

**BREAD & ROSES HOUSING INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013, 2012**

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BREAD & ROSES HOUSING, INC.
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013, 2012

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ACCOUNTANT'S REVIEW REPORT

August 18, 2013

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

I have reviewed the accompanying statements of financial position for Bread & Roses Housing, Inc. (a not-for-profit organization) at June 30, 2013 and 2012 and the related statements of activities, and statements of cash flows for the years then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of 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 taken as a whole. Accordingly, I 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.

My 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 me to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. I believe that the results of my procedures provide a reasonable basis for my report.

Bread & Roses Housing, Inc.
Lawrence, Massachusetts
August 18, 2013
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Based on my reviews, I am not aware of any material modifications that should be made to the accompanying financial statements at and for the year ended June 30, 2013 and 2012 in order for them to be in conformity with generally accepted accounting principles in the United States of America.

Walter H. Pung CPA

BREAD & ROSES HOUSING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

	ASSETS	<u>2013</u>	<u>2012</u>
<u>Current Assets</u>			
Cash		\$ 641,548	\$ 579,773
Grants receivable		-	12,300
Mortgage notes receivable, current portion		12,000	10,000
Prepaid expenses		5,987	5,381
Construction in progress		-	2,735
Total current assets		659,535	610,189
<u>Other Assets</u>			
Land		299,075	299,075
Notes receivable, families, net of current portion		453,323	386,155
Computer equipment			
Net of depreciation of \$4,930 and \$4,802		41	169
Total, other assets		752,439	685,399
TOTAL ASSETS		\$ 1,411,974	\$ 1,295,588
LIABILITIES AND NET ASSETS			
<u>Current liabilities</u>			
Accounts payable		\$ 2,593	\$ 5,668
Total current liabilities		2,593	5,668
<u>Other liabilities</u>			
Accrued compensation		38,098	38,098
Total liabilities		40,691	43,766
NET ASSETS, UNRESTRICTED		1,371,283	1,251,822
		-	-
TOTAL LIABILITIES AND NET ASSETS		\$ 1,411,974	\$ 1,295,588

The footnotes are an integral part of the financial statements

BREAD & ROSES HOUSING, INC.
STATEMENTS OF ACTIVITIES - UNRESTRICTED
YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED REVENUES AND SUPPORT		
Contributions and grant income	\$ 416,562	\$ 387,304
Housing interest and fees	44,653	50,224
Bank interest income	<u>1,078</u>	<u>1,551</u>
Total	462,293	439,079
UNRESTRICTED EXPENSES		
Program costs:		
Program and construction costs, net	218,985	339,446
Occupancy	8,564	8,243
Compensation	72,751	75,279
Professional fees, other program costs	<u>11,811</u>	<u>4,323</u>
Total program expenses	<u>312,111</u>	<u>427,291</u>
Management and fundraising costs:		
Compensation	3,436	5,160
Supplies, insurance	5,460	5,987
Professional fees	21,697	21,991
Depreciation expense	<u>128</u>	<u>494</u>
Total management, administrative costs	<u>30,721</u>	<u>33,632</u>
Total expenses	<u>342,832</u>	<u>460,923</u>
Increase (decrease) in unrestricted net assets	119,461	75,994
Unrestricted net assets, beginning	<u>1,251,822</u>	<u>1,175,828</u>
Unrestricted net assets, ending	<u>\$ 1,371,283</u>	<u>\$ 1,251,822</u>

The footnotes are an integral part of the financial statements

**BREAD & ROSES HOUSING, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2013 AND 2012**

INCREASE (DECREASE) IN CASH

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM UNRESTRICTED OPERATING ACTIVITIES:		
Increase in net assets	\$119,461	\$75,994
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	128	494
Non cash proceeds from property sales	(77,500)	(40,800)
Changes in certain accounts:		
Prepaid expenses	(606)	83
Grants receivable	12,300	(12,300)
Accounts payable, accrued expenses	(3,075)	7,194
Construction in progress	<u>2,735</u>	<u>(2,735)</u>
Cash provided by unrestricted operating activities	53,443	27,930
Decrease in temporarily restricted net assets	<u>-</u>	<u>(97,838)</u>
Cash used in temporarily restricted net assets	<u>-</u>	<u>(97,838)</u>
Total cash provided by (used in) operating activities	<u>53,443</u>	<u>(69,908)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments received on mortgage notes receivable	8,332	11,178
Purchase of land	<u>-</u>	<u>(40,000)</u>
Net cash provided by (used in) investing activities	<u>8,332</u>	<u>(28,822)</u>
Net increase (decrease) in cash	61,775	(98,730)
Cash balance, beginning	<u>579,773</u>	<u>678,503</u>
Cash balance, Ending	<u>\$641,548</u>	<u>\$579,773</u>

Supplemental schedule of financing and investing activities:

Structures were sold with Agency financing approximating \$78,000 in 2013 and \$41,000 in 2012.

The footnotes are an integral part of the financial statements.

BREAD AND ROSES HOUSING, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2013 AND 2012

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 at this time specifically 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, 2013 AND 2012

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

In 2013, The Agency did not receive grants that were permanently or temporarily restricted.

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, 2013 AND 2012

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, insurance as well as amounts held as savings for the families. These funds are not included in the financial statements and approximate \$123,000 and \$102,000 at June 30, 2013 and 2012 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 a liability approximating \$38,000 at June 30, 2013 and 2012 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. The Agency recognizes a loss if the land value falls materially below market value. The Agency determined that there was no impairment in the 2013 or 2012 fiscal year.