CHELSEA RESTORATION CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CHELSEA RESTORATION CORPORATION
Table of Contents
December 31, 2013

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Independent Auditor's Report

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, 2013, 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 form 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 polices 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, 2013, 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

June 2, 2014

CHELSEA RESTORATION CORPORATION

Statement of Financial Position
December 31, 2013

Assets

Current Assets:	
Cash and cash equivalents	$ 219,712
Property inventory	790,283
Investments	1
Total current assets	1,009,996
Property and equipment, net	1,045,777
Other - escrow	6,852
Total Assets	$ 2,062,625

Liabilities and Net Assets

Current liabilities	
Revolving lines of credit	$ 443,000
Accrued expenses	33,287
Current portion of long-term debt	33,550
Total current liabilities	509,837
Notes payable	743,952
Total Liabilities	1,253,789
Net Assets	
Unrestricted	414,236
Temporarily restriceted	394,600
Total net assets	808,836
Total Liabilities and Net Assets	$ 2,062,625

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

CHELSEA RESTORATION CORPORATION

Statement of Activities

For the Year Ended December 31, 2013

	Unrestricted	Temporarily Restricted	Total
Revenue and public support			
Grants	$ 196,584	$ 394,600	$ 591,184
Rents	166,251	-	166,251
In-kind	20,860	-	20,860
Contributions	41,567	-	41,567
Interest	70	-	70
Total revenue and public support	425,332	394,600	819,932
Other income (expense)			
Loss on sale of property	(45,000)	-	(45,000)
Total revenue	380,332	394,600	774,932
Expenses:			
Program services	438,487	-	438,487
General and administration	46,811	-	46,811
Total expenses	485,298	-	485,298
Change in net assets	(104,966)	394,600	289,634
Net assets, beginning	519,202	-	519,202
Net assets, ending	$ 414,236	$ 394,600	$ 808,836

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

CHELSEA RESTORATION CORPORATION

Statement of Functional Expenses
For the Year Ended December 31, 2013

	Program Services	General and Administration	Total
Compensation and related expenses			
Salaries	$ 183,599	$ 17,610	$ 201,209
Payroll taxes	16,335	2,083	18,418
Fringe benefits	7,009	720	7,729
Total compensation and related expenses	206,943	20,413	227,356
Property and related expenses			
Interest expense	48,051	716	48,767
Repairs and maintenance	47,976	50	48,026
Depreciation	21,708	-	21,708
Utilities	15,500	2,840	18,340
Property taxes	17,216	974	18,190
Rent expense	16,425	1,575	18,000
Insurance	10,799	1,003	11,802
Receivership expense	10,244	-	10,244
Telephone	762	1,930	2,692
Property management	605	-	605
Total property and related expenses	189,286	9,088	198,374
Other operating expenses			
Professional fees	37,915	6,778	44,693
Office	2,784	8,932	11,716
Certifications and training	1,559	1,600	3,159
Total other operating expenses	42,258	17,310	59,568
Total expenses	$ 438,487	$ 46,811	$ 485,298

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

CHELSEA RESTORATION CORPORATION

Statement of Cash Flows
December 31, 2013

Cash Flows from Operating Activities	
Change in net assets	$ 289,634
Reconciliation to cash flows:	
Depreciation	21,708
Capital loss on sale of property	45,000
Change in:	
Property inventory	(512,799)
Prepaid expenses and other current assets	(2,860)
Accounts payable and accrued expenses	28,127
Deferred revenue	(3,027)
Total adjustments	(423,851)
Net cash provided by operating activities	(134,217)
Cash Flows from Investing Activities	
Disposition of property	5,000
Net cash provided by investing activities	5,000
Cash Flows from Financing Activities	
Net borrowings under revolving lines of credit	258,000
Principal payment on notes payable	30,360
Net cash provided by financing activities	288,360
Net increase in cash and cash equivalents	159,143
Cash and cash equivalents, beginning	60,569
Cash and cash equivalents, ending	$ 219,712

Supplemental Cash Flow Information:

Cash paid for interest	$ 48,767
Cash paid for income taxes	$ -

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

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

Depreciation expense totaled $21,708 for the year ended December 31, 2013. Repairs and maintenance are expensed as incurred.

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. The Organization recognizes a management administrative fee from the receivership program upon the completion of the project.

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 2010, 2011 and 2012 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, 2013:

Land	$ 489,467
Building	681,862
Improvement	439,008
Furniture and equipment	16,225
	1,626,562
Less: accumulated depreciation	(580,785)
	$ 1,045,777

3 *Revolving Line of Credit*

The Organization has several revolving credit lines agreement with several banks. Advances on the line are due on demand. At December 31, 2013 the terms of the revolving lines of credit are as follows:

Amount Available for Advance	Interest Rate	Balance
$ 300,000	5.500%	$ 256,500
200,000	6.000%	161,500
25,000	5.000%	25,000
$ 525,000		$ 443,000

4 *Long-Term Debt*

Long-term debt at December 31, 2013 consisted of the following:

Mortgage, due in monthly installments of $3,185 through February 2034, including interest at 7% secured by property	$ 412,369
Mortgage due in monthly installments of $1,268 through November 2031, including interest at 7.25%, secured by property	155,660
Mortgage, due in monthly installments of $910 through March 2039, including interest at 5.375%, secured by property	150,707
Mortgage, due in monthly installments of $1,000 through June 2018, including interest at 5.375%, secured by property	50,000
Mortgage, due in monthly installments of $441 through October 2015, including interest at 5.25%, secured by property	8,766
Total	777,502
Less: current portion	(33,550)
Long-term debt net	$ 743,952

Future minimal principal payments consist of the following:

Year Ended		Amount
2014	$	33,550
2015		33,735
2016		31,084
2017		32,422
2018		23,854
Thereafter		622,857
	$	777,502

5 ***Temporarily Restricted Net Assets***

At December 31, 2013 temporarily restricted assets totaled $394,600 which must be used for the receivership program expenses.

6 ***Cash Flow Information***

During the year December 31, 2013 cash paid for interest totaled $48,767. The Organization is exempt from federal and state income taxes.

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, 2013 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, 2013 consisted of the following:

Occupancy	$	18,000
Professional services		2,860
	$	20,860

9 ***Concentration of Credit Risk***

At December 31, 2013, one funding source accounted 47% of the Organization's total revenue.

10 ***Related Party***

The Organization has engaged in a transaction with a related party. In accordance with *ASC 850-10-50* transaction with related parties are not presumed to be carried out on an arm's-length basis, as the requisite conditions of competitive, free-market dealings may not exist. The Organization's related party transaction is described below.

At December 31, 2013 the Organization had an outstanding loan due to a related party in the amount of $50,000 at 2.75% annual percent yield. The outstanding balance is included in notes payable on the statement of financial position.

CHELSEA RESTORATION CORPORATION

Notes to Financial Statements
December 31, 2013

11 *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.

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, 2013:

Fair Value Measurement at December 31, 2013

	Cost	Fair Value	Level
Limited Partnership	$ 1	$ (1,542)	III

12 *Property Inventory*

The Organization is a receiver of real estate in several cities in the metropolitan area of Boston Massachusetts. The Organization manages the restoration of the property in receivership. Upon completion of the project the Organization attempts to relinquish the real estate. Several avenues are available to the Organization in order to recoup the restoration, legal, administrative and various other costs incurred during their tenor as receiver.

The Organization may attempt to sell the property at a public auction. When the property is sold greater than all costs incurred the surplus is given to the party with the legal rights to the property. If the property's final auction offer is below costs incurred the Organization has the option to accept the offer or retain the real estate. The Organization may use the property for income generating purposes such as rental property; sell the property as low-income or veteran priority housing.

During the period that the Organization is the receiver the real estate is recorded in property inventory. Upon disposition of the real estate the transaction is recorded in accordance with US generally accepted accounting principles.

13 *Subsequent Event*

The Organization has evaluated subsequent events through June 2, 2014, the date which the financial statements were available to be issued. There aren't any subsequent events that require disclosure.