

**BREAD & ROSES HOUSING, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011, 2010**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bread & Roses Housing, Inc.
Lawrence, Massachusetts

I have audited the accompanying statements of financial position of Bread & Roses Housing, Inc. (a not-for-profit organization) as of June 30, 2011 and 2010, and the related statements of activities and statements of cash flows for the years then ended and the related notes to the financial statements.

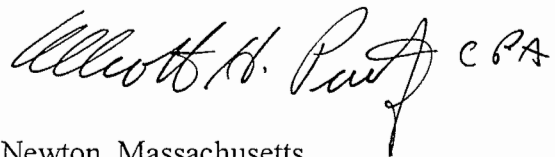
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and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

My responsibility is to express an opinion on these financial statements based on my audits. I conducted the audits in accordance with U.S. generally accepted auditing standards. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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, I do not express such an 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 financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Board of Directors
Bread & Roses Housing, Inc.
Lawrence, Massachusetts
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In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bread & Roses Housing, Inc. as of June 30, 2011 and 2010 and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

A handwritten signature in black ink, reading "Elliott H. Pappas CPA". The signature is written in a cursive style with a large, stylized initial "E".

Newton, Massachusetts
August 22, 2011

BREAD & ROSES HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

	ASSETS	<u>2011</u>	<u>2010</u>
<u>Current Assets</u>			
Cash		\$ 678,503	\$ 511,736
Grants receivable		-	76,800
Mortgage notes receivable, current portion		10,000	10,000
Prepaid expenses		5,464	3,853
Building projects in progress		-	248,400
Total current assets		693,967	850,789
<u>Other Assets</u>			
Land		259,075	245,575
Mortgage notes receivable, net of current portion		356,533	287,130
Computer equipment			
Net of depreciation of \$4,308 and \$3,657		663	1,314
Total, other assets		616,271	534,019
TOTAL ASSETS		\$1,310,238	\$ 1,384,808
LIABILITIES AND NET ASSETS			
<u>Current liabilities</u>			
Accounts payable		\$ 3,500	\$ 27,706
Construction loan payable		-	62,000
Total current liabilities		3,500	89,706
<u>Other liabilities</u>			
Accrued compensation		33,072	26,230
Total liabilities		36,572	115,936
NET ASSETS, UNRESTRICTED		1,175,828	1,041,172
NET ASSETS, TEMPORARILY RESTRICTED		97,838	227,700
TOTAL LIABILITIES AND NET ASSETS		\$1,310,238	\$ 1,384,808

The footnotes are an integral part of the financial statements

BREAD & ROSES HOUSING, INC.
STATEMENTS OF ACTIVITIES - UNRESTRICTED
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
UNRESTRICTED REVENUES AND SUPPORT		
Contributions and grant income	\$ 532,974	\$ 348,320
Housing interest and fees	33,946	28,821
Bank interest income	<u>1,599</u>	<u>2,234</u>
Total	568,519	379,375
UNRESTRICTED EXPENSES		
Program costs:		
Program and construction costs, net	543,449	198,475
Occupancy	4,026	4,218
Compensation	72,648	61,533
Professional fees	<u>3,301</u>	<u>12,337</u>
Total program expenses	<u>623,424</u>	<u>276,563</u>
Management and fundraising costs:		
Compensation	2,910	2,943
Supplies, insurance	11,378	7,224
Professional fees	23,200	23,800
Depreciation expense	<u>651</u>	<u>877</u>
Total management, administrative costs	<u>38,139</u>	<u>34,844</u>
Total expenses	<u>661,563</u>	<u>311,407</u>
Increase (decrease) in unrestricted net assets before transfers	(93,044)	67,968
Transfers due to grant project fulfillment	<u>227,700</u>	<u>104,500</u>
Increase in unrestricted net assets from operations	\$ 134,656	\$ 172,468
Loss from impairment	-	(243,144)
Unrestricted net assets, beginning	<u>1,041,172</u>	<u>1,111,848</u>
Unrestricted net assets, ending	<u>\$1,175,828</u>	<u>\$ 1,041,172</u>

The footnotes are an integral part of the financial statements

BREAD & ROSES HOUSING, INC.
STATEMENTS OF ACTIVITIES
TEMPORARILY RESTRICTED
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
TEMPORARILY RESTRICTED REVENUES AND SUPPORT		
Grant income	\$ 97,838	\$ 227,700
Increase in temporarily restricted net assets before transfers	97,838	227,700
Transfers due to grant project fulfillment	<u>(227,700)</u>	<u>(104,500)</u>
Increase (decrease) in temporarily restricted net assets	(129,862)	123,200
Temporarily restricted net assets, beginning	<u>227,700</u>	<u>104,500</u>
Temporarily restricted net assets, ending	<u>\$ 97,838</u>	<u>\$ 227,700</u>

The footnotes are an integral part of the financial statements

**BREAD & ROSES HOUSING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010**

INCREASE (DECREASE) IN CASH

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM UNRESTRICTED OPERATING ACTIVITIES:		
Increase in net assets	\$134,656	\$172,468
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	663	877
In kind contributions	-	(35,000)
Non cash gains from property sales	(90,950)	(25,000)
Changes in certain accounts:		
Prepaid expenses	(1,611)	545
Grants receivable	76,800	(76,800)
Accounts payable, accrued expenses	(17,364)	2,478
Construction in progress	<u>248,400</u>	<u>22,354</u>
Cash provided by unrestricted operating activities	350,594	61,922
Increase (decrease) in temporarily restricted net assets	<u>(129,862)</u>	<u>123,200</u>
Cash provided by (used in) temporarily restricted net assets	<u>(129,862)</u>	<u>123,200</u>
Total cash provided by operating activities	<u>220,732</u>	<u>185,122</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments on mortgage notes receivable	21,535	6,982
Purchase of land	(13,500)	(25,647)
Decrease in certificate of deposit	-	76,486
Net cash provided by investing activities	<u>8,035</u>	<u>57,821</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in construction loans payable	<u>(62,000)</u>	<u>(29,000)</u>
Net cash used in financing activities	<u>(62,000)</u>	<u>(29,000)</u>
Net increase in cash	166,767	213,943
Cash balance, beginning	<u>511,736</u>	<u>297,793</u>
Cash balance, Ending	<u>\$678,503</u>	<u>\$511,736</u>

Supplemental schedule of financing and investing activities:

Land was contributed with a value approximating \$35,000 in 2010
Structures were sold with Agency financing approximating \$91,000 in 2011 and \$25,000 in 2010.

The footnotes are an integral part of the financial statements.

BREAD AND ROSES HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 1. Summary of Significant Accounting Policies

The Agency

Bread & Roses Housing, Inc. (the Agency) operates as a Massachusetts not-for-profit corporation that develops and maintains affordable housing for low income households in the Merrimack Valley, Massachusetts area in Lawrence, Massachusetts. The Agency operates under the Community Land Trust Model.

Basis of accounting

The financial statements are based on the accrual method of accounting. Contributions and other support are recorded as earned and expenses are recorded as incurred. The financial statements are prepared based on a segregation of unrestricted, permanently restricted and temporarily restricted assets. Temporarily restricted assets are transferred as unrestricted support when the donor restriction lapses or is fulfilled. Temporarily restricted grants for which the amounts are expended in the year received are accounted for as unrestricted.

Use of Estimates

Financial statements prepared in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure 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. The primary estimates used by the Agency are the estimated values of contributed assets and services and the appraised values of land held by the Agency.

Income Taxes

The Agency qualifies as a not-for-profit Agency under Internal Revenue Code Section 501(c) (3) and is exempt from federal and state income taxes. Section 501 (c)(3) of the Internal Revenue Code provides for the exemption of Agencies that are operated exclusively for religious, charitable, scientific, literary or educational purposes and whose earnings do not benefit any private shareholder, group or individual.

Construction Costs

When the Agency incurs construction costs for building or improving its housing units, the Agency treats the costs as an asset while the project is in progress and expenses those costs in excess of the selling price of the units when the units are sold.

BREAD AND ROSES HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 1. Summary of Significant Accounting Policies (Continued)

Contributions

Contributions received or unconditionally pledged are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence of any donor stipulated restrictions.

Contributions of services are recognized if the service received creates or enhances non-financial assets or requires specialized skills and is provided by individuals possessing those skills, and would typically need to be purchased if not donated.

In-kind contributions are recorded at estimated fair market values. Such values for property are based on appraised values. Other property contributions are based on estimated market values and service contributions are based on equivalent billed amounts.

Land costs

The Agency accounts for land at cost if purchased, or at appraised value if land is contributed either in part or in full.

Note 2 - Concentrations

The Agency deposits funds in high quality financial institutions and disperses its investments among several banks to reduce its exposure, remote as it is.

Note 3 – Temporarily restricted net assets

The Agency received grants approximating \$98,000 and \$228,000 in 2011 and 2010 respectively that were temporarily restricted for development costs for housing units that had not yet been fully developed or sold.

Note 4 – Mortgage notes receivable

The Agency holds mortgage notes at approximate market interest rates, on the properties it sells to qualifying families. The Agency maintains the right to repurchase the property in exchange for the note plus other consideration at certain future time periods. The Agency owns the land on which the mortgaged properties are located.

BREAD AND ROSES HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2011 AND 2010

Note 5 - Contingent Liabilities

The Agency self-insures for unemployment compensation. Under this alternative, not-for-profit Agencies are not required to contribute to the state unemployment fund but must reimburse the state for any unemployment compensation paid to claimants.

Note 6 – Escrow Funds

The Agency collects escrow amounts from the borrowers for payment of real estate taxes and insurance on the properties. Such funds are not included in the financial statements and approximate \$80,000 and \$66,000 at June 30, 2011 and 2010 respectively.

Note 7 – Paid time off

The Agency provides paid time off for its full time employee that can be carried over from year to year. The Agency recognized additional compensation expense approximating \$6,600 and \$4,000 for the accrued paid time off and a liability approximating \$33,000 and \$27,000 at and for the year ended June 30, 2011 and 2010 respectively.

Note 8 – Impairment loss

The Agency records its land purchases at cost or at fair market value if the land is donated or bought at a discount. In 2010, the Agency recognized a loss approximating \$243,000 based on the material impairment in value that transpired when compared to recorded values.

Note 9 – Grants approved

Prior to June 30, 2011, The Agency has been approved for government grants for housing developments in the 2011-2012 fiscal year approximating \$160,000.