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2012
Audit

026940

CHELSEA RESTORATION CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2012



Independent Auditor's Report

2012
AUDIT
026940

To the Board of Directors
Chelsea Restoration Corporation
Chelsea, MA

We have audited the accompanying financial statements of Chelsea Restoration Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expense, and cash flows for then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Chelsea Restoration Corporation as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with principles generally accepted in the United States of America.

Coon Group, LLC

Coon Group, LLC
Haverhill, MA

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CHelsea RESTORATION CORPORATION

Statement of Activities
For the Year Ended December 31, 2012

Assets

Cash and cash equivalents	60,569
Accounts receivable	277,484
Prepaid expenses	3,992
Investments	1
Property and equipment, net	<u>1,117,485</u>
Total Assets	<u>\$ 1,459,531</u>

Liabilities and Net Assets

Liabilities

Revolving lines of credit	185,000
Accrued expenses	5,160
Deferred revenue	3,027
Notes payable	<u>747,142</u>
Total Liabilities	<u>940,329</u>

Net Assets

Unrestricted	<u>519,202</u>
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Total Liabilities and Net Assets	<u>\$ 1,459,531</u>
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See independent auditor's report and notes to financial statement.

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CHELSEA RESTORATION CORPORATION
Statement of Activities
For the Year Ended December 31, 2012

Revenue and public support

Grants	\$ 243,773
Rents	186,653
In-kind	22,590
Contributions	985
Interest	<u>33</u>
Total revenue and public support	<u>454,034</u>

Expenses:

Program services	377,810
General and administration	41,436
Fundraising	<u>17,153</u>
Total expenses	<u>436,399</u>

Change in net assets	17,635
Net assets, beginning	<u>501,567</u>
Net assets, ending	<u>\$ 519,202</u>

See independent auditor's report and notes to financial statement.

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CHELSEA RESTORATION CORPORATION

Statement of Functional Expenses
For the Year Ended December 31, 2012

	Program Services	General and Administration	Fundraising	Total
Compensation and related expenses				
Salaries	\$ 179,824	\$ 17,217	\$ -	\$ 197,041
Payroll taxes	15,852	1,664	-	17,516
Fringe benefits	<u>6,644</u>	<u>600</u>	-	<u>7,244</u>
Total compensation and related expenses	<u>202,320</u>	<u>19,481</u>	-	<u>221,801</u>
Property and related expenses				
Interest expense	49,994	981	-	50,975
Depreciation	21,466	-	-	21,466
Rent expense	16,437	1,563	-	18,000
Property taxes	16,504	-	-	16,504
Repairs and maintenance	12,908	-	-	12,908
Insurance	10,085	750	-	10,835
Telephone	-	2,858	-	2,858
Utilities	32,899	-	-	32,899
Property management	<u>750</u>	-	-	<u>750</u>
Total property and related expenses	<u>161,043</u>	<u>6,152</u>	-	<u>167,195</u>
Other operating expenses				
Professional fees	9,287	8,676	17,153	35,116
Office	4,316	6,323	-	10,639
Professional developments	719	143	-	862
Dues and subscriptions	125	625	-	750
Certifications and training	<u>-</u>	<u>36</u>	-	<u>36</u>
Total other operating expenses	<u>14,447</u>	<u>15,803</u>	<u>17,153</u>	<u>47,403</u>
Total expenses	<u>\$ 377,810</u>	<u>\$ 41,436</u>	<u>\$ 17,153</u>	<u>\$ 436,399</u>

See independent auditor's report and notes to financial statement.

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CHELSEA RESTORATION CORPORATION

Statement of Cash Flows

December 31, 2012

Cash Flows from Operating Activities:

Change in net assets	\$ <u>17,635</u>
Reconciliation to cash flows:	
Depreciation	21,466
Change in:	
Grants and contracts receivable	(220,283)
Prepaid expenses and other current assets	(217)
Accounts payable and accrued expenses	5,158
Deferred revenue	<u>3,027</u>
Total adjustments	<u>(190,849)</u>
Net cash provided by operating activities	<u>(173,214)</u>

Cash Flows from Financing Activities

Net borrowings under revolving lines of credit	180,565
Principal payment on notes payable	<u>(43,685)</u>
Net cash provided by financing activities	<u>136,880</u>
Net increase in cash and cash equivalents	(36,334)
Cash and cash equivalents, beginning	<u>96,903</u>
Cash and cash equivalents, ending	<u>\$ 60,569</u>

Supplemental Cash Flow Information:

Cash paid for interest	\$ <u>50,975</u>
Cash paid for income taxes	<u>\$ -</u>

See independent auditor's report and notes to financial statement.

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CHelsea RESTORATION CORPORATION

Notes to Financial Statements
December 31, 2012

1 Summary of Significant Accounting Policies

Nature of Activities

Chelsea Restoration Corporation ("the Organization") was founded in 1977 as a non-profit organization. The Organization provides quality housing for the area's low to moderate-income families. The Organization has resources in specialties such as real estate, property management, community development corporations, federal and state housing regulations, construction and preventative maintenance, construction contracts, progress, requisitions, banking, budget and financial management. The professional resources available to our clients' enable them utilize our services and ensure projects are successfully completed in the Chelsea community.

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets:

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 restrictions expire, 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 Assets – 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.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with initial maturity of three months or less to be cash equivalents.

Direct Write-Off Method

The Organization has elected to record bad debts using the direct write-off method. Generally accepted accounting principles require that the allowance method be used to recognize bad debts. However, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Property and Equipment

Property and equipment is stated at cost or fair market value, if donated. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$2,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the property as follows:

Building	39 years
Building improvements	15 years
Furniture and equipment	5-7 years

Repairs and maintenance are expensed as incurred.

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CHELSEA RESTORATION CORPORATION

Notes to Financial Statements

December 31, 2012

Revenue Recognition

Contract revenue is recognized based on the terms of the agreement. Revenue on cost reimbursement contracts are recognized when expenses have been incurred. Invoices are periodically submitted for reimbursement at which time reduces the receivable. Rental income is recorded when billed to tenants.

Contributions are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as unrestricted unless they are received with donor imposed stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. Donor restricted contributions whose restrictions are met in the same fiscal year are reported as unrestricted support.

The Organization reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Functional Allocation of Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification.

Use of Estimates and Assumptions

Preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Tax Status

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is also exempt from Massachusetts tax. Therefore, no income tax expense has been provided for.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2009, 2010 and 2011 are subject to examination by the IRS, generally for three years after they were filed.

2 *Property and Equipment*

Property and equipment consisted of the following at December 31, 2012:

Land	\$	539,467
Building		681,862
Improvement		439,008
Furniture and equipment		16,225
		1,676,562
Less: accumulated depreciation		(559,077)
		\$ 1,117,485

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CHELSEA RESTORATION CORPORATION

Notes to Financial Statements
December 31, 2012

3 Cash Flow Information

During the year December 31, 2012 cash paid for interest totaled \$50,975. The Organization is exempt from federal and state income taxes.

4 Revolving Line of Credit

The Organization has several revolving credit lines agreement with two banks. Advances on the line are due on demand. At December 31, 2012 the terms of the revolving lines of credit are as follows:

Amount Available for Advance	Interest Rate	Balance
\$ 30,000	5.500%	\$ 18,905
50,000	0.000%	50,000
250,000	5.000%	120,000
<u>\$ 330,000</u>		<u>\$ 188,905</u>

5 Long-Term Debt

Long-term debt at December 31, 2012 consisted of the following:

Mortgage, due in monthly installments of \$3,185 through February 2034, including interest at 7%, secured by property	421,378
Mortgage due in monthly installments of \$1,268 through November 2031, including interest at 7.25%, secured by property	158,953
Mortgage, due in monthly installments of \$910 through March 2039, including interest at 5.375%, secured by property	153,444
Mortgage, due in monthly installments of \$441 through October 2015, including interest at 5.25%, secured by property	<u>13,367</u>
Total	747,142
Less: current portion	<u>(20,166)</u>
Long-term debt net	<u>726,976</u>

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CHELSEA RESTORATION CORPORATION

Notes to Financial Statements

December 31, 2012

Future minimal principal payments consist of the following:

2013		\$	20,166
2014			21,550
2015			21,735
2016			19,084
2017			20,422
Thereafter			644,185
		<u>\$</u>	<u>747,142</u>

6 *Temporarily Restricted Net Assets*

At December 31, 2012 there were not any temporarily or permanently restricted net assets.

7 *Retirement Plan*

The Organization sponsors a Simplified Employee Pension Plan for eligible employees. The plan guidelines are promulgated by the Internal Revenue Service. Participants may contribute a portion of their compensation to the plan. Management can choose to make discretionary contributions to the plan. For the year ended December 31, 2012 the Organization contributed \$600 to the plan.

8 *Contributed Services*

The Organization records contributions of services received that create or enhance nonfinancial assets or require specialized skills provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributed services for the year ended December 31, 2012 consisted of the following:

Occupancy		\$	18,000
Professional services			4,590
		<u>\$</u>	<u>22,590</u>

9 *Concentration of Credit Risk*

At December 31, 2012, one customer accounted 25% of the Organization's total revenue.

10 *Fair Value Measurement*

ASC No. 820, Fair Value Measurements, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels:

- Level 1. Inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority.
- Level 2. Inputs are based primarily on quoted prices for similar assets in active or inactive markets.
- Level 3. Inputs have the lowest priority, as they are based on significant but unobservable inputs.

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CHELSEA RESTORATION CORPORATION

Notes to Financial Statements

December 31, 2012

The Organization uses appropriate valuation techniques based on available inputs to measure the fair value of its investments. Included in cash and cash equivalents in the statement of financial position following investments are reported at fair value for the year ended December 31, 2012:

Fair Value Measurement at December 31, 2012

Quoted Prices in Active Markets for Identical Assets

	<u>Cost</u>	<u>Fair Value</u>	<u>Level</u>
Limited Partnership	<u>\$ 1</u>	<u>\$ (1,500)</u>	<u>III</u>

11 Subsequent Event

The Organization has evaluated subsequent events through April 23, 2013, the date which the financial statements were available to be issued. There aren't any subsequent events that require disclosure.