



MAS BOSTON SOCIETY, INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

MAS BOSTON SOCIETY, INC.

Contents
December 31, 2017 and 2016

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Independent Auditor's Report

To the Board of Directors of
MAS Boston Society, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of MAS Boston Society, Inc. (a Massachusetts not for profit corporation), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 audits 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 MAS Boston Society, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boston, Massachusetts
July 13, 2018

MAS BOSTON SOCIETY, INC.Statements of Financial Position
December 31, 2017 and 2016

Assets	2017	2016
Current Assets:		
Cash	\$ 424,802	\$ 188,254
Accounts receivable	6,990	65,521
Prepaid expenses and other	8,015	6,523
Total current assets	439,807	260,298
Investments	283,637	376,675
Beneficial Interest in Lead Trusts	200,286	53,956
Property and Equipment, net	300,897	302,086
Total assets	<u>\$ 1,224,627</u>	<u>\$ 993,015</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 98,069	\$ 98,348
Due to Al-Maharma	12,000	-
Total current liabilities	110,069	98,348
Due to Al-Maharma	17,511	-
Total liabilities	<u>127,580</u>	<u>98,348</u>
Net Assets:		
Unrestricted:		
Operating	414,614	445,934
Property and equipment	300,897	302,086
Total unrestricted	715,511	748,020
Temporarily restricted	381,536	146,647
Total net assets	<u>1,097,047</u>	<u>894,667</u>
Total liabilities and net assets	<u>\$ 1,224,627</u>	<u>\$ 993,015</u>

MAS BOSTON SOCIETY, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2017 and 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue:						
Contributions	\$ 1,587,124	\$ 684,402	\$ 2,271,526	\$ 1,490,082	\$ 329,733	\$ 1,819,815
Café income	368,598	-	368,598	358,774	-	358,774
Tuition, related fees and program income	252,100	-	252,100	182,455	-	182,455
Rental income	131,103	-	131,103	116,589	-	116,589
Donated goods and services	36,785	-	36,785	41,996	-	41,996
Other income	12,861	-	12,861	57,114	-	57,114
Net assets released from restriction	475,340	(475,340)	-	464,499	(464,499)	-
Total revenue	<u>2,863,911</u>	<u>209,062</u>	<u>3,072,973</u>	<u>2,711,509</u>	<u>(134,766)</u>	<u>2,576,743</u>
Expenses:						
General program	2,103,737	-	2,103,737	1,784,555	-	1,784,555
Boston Islamic Seminary	365,194	-	365,194	445,634	-	445,634
General and administrative	305,247	-	305,247	414,660	-	414,660
Fundraising	114,596	-	114,596	106,298	-	106,298
Total expenses	<u>2,888,774</u>	<u>-</u>	<u>2,888,774</u>	<u>2,751,147</u>	<u>-</u>	<u>2,751,147</u>
Changes in net assets from operations	<u>(24,863)</u>	<u>209,062</u>	<u>184,199</u>	<u>(39,638)</u>	<u>(134,766)</u>	<u>(174,404)</u>
Non-Operating Revenue (Expense):						
Capital grant	-	48,139	48,139	-	28,145	28,145
Investment income	42,734	-	42,734	30,182	-	30,182
Change in value of beneficial interest in lead trusts	-	2,308	2,308	-	(3,704)	(3,704)
Net assets released from capital restrictions	24,620	(24,620)	-	56,910	(56,910)	-
Contribution to ISB	(75,000)	-	(75,000)	-	-	-
Total non-operating revenue (expense)	<u>(7,646)</u>	<u>25,827</u>	<u>18,181</u>	<u>87,092</u>	<u>(32,469)</u>	<u>54,623</u>
Changes in net assets	<u>(32,509)</u>	<u>234,889</u>	<u>202,380</u>	<u>47,454</u>	<u>(167,235)</u>	<u>(119,781)</u>
Net Assets:						
Beginning of year	<u>748,020</u>	<u>146,647</u>	<u>894,667</u>	<u>700,566</u>	<u>313,882</u>	<u>1,014,448</u>
End of year	<u>\$ 715,511</u>	<u>\$ 381,536</u>	<u>\$ 1,097,047</u>	<u>\$ 748,020</u>	<u>\$ 146,647</u>	<u>\$ 894,667</u>

The accompanying notes are an integral part of these statements.

MAS BOSTON SOCIETY, INC.

Statements of Cash Flows

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 202,380	\$ (119,781)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gains	(37,172)	(22,269)
Depreciation	56,125	68,580
Bad debt	77,957	8,161
Change in value of beneficial interest in lead trusts	(2,308)	3,704
Capital grant	(48,139)	(28,145)
Contribution of beneficial interest in lead trusts	(160,648)	-
Changes in operating assets and liabilities:		
Accounts receivable	(19,426)	(23,417)
Prepaid expenses and other	(1,492)	4,452
Accounts payable and accrued expenses	(279)	9,358
Due to Al-Maharma	29,511	-
Net cash provided by (used in) operating activities	<u>96,509</u>	<u>(99,357)</u>
Cash Flows from Investing Activities:		
Distribution from beneficial interest in lead trusts	16,626	15,900
Purchase of investments	(98,408)	(109,502)
Proceeds from sale of investments	228,618	142,455
Acquisition of property and equipment	<u>(54,936)</u>	<u>(41,346)</u>
Net cash provided by investing activities	<u>91,900</u>	<u>7,507</u>
Cash Flows from Financing Activities:		
Capital grant	<u>48,139</u>	<u>28,145</u>
Net Change in Cash	236,548	(63,705)
Cash:		
Beginning of year	<u>188,254</u>	<u>251,959</u>
End of year	<u>\$ 424,802</u>	<u>\$ 188,254</u>

MAS BOSTON SOCIETY, INC.

Statement of Functional Expenses
 For the Year Ended December 31, 2017
 (With Summarized Comparative Totals for the Year Ended December 31, 2016)

	2017				2016	
	General Program	Boston Islamic Seminary	General and Administrative	Fundraising	Total	Total
Payroll and related:						
Salaries	\$ 835,935	\$ 166,238	\$ 184,322	\$ 56,379	\$ 1,242,874	\$ 1,298,920
Payroll taxes and fringe benefits	93,991	16,413	26,606	8,281	145,291	191,772
Donated salary	-	-	36,375	-	36,375	41,701
Total payroll and related	929,926	182,651	247,303	64,660	1,424,540	1,532,393
Professional fees	168,755	8,190	9,901	2,596	189,442	134,736
Café expenses	162,686	-	-	-	162,686	126,355
Equipment rental and maintenance	122,454	2,716	152	7,291	132,613	102,643
Other program expenses	29,511	92,890	-	-	122,401	182,542
Food	110,145	3,770	346	5,087	119,348	119,046
Utilities	115,934	-	-	-	115,934	149,124
Youth Programs	100,169	-	-	-	100,169	73,776
Bad debt	44,997	-	32,960	-	77,957	8,161
Grants to ICNA Relief	77,575	-	-	-	77,575	58,508
Travel and meetings	54,854	13,922	593	1,140	70,509	53,703
Depreciation	45,333	-	8,572	2,220	56,125	68,580
Occupancy	10,186	40,445	-	-	50,631	4,525
Bank service fees	5,658	3,168	50	24,177	33,053	31,657
Supplies	27,278	1,446	881	2,785	32,390	15,801
Security expenses	31,540	-	-	-	31,540	20,835
Insurance	28,376	-	909	-	29,285	29,122
Miscellaneous	8,864	11,498	3,431	124	23,917	11,678
Printing and postage	10,585	3,163	149	4,516	18,413	9,558
Membership dues and fees	8,345	1,055	-	-	9,400	9,317
Telephone and internet	6,276	-	-	-	6,276	6,239
Staff development	4,290	280	-	-	4,570	2,848
Total expenses	<u>\$ 2,103,737</u>	<u>\$ 365,194</u>	<u>\$ 305,247</u>	<u>\$ 114,596</u>	<u>\$ 2,888,774</u>	<u>\$ 2,751,147</u>

The accompanying notes are an integral part of these statements.

MAS BOSTON SOCIETY INC.

Statement of Functional Expenses
For the Year Ended December 31, 2016

	<u>General Program</u>	<u>Boston Islamic Seminary</u>	<u>General and Adminis- trative</u>	<u>Fundraising</u>	<u>Total</u>
Payroll and related:					
Salaries	\$ 776,397	\$ 224,302	\$ 252,494	\$ 45,727	\$ 1,298,920
Payroll taxes and fringe benefits	129,306	26,021	27,893	8,552	191,772
Donated salary	-	5,063	36,638	-	41,701
Total payroll and related	905,703	255,386	317,025	54,279	1,532,393
Professional fees	91,820	3,166	38,250	1,500	134,736
Café expenses	126,355	-	-	-	126,355
Equipment rental and maintenance	94,363	-	7,614	666	102,643
Other program expenses	-	182,542	-	-	182,542
Food	107,883	-	-	11,163	119,046
Utilities	135,278	-	13,846	-	149,124
Youth Program	73,776	-	-	-	73,776
Bad debt	-	-	8,161	-	8,161
Grants to ICNA Relief	57,508	-	1,000	-	58,508
Travel and meetings	53,344	-	359	-	53,703
Depreciation	51,435	-	14,516	2,629	68,580
Occupancy	3,394	-	958	173	4,525
Bank service fees	857	4,453	245	26,102	31,657
Supplies	14,098	32	1,415	256	15,801
Security expenses	20,835	-	-	-	20,835
Insurance	23,500	-	4,760	862	29,122
Miscellaneous	7,438	34	3,939	267	11,678
Printing and postage	1,870	-	642	7,046	9,558
Membership dues and fees	8,922	21	317	57	9,317
Telephone and internet	4,679	-	1,321	239	6,239
Staff development	1,497	-	292	1,059	2,848
Total expenses	<u>\$ 1,784,555</u>	<u>\$ 445,634</u>	<u>\$ 414,660</u>	<u>\$ 106,298</u>	<u>\$ 2,751,147</u>

The accompanying notes are an integral part of these statements.

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

1. OPERATIONS, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS

MAS Boston Society, Inc. (MAS Boston) is a grass-roots community-based organization that seeks to empower the Muslim community to be active citizens who will play a significant role in the improvement of society. MAS Boston strives to achieve this mission by: 1) developing young Muslims into leaders in their communities; 2) educating and mobilizing the Muslim community to participate in civic affairs; 3) developing interfaith and intercommunity understanding and cooperation on issues of shared concerns; and 4) addressing root causes and consequences of prejudice and discrimination. While a separate 501(c)(3), MAS Boston is a chapter of MAS National.

Founded in 1999, MAS Boston's first focus was working with Muslim youth. As the organization grew, the mission expanded to include civic engagement and intercommunity outreach. Membership grew from 20 in 1999 to nearly 1,000 in 2008 while located in Somerville.

In late 2007 the Islamic Society of Boston's (the ISB) Board of Trustees, the trust for the Islamic Society of Boston Cultural Center (the ISBCC) (a mosque and community center), requested MAS Boston to help bring the ISBCC's construction to the finish line and to start building a spiritual community at the ISBCC. MAS Boston helped the ISB raise the last \$5M needed to complete the ISBCC. Upon completion of the ISBCC, ISB's Board of Trustees entered into a ten year management agreement with MAS Boston to fully run MAS Boston's programs at the ISBCC beginning January 1, 2009 (see Note 4). MAS Boston brought its full time Youth Director, Interfaith Director, Grant Writer, Political Director, a Legal Aid, an Executive Director, and other staff members who were all working with volunteer committees to serve the community in Greater Boston into the ISBCC.

At the ISBCC, MAS Boston held to its core values of being open to everyone, including non-Muslims, empowering sisters, converts, and youth, living Islam, and cherishing our communal diversity. MAS Boston sought to implement MAS National's vision of a "Virtuous and Just American Society", and our mission "to move people to strive for God consciousness, liberty and justice, and to convey Islam with utmost clarity". Perhaps most critically, MAS Boston's board adopted the strategy of recruiting talented young Muslims and empowering them to engage the community to run the ISBCC as a vibrant community, mosque, and cultural center.

This vision has led to where the ISBCC is today – a project on its own with its own mission, vision, staff, strong partnerships, hundreds of volunteers and exciting and effective programming.

MAS Boston's primary work is at the ISBCC. The work at the ISBCC has three main areas of focus:

Spiritual Development and Education: The ISBCC offers its congregants the five daily prayers, the weekly congregational sermon/prayer (khutbah) on Fridays attended by 1500+ worshippers, the Friday night spiritual lessons (Halaqas), Islamic knowledge workshops, seasonal religious holidays programming (Ramadan, Eid ul-Fitr, and Eid ul-Adha), one-on-one spiritual counseling, a vibrant religious youth program (Deen14), Islam 101 classes for people interested in learning Islam and/or newly converted Muslims, tours for people of other faiths and students of all ages, and classes on reading and memorizing the Quran on Saturdays and Sundays through the MAS Quran Institute. Through the Boston Islamic Seminary Program (BIS), MAS Boston conducts educational programs, classes, seminars and certificate programs to provide authentic Islamic education to all people.

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

1. OPERATIONS, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

OPERATIONS (Continued)

Building a Strong Community: MAS Boston offers two strong identity and community building youth programs at the ISBCC: ARKanum (a 12-16 year old program with over 70 youth) and MAS Youth Waves (a recently launched late high school-college student program). In 2014, MAS Boston also launched a Sustainers Program. Sustainers are individuals who volunteer, donate, and guide major organizational decisions. Today there are nearly 670 “Sustainers”. Our Sustainers are an incredibly diverse group of 64 ethnicities, from various socio-economic backgrounds. At quarterly meetings, they discuss the needs of the diverse pockets of our community. Their voices have transformed the ISBCC and its direction. Moreover, MAS Boston also operates the Common Word Café program – an open space where conversations between Muslims and people of other faiths help build a stronger community. MAS Boston through their Health Team also offers mental health workshops, mental health counseling, health screenings, and parenting workshops. Through partners, MAS Boston offers a monthly food pantry and weekly English as a Second Language (ESL) courses. Finally, MAS Boston also seeks to build community among area mosques. In 2016 a mosque collaboration initiative (*Masajid Collaboration*) was launched, which brings together 13 area mosques to learn from one another and share best practices.

Serving the Common Ground: Our service programming includes our Neighbors for Neighbors Initiative, teaming constituents with non-Muslim neighbors to address neighborhood concerns (they have already won promises from local authorities to renovate areas of the neighborhood); and weekly At-Risk Youth Program, funded by Boston Children’s Hospital, to keep our low-income, primarily black youth from falling into drug use, gangs, and/or prison.

Our civic engagement work, however, is perhaps the most critical of our service work. It has grown out of necessity. The ISBCC and our community have survived, but suffered, several Islamophobic attacks. Most were fortunately episodic (e.g. during construction of the ISBCC, aftermath of the Marathon bombing, during the Tsarnaev trial, and selection for Countering Violent Extremism Initiative). Learning from these attacks and anticipating future ones, we built robust relationships with powerful interfaith partners (e.g. Greater Boston Interfaith Organization (GBIO)); local, state, and federal government actors (e.g. Mayor, Police Commissioner, Attorney General, local State representative, District Congressman, Governor, local FBI, and both Senators); and the local media (e.g. Boston Globe, WBUR, Channel 5, and more). The ISBCC is part of GBIO, a coalition of churches, synagogues, and mosques, who are committed to working together on causes of justice.

MAS Boston plans to transfer the activities of BIS to a separate 501(c)(3) entity, Boston Islamic Seminary, Inc. (BIS, Inc.) in 2018. BIS Inc., formed June 3, 2015, is a subsidiary of MAS Boston and MAS Boston appoints its directors. BIS, Inc. began operations effective July 1, 2018, and had no activities prior to July 1, 2018.

TAX STATUS

MAS Boston is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). MAS Boston is also exempt from state income taxes. Donors may deduct contributions made to MAS Boston within the IRC regulations.

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

1. OPERATIONS, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES

MAS Boston prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

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

Investments

Investments consist of MAS Boston's holdings in marketable securities. Realized gains and losses are recorded based on the average cost method. Unrealized gains and losses are recognized based on market value changes during the period. Interest and dividends are recorded when earned.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amounts and do not bear interest. Allowance for doubtful accounts is recorded using specific identification of accounts that may be uncollectible. There was no allowance for doubtful accounts as of December 31, 2017 and 2016. When MAS Boston determines that a portion of its accounts receivable will not be collected, the receivable account is written off and a bad debt expense is recorded.

Property and Equipment and Depreciation

Property and equipment with estimated useful lives in excess of one year and values greater than \$500 are capitalized at cost (see Note 2). Donated property and equipment are recorded at fair value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Furniture and fixtures	5 years
Office equipment	5 years
Facility improvements	15 years

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

1. OPERATIONS, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Unrestricted Net Assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by MAS Boston. MAS Boston has grouped its unrestricted net assets into the following categories:

Operating net assets represent funds available to carry on the operations of MAS Boston.

Property and equipment net assets reflect and account for the activities related to MAS Boston's property and equipment, net of related debt, if any.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose (purpose restricted) or amounts for unrestricted use in future periods (time restricted).

Temporarily restricted net assets are restricted as follows at December 31:

	<u>2017</u>	<u>2016</u>
CLATs (see Note 6)	\$ 200,286	\$ 53,956
Purpose	127,531	62,491
Time	30,000	30,000
Capital	<u>23,719</u>	<u>200</u>
	<u>\$ 381,536</u>	<u>\$ 146,647</u>

Revenue Recognition

Contributions are recorded as revenue when received or unconditionally pledged. Restricted contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed.

Café income is recorded as revenue at the point of sale. Rental income is recognized when earned. Tuition, related fees, and program income are recorded as services are provided. All other income is recognized as earned.

Expense Allocations

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

1. OPERATIONS, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

Volunteers and other organizations contribute services to MAS Boston in support of various aspects of its programs. These services are reflected in the accompanying financial statements based upon the estimated value assigned to them by the donating volunteers, agencies, or by management. At December 31, 2017 and 2016, donated goods and services consist of in-kind salary of \$36,785 and \$41,996, respectively.

MAS Boston also receives services from volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the U.S. GAAP criteria for recognition.

Fair Value Measurements

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

MAS Boston uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of MAS Boston. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

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

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

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

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

1. OPERATIONS, TAX STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Cash Equivalents

For the purpose of the statements of cash flows, management considers all short-term, highly liquid investments with an initial maturity date of three months or less to be cash equivalents. Cash and cash equivalents held in MAS Boston's investment portfolio (Note 3) are excluded from cash in the accompanying statements of cash flows. Cash equivalents are considered Level 1 in the fair value hierarchy.

Investments

Investments are recorded in the financial statements at fair value. If an investment is directly held by MAS Boston and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year. MAS Boston values all of its investments using Level 1 inputs. All investment fair values have been provided by investment managers.

Beneficial Interest in Lead Trusts

MAS Boston values its beneficial interests in lead trusts (see Note 6) using Level 3 inputs, which are based on present value of the expected cash flows due over the terms of the lead trusts.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Income Taxes

MAS Boston accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. MAS Boston has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2017 and 2016. MAS Boston's information returns are subject to examination by the Federal and state jurisdictions.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as revenue and expenses in the accompanying statements of activities and changes in net assets. Non-operating revenue (expense) includes contribution to ISB, investment and capital related activities.

Subsequent Events

Subsequent events have been evaluated through July 13, 2018, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

MAS BOSTON SOCIETY, INC.Notes to Financial Statements
December 31, 2017 and 2016

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Furniture and fixtures	\$ 363,876	\$ 321,666
Office equipment	64,694	64,694
Facility improvements	<u>221,719</u>	<u>208,993</u>
	650,289	595,353
Less - accumulated depreciation	<u>349,392</u>	<u>293,267</u>
	<u>\$ 300,897</u>	<u>\$ 302,086</u>

Depreciation expense for the years ended December 31, 2017 and 2016, was \$56,125 and \$68,580, respectively.

3. INVESTMENTS

Investments are comprised of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Equities and Options:		
KBS Real Estate Investment Trust III	\$ 45,159	\$ 40,924
All other	-	204,571
Mutual Funds, Exchange-Traded Funds and Closed-End Funds	100,043	70,295
Investment cash	<u>138,435</u>	<u>60,885</u>
	<u>\$ 283,637</u>	<u>\$ 376,675</u>

Investments are not insured and are subject to market fluctuations.

Investments have been classified as long-term in the accompanying statements of financial position based on management's intent.

Investment income consisted of the following for the years ended December 31:

	<u>2017</u>	<u>2016</u>
Net unrealized gains	\$ 34,197	\$ 16,512
Interest and dividends	5,562	7,913
Net realized gains	<u>2,975</u>	<u>5,757</u>
	<u>\$ 42,734</u>	<u>\$ 30,182</u>

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
December 31, 2017 and 2016

4. MANAGEMENT AGREEMENT

MAS Boston has entered into a management agreement, which expires on December 31, 2018, with ISB to manage and operate the ISBCC (see Note 1). Under the agreement, MAS Boston serves as the main occupant of the ISBCC and utilizes the ISBCC for delivery of its programs and other activities consistent with the terms of the agreement. MAS Boston is responsible for all costs relating to the operation and maintenance of the ISBCC. MAS Boston funds these costs with revenue generated from various programs held at the ISBCC, including contributions and rental income (see Note 5). ISB and MAS Boston have the right to terminate the agreement with no less than 180 days prior to written notice. ISB may also terminate the agreement if MAS Boston defaults on the agreement. MAS Boston expects the agreement to be extended or modified before the expiration date of December 31, 2018.

To the extent that MAS Boston generates a surplus, MAS Boston will make a discretionary contribution to ISB as specified in the agreement. During 2017, MAS Boston made a \$75,000 contribution to ISB. This amount is shown as contribution to ISB in the accompanying statement of activities and changes in net assets for the year ended December 31, 2017. MAS Boston made no contributions during the year ended December 31, 2016.

5. LEASES

MAS Boston leases a portion of the ISBCC to third parties under various tenant-at-will agreements, with average monthly payments ranging from \$4,400 to \$450 during the years ended December 31, 2017 and 2016. Total rental income for the years ended December 31, 2017 and 2016, was \$131,103 and \$116,589, respectively, and is included in rental income in the accompanying statements of activities and changes in net assets.

6. IRREVOCABLE CHARITABLE LEAD ANNUITY TRUSTS

MAS Boston is named as beneficiary of nine irrevocable Charitable Lead Annuity Trusts (CLATs), which are controlled by a trustee on behalf of the donors. An employee of MAS Boston is the trustee of the CLATs. The donors established these CLATs and outlined certain distributions to be made to MAS Boston over the CLATs' terms. Upon termination of the CLATs, the trustee shall distribute all of the principal and undistributed income, net of any amount due to MAS Boston, to the beneficiaries designated by the donors as specified in the CLATs' agreements. On December 22, 2017, MAS Boston was named beneficiary of two new CLATs to receive distributions totaling approximately \$261,000 over the terms of the CLATs. The CLATs expire at various date through December 21, 2027.

Annual distributions to MAS Boston totaled \$16,626 and \$15,900 for the years ended December 31, 2017 and 2016, respectively, and are included in net assets released from restrictions in the accompanying statements of activities and changes in net assets. The distributions are received in quarterly installments until the CLATs terminate. At December 31, 2017 and 2016, the present value of the future distributions expected to be received by MAS Boston over the terms of the CLATs are \$200,286 and \$53,956, respectively, which are reflected as beneficial interest in lead trusts and included in temporarily restricted net assets in the accompanying statements of financial position. The present value of the future distributions are discounted using the applicable federal rate of 2.60% and 1.80% at December 31, 2017 and 2016, respectively. Changes in the fair value of the beneficial interest in lead trusts were \$2,308 and \$(3,704) for the years ended December 31, 2017 and 2016, respectively, and are reflected as change in value of beneficial interest in lead trusts in the accompanying statements of activities and changes in net assets.

MAS BOSTON SOCIETY, INC.

Notes to Financial Statements
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6. IRREVOCABLE CHARITABLE LEAD ANNUITY TRUSTS (Continued)

The changes in the CLATs measured at fair value for which MAS Boston has used Level 3 inputs (projected investment returns and present value factors) to determine fair value were as follows at December 31:

	<u>2017</u>	<u>2016</u>
Beginning balance	\$ 53,956	\$ 73,560
Change in fair value	2,308	(3,704)
Contributions	160,648	-
Distributions from CLATs	<u>(16,626)</u>	<u>(15,900)</u>
Ending balance	<u>\$ 200,286</u>	<u>\$ 53,956</u>

7. RELATED PARTY TRANSACTIONS

One Board member of MAS Boston is married to the principal of Malik Academy, a tenant that pays rent to MAS Boston. As of December 31, 2016, \$14,484 is owed to MAS Boston from Malik Academy. During 2017, total rent due from Malik Academy of \$32,960 was written off and is included in bad debt expense in the accompanying statement of functional expenses.

8. CONCENTRATION OF CREDIT RISK

MAS Boston maintains its cash balances in a bank in Massachusetts. The Federal Deposit Insurance Corporation insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. Management monitors, on a regular basis, the financial condition of the financial institutions, along with their balances, to keep this potential risk to a minimum.

9. AL-MAHARMA AGREEMENT

On May 18, 2018, MAS Boston modified its agreement with Al-Maharma, a Massachusetts not-for-profit corporation, regarding the use of the ISBCC's facility by Al-Maharma, to provide funeral services to the congregants of ISBCC. Under the new agreement, Al-Maharma will pay \$1,000 per month (the Facility Fee) for the use of ISBCC's facility instead of \$400 per funeral services, effective March 31, 2017. In addition, all amounts outstanding from Al-Maharma under the previous agreement was forgiven as of March 31, 2017. The amount forgiven was \$44,997 and is included in bad debt expense in the accompanying statement of functional expenses for the year ended December 31, 2017.

MAS Boston has also agreed to reimburse Al-Maharma \$29,511 for fees collected in the past. This amount is shown as due to Al-Maharma and is included in other program expense in the accompanying statement of functional expenses as of and for the year ended December 31, 2017. In lieu of making the payment to Al-Maharma, MAS Boston will apply the monthly Facility Fee against the \$29,511 through July 2020.

10. RECLASSIFICATION

Certain amounts in the 2016 financial statements have been reclassified to conform to the 2017 presentation.