

CITIZENS FOR ADEQUATE HOUSING, INC.

**Combined Financial Statements
June 30, 2014
(With Comparative Totals for 2013)**



SANDBERG & CREEDEN, P.C.

Certified Public Accountants

331 Page Street

Stoughton, MA 02072

CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

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

Independent Auditor's Report

Report on Financial Statements

We have audited the accompanying financial statements of Citizens for Adequate Housing, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 Citizens for Adequate Housing, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2014, on our consideration of Citizens for Adequate Housing, Inc.'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 Citizens for Adequate Housing, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Citizens for Adequate Housing, Inc.'s 2012 financial statements, and our report dated August 26, 2013, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.


SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 14, 2014



CITIZENS FOR ADEQUATE HOUSING, INC.
COMBINED STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2014
 (WITH COMPARATIVE TOTALS FOR 2013)

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 277,705	\$ 270,925
Contracts receivable	154,652	99,773
Pledges receivable	11,350	10,300
Rent receivable	1,058	5,463
Prepaid expenses	38,163	21,171
Tax escrow	<u>3,651</u>	<u>3,972</u>
Total current assets	486,579	411,604
<u>Property and Equipment</u>		
Land	920,673	795,673
Building	2,147,893	1,927,893
Building improvements	2,466,666	2,461,216
Leasehold improvements	80,243	80,243
Parking lot	34,500	34,500
Playground	40,234	40,234
Furnishings and equipment	<u>82,652</u>	<u>49,541</u>
Subtotal	5,772,861	5,389,300
Less: accumulated depreciation	<u>1,337,552</u>	<u>1,177,735</u>
Total property and equipment	4,435,309	4,211,565
<u>Other Assets</u>		
Deposits	24,127	12,819
Financing costs	<u>1,930</u>	<u>2,631</u>
Total other assets	<u>26,057</u>	<u>15,450</u>
<u>Total Assets</u>	<u>\$ 4,947,945</u>	<u>\$ 4,638,619</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Capital lease obligation	\$ 2,724	\$ 3,075
Notes and mortgages payable - current	47,851	46,336
Accrued expenses	28,664	41,381
Accrued payroll and payroll taxes	44,498	38,984
Deposits	19,927	11,819
Deferred revenue	<u>616</u>	<u>15,138</u>
Total current liabilities	144,280	156,733
<u>Long-term Liabilities</u>		
Capital lease obligation		2,479
Notes and mortgages payable - non-current	1,351,608	1,400,433
Notes and mortgages deferred and forgivable	<u>2,933,165</u>	<u>2,588,165</u>
Total long-term liabilities	4,284,773	3,991,077
<u>Net Assets</u>		
Unrestricted	507,542	472,809
Temporarily restricted	<u>11,350</u>	<u>18,000</u>
Total net assets	<u>518,892</u>	<u>490,809</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 4,947,945</u>	<u>\$ 4,638,619</u>

See accompanying notes and Independent Auditors' Report.



CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Contributions and grants	\$ 113,090	\$ 51,350	\$ 164,440	\$ 141,486
Special events	107,805		107,805	95,687
In-kind donations	14,759		14,759	8,220
Released from restriction	58,000	(58,000)		
Contracts	1,319,876		1,319,876	1,228,072
Rental subsidies	170,228		170,228	177,180
Rental income	89,559		89,559	86,904
Interest income	424		424	1,345
Total support and revenue	1,873,741	(6,650)	1,867,091	1,738,894
<u>Operating Expenses</u>				
<u>Program Expenses</u>				
Family Emergency Shelter- Inn Between	763,467		763,467	630,404
Family Sober Living Shelter- Inn Transition	361,378		361,378	450,024
Low Income Housing- Inn Homes	208,588		208,588	184,010
Housing Stabilization	108,313		108,313	97,716
Career Link	12,197		12,197	12,852
Total program expenses	1,453,943		1,453,943	1,375,006
<u>Support Services</u>				
General & administrative	239,416		239,416	281,875
Fundraising	145,649		145,649	97,723
Total support services	385,065		385,065	379,598
<u>Total Expenses</u>	1,839,008		1,839,008	1,754,604
<u>Change in Net Assets</u>	34,733	(6,650)	28,083	(15,710)
<u>Net Assets - Beginning of Year</u>	472,809	18,000	490,809	506,519
<u>Net Assets - End of Year</u>	\$ 507,542	\$ 11,350	\$ 518,892	\$ 490,809

See accompanying notes and Independent Auditors' Report.





CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	2014						2013			
	Family Emergency Shelter Inn Between	Family Sober Living Shelter Inn Transition	Low Income Housing Inn Homes	Housing Stabilization	Career Link	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$386,695	\$ 169,344	\$ 5,868	\$ 67,106	\$ 5,814	\$ 634,827	\$ 136,777	\$ 86,449	\$ 858,053	\$ 815,037
Payroll tax	43,347	18,983	658	7,522	652	71,162	15,332	9,691	96,185	95,673
Employee benefits	46,638	20,424	708	8,094	701	76,565	16,497	10,426	103,488	74,474
Total salaries and related expenses	476,680	208,751	7,284	82,722	7,167	782,554	168,606	106,566	1,057,726	985,184
Advertising			743			743	741	1,415	2,156	1,207
Bad debt expenses									743	1,154
Bank and finance charges								979	1,190	1,844
Client Goods & Services	1,723	1,140	67	18,663	2,442	24,035	4,068	1,700	29,803	17,088
Consultants	7,872	3,098	3,425			14,395	1,917	2,238	18,550	36,026
Depreciation	46,147	61,724	47,775			155,646	4,221	653	160,520	151,205
Dues, subscriptions and fees	312	117	75			504	5,543	2,706	8,753	6,258
Equipment rental and repair	24	10	73			107	2,776	20	2,903	2,798
Food	9,470	7,825				17,295			17,295	30,059
Insurance	22,109	13,448	10,818	358		46,733	5,638	757	53,128	50,493
Interest expense	16,912	18,179	29,112			64,203	4,393		68,596	76,203
Management fees	9,473	2,195	34,859			46,527	1,606		48,133	48,212
Minor equipment	1,361	1,181	527			3,069			3,069	2,181
Miscellaneous	3,025	985	31	208	27	4,276	787	70	5,133	4,514
Office expense	1,025	840	26	80	7	1,978	7,138	4,078	13,194	23,153
Payroll fees							4,535	1,302	4,535	4,567
Printing and postage						87	547		1,936	8,456
Professional fees						800	14,215		15,015	13,150
Program supplies					199	30,673			30,673	23,213
Public relations								32	32	928
Real estate tax									10,606	7,562
Rent	772		9,834			10,606			71,190	70,580
Repairs and maintenance	71,190	10,278	33,600	35	61	71,190	7,141	120	74,032	68,976
Special event	22,797					66,771		22,810	22,810	21,103
Staff training								160	5,469	3,263
Telephone/interest services	2,276	1,566	135	831	113	4,921	388	43	7,511	10,727
Transportation	3,641	1,380	18	4,001	2,181	5,039	2,429		11,903	5,866
Travel	3,187	2,534		171		11,903	89		732	731
Utilities	281	109	82			643			70,880	53,123
Vehicle expenses	34,409	14,156	19,888			68,453	2,427		20,792	24,780
	15,070	5,151		571		20,792				
Total	\$763,467	\$ 361,378	\$ 208,588	\$ 108,313	\$ 12,197	\$ 1,453,943	\$ 239,416	\$ 145,649	\$ 1,839,008	\$ 1,754,604

See accompanying notes and Independent Auditors' Report.

CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014
(WITH COMPARATIVE TOTALS FOR 2013)

	<u>2014</u>	<u>2013</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 28,083	\$ (15,710)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	159,817	151,205
(Increase) decrease in:		
Contracts receivable	(54,879)	8,609
Pledges receivable	(1,050)	(3,720)
Rent receivable	4,405	3,807
Prepaid expenses	(16,992)	2,884
Tax escrow	321	(3,482)
Tenant deposits	(8,108)	(11,819)
Increase (decrease) in:		
Accrued expenses	(12,717)	(13,779)
Accrued payroll and payroll taxes	5,514	(1,092)
Tenant deposits	8,108	(1,045)
Deferred revenue	(14,522)	(7,413)
<u>Net Cash Provided by Operating Activities</u>	<u>97,980</u>	<u>108,445</u>
<u>Cash Flows From Investing Activities</u>		
Payments for building improvements	(5,450)	(16,826)
Payments for furnishings and equipment	(33,111)	(8,385)
Payments for buildings and land	(345,000)	
Financing costs	701	702
Payment of rental deposit	(3,200)	3,375
<u>Net Cash (Used) by Investing Activities</u>	<u>(386,060)</u>	<u>(21,134)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from line of credit	145,051	99,000
Payments on line of credit	(145,051)	(99,000)
Proceeds from long-term debt	345,000	
Proceeds capital lease obligation		8,385
Payments capital lease obligation	(2,830)	(2,831)
Payments on long-term debt	(47,310)	(41,066)
<u>Net Cash Provided (Used) by Financing Activities</u>	<u>294,860</u>	<u>(35,512)</u>
<u>Increase in Cash and Cash Equivalents</u>	6,780	51,799
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>270,925</u>	<u>219,126</u>
<u>Cash and Cash Equivalents - End of Year</u>		
Cash and cash equivalents	\$ <u>277,705</u>	\$ <u>270,925</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	\$ <u>68,286</u>	\$ <u>74,224</u>

See accompanying notes and Independent Auditors' Report.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2014

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. 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.

To this end CAH operates five programs:

Family Emergency Shelter Inn Between

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. 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. In FY14, the Inn Between expanded by another 4 families, all housed at 29 Holten Street in Peabody, MA. Families are homeless for many diverse and complex reasons which include high rents, low-paying jobs, lack of education and training, bad credit history, 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 Inn Transition

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.

Low Income Housing Inn Homes

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,



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2014

(Continued)

Note 1. Organization (Continued)

Low Income Housing Inn Homes (Continued)

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.

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. CAH has also contracted with Lynn Housing Authority and Neighborhood Development to provide stabilization services to another 30 families moving on to permanent housing.

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.

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

The Organization presents its financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, accordingly, the Organization reports 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:



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

b. Financial Statement Presentation (Continued)

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.

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 2014 and 2013 and accordingly, these financials do not reflect any activity related to this class of net assets for 2014 and 2013.

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, 2014

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

h. Donated Materials and Services

Donated services are recognized as contributions 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, 2013, Citizens for Adequate Housing Inc. received the following:

	<u>2014</u>	<u>2013</u>
Professional services	\$ 5,385	\$ 8,220
Shelter items	<u>9,374</u>	
Total	<u>\$ 14,759</u>	<u>\$ 8,220</u>

In addition, the agency received other donated goods and services that are not recognized as contributions in the financial statements since the criteria 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 2013 in the accompanying financial statements is included to provide a basis for comparison with 2014 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, 2014

(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, 2014, would be subject to Federal and state taxes. Consequently, the accompanying financial statements do not reflect any provision for income taxes.

Accounting principles generally accepted in the United States of America require the Organization management to evaluate tax positions taken by the Organization and recognize a tax liability (or assets) if it has taken an uncertain position that more likely would not be sustained upon examination by the Internal Revenue Service. Management has analyzed the tax positions taken and has concluded that as of June 30, 2014, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The tax returns are subject to routine audits by taxing jurisdictions, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for the years prior to 2011.

Note 4. Concentration of Credit Risk

The Organization maintains its cash balances at a variety of area financial institutions. All financial institutions are covered by FDIC and SIPC insurance to specific limits. 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, 2014, the current rate was 5% with an outstanding balance of \$0. In addition, in May 2013 the Organization renewed a \$125,000 revolving line of credit at a base rate plus 1% floating subject to a floor rate of 5.375%. This account has an outstanding balance of \$0 as of June 30, 2014 and 2013.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 6. Lease Obligation

The Organization purchased a copier under a capital lease arrangement dated March 2012 requiring 36 monthly payments of \$285. Minimum due over the life of the lease is as follows:

2015	\$ <u>2,724</u>
Equipment cost	\$ 8,385
Accumulated depreciation	<u>5,590</u>
Net book value	\$ <u>2,795</u>

The Organization leases other equipment under the following operating lease arrangements:

Two vehicles are leased as follows:

- Lease dated March 21, 2013 requiring 36 monthly payments of \$283 expiring March 2016
- Lease dated June, 2013 requiring 36 monthly payments of \$281 expiring June 2016

Note 7. Notes and Mortgages Payable

Notes and mortgages payable at June 30, 2014 consist of the following:

	<u>2014</u>		<u>Total</u>	<u>2013</u>
	<u>Current</u>	<u>Long-term</u>		<u>Total</u>
<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.	\$ 8,385	\$ 303,635	\$ 312,020	\$ 319,890
<u>29 Holten Street</u>				
Mortgage due to Peoples United Bank; 30 year term note totaling \$230,000 bearing interest at 4.75% annually; monthly payments of \$1,232 including interest; due 8/1/34. It is collateralized with real estate.	5,833	185,263	191,096	196,656
<u>Fulton Street</u>				
Mortgage due to Peoples United Bank; 30 year term note totaling \$94,000 bearing interest at 4.75% annually; monthly payments of \$503 including interest; due 8/1/34. It is collateralized with real estate.	2,383	75,717	78,100	80,372



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 7. Notes and Mortgages Payable (Continued)

	2014		2013	
	Current	Long-term	Total	Total
<u>Low Street</u>				
Mortgage due to Peoples United Bank; 30 year term note totaling \$156,000 bearing interest at 4.75% annually; monthly payments of \$836 including interest; due 8/1/34 it is collateralized with real estate.	3,955	125,658	129,613	133,384
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	5,000	6,053	7,193
<u>Northend Street</u>				
Mortgage due to Peoples United Bank; 30 year term note totaling \$148,000 bearing interest at 4.75% annually; monthly payments of \$792 including interest; due 8/1/34. It is collateralized with real estate.	3,744	119,221	122,965	126,544
<u>Central Street</u>				
Mortgage due to Peoples United Bank 30 year term totaling \$157,036 at 5% requiring a monthly payment of \$860 including interest due 10/1/34, it is collateralized with real estate.	3,874	126,923	130,797	134,392
<u>40 Washington Street</u>				
Mortgage due to North Shore Bank; 30 year note totaling \$132,000 bearing interest at 5.5% annually, monthly payments of \$701 including interest; due 12/20/22.	2,194	111,920	114,114	118,410
<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.	16,430	298,271	314,701	329,928
Total Notes and Mortgages payable	<u>\$ 47,851</u>	<u>\$ 1,351,608</u>	<u>\$ 1,399,459</u>	<u>\$ 1,446,769</u>



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 7. Notes and Mortgages Payable (Continued)

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

<u>Year</u>	
2015	\$ 47,851
2016	50,273
2017	52,767
2018	55,237
2019	58,003
Thereafter	1,135,328

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 8.

Note 8. 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:

	<u>2014</u> <u>Total</u>	<u>2013</u> <u>Total</u>
<u>Low 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
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



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 8. Notes and Mortgages Deferred or Forgivable (Continued)

	<u>2014</u> <u>Total</u>	<u>2013</u> <u>Total</u>
<u>Elm Street</u>		
Amount due to North Shore HOME Consortium for acquisition dated November, 2013, in the original amount totaling \$125,000. Non-interest bearing note convertible to a grant upon expiration of restrictions.	125,000	
Amount due to City of Peabody Community Preservation Fund for acquisition /rehabilitation dated June, 2014, in the amount totaling \$220,000. Non-interest bearing note; convertible to grant upon expiration of restrictions.	220,000	
<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
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



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 8. Notes and Mortgages Deferred or Forgivable (Continued)

	<u>2014</u> <u>Total</u>	<u>2013</u> <u>Total</u>
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>\$ 2,933,165</u>	<u>\$ 2,588,165</u>

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

<u>Year</u>	
2014	\$ 0
2015	0
2016	0
2017	0
2018	0
Thereafter	2,933,165

Note 9. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 consist of the following:

FY15	\$ 6,350
FY16	<u>5,000</u>
Total temporarily restricted net assets	<u>\$ 11,350</u>

Note 10. Substantial Support

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

	<u>2014</u>	<u>2013</u>
Commonwealth of Massachusetts	<u>\$ 1,249,855</u>	<u>\$ 1,173,361</u>
Percentage of total revenue	<u>67%</u>	<u>67%</u>



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2014

(Continued)

Note 11. 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 12. 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, 2014 and 2013 was \$71,190 and \$70,580, 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 13. 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 14. 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. Those individuals are not in positions to influence decision or processes by those banks on behalf of the organization. A prior board member was hired as the Executive Director in FY2014.

Note 15. The Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 30, 2014 the date which the financial statements were available to be issued.

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

Independent Auditor's 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, 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 financial statements of Citizens for Adequate Housing, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 October 14, 2014.

Internal Control Over Financial Reporting

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

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. 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.

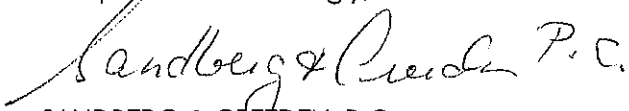
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citizens for Adequate Housing, Inc.'s 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 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*.

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 the organization'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.



SANDBERG & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
October 14, 2014

