

**DUDLEY STREET NEIGHBORHOOD  
INITIATIVE, INC.**

**and**

**SUBSIDIARY**

Consolidated Financial Statements  
and  
Auditors' Report

June 30, 2013

**Dudley Street Neighborhood Initiative, Inc.  
and  
Subsidiary**

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## **Randall S. Davis & Company LLP**

*Certified Public Accountants*

Creating Value From Numbers

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### *Independent Auditors' Report*

To the Board of Directors of  
**Dudley Street Neighborhood Initiative, Inc.**

We have audited the accompanying consolidated statement of financial position of Dudley Street Neighborhood Initiative, Inc. (DSNI) and its subsidiary, Dudley Neighbors Incorporated, which comprise the consolidated statement of financial position as of June 30, 2013, 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 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.

#### ***Auditor's 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 of 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 auditor's 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 auditor considers internal control relevant to entity's 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 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 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 DSNI and its subsidiary as of June 30, 2013, 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.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2014, on our consideration of DSNI's and its subsidiary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 DSNI's and its subsidiary's internal control over financial reporting and compliance.



November 24, 2014

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Consolidated Statement of Financial Position  
June 30, 2013

*Assets*

<i>Current Assets:</i>	
Cash and cash equivalents	\$ 72,196
Certificate of deposit restricted for line of credit	25,000
Cash held for specific organizations	18,589
Accounts receivable (net of allowance of \$245,151)	38,124
Grants and contributions receivable	13,404
Deferred lease fee and rents	283,140
Interest receivable (net of allowance of \$99,698)	115,654
Investments	323
Prepaid expenses	<u>14,894</u>
Total current assets	<u>581,324</u>
<i>Non-Current Assets:</i>	
Homeowner assistance loans receivable	12,500
Loans receivable	67,000
Interest receivable	<u>219,773</u>
Total non-current assets	<u>299,273</u>
<i>Property and Equipment, Net</i>	<u>12,871,485</u>
<i>Other Assets</i>	
Intangible assets, net	<u>2,928</u>
Total assets	<u><u>\$ 13,755,010</u></u>

*Liabilities and Net Assets*

<i>Current Liabilities:</i>	
Accounts payable and accrued expenses	\$ 205,905
Designated by donor for specific organizations	19,089
Capital lease obligation	10,561
Loan payable	<u>50,000</u>
Total current and total liabilities	<u>330,705</u>
<i>Net Assets:</i>	
Unrestricted	13,344,239
Temporarily restricted	<u>80,066</u>
Total net assets	<u>13,424,305</u>
Total liabilities and net assets	<u><u>\$ 13,755,010</u></u>

*See accompanying notes to consolidated financial statements.*

**Dudley Street Neighborhood Initiative, Inc.  
and  
Subsidiary**

Consolidated Statement of Activities  
For the Year Ended June 30, 2013

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total</i>
<b><i>Revenue and Support</i></b>			
Contracts	\$ 16,844	\$ -	\$ 16,844
Grants and contributions	735,707	1,234,628	1,970,335
Special events	17,530	-	17,530
Donated goods and services	49,834	-	49,834
Rental income and fees	307,637	-	307,637
Interest and dividends	47,426	-	47,426
Other	72,575	-	72,575
Net assets released from restrictions	<u>1,225,062</u>	<u>(1,225,062)</u>	<u>-</u>
Total revenue and support	<u>2,472,615</u>	<u>9,566</u>	<u>2,482,181</u>
<b><i>Expenses</i></b>			
<i>Program Services:</i>			
Economic Power	746,293	-	746,293
Resident Leadership	698,531	-	698,531
Youth Opportunities and Development	686,807	-	686,807
<i>Supporting Services:</i>			
Management and general	307,093	-	307,093
Fundraising	<u>63,624</u>	<u>-</u>	<u>63,624</u>
Total program and supporting expenses	<u>2,502,348</u>	<u>-</u>	<u>2,502,348</u>
<i>Unallocated Expenses</i>			
Fines, penalites, and other	<u>2,855</u>	<u>-</u>	<u>2,855</u>
Total expenses	<u>2,505,203</u>	<u>-</u>	<u>2,505,203</u>
Change in net assets	(32,588)	9,566	(23,022)
Net assets, beginning of year, previously reported	<u>13,477,448</u>	<u>70,500</u>	<u>13,547,948</u>
Prior period adjustment	<u>(100,621)</u>	<u>-</u>	<u>(100,621)</u>
Net assets, beginning of year, restated	<u>13,376,827</u>	<u>70,500</u>	<u>13,447,327</u>
<b>Net assets, end of year</b>	<u><u>\$ 13,344,239</u></u>	<u><u>\$ 80,066</u></u>	<u><u>\$ 13,424,305</u></u>

*See accompanying notes to consolidated financial statements.*

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**

Consolidated Statement of Cash Flows  
For the Year Ended June 30, 2013

***Cash Flows From Operating Activities:***

Change in net assets	\$ (23,022)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Bad debt expense	137,225
Depreciation and amortization	74,217
(Increase)/decrease in operating assets:	
Cash held for specific organizations	360
Accounts receivable	(94,677)
Grants and contributions receivable	21,546
Deferred lease fee and rents	(13,694)
Interest receivable	(4,724)
Prepaid expenses	(6,508)
Increase/(decrease) in operating liabilities:	
Accounts payable and accrued expenses	(90,886)
Designated by donor for specific organizations	<u>(360)</u>
Net cash provided by operating activities	<u>2,627</u>

***Cash Flows From Investing Activities:***

Purchase of property and equipment	<u>(52,462)</u>
Net cash used in investing activities	<u>(52,462)</u>

***Cash Flows From Financing Activities:***

Principal payments on capital lease obligations	(3,575)
Proceeds from line of credit	<u>42,000</u>
Net provided by financing activities	<u>38,425</u>
Net decrease in cash and cash equivalents	(11,410)
Cash and cash equivalents, beginning of year	<u>83,606</u>
<b>Cash and cash equivalents, end of year</b>	<u><u>\$ 72,196</u></u>
Cash paid for interest	<u><u>\$ 1,011</u></u>

*See accompanying notes to consolidated financial statements.*

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements  
June 30, 2013

**1. Organization**

Dudley Street Neighborhood Initiative, Inc.'s (DSNI) mission is to empower Dudley residents of Roxbury, Massachusetts to organize, plan for, create and control a vibrant, diverse and high quality neighborhood in collaboration with community partners.

DSNI organized a subsidiary organization, Dudley Neighbors Incorporated (DNI), as a nonprofit tax-exempt neighborhood land trust corporation under Section 501(c)(3) of the Internal Revenue Code, to carry out the housing development component of DSNI's Comprehensive Master Plan guide to revitalize the Dudley Street neighborhood. DSNI has a controlling interest in DNI through its power to appoint voting members of DNI's 11-member board. DSNI has the ability to require that some of the voting members come from among its board. Three of DNI's voting board members at June 30, 2013 were board members of DSNI.

Hereafter, DSNI and DNI are collectively referred to as the Organization.

The Organization provides the following major program services:

- *Economic Power* - Includes all aspects of land use, physical development, affordable housing, and commercial and economic development.
- *Resident Leadership* - Includes the Resident Development Institute, the community process and comprehensive planning.
- *Youth Opportunities and Development* - Engages young people in the comprehensive planning process.

Each program depends on a major component of organizing to allow residents to participate in decision making, attract investment that facilitates development without displacement and improve the quality of life for everyone involved.

Funding for the Organization is primarily provided by government and foundation grants, contributions from the general public, ground leases and property tax recoveries.

**2. Summary of Significant Accounting Policies**

*Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of DSNI and DNI. All significant intercompany transactions and account balances have been eliminated in the consolidation.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

2. *Summary of Significant Accounting Policies- Continued*

*Basis of Accounting*

The Organization prepares its consolidated financial statements on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses when goods are received or services rendered.

*Income Taxes*

DSNI and DNI are not-for-profit organizations that are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Chapter 180 of the Massachusetts General Laws. Unrelated business income, of which they had none for fiscal year 2013, would be subject to federal and state income taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

The Organization evaluates tax positions taken or expected to be taken in its tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the “more-likely-than-not” threshold, along with accrued interest and penalties thereon, would be recorded as an expense in the financial statements. The Organization has evaluated the tax positions taken in its previously filed returns and those expected to be taken in its 2013 returns and believe they are more-likely-than-not of being sustained if examined by federal or state tax authorities. The Organization’s 2003 through 2009 tax years remain subject to examination by federal and state tax authorities.

*Cash and Cash Equivalents*

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

*Accounts Receivable*

Accounts receivable are presented net of the allowance for doubtful accounts. The Organization’s periodic evaluation of the adequacy of the allowance is based on its past loss experience. Accounts receivables are charged off when they are over 90 days past due.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

2. *Summary of Significant Accounting Policies - Continued*

*Fair Value Measurements*

The Financial Accounting Standards Board (FASB) established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB Statement No. 157 are described below:

- Level 1 Inputs – Quoted prices for identical assets or liabilities in active markets;
- Level 2 Inputs – Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets in inactive markets; or inputs other than quoted prices that are observable, such as models or other valuation methodologies;
- Level 3 Inputs – Unobservable inputs for where there is little, if any, market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

*Investments and Investment Income*

Investments in marketable securities with readily determinable fair values are carried at their fair values based on quoted prices in active markets (all Level 1 measurements) in the Statement of Financial Position. Realized and unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities.

Dividends, interest and gains and losses on investments are reported as increases or decreases in unrestricted net assets unless a donor or law temporarily or permanently restricts their use.

*Donated Goods and Services*

The Organization receives donated goods and services in support of its programs. Donated materials, facilities and services are recorded at fair value. Donated services that (a) create or enhance a nonfinancial asset or (b) require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated are recorded as contributions in the financial statements. Donated services such as fund-raising, clerical assistance or other volunteer efforts not requiring specialized skills are not recorded in the financial statements.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

2. *Summary of Significant Accounting Policies - Continued*

*Grants and Contributions*

Grants and contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Grants and contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the grants and contributions are recognized. All other donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional grants and contributions receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2013 there were no uncollectible grants or contributions and all outstanding amounts were due within one year.

*Cost Reimbursement Grants*

DSNI operates certain programs under cost reimbursement grants with the Federal government. Revenue is recognized as services are provided. Income under these grants equals expenses incurred; therefore, the excess (deficit) is carried as a liability (refundable advance) or as an asset (accounts receivable up to the grant limit).

*Rental Income*

Rental income is derived from land and office space leases and is recognized as earned in accordance with the underlying leases. All leases between the Organization and its tenants are operating leases.

*Investment in Unconsolidated Corporation*

DNI uses the equity method of accounting to account for its ownership interest in unconsolidated affiliated corporation. Under the equity method of accounting, investments are recorded at cost and increased or decreased by DNI's share of earnings or losses. DNI discontinues the application of the equity method when its share of the corporation's losses reduces its investment in and advances to the corporation to zero. If DNI (a) is not committed to provide further financial support to the corporation, (b) has already reduced its investment in and advances to the corporation to zero, and (c) has other investments (i.e. loans, leases, etc.) in the corporation, DNI continues to report its share of the corporation's losses up to the adjusted basis of those other investments.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

2. *Summary of Significant Accounting Policies - Continued*

*Loans Receivable*

Loans receivable are stated at unpaid principal balances, less allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the compound-interest method on the total principal and interest amounts outstanding.

*Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Costs that cannot be reasonably allocated to functions are reported as unallocated expenses. During 2013 the Organization incurred costs totaling \$2,855, which management could not reasonably allocate to a programmatic or supporting function.

*Designated by Donor for Specific Organizations*

Designated by donor for specific organizations represents assets accepted by the Organization that it agrees to use on the behalf of or transfer to another entity.

*Property and Equipment*

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Purchased property and equipment are carried at cost. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are charged to operations. Betterments, renewals, and purchases of more than \$1,000 are capitalized.

*Planned Major Maintenance Activities*

The Organization uses the direct expensing method to account for planned major maintenance activities, under which actual costs incurred are expensed directly when maintenance is performed.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
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Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

2. *Summary of Significant Accounting Policies - Continued*

*Intangible Assets*

Website development costs are being amortized on a straight-line basis over their estimated useful lives of three years.

Amortization expense was \$2,066 and \$1,206 for the years ended June 30, 2013.

Amortization expense for each year of the estimated remaining lives is estimated to be as follows:

<i>Fiscal</i> <i>Year</i>	<i>Amount</i>
2014	\$ 2,067
2015	\$ 860

*Net Assets*

The Organization's net assets are classified into three categories. The classifications are related to the existence or absence of donor-imposed restrictions as follows:

- *Unrestricted Net Assets* - net assets that are available for support of operations and not subject to donor-imposed stipulations. They are neither temporarily restricted nor permanently restricted.
- *Temporarily Restricted Net Assets* - assets whose use is limited by either donor-imposed time restrictions or purpose restrictions.
- *Permanently Restricted Net Assets* – assets that must be maintained in perpetuity. At June 30, 2013, the Organization had no permanently restricted net assets.

*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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Dudley Street Neighborhood Initiative, Inc.**  
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Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**3. *Loan Payable***

Loan payable represents a \$50,000 demand loan from the Riley Foundation. The loan is collateralized by a money market account. All interest earned on the collateral account is payable to the Riley Foundation. Accrued interest was \$8,114 at June 30, 2013.

**4. *Investments***

*Equity Securities*

Investments at June 30, 2013 consist solely of equity securities. All investments are carried at fair market value based on level 1 measurements.

*Community Hope, Inc.*

The Organization has a 21% investment in the common stock of Community Hope, Inc. The principal activity of the Community Hope, Inc. is to perform the general partner duties of Community Hope Limited Partnership, which was formed to develop, maintain, and operate an adult education and community center in the Dudley Triangle. The Organization accounts for its investment using the equity method. At June 30, 2013, the Organization's investment in Community Hope, Inc. was zero and, as a result, the Organization has discontinued applying the equity method. The Organization will resume application of the equity method only after its share of future earnings of Community Hope, Inc. are sufficient to recover its share of unrecognized losses during the period the equity method was suspended. The Organization has no obligation to fund future operations of Community Hope, Inc.

At June 30, 2013, The Organization's investment in Community Hope, Inc. was as follows:

Equity in net assets of affiliate, beginning of year	\$ (73,335)
Equity in earnings of affiliate	<u>(11,303)</u>
Equity in net assets of affiliate, end of year	<u>\$ (84,638)</u>

**5. *Designated by Donor for Specific Organizations***

The Organization serves as a fiscal agent for the Ralph Waldo Emerson School (the School). \$19,089 was being held for the School at June 30, 2013.

**6. *Lease Obligation***

The Organization leases office space under a five-year operating lease, which expires in October 2014. Rent expense for the year ended June 30, 2013 was \$55,335.

**Dudley Street Neighborhood Initiative, Inc.**  
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Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**6. *Lease Obligation - Continued***

Minimum rental payments due over the remaining lease term are as follows:

<i>Fiscal</i>	
<i>Year</i>	<i>Amount</i>
2014	\$ 55,335
2015	<u>16,809</u>
Total	<u>\$ 72,144</u>

**7. *Donated Materials, Facilities and Services***

During fiscal year 2013, the Organization received a substantial amount of donated services such as fundraising, clerical assistance and other volunteer efforts not requiring specialized skills. These donations do not meet the criteria for recognition in the financial statements and, accordingly, are not reported. However, during 2013, the Organization received consulting and legal services on a pro-bono basis in support of its programmatic and administrative functions. The services were valued at \$44,532. In addition, during June 30, 2013, the Organization also received donated equipment rental services valued at \$2,848 in support of its administrative function. These donations are reported in the accompanying consolidated financial statements.

**8. *Deferred Lease Fee and Rents***

The Organization has a ground lease with Brook Veterans Limited Partnership (Brook Veterans) that required the payment of an initial acquisition fee of \$80,000. The lease agreement allowed for the deferment of payment until February 11, 2013. Until that time, interest on the unpaid balance accrued at a rate of 7% per annum, compounded annually. After the deferral period, monthly interest and late fees were charged at 1.50% and 5%, respectively. Interest income accrued during 2013 was \$26,293. Late fees of \$57,163 were accrued in 2013 and are included in interest receivable. Total accrued interest at June 30, 2013 was \$158,189.

In addition, pursuant to the terms of the ground lease, Brook Veterans is required to pay annual real estate taxes assessed to the Organization and monthly rents of \$1,542, beginning in May 1999, adjusted annually by the greater of 5% or the percentage change in the Consumer Price Index, as defined. A minimum annual rent payment of \$4,200 adjusted annually, as previously described, is required under the lease. The balance of the annual payments can be deferred and is payable annually from Brook Veteran's net cash flow as defined in its Partnership Agreement. All deferred amounts are due on the earlier of the 16<sup>th</sup> anniversary of the date of the lease or the date on which Brook Veterans is no longer controlled by either of the entities controlling it at the time the lease was executed.

**Dudley Street Neighborhood Initiative, Inc.**  
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Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**8. *Deferred Lease Fee and Rents - Continued***

Deferred rents at June 30, 2013 totaled \$203,140.

During 2013, management estimated that only approximately 80% of total \$498,492 owed by Brook Veterans will be collected. Therefore, an allowance for uncollectable account of \$99,698 has been established.

**9. *Property and Equipment***

Property and equipment at June 30, 2013, consists of the following:

<i>Description</i>	<i>Amount</i>
Land and improvements	\$ 13,120,801
Building and improvements	220,880
Furniture and equipment	<u>187,305</u>
Total	13,528,986
Less: accumulated depreciation	<u>(657,501)</u>
Net property and equipment	<u><u>\$ 12,871,485</u></u>

Depreciation expense for 2013 was \$72,151.

**10. *Lessor Transactions***

*Commercial Lease*

The Organization leases space to a commercial tenant under a noncancelable operating lease that expires in fiscal year 2015. Minimum ground lease payments to be received in each of the next two fiscal years are as follows:

<i>Fiscal</i>	<i>Year</i>	<i>Amount</i>
	2014	\$ 8,556
	2015	\$ 7,843

**Dudley Street Neighborhood Initiative, Inc.**  
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Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**10. Lessor Transactions - Continued**

*Ground Leases*

The Organization has various 99-year ground leases on land leased for development. Minimum ground lease payments to be received in each of the next five fiscal years are as follows:

<i>Fiscal</i>	<i>Year</i>	<i>Amount</i>
2014	\$	99,455
2015		100,284
2016		101,154
2017		102,067
2015		<u>103,022</u>
Total	\$	<u>505,982</u>

**11. Loans Receivable**

*Stafford Heights Limited Partnership*

This loan receivable represents the remaining \$67,000 of a \$367,000 mortgage loan assigned to the Organization by the City of Boston on March 1, 1994. The loan is due from Stafford Heights Limited Partnership for a cooperative housing development built on land owned by the Organization. The loan accrues interest at 7.88% per annum, compounded annually, and matures on December 31, 2022. All payments of principal and deferred interest are due at maturity. The loan is secured by a third mortgage on the building. Interest income accrued during 2013 and 2012 was \$20,895. Total accrued interest at June 30, 2013 was \$219,063.

*Homeowner Assistance Loans*

Under its Economic Power program, the Organization makes loans to local income eligible residents purchasing a home that has been built on land owned by it. The loans are to assist with the down payment or closing costs associated with the home purchase. Under the terms of the loan, if the purchaser occupies the property in accordance with the terms of the Organization's ground lease for a minimum of 10 years, the loan converts to a grant at the beginning of year 11. If the purchaser fails to occupy the property for the minimum 10-year period, payment of principal and interest, ranging from 0.5% to 5%, is due on demand. The loans are secured by real estate. At June 30, 2013 outstanding homeowner assistance loans within the 10-year loan period totaled \$12,500. No loans were converted to grants in fiscal year 2013.

**Dudley Street Neighborhood Initiative, Inc.**  
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Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**12. Concentrations**

*Credit Risk*

The Organization maintains cash accounts at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2013, the Organization's accounts were fully insured. The Organization has not experienced any losses in the accounts. The Organization believes it is not exposed to any significant credit risk on cash balances within those accounts.

*Revenue and Support*

During fiscal year 2013, one foundation and one government agency provided 56% of the total revenue and support. At June 30, 2013, a receivable from one foundation represents 75% of the total grants and contributions receivable balance.

*Receivables*

Total receivables from Stafford Heights Limited Partnership (\$286,063) and Brook Veterans Limited Partnership (\$398,794) represent 91% of the total accounts, loans and deferred lease fee receivables.

The Organization follows the practice of filing statutory liens on all projects where collection problems are anticipated. The liens serve as collateral for the receivables.

**13. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2013 were restricted for the following purposes:

<i>Use Restrictions</i>	<i>Amount</i>
Economic Power	\$ 75,066
Youth Opportunities and Development	<u>5,000</u>
Total	<u>\$ 80,066</u>

**14. Line of Credit**

At June 30, 2013, DSNI had a revolving line of credit in the amount \$50,000 that accrues interest at a rate based on LIBOR and adjusts monthly. Any outstanding balance is due on demand. The line of credit is collateralized by a \$25,000 certificate of deposit. At June 30, 2013 and 2012, the outstanding balance on the line of credit was \$42,000 and \$0, respectively.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**15. Grants and Contributions Receivable (Promises to Give)**

*Unconditional*

At June 30, 2013 there were no uncollectible grants or contributions and all outstanding unconditional grants and contributions were due within one year.

*Conditional*

Conditional promises to give at June 30, 2013 consist of promises for:

<u>Purpose</u>	
Youth Opportunities and Development	\$ 5,000
General programming	<u>6,260,771</u>
Total	<u>\$ 6,265,771</u>

The conditional promises to give will be recognized in the financial statements when the conditions on which they depend are substantially met.

**16. Property Taxes**

The Organization has entered into Chapter 121A agreements with the Commonwealth of Massachusetts, which exempts its real property from local taxation and subjects it to an alternative tax. This alternative tax payment is due annually by March 15. Taxes are charged as additional rent to property owners that lease land to cover the related property tax. Real estate taxes are calculated using estimated fair cash values which may vary from the final valuations, since the City of Boston is only required to send Fair Cash Value notifications annually by January 1<sup>st</sup> to every 121A property owner and the organizations operate on a fiscal year basis that runs from July to June. Real estate tax expense for the year ended June 30, 2013 was estimated to be \$142,750. Accrued property taxes payable was estimated to be \$70,314 at June 30, 2013.

**17. Contingencies**

*Government Grants*

The expenses reflected in the accompanying financial statements relating to government grants are subject to audit by the funding sources. The possible disallowance of any claimed costs cannot be determined at this time. However, management does not believe that any such disallowance would be material to the consolidated financial statements. Accordingly, no provision for any liability that may result has been made in financial statements.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Notes to Consolidated Financial Statements - *Continued*  
June 30, 2013

**17. *Contingencies -Continued***

*Information Returns*

Certain DNI subsidiaries are seeking Federal tax exempt status under section 501(c)(3) of the Internal Revenue Code. No information returns have been filed for these organizations since they were formed in 1999, 1998, and 2006, respectively. No provision has been made in the accompanying financial statements for any penalties that might be assessed since the ultimate liability, if any, cannot be reasonably estimated. Subsequent to June 30, 2013, management made a Certificate of Good Standing Request from the Internal Revenue Service. Penalties, if any, identified in the Certificate of Good Standing or assessed upon filing the returns, will be recorded in the year they are known.

**18. *Prior Period Adjustment***

Net assets at the beginning of 2012 have been restated for previously unrecorded property taxes and related penalties and overstated prepaid rents in prior years. This error had no effect on change in net assets for 2013.

**19. *Subsequent Events***

The Organization has performed an evaluation of subsequent events through November 24, 2014, which is the date the financial statements were available to be issued.

**SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARD  
AND  
RELATED NOTES**

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

<i>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</i>	<i>FEDERAL CFDA NUMBER</i>	<i>AGENCY OR PASS-THROUGH NUMBER</i>	<i>FEDERAL EXPENDITURES</i>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Direct Program</i>			
Promise Neighborhoods Program: Implementation Grant	84.215N	U215N120043	\$ <u>739,229</u>

**Dudley Street Neighborhood Initiative, Inc.  
and  
Subsidiary**

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2013

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Dudley Street Neighborhood Initiative, Inc. (DSNI) under programs of the federal government for the year ended June 30, 2013. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of DSNI, it is not intended to and does not present the financial position, results of operations, or cash flows of DSNI and its subsidiary.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**3. Subrecipients**

Of the federal expenditures presented in the Schedule, DSNI provided federal awards to subrecipients as follows:

<b>CFDA Number</b>	<b>Program Name</b>	<b>Amount Provided to Subrecipients</b>
84.215N	Promise Neighborhoods Program: Implementation Grant	\$ <u>334,500</u>

**REPORT IN ACCORDANCE WITH  
OMB CIRCULAR A-133**



## **Randall S. Davis & Company LLP**

*Certified Public Accountants*

Creating Value From Numbers

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*Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133*

To the Board of Directors of  
**Dudley Street Neighborhood Initiative, Inc.**

***Report on Compliance for Each Major Federal Program***

We have audited Dudley Street Neighborhood Initiative, Inc.'s (DSNI) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on DSNI's major federal program for the year ended June 30, 2013. DSNI's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for DSNI'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 DSNI'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 DSNI's compliance.

### ***Basis for Qualified Opinion on Promise Neighborhoods Program***

As described in the accompanying schedule of findings and questioned costs, DSNI did not comply with requirements regarding CFDA 84.215N Promise Neighborhoods Program as described in finding numbers 2013-005 for Allowable Cost/ Cost Principles, Cash Management, Procurement, Suspension, and Debarment, Reporting, and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for DSNI to comply with the requirements applicable to that program.

### ***Qualified Opinion on Promise Neighborhoods Program***

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, DSNI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA 84.215N Promise Neighborhoods Program for the year ended June 30, 2013.

### ***Report on Internal Control Over Compliance***

Management of DSNI 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 DSNI’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 OMB Circular A-133, 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 DSNI’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-005 to be a material weakness.

*DSNI's Response to Findings*

DSNI's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. DSNI's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

*Purpose of this Report*

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Russell L. Jarvis & Company LLP". The signature is written in a cursive, flowing style.

*November 24, 2014*

**REPORT ON COMPLIANCE AND  
INTERNAL CONTROL IN ACCORDANCE  
WITH  
GOVERNMENT AUDITING STANDARDS**



## Randall S. Davis & Company LLP

*Certified Public Accountants*

Creating Value From Numbers

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*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 Board of Directors of  
**Dudley Street Neighborhood Initiative, Inc.**

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 Dudley Street Neighborhood Initiative, Inc. (DSNI) and its subsidiary, Dudley Neighbors Incorporated (nonprofit organizations), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 24, 2014.

### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered DSNI's and its subsidiary'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 DSNI's and its subsidiary's internal control. Accordingly, we do not express an opinion on the effectiveness of DSNI's and its subsidiary's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2013-001 through 2013-005 to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as finding 2013-004 to be a significant deficiency.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether DSNI's and its subsidiary's consolidated financial statements are free from material misstatement, we performed tests of its 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2013-005.

### ***DSNI's Response to Findings***

DSNI's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. DSNI's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### ***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 DSNI's and its subsidiary's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Russell L. Jarvis + Company LLC

November 24, 2014

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Summary of Auditors' Results**

*Financial Statements*

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
• Material weakness (es) identified?	Yes
• Significant deficiency (s) identified that are not considered to be material weaknesses?	Yes
Noncompliance which is material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
• Material weakness(es) identified?	Yes
• Significant deficiency(s) identified that are not considered to be material weaknesses?	No
Type of auditor's report issued on compliance for major federal programs	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	Yes

Identification of major programs:

<i>CFDA Number</i>	<i>Name of Federal Program</i>
84.215N	Promise Neighborhoods Program

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2013

**Section II – Financial Statement Findings**

A. Material Weaknesses in Internal Control over Financial Reporting

2013-001 – Risk Assessment Process - Assets

*Questioned  
Costs*

*Condition* – During the audit, we noted that DSNI and its subsidiary had no risk assessment process in place to ensure that all of its assets were properly safeguarded and reported in its financial statements.

\$ -

*Criteria* – Risk assessment is an important component of internal control. It's the process for identifying and analyzing risks to achieving entity objectives, including the consideration of the potential for fraud.

*Cause* – DSNI and its subsidiary does not have a committee that is responsible for evaluating its internal control and overseeing its financial reporting process.

*Effect* – A PayPal account was opened, not recorded in the financial statements, and funds were misappropriated by a member of management.

*Recommendation* – We recommend that DSNI and its subsidiary establish a committee to evaluate its internal control and oversee its financial reporting process.

*Views of Responsible Officials and Planned Corrective Actions* – We agree with the finding and have taken appropriate action to address the misappropriation by a member of management. We have established the required policies and procedures to manage our government grant. We have also established a committee to evaluate internal controls and oversee the financial reporting process.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Subsidiary Schedule of Findings and Questioned Costs - *Continued*  
For the Year Ended June 30,, 2013

**Section II – Financial Statement Findings** (*continued*)

A. Material Weaknesses in Internal Control over Financial Reporting (*continued*)

2013-002 – Risk Assessment Process – Federal Awards

*Questioned  
Costs*

*Condition* – During the audit, we noted that DSNI had no risk assessment process in place to ensure that written internal control policies over compliance requirements that are material to its federal award program were in place.

\$ -

*Criteria* – Risk assessment is an important component of internal control. It's the process for identifying and analyzing risks to achieving the federal program objectives.

*Cause* – The accounting department was not fully staffed during fiscal year 2013 and could not complete the framing of the policies before June 30, 2013.

*Effect* –None of the required policies and procedures to manage its government grant was established.

*Recommendation* – We recommend that DSNI establish written internal control policies in accordance with federal requirements.

*Views of Responsible Officials and Planned Corrective Actions* - We agree with the finding and have established written internal control policies to ensure compliance with requirements that are material to our federal award.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Subsidiary Schedule of Findings and Questioned Costs - *Continued*  
For the Year Ended June 30,, 2013

**Section II – Financial Statement Findings** (*continued*)

B. Material Weaknesses in Internal Control over Financial Reporting (*continued*)

2013-003– Accounting for Contributions

*Questioned  
Costs*

*Condition* – During the audit, we noted that DSNI received services from two consultants who were paid \$141,298 directly by a foundation. The contribution was not recorded in the financial statements.

\$ -

*Criteria* – Per U.S. GAAP, contributions should be recognized as revenue in the period received.

*Cause* – Management was not sufficiently knowledgeable of U.S. GAAP.

*Effect* – Revenue and expenses were understated by \$141,298.

*Recommendation* – We recommend that DSNI establish procedures for identifying and recording contributions consistent with U.S. GAAP.

*Views of Responsible Officials and Planned Corrective Actions* – We agree with the finding and have established internal control policies to ensure material compliance GAAP in the future.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Schedule of Findings and Questioned Costs - *Continued*  
For the Year Ended June 30, 2013

**Section II – Financial Statement Findings** (*continued*)

A. Significant Deficiency in Internal Control over Financial Reporting (*continued*)

2013-004 – Petty Cash Reconciliations

*Questioned  
Costs*

*Condition* – During the audit, we noted that DSNI did not follow the petty cash procedures as outlined in its Fiscal Procedures manual, which requires the monthly reconciliation of petty cash.

\$ -

*Criteria* – Per DSNI’s Fiscal Procedures manual, petty cash is operated on an impress basis. It is to be counted monthly and reconciliation reports sent to the Finance Office. Petty Cash reports should include receipts for each purchase. Each entry should have a corresponding job costing number or other job specific information linking the expense to a budget line item, and detail regarding the purpose of the expenditure.

*Cause* – Staff limitations have impacted DSNI’s ability to fully execute certain policies outlined in its Fiscal Procedures manual.

*Effect* – Petty cash is not being reconciled and reported properly. Accordingly, the risk of errors or misappropriation occurring and going undetected is high.

*Recommendation* –We recommend that DSNI follow the petty cash procedures in its Fiscal Procedures manual.

*Views of Responsible Officials and Planned Corrective Actions* –We agree with the finding and have increased the capacity of our finance and accounting department to ensure full compliance with policies as outlined in our Fiscal Procedures manual.

**Dudley Street Neighborhood Initiative, Inc.  
and  
Subsidiary**  
Schedule of Findings and Questioned Costs - *Continued*  
For the Year Ended June 30, 2013

**Section III – Findings and Questioned Costs Related to Federal Awards**

A. Material Weaknesses in Internal Control over Federal Awards

**Agency:** U.S. Department of Education  
**Program:** Promise Neighborhoods Program  
**CFDA #:** 84.215N

2013-005 – Allowable Costs/ Cost Principles, Cash Management, Procurement, Suspension, and Debarment, Reporting, and Subrecipient Monitoring	<i>Questioned Costs</i>
--	-----------------------------

*Condition* – During the audit, we noted DSNI has no written internal control policies over compliance requirements that are material to its federal award program.

\$ -

*Criteria* – Per OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*, non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

*Cause* – The accounting department was not fully staffed during fiscal year 2013 and could not complete the framing of the policies before June 30, 2013.

*Effect* – DSNI has no written internal control policies over compliance requirements that are material to its federal award program.

*Recommendation* – We recommend that DSNI establish written internal control policies in accordance with OMB Circular No. A-110.

*Views of Responsible Officials and Planned Corrective Actions* - We agree with the finding and have established written internal control policies to ensure compliance with requirements that are material to our federal award.

**Dudley Street Neighborhood Initiative, Inc.**  
**and**  
**Subsidiary**  
Summary Schedule of Prior Audit Findings  
For the Year Ended June 30, 2012

No prior audit findings.