

ALLIANCE ASSET MANAGEMENT, INC.

FINANCIAL STATEMENTS

March 31, 2020 and 2019

ALLIANCE ASSET MANAGEMENT, INC.

FINANCIAL STATEMENTS

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
Alliance Asset Management, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Alliance Asset Management, Inc., which comprise the statements of financial position as of March 31, 2020 and 2019, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance Asset Management, Inc. as of March 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

June 22, 2020  
South Portland, Maine

## ALLIANCE ASSET MANAGEMENT, INC.

## STATEMENTS OF FINANCIAL POSITION

March 31, 2020 and 2019

	ASSETS	
	<u>2020</u>	<u>2019</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 35,568	\$ 45,482
Due from CATCH Portfolio (Note 2)	3,027	-
Due from The Housing Partnership (THP) Portfolio	11,380	17,585
Due from Other Portfolios	8,394	11,933
Security Deposits	900	900
Prepaid Expenses	<u>11,352</u>	<u>21,666</u>
Total Current Assets	<u>70,621</u>	<u>97,566</u>
<b>PROPERTY AND EQUIPMENT</b>		
Office Equipment	4,596	4,596
Computer Software and Equipment	<u>11,425</u>	<u>11,425</u>
Total	16,021	16,021
Less Accumulated Depreciation	<u>14,992</u>	<u>14,558</u>
Net Property and Equipment	<u>1,029</u>	<u>1,463</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 71,650</u></u>	<u><u>\$ 99,029</u></u>

See accompanying notes to the financial statements.

ALLIANCE ASSET MANAGEMENT, INC.  
 STATEMENTS OF FINANCIAL POSITION  
 (Continued)

March 31, 2020 and 2019

LIABILITIES AND NET ASSETS

LIABILITIES

	2020	2019
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 3,097	\$ 1,082
Accrued Payroll and Taxes	26,652	37,332
Accrued Vacation	6,511	9,172
Accrued Other	1,160	2,535
Due to CATCH Portfolio (Note 2)	-	2,659
Total Current Liabilities	37,420	52,780
<b>LONG-TERM LIABILITIES</b>		
Due to CATCH (Note 2)	334,853	357,068
Total Long-term Liabilities	334,853	357,068
<b>TOTAL LIABILITIES</b>	372,273	409,848
<b>NET ASSETS</b>		
Net Assets Without Donor Restrictions	(300,623)	(310,819)
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 71,650	\$ 99,029

See accompanying notes to the financial statements.

## ALLIANCE ASSET MANAGEMENT, INC.

## STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
OPERATING INCOME		
Grants and Contributions	\$ 350	\$ 350
Management Fees - CATCH Portfolio (Note 2)	554,655	567,593
Management Fees - Other Portfolios	517,894	553,848
Contracted Resident Services Income (Note 2)	45,339	98,432
Resident Services Income - Other Portfolios	111,949	86,432
Accounting Services Income	3,618	2,461
Compliance Services Income	630	96,136
Miscellaneous Revenue	26,355	27,565
Total Operating Income	<u>1,260,790</u>	<u>1,432,817</u>
EXPENSES:		
Salaries	752,094	932,893
Payroll Taxes	66,600	84,826
Employee Benefits (Note 3)	9,859	32,720
Travel Stipend	63,387	63,094
Training and Travel	6,049	13,521
Temp Staff / Recruiting	-	25
Depreciation	434	613
Insurance	14,498	17,555
Audit	13,150	13,000
Legal	-	876
Marketing	7,083	11,537
Information Technology	10,304	12,038
Rental Expense - Related Party (Note 2)	47,001	46,099
Rental Expense	13,598	12,902
Other - Administrative	16,723	18,353
Miscellaneous Expense	9,814	711
Administrative Consulting (Note 2)	220,000	205,000
Total Expenses	<u>1,250,594</u>	<u>1,465,763</u>
Increase (Decrease) in Net Assets Without Donor Restrictions	10,196	(32,946)
Net Assets Without Donor Restrictions, Beginning of Year	<u>(310,819)</u>	<u>(277,873)</u>
Net Assets Without Donor Restrictions, End of Year	<u>\$ (300,623)</u>	<u>\$ (310,819)</u>

See accompanying notes to the financial statements.

ALLIANCE ASSET MANAGEMENT, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
For the Year Ended March 31, 2020

	Program Services	Management and General Administrative	Fundraising	Total
Salaries	\$ 752,094	\$ -	\$ -	\$ 752,094
Payroll Taxes	66,600	-	-	66,600
Employee Benefits	9,859	-	-	9,859
Travel Stipend	63,387	-	-	63,387
Training and Travel	6,049	-	-	6,049
Depreciation	434	-	-	434
Insurance	14,498	-	-	14,498
Audit	-	13,150	-	13,150
Marketing	7,083	-	-	7,083
Information Technology	10,304	-	-	10,304
Rental Expense - Related Party	47,001	-	-	47,001
Rental Expense	13,598	-	-	13,598
Other - Administrative	-	16,723	-	16,723
Miscellaneous Expense	9,814	-	-	9,814
Administrative Consulting	53,348	166,652	-	220,000
Total	<u>\$ 1,054,069</u>	<u>\$ 196,525</u>	<u>\$ -</u>	<u>\$ 1,250,594</u>

See accompanying notes to the financial statements.

ALLIANCE ASSET MANAGEMENT, INC.  
 STATEMENT OF FUNCTIONAL EXPENSES  
 (Continued)

For the Year Ended March 31, 2019

	Program Services	Management and General Administrative	Fundraising	Total
Salaries	\$ 932,893	\$ -	\$ -	\$ 932,893
Payroll Taxes	84,826	-	-	84,826
Employee Benefits	32,720	-	-	32,720
Travel Stipend	63,094	-	-	63,094
Training and Travel	13,521	-	-	13,521
Temp Staff / Recruiting	25	-	-	25
Depreciation	613	-	-	613
Insurance	17,555	-	-	17,555
Audit	-	13,000	-	13,000
Legal	876	-	-	876
Marketing	11,537	-	-	11,537
Information Technology	12,038	-	-	12,038
Rental Expense - Related Party	46,099	-	-	46,099
Rental Expense	12,902	-	-	12,902
Other - Administrative	-	18,353	-	18,353
Miscellaneous Expense	711	-	-	711
Administrative Consulting	50,125	154,875	-	205,000
Total	<u>\$ 1,279,535</u>	<u>\$ 186,228</u>	<u>\$ -</u>	<u>\$ 1,465,763</u>

See accompanying notes to the financial statements.



## ALLIANCE ASSET MANAGEMENT, INC.

## STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 10,196	\$ (32,946)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	434	613
Changes in Operating Assets and Liabilities:		
Accounts Receivable	-	2,494
Due from CATCH Portfolio	(5,686)	42,362
Due from THP Portfolio	6,205	16,399
Due from Other Portfolios	3,539	(4,627)
Prepaid Expenses	10,314	(3,924)
Accounts Payable	2,015	(2,639)
Accrued Payroll and Taxes	(10,680)	(5,730)
Accrued Vacation	(2,661)	5,200
Accrued Other	(1,375)	(858)
Net Cash Provided by Operating Activities	<u>12,301</u>	<u>16,344</u>
Cash Flows From Financing Activities:		
Repayment of CATCH Advance	<u>(22,215)</u>	<u>(17,500)</u>
Net Cash Used by Financing Activities	<u>(22,215)</u>	<u>(17,500)</u>
Decrease in Cash, Cash Equivalents and Restricted Cash	(9,914)	(1,156)
Cash, Cash Equivalents and Restricted Cash at Beginning of Year	<u>46,382</u>	<u>47,538</u>
Cash, Cash Equivalents and Restricted Cash at End of Year	<u>\$ 36,468</u>	<u>\$ 46,382</u>

See accompanying notes to the financial statements.

ALLIANCE ASSET MANAGEMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - Alliance Asset Management, Inc. (the Corporation) is a New Hampshire nonprofit corporation formed in 2013 to support Concord Area Trust for Community Development (CATCH), whose mission is to establish and maintain affordable housing for lower and moderate income individuals and families. The primary purpose of the Corporation is to manage CATCH's real estate holdings, as well as the real estate of other nonprofit, tax exempt, or charitable organizations.

Method of Accounting - The financial statements of the Corporation are prepared on the accrual basis of accounting and include only those assets, liabilities and results of operations which relate to the business of Alliance Asset Management, Inc.

Property and Equipment - Property and equipment are stated at cost. Furnishings and equipment are being depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are expensed and betterments and renewals are capitalized as incurred. When assets are retired or disposed of, their cost and related accumulated depreciation are removed from the accounts and resulting gains and losses are reflected in income.

Cash - For purposes of reporting cash flows, cash, cash equivalents, and restricted cash includes cash on hand and amounts due from banks.

Income Taxes - The Corporation is exempt from income tax liabilities under Section 501(c)(3) of the Internal Revenue Code.

In accordance with accounting principles generally accepted in the United States of America, management has evaluated its exposure to material tax positions and determined that there are no such tax positions requiring accounting recognition. Informational returns filed by the Corporation are subject to examination by the Internal Revenue Service for a period of three years. No informational returns are currently being examined by the Internal Revenue Service. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

Compensated Absences - Employees of Alliance Asset Management, Inc. are entitled to paid vacation based on their length of employment. Employees are allowed to carry forward a maximum of 15 vacation days and are to be paid any accrued amounts upon termination of employment.

Impairment of Long-Lived Assets - In accordance with the provisions of accounting for the impairment or disposal of long-lived assets, management reviews long-lived assets for impairments when circumstances indicate the carrying amount of an asset may not be recoverable based on the undiscounted future cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the discounted cash flows, quoted market values, or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified.

Reclassifications - Certain amounts in prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

ALLIANCE ASSET MANAGEMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(Continued)

Advertising - The Corporation expenses advertising costs as they incur.

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

Subsequent Events - Subsequent events have been evaluated through June 22, 2020, the date the financial statements were available to be issued.

NOTE 2 - TRANSACTIONS WITH RELATED PARTIES

Management Fees - The Corporation manages rental properties owned by and affiliated with Concord Area Trust for Community Housing (CATCH), a related party through common boards. Management fees are earned based on two components, a per-unit monthly charge and an amount equal to that of portfolio salary usage. Management fees in the amount of \$544,655 and \$567,593 were earned from CATCH-owned and affiliated properties in 2020 and 2019, respectively.

Previously, it was determined that due to operating shortfalls on some of the CATCH-owned properties, the Corporation would grant management cost rebates. As of March 31, 2019, the Corporation had granted \$58,950 in management cost rebates to the projects with shortfalls. These rebates directly offset the management fee income. No Rebates were provided to CATCH-owned properties during 2020.

Contracted Resident Services Income - The Corporation performs resident service coordinator services on behalf of CATCH. Services performed totaled \$45,339 and \$98,432 in 2020 and 2019, respectively.

Administrative Consulting - CATCH performs administrative support duties on behalf of the Corporation. Administrative support costs in the amount of \$220,000 and \$205,000 were allocated to Alliance during 2020 and 2019, respectively.

Due (to) from CATCH Portfolio - Net amounts receivable from (payable to) CATCH-owned and affiliated properties at March 31, 2020 and 2019 were \$3,027 and \$(2,659), respectively.

Due to CATCH - CATCH advanced the Corporation funds to cover startup costs during initial setup and ongoing operations. At March 31, 2020 and 2019, \$334,853 and \$357,068, respectively, was due to CATCH for these costs.

Rental Expense - The Corporation pays rental expenses related to their office located at 105 Loudon Road, a building owned by a related party of CATCH. Rental expenses totaled \$47,001 and \$46,099 for 2020 and 2019, respectively.

ALLIANCE ASSET MANAGEMENT, INC.  
NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 3 - EMPLOYEE BENEFIT PLAN

Alliance Asset Management, Inc. has sponsored a retirement plan for its employees and contributes to the plan an amount determined annually by the Board of Directors. All employees are eligible to participate in the plan upon commencement of employment. Employer contributions commence six months after continuous employment has been achieved. The Corporation contributed \$639 and \$3,603 during 2020 and 2019, respectively.

NOTE 4 - METHOD USED FOR ALLOCATION OF EXPENSES AMONG PROGRAM AND SUPPORTING SERVICES

The costs of providing various program and supporting activities have been included on a functional and natural basis. These expenses require allocation on a reasonable basis that is consistently applied, which is on the basis of time and effort studies.

NOTE 5 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Corporation's working capital and cash flows are derived from monthly revenue consisting mostly of management fees, resident service coordinator fees and compliance service fees.

The following reflects the Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

	2020	2019
Cash	\$ 35,568	\$ 45,482
Due From Other Portfolios	22,801	29,518
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 58,369	\$ 75,000

NOTE 6 - CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Balance Sheet that sum to the total of the same such amounts shown in the statement of cash flows.

	2020	2019
Cash - Operations Account	\$ 35,568	\$ 45,482
Tenant Security Deposits	900	900
Total Cash, Cash Equivalents and Restricted Cash Accounts	\$ 36,468	\$ 46,382

ALLIANCE ASSET MANAGEMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 7 - ADOPTION OF ACCOUNTING PRONOUNCEMENTS

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. ASU 2016-18 requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. The new standard is effective for annual reporting periods beginning after December 15, 2018. Any adjustments must be reflected as of the beginning of the fiscal year.

The Corporation adopted ASU 2016-18 effective April 1, 2019, which resulted in the following changes to the balances that were previously reported for the year ended March 31, 2019: an increase in cash of \$900 at the beginning of the year from what was previously reported for the year ended March 31, 2019.

NOTE 8 - SUBSEQUENT EVENTS

On March 13, 2020, a national emergency was declared in the United States as a result of the novel coronavirus pandemic. This public health crisis has had significant and wide-ranging effects on the United States economy and is expected to continue for some time. This has not had an immediate impact on the Corporation's operations. While management is actively assessing the impact of this evolving situation on its operations and financial position, the potential future financial effect is indeterminable at this time. Management has ascertained additional financing to ensure that they will be able to maintain operations. Subsequent to year-end, the Corporation received funding from the Small Business Administration in the form of a Paycheck Protection Program Loan (PPPL) in the amount of \$176,300 and an Economic Injury Disaster Loan (EIDL) in the amount of \$149,900. The interest rate on the PPPL is 1%, payments are deferred for six months, and the principal and accrued interest are fully forgivable if management uses the funds for covered payroll costs. Management expects to have the funds fully forgiven. The interest rate on the EIDL is 2.5% and matures in 30 years.