

CITIZENS FOR ADEQUATE HOUSING, INC.

Combined Financial Statements
June 30, 2012
(With Comparative Totals for 2011)



SANDBERG & CREEDEN, P.C.

Certified Public Accountants

331 Page Street

Stoughton, MA 02072

CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

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To the Board of Directors of
Citizens for Adequate Housing, Inc.
Peabody, Massachusetts

Independent Auditors' Report on the Financial Statements

We have audited the accompanying statement of financial position of Citizens for Adequate Housing, Inc. as of June 30, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Citizens for Adequate Housing, Inc.'s 2011 financial statements and, in our report dated November 22, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens for Adequate Housing, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
November 6, 2012

CITIZENS FOR ADEQUATE HOUSING, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

<u>ASSETS</u>		
	<u>2012</u>	<u>2011</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 219,126	\$ 304,059
Operating reserves		26,988
Contracts receivable		138,844
Pledges receivable	108,382	752
Rent receivable	6,580	1,839
Prepaid expenses	9,270	20,761
Tax escrow	24,055	1,683
	<u>490</u>	<u>1,683</u>
Total current assets	367,903	494,926
<u>Property and Equipment</u>		
Land	795,673	795,673
Building	1,927,893	1,927,893
Building improvements	2,444,390	2,202,358
Leasehold improvements	80,243	80,243
Parking lot	41,156	25,622
Playground	40,234	40,827
Furnishings and equipment	34,500	34,500
	<u>5,364,089</u>	<u>5,107,116</u>
Less: accumulated depreciation	<u>1,026,530</u>	<u>883,293</u>
Total property and equipment	4,337,559	4,223,823
<u>Other Assets</u>		
Deposits	4,375	4,375
Financing costs	3,333	
	<u>7,708</u>	<u>4,375</u>
Total other assets		
<u>Total Assets</u>		
	<u>\$ 4,713,170</u>	<u>\$ 4,723,124</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Notes and mortgages payable - current	\$ 38,919	\$ 32,507
Accrued expenses	55,360	149,471
Accrued construction costs		27,642
Accrued payroll and payroll taxes	40,076	39,716
Tenant deposits	12,664	12,224
Deferred revenue	22,551	135,755
	<u>169,570</u>	<u>397,315</u>
Total current liabilities		
<u>Long-term Liabilities</u>		
Notes and mortgages payable - non current	1,448,916	1,166,177
Notes and mortgages deferred and forgivable	2,588,165	2,584,665
	<u>4,037,081</u>	<u>3,750,842</u>
Total long-term liabilities		
<u>Net Assets</u>		
Unrestricted	502,019	569,967
Temporarily restricted	4,500	5,000
	<u>506,519</u>	<u>574,967</u>
Total net assets		
<u>Total Liabilities and Net Assets</u>		
	<u>\$ 4,713,170</u>	<u>\$ 4,723,124</u>

See accompanying notes and Independent Auditors' Report.



CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Contributions and grants	\$ 98,646	\$ 54,623	\$ 153,269	\$ 103,145
Special events	60,164		60,164	290,374
In-kind donations	12,589		12,589	9,292
Released from restriction	55,123	(55,123)		
Contracts	1,321,819		1,321,819	1,724,837
Rental subsidies	123,228		123,228	128,209
Rental income	107,034		107,034	101,412
Interest income	637		637	1,280
Total support and revenue	1,779,240	(500)	1,778,740	2,358,549
<u>Operating Expenses</u>				
<u>Program Expenses</u>				
Career Link	9,850		9,850	
Family Emergency Shelter- Inn Between	651,996		651,996	777,325
Family Sober Living Shelter Inn Transition	394,104		394,104	386,924
Low Income Housing - Inn Homes	195,267		195,267	177,959
Housing Stabilization	175,718		175,718	431,202
Total program expenses	1,426,935		1,426,935	1,773,410
<u>Support Services</u>				
General & administrative	299,892		299,892	345,897
Fundraising	120,361		120,361	136,509
Total support services	420,253		420,253	482,406
<u>Total Expenses</u>	1,847,188		1,847,188	2,255,816
<u>Change in Net Assets</u>	(67,948)	(500)	(68,448)	102,733
<u>Net Assets - Beginning of Year</u>	569,967	5,000	574,967	472,234
<u>Net Assets - End of Year</u>	\$ 502,019	\$ 4,500	\$ 506,519	\$ 574,967

See accompanying notes and Independent Auditors' Report.





CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	2012						2011	
	Family	Family	Family	Low Income	Housing	Total	General	Total
	Emergency Shelter Inn Between	Sober Living Shelter Inn Transition	Housing Inn Homes	Stabilization	Program Services	Administrative	Fundraising	Total
Salaries	\$ 912	\$ 196,193	\$ 1,389	\$ 51,189	\$ 583,617	\$ 176,174	\$ 65,857	\$ 825,648
Payroll tax	96	20,706	147	5,402	61,594	18,593	6,950	87,137
Employee benefits	96	20,579	146	5,369	62,247	18,479	6,908	87,634
Total salaries and related expenses	1,104	237,478	1,682	61,960	707,458	213,246	79,715	1,000,419
Advertising	122	25			147	900		1,047
Bad debt expenses	175				181	689	1,110	1,980
Bank and finance charges	2,313	2,680		113,490	123,495			123,495
Client Goods & Services	653	2,012			52,637	23,733	270	76,640
Consultants	158	34,037	241	8,881	101,249	30,563	11,425	143,237
Depreciation	6	1,383	35	361	4,339	1,757	464	6,560
Dues, subscriptions and fees	446	1,546	10	360	5,725	2,058	708	8,491
Equipment rental and repair		13,614			29,775	344	98	30,217
Food		16,161			28,418	11,547	3,206	43,171
Insurance	45	9,553	68	2,492	62,752	14,283	380	77,035
Interest expense	3	19,667	5	155	1,769	534		2,683
Internet service		1,012			16,248			17,172
Management fees					5,348			5,348
Minor equipment	422	989			1,350	658	789	2,153
Miscellaneous	6	1,347	10	351	4,007	1,210	452	5,669
Office expense					2,638	887	1,784	4,308
Payroll fees	897	586	4	153	33,144	14,380		49,918
Printing and postage	3,296	10,705	2,447		29	29		33,173
Professional fees					406		468	874
Program supplies					12,282			12,282
Public relations					82,675			82,675
Real estate tax					27,941			27,941
Rent								
Repairs and maintenance	697	5,646	9,150			1,829	757	30,527
Special event								
Staff training	10	490	15	566	1,255	845	28,091	29,091
Telephone		2,171			6,457	1,950	1,436	3,536
Temporary help							729	9,136
Transportation		2,704						2,704
Travel		233		69	6,299	220		6,299
Utilities	50	18,497	77	2,835	32,327	9,759	198	45,734
Vehicle lease		8,182			17,914		3,648	23,596
Total	\$ 10,106	\$ 366,547	\$ 129,392	\$ 191,679	\$ 1,373,906	\$ 336,554	\$ 136,728	\$ 1,847,188
								\$ 2,255,816

See accompanying notes and Independent Auditors' Report.

CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

	<u>2012</u>	<u>2011</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ (68,448)	\$ 102,733
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	143,237	118,948
(Increase) decrease in:		
Contracts receivable	30,462	183,902
Pledges receivable	(5,828)	11,586
Rent receivable	(7,431)	(1,111)
Prepaid expenses	(3,294)	4,246
Tax escrow	1,193	1,453
Increase (decrease) in:		
Accrued expenses	(94,111)	24,625
Construction costs payable	(27,642)	27,642
Accrued payroll and payroll taxes	360	979
Tenant deposits	440	(240)
Deferred revenue	(113,204)	14,778
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>(144,266)</u>	<u>489,541</u>
<u>Cash Flows From Investing Activities</u>		
Payments for building improvements	(242,032)	(349,105)
Payments for furnishings and equipment	(15,534)	
Payments for playground	593	(12,398)
Financing costs	(3,333)	
<u>Net Cash (Used) by Investing Activities</u>	<u>(260,306)</u>	<u>(361,503)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from line of credit	310,000	15,000
Payments on line of credit	(310,000)	(15,000)
Proceeds from long-term debt	325,000	3,500
Payments on long-term debt	(32,349)	(46,866)
<u>Net Cash Provided (Used) by Financing Activities</u>	<u>292,651</u>	<u>(43,366)</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(111,921)</u>	<u>84,672</u>

See accompanying notes and Independent Auditors' Report.



CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE TOTALS FOR 2011)

(Continued)

	<u>2012</u>	<u>2011</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	(111,921)	84,672
<u>Cash and Cash Equivalents - Beginning of Year</u>		
Cash and cash equivalents	\$ 304,059	\$ 219,528
Operating reserves	<u>26,988</u>	<u>26,847</u>
	<u>\$ 331,047</u>	<u>\$ 246,375</u>
<u>Cash and Cash Equivalents - End of Year</u>		
Cash and cash equivalents	\$ 219,126	\$ 304,059
Operating reserves	<u>26,988</u>	<u>26,988</u>
	<u>\$ 219,126</u>	<u>\$ 331,047</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	<u>\$ 77,035</u>	<u>\$ 70,811</u>

See accompanying notes and Independent Auditors' Report.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2012

Note 1. Organization

Citizens for Adequate Housing, Inc. (CAH) was incorporated in Massachusetts as a nonprofit agency on June 20, 1983. Their stated purpose is to provide shelter and support services for homeless families, develop and maintain permanent affordable housing and advocate for social and economic issues for low-income families. To this end CAH operates three programs: The Inn Between (IB), The Inn Transition (IT) and The Communities Land Trust (Inn Homes).

Career Link

Career Link is a shelter-to-work program designed to provide residents with career counseling, skills development, job search assistance, GED tutoring, help with college entrance and financial aid applications and mentoring.

Family Emergency Shelter

The Inn Between, opened in 1985, provides emergency shelter to homeless families referred by the Department of Housing and Community Development (DHCD) and one family in its "community room" which is not funded by DHCD. After successfully re-contracting with DTA in February 2009 to increase its number of clients, the Inn Between continues to serve a total of sixteen families. Inn Between facility, the original shelter, is located at 25 Holten Street, Peabody. Here, five DHCD families are sheltered and a sixth in the "community room." Over the years, in addition to the six families at the Inn Between facility, there are an additional six DHCD families sheltered at the Inn Transition facility at 42 Washington Street, Peabody. CAH refers to this extended program as Inn Between 2. Furthermore, also due to re-contracting, an additional five families are served through, the Inn Between Scattered Sites, sheltering these five homeless families in apartments in Salem, Massachusetts. Families are homeless for many diverse and complex reasons which include high rents, low-paying jobs, lack of education and training, addiction, and domestic violence. The main objectives are to assist the families in accessing affordable housing, fostering family preservation and independence, helping each family to reach its social and economic potential.

Family Sober Living Shelter

The Inn Transition, opened in 1990, provides sober-living transitional housing for eight homeless families and is funded by the Commonwealth of Massachusetts, Department of Public Health. Families arrive from more intensive treatment programs to complete their early recovery at the Inn. This program emphasizes relapse prevention, financial and personal independence, education and job skill improvement leading to work opportunities, childcare and housing.

Housing Stabilization

Another accomplishment for CAH was being awarded a Housing Search & Stabilization (HS&S) contract as part of the same 2009 DHCD re-contracting. This program provides services to the 25 CAH homeless families. The HS&S program provides intensive housing search aimed at decreasing the length of stay at the shelters as well as providing a minimum of twelve months housing stabilization services once a family is relocated to an apartment. The Housing Search and Stabilization Specialist remains in contact with each family, once housed, for over a year to ensure each family remains secure and independent.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2012

(Continued)

Note 1. Organization (Continued)

In an effort to propel further the mission of CAH, the agency merged in 1999 with the Communities Land Trust (also known as Inn Homes). This effort is devoted to preserving and creating affordable housing opportunities for low-income individuals and families.

Low Income Housing

Through Inn Homes, CAH currently owns five apartment buildings in Peabody with a combined total of sixteen units. These units are a combination of studio, one bedroom and two bedroom apartments. All of the units are rented below market rate to very low income families.

Furthermore, CAH acquired the properties at 40-42 Washington Street, Peabody in December 2007, where the Inn Transition is located. The property, which had been leased for many years, was purchased to facilitate the development, construction and renovation of program space and family rooms. A complete renovation of the Inn Transition building resulted in living and program space that is exceptional, allowing for 14 families to be served comfortably and with dignity. Also at that time, the Inn Transition Condominium Association was formed. This association is comprised of 2 units: Unit #1-Inn Transition Inc. at 42 Washington Street (the entire Inn Transition shelter facility) and Unit #2-the administrative offices at 40 Washington Street.

Note 2. Summary of Significant Accounting Policies

- a. Standards of Accounting and Reporting
The Organization follows standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for 'Not-for-Profit Organizations.'
- b. Financial Statement Presentation
Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

b. Financial Statement Presentation (Continued)

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were held or received during 2012 and 2011 and accordingly, these financials do not reflect any activity related to this class of net assets for 2012 and 2011.

c. Cash and Cash Equivalents

For purposes of the statements of cash flows, Citizens for Adequate Housing, Inc., considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

d. Property and Equipment

Property and equipment are recorded at cost, when purchased, or if donated, at their estimated fair market value at date of donation. All acquisitions of property and equipment in excess of \$5,000 and all expenditures for repairs, maintenance, and betterments that materially prolong the useful lives of assets are capitalized.

e. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method over the estimated useful life of the asset. Equipment and furniture are being depreciated over 3-10 years, improvements over 5-27 years and the buildings over 27 years.

f. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

g. Service Fees

Financial awards from state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

h. Donated Materials and Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Citizens for Adequate Housing Inc. For the year ended June 30, 2012, Citizens for Adequate Housing Inc. received the following:

	<u>2012</u>	<u>2011</u>
Professional services	\$ 12,464	\$ 8,402
Event items	<u>125</u>	<u>890</u>
Total	<u>\$ 12,589</u>	<u>\$ 9,292</u>

In addition, the agency received other donated goods and services that are not recognized as contributions in the financial statements since the criteria under SFAS No. 116 were not met.

i. Allocation of Expenses

Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

j. Use of Estimates

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

k. Summarized Comparative Financial Statements

The financial information shown for 2011 in the accompanying financial statements is included to provide a basis for comparison with 2012 and presents summarized totals only. Such information does not include sufficient data to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

l. Principles of Combination

Citizens for Adequate Housing, Inc. is the sole owner of Inn Transition, Inc. The activity of this affiliate has been combined in these financial statements to provide a more meaningful financial presentation.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012

(Continued)

Note 3. Tax Status

Citizens for Adequate Housing, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Inn Transition, Inc. is exempt from federal and state income tax under Section 501(c)(2) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements.

Unrelated business income, of which the Organization had none for the year ending June 30, 2012, would be subject to Federal and state taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Note 4. Concentration of Credit Risk

The Organization maintains its cash balances at a variety of area financial institutions. Non-interest bearing cash accounts at banks have an unlimited coverage. Accounts that make in excess of .5% are insured up to \$250,000. Amounts in excess of insured limits totaled \$0.

Credit risk associated with receivables is considered low as the balances due are from governmental agencies and well established foundations.

Note 5. Line of Credit

The Organization maintains two line of credit accounts from local banks secured by all business assets. One account allows a total maximum draw down of \$75,000 with interest at prime plus .5%. At June 30, 2012, the current rate was 4.25% with an outstanding balance of \$0. In addition, the Organization obtained a \$125,000 revolving line of credit at a base rate plus 1% floating subject to a floor rate of 3.75%. This account has an outstanding balance of \$0 as of June 30, 2012.

Note 6. Notes and Mortgages Payable

Notes and mortgages payable at June 30, 2012 consist of the following:

	2012		2011	
	Current	Long-term	Total	Total
<u>25 Holten Street</u>				
Mortgage due to East Boston Bank; 25 year term note bearing interest at 4.25% annually; monthly payments of \$1,792 including interest; due 5/1/37. It is collateralized with real estate.	\$ 4,533	\$ 320,467	\$ 325,000	\$ 0



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 6. Notes and Mortgages Payable (Continued)

	2012		2011
	Current	Long-term	Total
<u>29 Holten Street</u> Mortgage due to Danvers Savings; 30 year term note totaling \$230,000 bearing interest at 5.875% annually; monthly payments of \$1,708 including interest; due 8/1/34. It is collateralized with real estate.	4,576	197,147	201,723
<u>Fulton Street</u> Mortgage due to Danvers Savings; 30 year term note totaling \$94,000 bearing interest at 5.875% annually; monthly payments of \$878 including interest; due 8/1/34. It is collateralized with real estate.	1,870	80,573	82,443
<u>Lowe Street</u> Mortgage due to Danvers Savings; 30 year term note totaling \$156,000 bearing interest at 5.875% annually; monthly payments of \$1,197 including interest; due 8/1/34 it is collateralized with real estate.	3,103	133,717	136,820
Mortgage due to the Massachusetts Housing Finance Agency. Original principal \$21,062; 20 year, non-interest bearing note for the specific purpose of de-leading the property. Monthly payments of \$87.76. It is collateralized with real estate.	1,053	7,018	8,071
<u>Northend Street</u> Mortgage due to Danvers Savings; 30 year term note totaling \$148,000 bearing interest at 5.875% annually; monthly payments of \$1,130 including interest; due 8/31/34. It is collateralized with real estate.	2,944	126,859	129,803
<u>Central Street</u> Danvers Savings Bank, construction loan converted to permanent financing 30 year term note on October 1, 2004 totaling \$157,036 at 5.27% requiring a monthly payment of \$945 for interest and principal.	3,205	134,603	137,808



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 6. Notes and Mortgages Payable (Continued)

	2012		2011	
	Current	Long-term	Total	Total
<u>40 Washington Street</u>				
Mortgage due to North Shore Bank; 30 year note totaling \$132,000 bearing interest at 7% annually, monthly payments of \$942 including interest; due 12/20/22.	2,912	118,929	121,841	124,370
 <u>42 Washington Street</u>				
Mortgage due to North Shore Bank; 20 year note totaling \$400,000 bearing interest at 5.50% annually, monthly payments of \$2,770 including interest; due 12/20/27.	14,723	329,603	344,326	357,896
 Total Notes and Mortgages payable	\$ 38,919	\$ 1,448,916	\$ 1,487,835	\$ 1,195,184

Maturities of mortgages and notes payable during the next five fiscal years are as follows:

<u>Year</u>	
2013	\$ 38,919
2014	44,414
2015	46,873
2016	49,510
2017	52,293
Thereafter	1,255,828 ⁶

As a public charity and affordable housing developer, the Organization receives additional state and federal resources in the form of deferred or forgivable grants. These balances are reported as Notes and Mortgages Deferred or Forgivable and detailed under Note 7.

Note 7. Notes and Mortgages Deferred or Forgivable

As a public charity and affordable housing developer, the Organization receives state and federal resources in the form of deferred or forgivable notes. These funds may be provided to them to purchase, build, or rehab residential rental property in the community to be used for charitable purposes of emergency family housing or affordable housing units. The Notes and mortgages Deferred or Forgivable at June 30, consists of the following:

	2012	2011
	Total	Total
<u>Lowe Street</u>		
Amount due to North Shore HOME Consortium for a second mortgage dated February, 2000 in the original amount of \$60,000, due 1/15/20 with an additional 20 year extension. It is collateralized with real estate; convertible to grant upon expiration of restriction;	\$ 60,000	\$ 60,000



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 7. Notes and Mortgages Deferred or Forgivable (Continued)

	<u>2012</u>	<u>2011</u>
	Total	Total
<u>Lowe Street</u> – (Continued)		
Amount due to North Shore HOME Consortium for work completed in FY03 on heating system totaling \$5,609. No formal loan documents; convertible to grant upon expiration of restrictions;	5,609	5,609
<u>Northend Street</u>		
Amount due to North Shore HOME Consortium for a second mortgage dated February, 2001, in the original amount of \$50,000, due 2/2/21 with an additional 20 year extension. It is collateralized with real estate; convertible to grant upon expiration of restriction;	50,000	50,000
Amount due to North Shore HOME Consortium for work completed in FY03 on roof totaling \$5,000. No formal loan documents; convertible to grant upon expiration of restrictions;	5,000	5,000
<u>Central Street</u>		
Amount due North Shore HOME Consortium for acquisition/rehabilitation work totaling \$103,524; convertible to grant upon expiration of restrictions;	103,524	103,524
Amount due to North Shore HOME Consortium for acquisition/rehabilitation work; HOME CHDO funds totaling \$29,032; convertible to grant upon expiration of restriction;	29,032	29,032
<u>42 Washington Street</u>		
Amount due to the MA Department of Housing dated 2008; Community Development totaling \$160,000. Non-interest bearing note; convertible to a grant upon expiration of restrictions;	160,000	160,000
Amount due to North Shore HOME Consortium for 30 year non-interest bearing note totaling \$225,000; due 12/20/37. Convertible to a grant upon expiration of restrictions;	225,000	225,000
Amount due dated 12/19/08 to City of Peabody HOME Funds for 30 year non-interest bearing note totaling \$50,000; due 12/20/37. Convertible to a grant upon expiration of restrictions;	50,000	50,000
Amount due dated 2008 to the MA Department of Housing and Community Development (DHCD) Housing Stabilization Fund for the specific purpose of providing fourteen units of rental housing as prescribed in the agreement. 50 year non-interest loan with option for 10 year extension. Convertible to a grant upon expiration of restrictions;	700,000	700,000



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 7. Notes and Mortgages Deferred or Forgivable (Continued)

	<u>2012</u>	<u>2011</u>
	<u>Total</u>	<u>Total</u>
Mortgage due to North Shore Bank dated 2008; for acquisition and rehabilitation of transitional housing rental units. Federal Home Loan Boston's Affordable Housing Program funds totaling \$400,000. Convertible to a grant upon expiration of restrictions;	400,000	400,000
Amount due dated 12/19/08 North Shore HOME Consortium for acquisition/rehabilitation work totaling \$50,000, convertible to grant upon expiration of restrictions;	50,000	50,000
Amount due to MA MHCD/HIF/CEDAC due Housing Innovation Fund Mortgage assigned to CEDAC HIF V Program dated 3/12/2008; 30 year term with gross cash receipts exceeding 105% of gross capital expenditure repayment terms; convertible to grant upon expiration of restriction;	<u>750,000</u>	<u>750,000</u>
Total Notes and Mortgages Deferred and Forgivable	<u>\$ 2,588,165</u>	<u>\$ 2,588,165</u>

Maturities of mortgages and notes payable during the next five fiscal years are as follows:

<u>Year</u>		
2013	\$	0
2014		0
2015		0
2016		0
2017		0
Thereafter		2,588,165

Note 8. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2012 consist of the following:

Career Link Program	\$ 4,500
Total temporarily restricted net assets	<u>\$ 4,500</u>



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 9. Substantial Support

The Organization received substantial support under the following service fee contract:

	<u>2012</u>	<u>2011</u>
Commonwealth of Massachusetts	<u>\$ 1,321,819</u>	<u>\$ 1,724,837</u>
Percentage of total revenue	<u>74%</u>	<u>73%</u>

Note 10. Rental Subsidy - Peabody Housing Authority

Citizens for Adequate Housing, Inc. receives a monthly 'rent subsidy' to fund certain operation expenses from the Massachusetts Rental Voucher Program based on the Inn Between program housing five homeless families.

Note 11. Lease Commitment

The Organization rented temporary locations to accommodate clients during the construction and renovation of their building. In addition, the Organization leases on a tenant at will basis scattered site housing to meet current homeless needs beyond the capacity of their own facilities. Total rental expense for the years ended June 30, 2012 and 2011 was \$82,675 and \$99,150, respectively.

In 2003, the Organization entered into a thirty-year lease with the City of Peabody for a house lot designated as 84R Central Street. The City is leasing the land at \$1 per year paid in advance. Also, during fiscal 2003, the Organization purchased from the City a building from an adjoining lot for a total price of \$2. The building has been relocated and leased starting in March 2004 to two low-income families who have resided in Peabody a minimum of five years as per the City Council request.

Note 12. Noncompliance with Grantor or Donor Restrictions

Financial awards from state governmental entities in the form of grants are subject to special audit. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Note 13. Related Parties

The Organization has members of the Board of Directors who are associated with banks that do business with Citizens for Adequate Housing, Inc. As of June 30, 2012 the Organization has their cash accounts and several notes payable with these banks. In addition, two board members from time to time provide legal services at no cost to the organization in their professional capacity.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012

(Continued)

Note 13. Lease Commitment (Continued)

In addition, the Organization leases the following under operating lease arrangements:

- Vehicle (Van): under a three year lease agreement expiring February, 2014 requiring monthly lease payments of \$300. Vehicle lease expense was \$17,914;
- Copiers (2): under five year agreements expiring September 2013 requiring monthly lease payments totaling \$574.

Note 14. The Evaluation of Subsequent Events

The Organization has evaluated subsequent events through November 6, 2012, the date which the financial statements were available to be issued. There were no subsequent events to be disclosed based on this evaluation.

There was no subsequent events to be disclosed based on this evaluation.



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To the Board of Directors of
Citizens for Adequate Housing, Inc.
Peabody, Massachusetts

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

We have audited the financial statements of Citizens for Adequate Housing, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 6, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Citizens for Adequate Housing, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Citizens for Adequate Housing, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citizens for Adequate Housing, Inc.'s financial statements are free of 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 financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors, and is not intended to be and should not be used by anyone other than these specified parties.

Sandberg & Creeden P.C.
SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
November 6, 2012

