CHELSEA RESTORATION CORPORATION

FINANCIAL STATEMENTS

YEAR ENDED

DECEMBER 31, 2010

CHELSEA RESTORATION CORPORATION

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DECEMBER 31, 2010

BARIL SMITH

CERTIFIED PUBLIC ACCOUNTANTS, INC.
www.barilsmith.com

200 Broadway • Suite 306 • Lynnfield, MA 01940 Tel 781 • 593 • 5400 Fax. 781 • 593 • 5444

August 15, 2011

Board of Directors
Chelsea Restoration Corporation

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

We have reviewed the accompanying statements of financial position of Chelsea Restoration Corporation (a Massachusetts organization, not for profit) as of December 31, 2010, and the related statements of activities and changes in net assets, cash flows, and functional expenses for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Baril + Smith CPAs

CHELSEA RESTORATION CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2010

Assets

	2010
Assets:	
Cash	$ 69,275
Receivership funds receivable	635,706
Rehab loan receivable	4,615
Prepaid expenses	8,916
Property and equipment	1,159,896
Investments	1
Total assets	$1,878,409

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	$ 1,500
Note Payable	490,711
Short term debt	25,000
Long term debt	835,645
Total liabilities	1,352,856
Unrestricted net assets	525,553
Total net assets	525,553
Total liabilities and net assets	$1,878,409

See Accompanying Notes and Accountant's Report

CHELSEA RESTORATION CORPORATION

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2010

	2010
Changes in unrestricted net assets	
Revenues:	
Rents	$ 186,529
Program revenue	76,504
Contributions	18,002
Interest and investment income	112
Total unrestricted revenues	281,147
Net assets released from donor restrictions	240,008
Total unrestricted revenues and other support	521,155
Expenses:	
Program	285,777
Fundraising	53,583
Management	110,356
Total expenses	449,716
Increase in unrestricted net assets	71,439
Changes in temporarily restricted net assets:	
Contributions	213,008
Net assets released from donor restrictions	(240,008)
Decrease in temporarily restricted net assets	(27,000)
Total increase in net assets	44,439
Net assets, beginning of year	481,114
Net assets, end of year	$ 525,553

See Accompanying Notes and Accountant's Report

CHELSEA RESTORATION CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2010

	2010
Cash flows from operating activities:	
Change in net assets	$ 44,439
Adjustments to reconcile change in net assets to net cash provided (used) in operating activities:	
Depreciation	21,698
(Increase) decrease in:	
Grants and other receivables	27,000
Receivership funds	(317,957)
Prepaid expense	(4,577)
Accounts payable and accrued expenses	(11,208)
Net cash used in operating activities	(240,605)
Cash flows from investing activities	
Repayments on rehab loan receivable	3,804
Net cash provided by investing activities	3,804
Cash flows from financing activities	
Advances from Notes Payable	248,801
Principal payments on loans	(16,386)
Net cash provided by financing activities	232,415
Net decrease in cash	(4,386)
Cash, beginning of year	73,661
Cash, end of year	$ 69,275
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest - capitalized	$ 23,522
Cash paid during the year for interest - expensed	53,275
Cash paid during the year for interest - total	$ 76,797

See Accompanying Notes and Accountant's Report

CHELSEA RESTORATION CORPORATION

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

Note 1 - Summary of Significant Accounting Policies

Nature of activities

Chelsea Restoration Corporation (the Organization) operates as a non-profit community development organization. The Organization was formed on May 12, 1977 by local residents who were interested in the revitalization of the City of Chelsea, Massachusetts. Initially a volunteer organization, with hopes to reach its goal by purchasing and rehabilitating buildings with desires to eliminate blight and encourage the private sector to invest within the City of Chelsea. During the first few years of operation, it relied upon grants primarily from the Community Development Program from the City of Chelsea. At this point in time, it is considered self-sustaining.

Basis of presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations.*

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

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

Permanently Restricted Net Asset – Net assets subject to donor-imposed stipulations that they will be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes..

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America includes the use of estimates that affect the financial statements. Accordingly, actual results could differ from those estimates.

Income tax status

The Organization qualifies as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code and therefore, has no provision for federal or state income tax.

Note 1 - Summary of Significant Accounting Policies - continued

Fair value of financial instruments

In accordance with generally accepted accounting principals, the Organization adopted the provisions of Fair Value Measurements, and has applied its provisions to assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Fair value measurements defines fair value, establishes a framework for measuring fair value, establishes a three-level fair value when hierarchy based on the quality of the inputs used to measure fair value and enhances the disclosure requirements for fair value measurements.

The three levels of the fair value hierarchy are as follows:

Level 1 - inputs to the valuation methodology are quoted at market prices for identical assets or liabilities in active markets.

Level 2 - inputs to the valuation methodology include quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 - inputs ot the valuation methodology are based on prices or valuation techniques that are unobservable.

Reserve for losses

In the opinion of management, all of the receivership receivables are collectible in full; therefore no reserve for losses is provided.

Property and equipment

The Organization capitalized all expenditures for property and equipment in excess of $2,000. Property and equipment are stated at original cost, or estimated fair market value if donated, plus the cost of capital improvements made on the assets. Property and equipment are depreciated using the straight-line method over their estimated useful lives.

Housing assistance grants and contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same year in which the contributions are received are classified as unrestricted contributions.

Investment

Investment in Greenhouse Associates Limited Partnership is stated at cost of $1.00 paid in 1980. This investment is considered a level 3 investment.

Net assets

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. Temporarily restricted net assets represent amounts received or committed by donors purpose restrictions that have not yet been met. The organization has no permanently restricted net assets.

Note 2 - Property and equipment

Property and equipment consisted of the following:

	2010
Land	$ 539,467
Building and improvements	1,120,870
Furniture, fixtures and equipment	16,225
	1,676,562
Less Accumulated Depreciation	516,666
	$1,159,896

Note 3 - Note payable

The Organization has three revolving lines of credit with two banks. The loan agreements provides for interest payable at between 5% and 5.50% and are secured by real estate.

Note 4 - Long term debt

Long-term debt at December 31, 2010 consists of the following:

	2010
Mortgage, due in monthly installments of $1,268 through November 2031, including interest at 7.25%, secured by property	$165,480
Mortgage, due in monthly installments of $3,185 through February 2034, including interest at 7%, secured by property	437,618

Note 4 - Long Term Debt - continued

Mortgage, due in monthly installments of $441 through October 2015, including interest at 6.25%, secured by property	21,746
Mortgage, due in monthly installments of $910 through March 2039, including interest at 5.375%, secured by property	158,500
Note payable, due at maturity in March 2012, no interest, secured by property	52,300
Total long-term debt	$835,644

The approximate aggregate maturities of notes payable for the future years ending December 31, are as follows:

Fiscal Year	Amount
2010	$ 17,690
2011	71,203
2012	20,201
2013	21,488
2014	21,860
Thereafter	683,202
	$ 835,644

Note 5 - Retirement Plan

In 1996, the Organization implemented a Simplified Employee Pension Plan for the benefit of eligible employees. Employees must be employed on the last day of the calendar year to be eligible to participate in the plan the following year. Participants may contribute up to 15% of their compensation to the plan. Organization contributions are made at the discretion of management. The Organization made discretionary contributions of $720 to the plan for the year ended December 31, 2010.

Note 6 – Rent

The Organization pays no rent for their space at 154 Pearl Street, Chelsea, Massachusetts. For purposes of complying with accounting principles generally accepted in the United States of America, management has estimated the annual rent at $18,000. The cost of annual rent is recorded as a donation and as rent expense for 2010.

Note 7 – Interest Expense

All interest paid is expensed unless otherwise noted.

Note 8 – Concentrations

The Organization received 79% of it's income from three primary sources in 2010 - The Commonwealth of Massachusetts, The City of Chelsea, and tenants renting apartments at it's buildings in Chelsea. No amounts were due to the Organization at the end of the year from these sources.

Note 9 - Receivership Funds Receivable/Payable

Receivership receivable consists of funds paid by the Organization to repair and renovate two properties in Chelsea and one in Revere. As of December 31, 2010, the Organization had outstanding borrowings of $354,511 from Danvers Bank, $52,300 from North Suburban Consortium, and $136,200 from Chelsea Bank. Total use of these funds amounted to approximately $249,000 in 2010.

Note 10 – Subsequent Events

The organization has evaluated subsequent events through August 15, 2011, the date which the financial statements were available to be issued. There aren't any subsequent events that require disclosure.