as follows for the years ending May 31:

2010	\$ 247,195
2011	189,538
2012	84,195
2013	59,914
2014	55,603
Thereafter	<u>92,952</u>
	\$ <u>729,397</u>

During the year ended May 31, 2009, notes receivable with a total original amount of \$78,564 were written off. These investments had 100% reserves as of May 31, 2008; therefore there was no impact to the Organization's statement of activities.

Allowance for loan losses

An allowance for loan losses is provided for potential losses on notes receivable. The allowance is based on the Organization's rating system, which includes factors such as years in business, whether payments are current, financial performance and collateral. The allowance is updated periodically for changes related to individual notes receivable. The allowance for loan loss has been allocated proportionally to the long-term and current portions of the note portfolio in the accompanying financial statements.

**E. Long-Term Debt**

Long-term debt represents unsecured loans from various religious and socially conscious organizations. Principal amounts outstanding range from \$5,000 to \$100,000 as of May 31, 2009 and 2008. These unsecured loans bear interest rates ranging from 2% to 3.5% and principal is due at varying maturities through 2014.

Scheduled maturities of long-term debt are as follows for the years ending May 31:

2010	\$ 213,802
2011	197,500
2012	40,000
2013	45,000
2014	75,000
Thereafter	<u>50,000</u>
	\$ <u>621,302</u>

Lenders periodically extend loan maturity schedules.

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**F. Related Party Transactions**

The Organization rents space as a tenant at will and obtains administrative and other services from its affiliate, ICA Group, Inc. (see Note A). For the years ended May 31, 2009 and 2008, the Organization was charged \$67,408 and \$58,572 by ICA for these services, respectively. Included in accounts payable at May 31, 2009 and 2008, are \$9,638 and \$207 of these charges due to ICA, respectively.

For the years ended May 31, 2009 and 2008, ICA awarded \$33,000 and \$30,000 of unrestricted grants to the Organization. Included in grants receivable at May 31, 2009 and 2008, are \$63,000 and \$60,000 of grants receivable from ICA. The Organization's financial position and results of operations could be materially different if all of its transactions were conducted with unrelated third parties.

The Organization has previously made a program investment of \$25,000 in and a loan of \$75,000 to a company whose shareholder is a member of the Organization's Board of Directors. This loan was repaid during the year ended May 31, 2008.

**G. Concentrations**

1. Uninsured cash deposits - From time to time, the Organization's cash and cash equivalents balances in one financial institution exceed the federally insured limits. The Organization has not experienced any losses in such accounts and management believes it is not exposed to any significant credit risk on these accounts.
2. Grants - During the years ended May 31, 2009 and 2008, one donor accounted for 90% and 100% of grants, respectively.
3. Notes receivable - As of May 31, 2009, the Organization has three notes totaling \$291,683 (before allowances for loan losses) to three separate companies, or approximately 40% of the total. As of May 31, 2008, the Organization had three notes totaling \$280,386 (before allowances for loan losses) to three separate companies, or approximately 44% of the total.

**H. Restrictions on Net Assets**

Permanent loan capital is the term the Organization uses to describe those capital resources that provide a permanent capital base for lending activities and allowances for potential loan losses. No outside donor has imposed an obligation on the Organization to replenish the principal of any gift of permanent loan capital in the event such funds are needed to offset loan losses. Accordingly, donor-restricted loan capital awards have been classified as temporarily restricted net assets in the accompanying financial statements.

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**H. Restrictions on Net Assets (continued)**

Temporarily restricted net assets are available for the following purposes at May 31:

	<u>2009</u>		<u>2008</u>
Equity funding in worker and community based businesses	\$ 50,000	\$	50,000
Board designated permanent loan capital	<u>15,000</u>		<u>15,000</u>
Total temporarily restricted net assets	\$ <u>65,000</u>	\$	<u>65,000</u>

**I. Supplemental Disclosure of Cash Flow Information**

The Organization paid \$14,407 and \$10,023 in interest during the years ended May 31, 2009 and 2008.