

CITIZENS FOR ADEQUATE HOUSING, INC.

Combined Financial Statements

June 30, 2015

CITIZENS FOR ADEQUATE HOUSING, INC.

Index

June 30, 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying combined financial statements of Citizens for Adequate Housing, Inc. (a nonprofit organization), (the Organization), which comprise the combined statement of financial position as of June 30, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2015, 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.

Report on Summarized Comparative Information

The combined financial statements of the Organization as of June 30, 2014, were audited by other auditors whose report dated August, 18, 2014, expressed an unmodified opinion on those statements. The prior year summarized comparative information is not intended to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated Month XX, 2015, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Citizens for Adequate Housing, Inc. (a nonprofit Organization) (the Organization) which comprise the statement of financial position as of June 30, 2015, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated Month XX, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered the Organization'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 combined 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 the Organization's combined 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.

CITIZENS FOR ADEQUATE HOUSING, INC.

Combined Statement of Financial Position

As of June 30, 2015

With Comparative Totals as of June 30, 2014

	2015	2014
Current Assets		
Cash and cash equivalents	\$ 291,400	\$ 277,705
Contracts receivable	210,733	154,652
Pledges receivable	25,920	11,350
Rent receivable	3,914	1,058
Prepaid expenses	47,608	38,163
Tax escrow	2,850	3,651
	<hr/>	<hr/>
Total current assets	582,425	486,579
Fixed Assets		
Land	920,673	920,673
Buildings	2,147,893	2,147,893
Building improvements	2,509,914	2,466,666
Leasehold improvements	80,243	80,243
Parking lot	34,500	34,500
Playground	40,234	40,234
Furnishings and equipment	82,652	82,652
	<hr/>	<hr/>
Total fixed assets	5,816,109	5,772,861
Less: accumulated depreciation	(1,505,083)	(1,337,552)
	<hr/>	<hr/>
Total net fixed assets	4,311,026	4,435,309
Other Assets		
Deposits	19,623	24,127
Financing costs, net of accumulated amortization of \$2,281	1,228	1,930
	<hr/>	<hr/>
Total other assets	20,851	26,057
	<hr/>	<hr/>
Total Assets	\$ <u>4,914,302</u>	\$ <u>4,947,945</u>
Current Liabilities		
Capital lease obligation, current portion	\$ -	\$ 2,724
Notes and mortgages payable, current portion	50,273	47,851
Accrued expenses	42,524	28,664
Accrued payroll and payroll taxes	54,452	44,498
Deposits	16,858	19,927
Deferred revenue	16	616
	<hr/>	<hr/>
Total current liabilities	164,123	144,280
Long Term Liabilities		
Notes and mortgages payable - non current	1,299,672	1,351,608
Notes and mortgages payable - deferred and forgivable	2,933,165	2,933,165
	<hr/>	<hr/>
Total long term liabilities	4,232,837	4,284,773
	<hr/>	<hr/>
Total liabilities	4,396,960	4,429,053
Net Assets		
Unrestricted	491,422	507,542
Temporarily restricted	25,920	11,350
	<hr/>	<hr/>
Total net assets	517,342	518,892
	<hr/>	<hr/>
Total Liabilities and Net Assets	\$ <u>4,914,302</u>	\$ <u>4,947,945</u>

The accompanying notes are an integral part of the combined financial statements.

CITIZENS FOR ADEQUATE HOUSING, INC.

Combined Statement of Activities

For the Year Ended June 30, 2015

With Comparative Totals for the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<u>Revenue and Support</u>				
Contributions and grants	\$ 116,833	\$ 105,920	\$ 222,753	\$ 164,440
Special events	115,400	-	115,400	107,805
In-kind donations	24,697	-	24,697	14,759
Net assets released from restriction	91,350	(91,350)	-	-
Contracts	1,486,094	-	1,486,094	1,319,876
Rental subsidies	163,937	-	163,937	170,228
Rental income	86,671	-	86,671	89,559
Interest income	528	-	528	424
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue and support	2,085,510	14,570	2,100,080	1,867,091
<u>Operating Expenses</u>				
<u>Program Expenses</u>				
Family Emergency Shelter-Inn Between	902,160	-	902,160	763,467
Family Sober Living Shelter-Inn Transition	412,490	-	412,490	361,378
Low Income Housing-Inn Homes	183,575	-	183,575	208,588
Housing Stabilization	150,707	-	150,707	108,313
Career Link	8,345	-	8,345	12,197
	<hr/>	<hr/>	<hr/>	<hr/>
Total program expenses	1,657,277	-	1,657,277	1,453,943
<u>Support Services</u>				
General & administrative	275,602	-	275,602	239,416
Fundraising	168,751	-	168,751	145,649
Total support services	444,353	-	444,353	385,065
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Total Expenses</u>	2,101,630	-	2,101,630	1,839,008
<u>Change in net assets</u>	(16,120)	14,570	(1,550)	28,083
<u>Net Assets at Beginning of Year</u>	507,542	11,350	518,892	490,809
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Net Assets at End of Year</u>	\$ 491,422	\$ 25,920	\$ 517,342	\$ 518,892
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes are an integral part of the combined financial statements.

CITIZENS FOR ADEQUATE HOUSING, INC.

Combined Statement of Cash Flows

For the Year Ended June 30, 2015

With Comparative Totals for the Year Ended June 30, 2014

	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities		
Change in net assets	\$ (1,550)	\$ 28,083
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	167,531	159,817
Decrease (increase) in assets:		
Contracts receivable	(56,081)	(54,879)
Pledges receivable	(14,570)	(1,050)
Rent receivable	(2,856)	4,405
Prepaid expenses	(9,445)	(16,992)
Tax escrow	801	321
Tenant deposits	4,504	(8,108)
Increase (decrease) in liabilities:		
Accrued expenses	13,860	(12,717)
Accrued payroll and payroll taxes	9,954	5,514
Tenant deposits	(3,069)	8,108
Deferred revenue	<u>(600)</u>	<u>(14,522)</u>
Net Cash Provided by Operating Activities	<u>108,479</u>	<u>97,980</u>
Cash Flows from Investing Activities		
Payments for building improvements	(43,248)	(5,450)
Payments for furnishings and equipment	-	(33,111)
Payments for buildings and land	-	(345,000)
Financing costs	702	701
Payment of rental deposit	<u>-</u>	<u>(3,200)</u>
Net Cash Used in Investing Activities	<u>(42,546)</u>	<u>(386,060)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	135,330	145,051
Payments on line of credit	(135,330)	(145,051)
Proceeds from long-term debt	-	345,000
Payments capital lease obligation	(2,724)	(2,830)
Payments on long-term debt	<u>(49,514)</u>	<u>(47,310)</u>
Net Cash (Used in) Provided by Financing Activities	<u>(52,238)</u>	<u>294,860</u>
Net Increase in Cash and Cash Equivalents	13,695	6,780
Cash and Cash Equivalents - Beginning	<u>277,705</u>	<u>270,925</u>
Cash and Cash Equivalents - Ending	<u>\$ 291,400</u>	<u>\$ 277,705</u>
Supplement Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 66,576</u>	<u>\$ 68,286</u>

The accompanying notes are an integral part of the combined financial statements.

CITIZENS FOR ADEQUATE HOUSING, INC.

Combined Statement of Functional Expenses

For the Year Ended June 30, 2015
With Comparative Totals for the Year Ended June 30, 2014

	Family Emergency Shelter Inn Between	Family Sober Living Shelter Inn Transition	Low Income Housing Inn Homes	Housing Stabilization	Career Link	Program Services	General and Administrative	Fundraising	2015 Total	2014 Total
Salaries	\$ 406,677	\$ 190,908	\$ 14,960	\$ 105,977	\$ 2,955	\$ 721,477	\$ 153,348	\$ 88,543	\$ 963,368	\$ 858,053
Payroll taxes	45,547	21,059	2,044	10,903	352	79,905	13,119	9,290	102,314	96,185
Fringe benefits	50,672	23,205	2,189	11,809	367	88,242	17,513	10,462	116,217	103,488
Subtotal	502,896	235,172	19,193	128,689	3,674	889,624	183,980	108,295	1,181,899	1,057,726
Advertising	-	-	-	-	-	-	600	1,489	2,089	2,156
Bad debt expenses	-	-	9,435	-	-	9,435	-	-	9,435	743
Bank and finance charges	64	12	-	-	-	76	266	560	902	1,190
Client goods & services	5,825	1,995	100	16,590	3,456	27,966	700	1,150	29,816	29,803
Consultants	57,897	19,484	5,524	-	-	82,905	17,355	-	100,260	18,550
Depreciation	46,299	62,287	53,112	-	-	161,698	4,886	947	167,531	160,520
Dues, subscriptions and fees	15	6	-	-	-	21	4,423	2,648	7,092	8,753
Equipment rental and repair	126	122	2	-	-	250	2,643	279	3,172	2,903
Food	6,192	8,869	8	-	-	15,069	-	-	15,069	17,295
Insurance	23,475	12,953	11,124	960	-	48,512	9,791	1,774	60,077	53,128
Interest expense	21,017	17,141	24,054	-	-	62,212	4,364	-	66,576	68,596
Management fees	17,672	1,864	16,997	-	-	36,533	3,106	-	39,639	48,133
Minor equipment	-	-	2,860	-	-	2,860	-	-	2,860	3,069
Miscellaneous	11,177	3,664	150	118	-	15,109	42	-	15,151	5,133
Office expense	1,415	719	32	226	-	2,392	7,460	3,096	12,948	13,194
Payroll fees	-	-	-	-	-	-	6,276	-	6,276	4,535
Printing and postage	-	-	100	-	-	100	457	559	1,116	1,936
Professional fees	-	-	-	-	-	-	13,696	-	13,696	15,015
Program supplies	27,197	11,518	762	999	-	40,476	-	22,331	62,807	30,673
Public relations	420	151	8	92	-	671	181	52	904	32
Real estate tax	2,773	-	12,289	-	-	15,062	-	-	15,062	10,606
Rent	72,600	-	-	-	-	72,600	-	-	72,600	71,190
Repairs and maintenance	40,831	14,133	13,196	-	-	68,160	9,238	14	77,412	74,032
Special event	-	-	-	-	-	-	-	24,948	24,948	22,810
Staff training	2,187	1,020	110	423	63	3,803	577	185	4,565	5,469
Telephone/interest services	4,578	1,698	112	21	-	6,409	2,676	422	9,507	7,511
Transportation	1,822	1,398	-	-	1,145	4,365	-	-	4,365	11,903
Travel	545	230	74	460	7	1,316	143	2	1,461	732
Utilities	43,235	12,979	14,333	-	-	70,547	2,742	-	73,289	70,880
Vehicle expenses	11,902	5,075	-	2,129	-	19,106	-	-	19,106	20,792
Total Functional Expenses	902,160	412,490	183,575	150,707	8,345	\$ 1,657,277	\$ 275,602	\$ 168,751	\$ 2,101,630	\$ 1,839,008

The accompanying notes are an integral part of these combined financial statements.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The significant accounting policies followed by Citizens for Adequate Housing, Inc. (the Organization) are described below to enhance the usefulness of the combined financial statements to the reader.

(a) Nature of Activities

The Organization was incorporated in Massachusetts as a nonprofit Organization 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 the Organization, the Organization 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 the Organization 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

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(a) Nature of Activities - continued

Family Sober Living Shelter Inn Transition - continued

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, the Organization currently owns five apartment buildings in Peabody with a 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, the Organization 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.

Housing Stabilization

Another accomplishment for the Organization 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 20 CAH homeless families and . 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. The Organization 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.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(b) Basis of Presentation

The combined statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating activities. Operating revenues consist of those monies received and other contributions attributable to the Organization's ongoing efforts.

(c) Standards of Accounting and Reporting

The Organization's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The combined statement of financial position presents two classes of net assets (temporarily restricted and unrestricted) and the statement of activities displays the change in each class of net assets. The classes of net assets applicable to the Organization are presented as follows:

Unrestricted - Unrestricted net assets are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations. Unrestricted net assets may be designated for specific purposes by management or the Board of Directors. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law.

Temporarily Restricted - Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities as net assets released from restrictions.

(d) Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation. At times these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2015.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(e) Revenue Recognition

The Organization earns revenue as follows:

Contracts - Contracts revenue are earned and recognized by the Organization when units or services are provided and billed under various agreements funded primarily by governmental agencies. All contracts, consist of two types, unit-rate and cost-reimbursement contracts, all with ceiling amounts. Unit-rate contracts provide that revenue is to be earned and recognized at a negotiated or class rate for each unit-of-service that is provided under the terms of the contract. Under the cost-reimbursement contracts, revenue recognition takes place as costs related to the services provided are incurred. Billings on the contracts are subject to final approval by the governmental Organization.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

Contributions - Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Special Events - Special event revenue is primarily derived from contributions collected and fees charged for admission at various sponsored events. Special event contributions and fees are recognized as income when received. The majority of special event revenue is derived from the Fall Gala events. Revenue derived from these events totaled approximately \$115,400.

Rental - Rental income is derived from commercial tenant rent from a sub-lease relationship. Rental revenue is recognized as occupancy is provided.

Deferred revenue represents program service fees received prior to year-end for the following fiscal period. These amounts are recognized as income during the subsequent fiscal period.

Substantially all of the Organization's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2015, the Organization derived approximately 71% of its total revenue from governmental agencies, 17% from foundations and individual donors, and 12% from rental activities. All revenue is recorded at the estimated net realizable amounts.

(f) Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are outstanding after management has used reasonable collection

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(f) Accounts Receivable - continued

efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. As of June 30, 2015, management has determined any allowance would be immaterial.

The Organization does not have a policy to accrue interest on receivables. With the exception of tenant accounts receivable, the Organization has no policies requiring collateral or other security to secure the accounts receivable. Tenant security deposits are used as collateral in the event of non-payment of rent. The Organization has a policy to collect one month's security deposit from tenants.

As of June 30, 2015, 84% of the Organization's accounts receivable is due from the Commonwealth of Massachusetts, 11% is due from various foundations and individuals and the remaining 5% is due from rental activities.

(g) Promises to Give

Unconditional promises to give are recognized as revenue and as assets, net of allowances, in the period in which the promises are made. Unconditional promises to give are recorded, in the year received, at the present value of estimated future cash flows using a risk-adjusted discount rate. Amortization of the discount is included in contribution revenue. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and when the promises become unconditional.

Unconditional promises to give are periodically reviewed to estimate an allowance for doubtful accounts. Management estimates the allowance by review of historical experience and a specific review of collections trends that differ from scheduled collections on individual promises. As of June 30, 2015, management has determined any allowance would be immaterial. As of June 30, 2015, 77% of the Organization's promises to give were due from two foundations and 23% from various individuals.

(h) Land, Building and Equipment

Land, building and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the combined statement of activities.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued.

(h) Land, Building and Equipment - continued

The Organization computes depreciation using the straight-line method over the following estimated lives:

Buildings	27 ½ years
Building and improvements	15-40 years
Leasehold improvements	15 years
Playground	5-10 years
Furniture and equipment	3-10 years

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized as of June 30, 2015.

(i) Contributed Services and Gifts in Kind

Donated materials are reported as contributions in the combined financial statements at their estimated fair values at the time of receipt. Donated services are similarly reported when services are performed which would otherwise have been purchased or performed by Organization personnel.

(j) Fair Value Measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(j) *Fair Value Measurements - continued*

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring Measurements

GAAP requires that certain assets and liabilities be recorded at fair value on a recurring basis. The Organization had no assets or liabilities that were recognized or disclosed at fair value on a recurring basis under the above fair value hierarchy as of June 30, 2015. The Organization's policy is to recognize transfers in and out of levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year ended June 30, 2015.

Nonrecurring Measurements

In addition to assets and liabilities that are recorded at fair value on a recurring basis, the Organization records assets and liabilities at fair value on a nonrecurring basis as required by GAAP. The Organization had no assets or liabilities measured at fair value on a nonrecurring basis as of June 30, 2015.

(k) *Fundraising*

Fundraising relates to the activities of raising general and specific contributions to the Organization and promoting special events. Fundraising expenses as a percentage of total contribution and special event revenue was 8% for the year ended June 30, 2015. The ratio of expenses to amounts raised is computed using actual expenses and related revenue on an accrual basis.

(l) *Special Events*

The Organization has determined that special events are incidental to its operations and therefore the direct costs of benefit to the donors is reported with fundraising expense and is not included with special events revenue.

(m) *Functional Allocation of Expenses*

The costs of providing various programs and other activities have been summarized on a functional basis in the combined statement of activities and in the combined statement of functional expenses. Directly identifiable expenses are charged to programs and supporting

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(m) Functional Allocation of Expenses - continued

services. Expenses related to more than one function are allocated to programs and supporting services. Administration 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.

Payroll and associated costs are allocated to functions based upon time studies. Occupancy costs are allocated based upon allocation of salary

(n) Advertising Costs

The Organization expenses advertising costs when they are incurred. Advertising expense amounted to \$ 2,089 for the year ended June 30, 2015.

(o) Use of Estimates

In preparing the Organization's combined financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

The Organization and Inn Transition, Inc. qualify as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore are not subject to income tax. The Organization and Inn Transition, Inc. are not a private foundations under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the year ended June 30, 2015, there was no liability for tax on unrelated business income.

GAAP prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. For the year ended June 30, 2015, the Organization has determined that it has not taken any tax positions which would result in an uncertainty requiring recognition in the accompanying combined financial statements. The Organization recognizes interest and penalties, if any, related to unrecognized tax benefits in interest expense. There were no interest or penalties for the year ended June 30, 2015.

Generally, the Organization's information/tax returns remain open for possible federal income tax examination for three years after the filing date. The Organization is not currently under examination by any taxing jurisdiction.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies - continued

(q) Summarized Financial Information for 2014

The combined financial statements include certain prior year summarized comparative information in total but not by net asset class. Also, the combined financial statements do not include a full presentation of the combined statement of functional expenses, as certain prior year summarized comparative information is presented in total but not by functional classification. In addition, the combined financial statements do not include full financial statement disclosures for the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's combined financial statements for the year ended June 30, 2014, from which the summarized information was derived.

(r) Principles of Combination

The Organization is the sole owner of Inn Transition, Inc. The activity of this affiliate has been Combined in these financial statements to provide more meaningful financial presentation.

(s) Reclassifications

Certain amounts in the prior year have been reclassified to conform to the current year presentation.

(2) Employee Benefits

(a) Defined Contribution Plan

The Organization has a defined contribution pension plan that qualifies as a tax-sheltered account under Section 401(K) of the IRC for the benefit of eligible employees. Employees are eligible to participate in the plan upon start of employment. Under the plan, eligible employees can invest pre-tax dollars. The employees are not taxed on contributions or earnings until they receive distributions from the account. The Organization contributes, on behalf of the participants, 5% of total participant's salary, in addition to a 3% match of the participant's contributions. Matching funds are deferred as vested after one year of employment. The Organization's contributions under this plan amounted to \$8,033 for the year ended June 30, 2015.

(b) Section 125 Plan

The Organization has a plan that qualifies as a "Cafeteria Plan" under Section 125 of the IRC. The plan allows the Organization's employees to pay for medical and dental insurance and daycare on a pre-tax basis. All employees whose customary employment is at least 20 hours per week are eligible to participate in the plans.

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(3) Debt

(a) Line of Credit

The Organization has available a demand line of credit with Eastern Bank (a Massachusetts bank) of \$75,000 to be drawn upon as needed, with interest at the prime rate, or 3.75% as of June 30, 2015. The line is secured by the Organization's general business assets.

(b) Mortgage Notes Payable - current

Lender	Collateralized by Real Estate	Principal Balance 6/30/15	Original Amount	Monthly Installments	Amort. Period	Interest Rate	Maturity
East Boston Bank	25 Holten Street. Peabody, MA	\$ 303,806	\$325,000	\$ 1,792	25 yr	4.25%	May 2037
People United Bank	29 Holten Street. Peabody, MA	185,265	\$230,000	\$ 1,232	30 yr	4.75%	August 2034
People United Bank	12 Fulton Street. Peabody, MA	75,717	\$94,000	\$ 503	30 yr	4.75%	August 2034
People United Bank	6 Lowe Street. Peabody, MA	125,658	\$156,000	\$ 836	30 yr	4.75%	August 2034
People United Bank	6 Lowe Street. Peabody, MA	5,000	\$21,062	\$ 88	20 yr	Non-interest bearing	August 2020
People United Bank	41 Northend Street. Peabody, MA	119,213	\$148,000	\$ 792	30 yr	4.75%	August 2034
North Shore Bank	40 Washington Street. Peabody, MA	109,665	\$132,000	\$ 701	30 yr	5.50%	December 2022
North Shore Bank	42 Washington Street. Peabody, MA	298,604	\$400,000	\$2,770	30 yr	5.50%	December 2027
People United Bank	84R Central Street. Peabody, MA	127,017	\$157,036	\$ 860	30 yr	5.00%	October 2034
Total Notes and Mortgages payable		\$1,349,945					

Maturities of mortgage notes payable for the ensuing years are as follows:

2016	\$ 50,273
2017	52,767
2018	55,238
2019	58,004
2020	60,648
Thereafter	1,299,672

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(3) Debt - continued

(c) Mortgage Notes Payable - Deferred or Forgivable

Lender	Collateralized by Real Estate	Principal Balance 6/30/15	Original Amount	Amort. Period	Interest Rate	Maturity
North Shore Home Consortium	6 Lowe Street. Peabody, MA	\$60,000	\$ 60,000	20 yr	Non-interest bearing	January 2020
North Shore Home Consortium	6 Lowe Street. Peabody, MA	5,609	\$5,609	-	Non-interest bearing	-
North Shore Home Consortium	41 Northend Street. Peabody, MA	50,000	\$50,000	20 yr	Non-interest bearing	February 2021
North Shore Home Consortium	41 Northend Street. Peabody, MA	5,000	\$5,000	-	Non-interest bearing	-
North Shore Home Consortium	10 Elm Street. Peabody, MA	125,000	\$125,000	-	Non-interest bearing	-
City of Peabody Community Preservation Fund	10 Elm Street. Peabody, MA	220,000	\$220,000	-	Non-interest bearing	-
North Shore Home Consortium	84R Central Street. Peabody, MA	103,524	\$103,524	-	Non-interest bearing	-
North Shore Home Consortium	84R Central Street. Peabody, MA	29,032	\$29,032	-	Non-interest bearing	-
Massachusetts Department of Housing	42 Washington Street. Peabody, MA	160,000	\$160,000	-	Non-interest bearing	-
North Shore Home Consortium	42 Washington Street. Peabody, MA	225,000	\$225,000	30 yr	Non-interest bearing	December 2037
City of Peabody Home Funds	42 Washington Street. Peabody, MA	50,000	\$ 50,000	30 yr	Non-interest bearing	December 2037
Massachusetts DHCD-Housing Stabilization Fund	42 Washington Street. Peabody, MA	700,000	\$ 700,000	50 yr	Non-interest bearing	December 2058
North Shore Bank	42 Washington Street. Peabody, MA	400,000	\$400,000	-	Non-interest bearing	-
North Shore Home Consortium	42 Washington Street. Peabody, MA	50,000	\$ 50,000	-	Non-interest bearing	-
CEDAC HIF V Program	42 Washington Street. Peabody, MA	750,000	\$750,000	30 yr	Non-interest bearing	-
Total Notes and Mortgage Payable Forgivable or Deferred		<u>\$2,933,16</u>				

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(3) Debt - continued

(c) Mortgage Notes Payable - Deferred or Forgivable - continued

The Organization's deferred and forgivable mortgage notes payable are collateralized with real estate and are convertible to a grant upon expiration of restrictions

Maturities of mortgage notes payable for the ensuing years are as follows:

2016	\$	-
2017		-
2018		-
2019		-
2020		-
Thereafter		2,933,165

(4) Contributed Services and Gifts in Kind

Contributed services and gifts in kind for the year ended June 30, 2015 were as follows:

Pro-bono outside services:	
Technology	\$ 1,595
Gifts in kind:	
Goods	<u>23,102</u>
Total	\$ 24,697

(5) Operating Lease Commitments

The Organization rented temporary locations to accommodate clients during the construction and renovation at their building. In addition, the Organization rented, scattered sites, housing to meet current homeless need beyond the capacity of their own facilities on one year leases. Total rental expense for the year ended June 30, 2015 was \$72,600.

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

CITIZENS FOR ADEQUATE HOUSING, INC.

Notes to Combined Financial Statements

June 30, 2015

(6) Commitments and Contingencies

The Organization receives a portion of its funding from government agencies. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Organization's operations are concentrated in the social service provider field. As such, the Organization operates in a heavily regulated environment. The operations of the Organization are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

United States Department of Public Health
United States Department of Housing and Community Development
Commonwealth of Massachusetts Executive Office of Health and Human Services

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by, the United States Departments and the Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

(7) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. As of June 30, 2015, temporarily restricted net assets are restricted for the following purposes:

Time restricted	\$ <u>25,920</u>
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(8) 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 claim 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, 2015

(9) Related Party Transactions

The Organization has members of the Board of Directors who are associated with banks that do business with the Organization. Those individuals are not in positions to influence decision or processes by those banks on behalf of the Organization.

(10) Subsequent Events

The Organization has performed an evaluation of subsequent events through **Month XX, 2016** which is the date the Organization's combined financial statements were available to be issued. No material subsequent events, other than the items disclosed below, have occurred since June 30, 2015 that required recognition or disclosure in these combined financial statements.