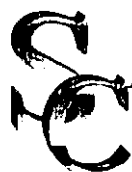


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CITIZENS FOR ADEQUATE HOUSING, INC.  
Combined Financial Statements  
June 30, 2010  
(With Comparative Totals for 2009)



SANDBERG & CREEDEN, P.C.  
*Certified Public Accountants*  
331 Page Street  
Stoughton, MA 02072



2010  
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To the Board of Directors of  
Citizens for Adequate Housing, Inc.  
Peabody, Massachusetts

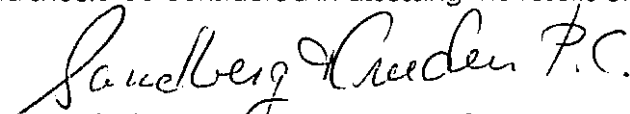
Independent Auditors' Report on the Financial Statements

We have audited the accompanying statement of financial position of Citizens for Adequate Housing, Inc. as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Citizens for Adequate Housing, Inc.'s management. 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 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, 2010, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

  
SANDBERG, GONZALEZ & CREEDEN, P.C.  
Certified Public Accountants

Stoughton, Massachusetts  
October 6, 2010

**CITIZENS FOR ADEQUATE HOUSING, INC.**  
**COMBINED STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2010**  
**(WITH COMPARATIVE TOTALS FOR 2009)**

	<u>2010</u>	<u>2009</u>
<b><u>ASSETS</u></b>		
<b><u>Current Assets</u></b>		
Cash and cash equivalents	\$ 219,528	\$ 129,366
Operating reserves	26,847	26,442
Contracts receivable	322,746	100,721
Pledges receivable	12,338	6,300
Rent receivable	728	1,098
Prepaid expenses	25,007	16,920
Tax escrow	<u>3,136</u>	<u>3,056</u>
Total current assets	610,330	283,903
<b><u>Property and Equipment</u></b>		
Land	795,673	795,673
Building	1,927,893	1,927,893
Building improvements	1,853,253	1,849,660
Leasehold improvements	80,243	80,243
Parking lot	25,622	17,276
Playground	28,429	6,050
Furnishings and equipment	<u>34,500</u>	<u>25,622</u>
Subtotal	4,745,613	4,702,417
Less: accumulated depreciation	<u>764,345</u>	<u>642,576</u>
Total property and equipment	3,981,268	4,059,841
<b><u>Other Assets</u></b>		
Deposits	<u>4,375</u>	<u>6,600</u>
Total other assets	<u>4,375</u>	<u>6,600</u>
<b><u>Total Assets</u></b>	<b><u>\$ 4,595,973</u></b>	<b><u>\$ 4,350,344</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b><u>Current Liabilities</u></b>		
Notes and mortgages payable - current	\$ 46,191	\$ 47,715
Line of credit		103,625
Accrued expenses	124,846	69,723
Accrued payroll and payroll taxes	38,737	62,264
Tenant deposits	12,464	7,531
Deferred revenue	<u>120,977</u>	<u>        </u>
Total current liabilities	343,215	290,858
<b><u>Long-term Liabilities</u></b>		
Notes and mortgages payable - non current	1,195,859	1,241,826
Notes and mortgages deferred and forgivable	<u>2,584,665</u>	<u>2,584,665</u>
Total long-term liabilities	3,780,524	3,826,491
<b><u>Net Assets</u></b>		
Unrestricted	425,453	212,029
Temporarily restricted	<u>46,781</u>	<u>20,966</u>
Total net assets	<u>472,234</u>	<u>232,995</u>
<b><u>Total Liabilities and Net Assets</u></b>	<b><u>\$ 4,595,973</u></b>	<b><u>\$ 4,350,344</u></b>

See accompanying notes and Independent Auditors' Report.



**CITIZENS FOR ADEQUATE HOUSING, INC.**

COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)

	2010		2009	
	Unrestricted	Temporarily Restricted	Total	Total
<b><u>Support and Revenue</u></b>				
Contributions and grants	\$ 154,818	\$ 77,500	\$ 232,318	\$ 139,271
Special events	50,977		50,977	67,324
In-kind donations	15,195		15,195	39,650
Released from restriction	51,685	(51,685)		
Contracts	1,745,359		1,745,359	1,146,203
Rental subsidies	119,044		119,044	87,636
Rental income	104,593		104,593	63,676
Interest income	<u>1,637</u>		<u>1,637</u>	<u>857</u>
Total support and revenue	2,243,308	25,815	2,269,123	1,544,617
<b><u>Operating Expenses</u></b>				
<b><u>Program Expenses</u></b>				
Family Emergency Shelter- Inn Between	794,017		794,017	545,030
Family Sober Living Shelter Inn Transition	364,481		364,481	393,977
Low Income Housing - Inn Homes	176,388		176,388	206,128
Housing Stabilization	<u>325,412</u>		<u>325,412</u>	<u>46,567</u>
Total program expenses	1,660,298		1,660,298	1,191,702
<b><u>Support Services</u></b>				
General & administrative	221,499		221,499	254,205
Fundraising	<u>148,087</u>		<u>148,087</u>	<u>170,578</u>
Total support services	<u>369,586</u>		<u>369,586</u>	<u>424,783</u>
<b><u>Total Expenses</u></b>	<u>2,029,884</u>		<u>2,029,884</u>	<u>1,616,485</u>
<b><u>Change in Net Assets</u></b>	213,424	25,815	239,239	(71,868)
<b><u>Net Assets - Beginning of Year</u></b>	<u>212,029</u>	<u>20,966</u>	<u>232,995</u>	<u>304,863</u>
<b><u>Net Assets - End of Year</u></b>	<u>\$ 425,453</u>	<u>\$ 46,781</u>	<u>\$ 472,234</u>	<u>\$ 232,995</u>

See accompanying notes and Independent Auditors' Report.





CITIZENS FOR ADEQUATE HOUSING, INC.  
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (WITH COMPARATIVE TOTALS FOR 2009)

	2010							2009	
	Family Emergency Shelter Inn Between	Family Sober Living Shelter Inn Transition	Low Income Housing Inn Homes	Housing Stabilization	Total Program Services	General and Administrative	Fundraising	Total	Total
Salaries	\$ 380,424	\$ 168,145		\$ 85,286	\$ 633,855	\$ 100,254	\$ 83,029	\$ 817,138	\$ 729,031
Payroll tax	43,050	19,029		9,651	71,730	11,345	9,396	92,471	69,571
Employee benefits	56,966	25,180		12,771	94,917	15,012	12,433	122,362	102,819
Total salaries and related expenses:	<u>480,440</u>	<u>212,354</u>		<u>107,708</u>	<u>800,502</u>	<u>126,611</u>	<u>104,858</u>	<u>1,031,971</u>	<u>901,421</u>
Advertising						650		650	290
Bank charges			5		5	804	1,080	1,889	1,830
Client Goods & Services	1,500	1,000						209,856	7,771
Consultants	27,353	8,199	30,848	207,356	209,856			100,124	24,549
Depreciation	44,282	32,355	40,764		66,400	29,824	3,900	121,769	106,950
Dues, subscriptions and fees	432	120			552	4,014	720	5,286	5,223
Equipment rental and repair	1,863	742			2,605	2,901		5,506	5,969
Food	17,187	11,828			29,015			29,015	25,443
Insurance	15,033	10,483	12,418	301	38,235	4,461	400	43,096	46,814
Interest expense	10,796	11,995	42,085		64,876	10,566		75,442	82,252
Internet service						805	167	972	897
Management fees			16,389		16,389			16,389	81,609
Minor equipment	16,412	11,681		1,723	29,816	3,752		33,568	3,704
Miscellaneous			76		76	285		361	1,914
Office expense						5,031	3,158	8,189	6,543
Payroll fees						3,650		3,650	4,820
Printing and postage						214	240	454	1,983
Professional fees						13,172		13,172	13,321
Program supplies	28,552	26,078	716	5,110	60,456			60,456	24,701
Public relations						177	255	432	37
Real estate tax			8,808		8,808			8,808	9,167
Rent	76,875			1,500	78,375			78,375	72,492
Repairs and maintenance	22,700	15,596	8,617	926	47,839	5,084		53,216	37,764
Special event	5,042	2,838			7,880		293	39,682	59,634
Staff training	3,254	713	338	120	4,425	1,294	309	6,028	2,331
Telephone						1,953		1,953	2,323
Temporary help	3,218	4,369			7,587			7,587	28,421
Transportation	1,933	789		104	2,826			2,826	4,745
Travel	1,028	177	41	564	1,810	487		2,638	3,087
Utilities	26,244	9,540	15,283		51,067	1,960	341	53,027	38,249
Vehicle lease	9,873	3,624			13,497			13,497	10,231
Total	<u>\$ 794,017</u>	<u>\$ 364,481</u>	<u>\$ 176,388</u>	<u>\$ 325,412</u>	<u>\$ 1,660,298</u>	<u>\$ 221,499</u>	<u>\$ 148,087</u>	<u>\$ 2,029,884</u>	<u>\$ 1,616,485</u>

See accompanying notes and Independent Auditors' Report.

**CITIZENS FOR ADEQUATE HOUSING, INC.**

COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)

	<u>2010</u>	<u>2009</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Change in net assets	\$ 239,239	\$ (71,868)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	121,769	106,950
(Increase) decrease in:		
Contracts receivable	(222,025)	(36,184)
Rent receivable	370	6,163
Pledges receivable	(6,038)	(3,500)
Prepaid expenses	(8,087)	8,488
Tax escrow	(80)	1,663
Increase (decrease) in:		
Accrued expenses	55,123	(231,854)
Accrued payroll and payroll taxes	(23,527)	7,938
Tenant deposits	4,933	(3,960)
Deferred revenue	<u>120,977</u>	<u>(3,750)</u>
<b><u>Net Cash Provided (Used) by Operating Activities</u></b>	<u>282,654</u>	<u>(219,914)</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Payments for building improvements	(3,593)	(652,734)
Payments for parking lot improvements	(17,224)	(17,276)
Payments for playground	(22,379)	(6,050)
Payments for furnishings		(17,203)
Deposit	<u>2,225</u>	<u>(6,600)</u>
<b><u>Net Cash (Used) by Investing Activities</u></b>	<u>(40,971)</u>	<u>(699,863)</u>
<b><u>Cash Flows From Financing Activities</u></b>		
Proceeds from line of credit		254,644
Payments on line of credit	(103,625)	(204,822)
Proceeds from long-term debt		1,008,907
Payments on long-term debt	<u>(47,491)</u>	<u>(58,003)</u>
<b><u>Net Cash Provided (Used) by Financing Activities</u></b>	<u>(151,116)</u>	<u>1,000,726</u>
<b><u>Increase in Cash and Cash Equivalents</u></b>	<u>90,567</u>	<u>80,949</u>



CITIZENS FOR ADEQUATE HOUSING, INC.

COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010  
(WITH COMPARATIVE TOTALS FOR 2009)

(Continued)

	<u>2010</u>	<u>2009</u>
<b><u>Increase in Cash and Cash Equivalents</u></b>	90,567	80,949
<b><u>Cash and Cash Equivalents - Beginning of Year</u></b>		
Cash and cash equivalents	\$ 129,366	\$ 49,144
Operating reserves	<u>26,442</u>	<u>25,715</u>
	<u>\$ 155,808</u>	<u>\$ 74,859</u>
<b><u>Cash and Cash Equivalents - End of Year</u></b>		
Cash and cash equivalents	\$ 219,528	\$ 129,366
Operating reserves	<u>26,847</u>	<u>26,442</u>
	<u>\$ 246,375</u>	<u>\$ 155,808</u>
<b><u>SUPPLEMENTAL INFORMATION</u></b>		
Interest paid	<u>\$ 75,442</u>	<u>\$ 82,252</u>

See accompanying notes and Independent Auditors' Report.





CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

**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).

**Family Emergency Shelter**

The Inn Between, opened in 1985, provides emergency shelter to homeless families referred by the Department of Transitional Assistance (DTA) and one family in its "community room" which is not funded by DTA. 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 DTA 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 DTA 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 DTA 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, 2010

(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, 2010

(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 2009 and 2008 and accordingly, these financials do not reflect any activity related to this class of net assets for 2010 and 2009.

c. 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.

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. 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, 2010, Citizens for Adequate Housing Inc. received the following:

Professional services*	\$ 5,975
Event items	<u>9,220</u>
Total	<u>\$ 15,195</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.

f. 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.

g. 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.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

**Note 2. Summary of Significant Accounting Policies (Continued)**

h. 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.

i. 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.

j. Summarized Comparative Financial Statements

The financial information shown for 2009 in the accompanying financial statements is included to provide a basis for comparison with 2010 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.

k. 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.

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.

**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).



**CITIZENS FOR ADEQUATE HOUSING, INC.**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

**Note 3. Tax Status** (Continued)

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, 2010, 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**

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, 2010, the current rate was 3.75% with an outstanding balance of \$0. In addition, the Organization obtained a \$200,000 revolving line of credit. This account has an outstanding balance of \$0 at a 5.375% rate as of June 30, 2010. The line of credit was reduced by the bank to \$125,000 in FY2010.

**Note 6. Notes and Mortgages Payable**

Notes and mortgages payable at June 30, 2010 consist of the following:

	2010		2009	
	Current	Long-term	Total	Total
<u>25 Holten Street</u>				
Mortgage due to TD Bank North; 15 year term note bearing interest at 6.5% annually; monthly payments of \$1,707 including interest; due 5/02/11. It is collateralized with real estate.	\$ 16,469	\$ 0	\$ 16,469	\$ 35,209
<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.	3,961	206,187	210,148	214,004



**CITIZENS FOR ADEQUATE HOUSING, INC.**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

**Note 6. Notes and Mortgages Payable** (Continued)

	2010		2009	
	Current	Long-term	Total	Total
<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.	1,619	84,267	85,886	87,462
<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.	2,687	139,848	142,535	145,151
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	9,125	10,178	11,231
<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.	2,549	132,676	135,225	137,707
<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 5.95% requiring a monthly payment of \$945 for interest and principal.	3,004	141,072	144,076	146,833
<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.	2,361	124,389	126,750	128,968



**CITIZENS FOR ADEQUATE HOUSING, INC.**

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

**Note 6. Notes and Mortgages Payable** (Continued)

	2010		2009	
	Current	Long-term	Total	Total
<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.	12,488	358,295	370,783	382,976
Total Notes and Mortgages payable	<u>\$ 46,191</u>	<u>\$ 1,195,859</u>	<u>\$ 1,242,050</u>	<u>\$ 1,289,541</u>

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

<u>Year</u>	
2011	\$ 46,191
2012	32,507
2013	34,386
2014	36,377
2015	38,487
Thereafter	1,054,102

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, 2009 consists of the following:

	2010 Total	2009 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
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



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

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

	<u>2010</u> <u>Total</u>	<u>2009</u> <u>Total</u>
<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; 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 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 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, 2010

(Continued)

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

	<u>2010</u> Total	<u>2009</u> Total
Mortgage due to North Shore Bank; 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;	46,500	46,500
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>
<b>Total Notes and Mortgages Deferred and Forgivable</b>	<b><u>\$ 2,584,665</u></b>	<b><u>\$ 2,584,665</u></b>

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

<u>Year</u>	
2011	\$ 0
2012	0
2013	0
2014	0
2015	0
Thereafter	2,584,665

**Note 8. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2010 consist of the following:

Time restricted Renovations:	\$ 17,588
Inn Between	12,598
Playground	<u>16,595</u>
Total temporarily restricted net assets	<u>\$ 46,781</u>



**CITIZENS FOR ADEQUATE HOUSING, INC.**  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

**Note 9. Substantial Support**

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

Commonwealth of Massachusetts	<u>\$ 1,704,092</u>
Percentage of total revenue	<u>75%</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. 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, 2010 the Organization has their cash accounts and several notes payable with these banks.

**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. Lease Commitment**

The Organization rented space under two leases which ended December 2007 when the buildings were purchased by the Organization. The first lease required monthly payments of \$5,464 and the second lease requires monthly payments of \$1,350. In addition, the Organization rented a temporary location to accommodate clients during the construction and renovation of the new building. Total rental expense for the years ended June 30, 2010 and 2009 was \$78,375 and \$55,345, 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.



CITIZENS FOR ADEQUATE HOUSING, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010

(Continued)

**Note 13. Lease Commitment** (Continued)

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

- Vehicle: under a three year lease agreement expiring February, 2011 requiring monthly lease payments of \$345. Vehicle lease expense was \$4,136 in 2009;
- Copiers (3): under five year agreements expiring September 2011 and September 2013 requiring monthly lease payments totaling \$574.

Vehicle and equipment lease payment requirements for the next five years:

2011	\$ 9,643
2012	5,328
2013	4,809



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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. as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. 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.

11/11/10 10:00 AM

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 management, board of directors and the federal awarding agency and is not intended to be and should not be used by anyone other than these specified parties.



SANDBERG, GONZALEZ & CREEDEN, P.C.  
Certified Public Accountants

Stoughton, Massachusetts  
October 6, 2010

