

**BREAD & ROSES HOUSING INC.  
FINANCIAL STATEMENTS  
YEARS ENDED JUNE 30, 2010, 2009**

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**YEARS ENDED JUNE 30, 2010, 2009**

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## **INDEPENDENT AUDITOR'S REPORT**

August 17, 2010

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, 2010 and 2009, and the related statements of activities and statements of cash flows for the years then ended. These financial statements are the responsibility of the Bread & Roses Housing management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audits in accordance with U.S. generally accepted auditing standards. Those standards require that I 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 evaluation of the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

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, 2010 and 2009 and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



**BREAD & ROSES HOUSING, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2010 AND 2009**

<b>ASSETS</b>		
	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Current Assets</u></b>		
Cash	\$ 511,736	\$ 297,793
Grants receivable	76,800	
Certificate of deposit	-	76,486
Mortgage notes receivable, current portion	10,000	8,000
Prepaid expenses	3,853	4,398
Building projects in progress	<u>248,400</u>	<u>270,754</u>
Total current assets	850,789	657,431
 <b><u>Other Assets</u></b>		
Land	245,575	428,072
Mortgage notes receivable, net of current portion	287,130	271,112
Computer equipment		
Net of depreciation of \$3,657 and \$2,780	<u>1,314</u>	<u>2,191</u>
Total, other assets	<u>534,019</u>	<u>701,375</u>
 <b>TOTAL ASSETS</b>	 <b><u>\$ 1,384,808</u></b>	 <b><u>\$ 1,358,806</u></b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b><u>Current liabilities</u></b>		
Accounts payable	\$ 27,706	\$ 25,900
Construction loan payable	<u>62,000</u>	<u>91,000</u>
Total current liabilities	89,706	116,900
Other liabilities		
Accrued compensation	<u>26,230</u>	<u>25,558</u>
Total liabilities	<u>115,936</u>	<u>142,458</u>
NET ASSETS, UNRESTRICTED	1,041,172	1,111,848
NET ASSETS, TEMPORARILY RESTRICTED	<u>227,700</u>	<u>104,500</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <b><u>\$ 1,384,808</u></b>	 <b><u>\$ 1,358,806</u></b>

See independent auditor's report.

**BREAD & ROSES HOUSING, INC.**  
**STATEMENTS OF ACTIVITIES - UNRESTRICTED**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<b>UNRESTRICTED REVENUES AND SUPPORT</b>		
Contributions and grant income	\$ 348,320	\$ 551,588
Housing interest and fees	28,821	24,906
Bank interest income	<u>2,234</u>	<u>4,548</u>
Total	379,375	581,042
<b>UNRESTRICTED EXPENSES</b>		
Program costs:		
Program and construction costs, net	198,475	353,437
Occupancy	4,218	3,259
Compensation	61,533	56,402
Professional fees	<u>12,337</u>	<u>9,109</u>
Total program expenses	<u>276,563</u>	<u>422,207</u>
Management and fundraising costs:		
Compensation	2,943	6,556
Supplies, insurance	7,224	5,786
Professional fees	23,800	21,000
Depreciation expense	<u>877</u>	<u>559</u>
Total management, administrative costs	<u>34,844</u>	<u>33,901</u>
Total expenses	<u>311,407</u>	<u>456,108</u>
Increase in unrestricted net assets before transfers	67,968	124,934
Transfers due to grant project fulfillment	<u>104,500</u>	<u>34,649</u>
Increase in unrestricted net assets from operations	\$ 172,468	\$ 159,583
Loss from impairment	(243,144)	
Unrestricted net assets, beginning	<u>1,111,848</u>	<u>952,265</u>
<b>Unrestricted net assets, ending</b>	<u>\$ 1,041,172</u>	<u>\$ 1,111,848</u>

See independent auditor's report.

**BREAD & ROSES HOUSING, INC.  
 STATEMENTS OF ACTIVITIES  
 TEMPORARILY RESTRICTED  
 YEARS ENDED JUNE 30, 2010 AND 2009**

**TEMPORARILY RESTRICTED REVENUES AND SUPPORT**

Grant income	\$ 227,700	\$ 104,500
Increase in temporarily restricted net assets before transfers	227,700	104,500
Transfers due to grant project fulfillment	<u>(104,500)</u>	<u>(34,649)</u>
Increase in temporarily restricted net assets	123,200	69,851
Temporarily restricted net assets, beginning	<u>104,500</u>	<u>34,649</u>
Temporarily restricted net assets, ending	<u>\$ 227,700</u>	<u>\$ 104,500</u>

See independent auditor's report.

**BREAD & ROSES HOUSING, INC.  
STATEMENTS OF CASH FLOWS  
YEARS ENDED JUNE 30, 2010 AND 2009**

INCREASE (DECREASE) IN CASH

	<u>2010</u>	<u>2009</u>
<b>CASH FLOWS FROM UNRESTRICTED OPERATING ACTIVITIES:</b>		
Increase in net assets	\$172,468	\$159,583
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	877	1,118
In kind contributions	(35,000)	
Non cash gains from sales	(25,000)	(63,750)
Changes in certain accounts:		
Prepaid expenses	545	494
Grants receivable	(76,800)	
Accounts payable, accrued expenses	2,478	30,341
Construction in progress	<u>22,354</u>	<u>(265,510)</u>
Cash provided by (used in) unrestricted operating activities	61,922	(137,724)
Increase in temporarily restricted net assets	<u>123,200</u>	<u>69,851</u>
Cash provided by temporarily restricted net assets	<u>123,200</u>	<u>69,851</u>
Total cash provided by (used in) operating activities	<u>185,122</u>	<u>(67,873)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Payments on mortgage notes receivable, net	6,982	19,185
Purchase of land	(25,647)	
Purchase of equipment	-	(1,031)
Decrease (increase) in certificate of deposit	<u>76,486</u>	<u>(942)</u>
Net cash provided by investing activities	<u>57,821</u>	<u>17,212</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Increase (decrease) in construction loans payable	<u>(29,000)</u>	<u>91,000</u>
Net cash (used in) provided by financing activities	<u>(29,000)</u>	<u>91,000</u>
Net increase in cash	213,943	40,339
Cash balance, beginning	<u>297,793</u>	<u>257,454</u>
Cash balance, Ending	<u>\$511,736</u>	<u>\$297,793</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 \$25,000 in 2010 and \$64,000 in 2009.

See independent auditor's report

**BREAD AND ROSES HOUSING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2010 AND 2009**

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.

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, 2010 AND 2009**

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

During 1part of the 2009 fiscal year, the Agency had concentrations of credit risk in that certain cash deposits were not insured. The Agency deposits such 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 \$227,700 and\$104,500 in 2010 and 2009 respectively that were temporarily restricted for development costs for housing units that had not yet been sold.

Note 4 – Certificate of Deposit

The Agency held a six month certificate of deposit at a bank approximating \$76,000 at June 30, 2009. The certificate matured at the end of September, 2009. It was not renewed.

Note 5 – 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, 2010 AND 2009**

Note 6 - 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 7 – 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 \$66,000 and \$54,000 at June 30, 2010 and 2009 respectively.

Note 8 – Paid time off

Prior to 2009, the Agency provided paid time off for its full time employee but the policy was not formalized until 2009. During that year, management approved a paid time off policy and recognized additional compensation expense approximating \$4,000 for the accrued paid time off and a liability approximating \$25,000 at June 30, 2009.

Note 9 – Impairment loss

The Agency normally 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 has recognized a loss approximating \$243,000 based on the material impairment in value that transpired when compared to recorded values.