

CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.

Financial Statements
December 31, 2009
(With Comparative Totals for 2008)

CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

Table of Contents

	<u>PAGE</u>
Independent Auditors' Report	1
<u>Financial Statements</u>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5-6
Notes to Financial Statements	7-19
<u>Additional Information</u>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20-21

331 PAGE STREET

STOUGHTON, MA 02072

TELEPHONE (781) 344-0850

FAX (781) 344-6960

To the Board of Directors of
Citizens for Affordable Housing in Newton
Development Organization, Inc.
W. Newton, Massachusetts

Independent Auditors' Report on the Financial Statements

We have audited the accompanying statement of financial position of Citizens for Affordable Housing in Newton Development Organization, Inc. as of December 31, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of 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 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 evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens for Affordable Housing in Newton Development Organization, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 2010, on our consideration of Citizens for Affordable Housing in Newton Development Organization, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



SANDBERG, GONZALEZ & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
March 23, 2010

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	<u>ASSETS</u>	
	<u>2009</u>	<u>2008</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 5,737	\$ 9,486
Operating reserves	111	108
Accounts receivable	4,868	23,547
Prepaid insurance and taxes	<u>7,397</u>	<u>12,230</u>
Total current assets	18,113	45,371
<u>Property and Equipment</u>		
Land	803,688	945,302
Buildings	3,561,943	4,131,602
Building improvements	2,414,068	2,451,604
Furniture and equipment	<u>12,047</u>	<u>21,209</u>
Subtotal	6,791,746	7,549,717
Less: accumulated depreciation	<u>1,271,602</u>	<u>1,135,361</u>
Total property and equipment	5,520,144	6,414,356
<u>Other Assets</u>		
Replacement reserves	599	4,084
Housing under development	675,530	
Security deposits	<u>15,041</u>	<u>17,299</u>
Total other assets	<u>691,170</u>	<u>21,383</u>
<u>Total Assets</u>	<u>\$ 6,229,427</u>	<u>\$ 6,481,110</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Line of credit	\$	\$ 77,068
Credit cards	70,497	74,145
Accounts payable	35,707	27,796
Accrued expenses	67,307	61,527
Notes payable	50,000	50,000
Mortgage payable - current portion	340,518	783,061
Tenant security deposits	15,041	17,749
Accrued and deferred interest	63,836	60,504
Revolving loan pool	<u>20,000</u>	<u>20,000</u>
Total current liabilities	662,906	1,171,850
<u>Long-Term Liabilities</u>		
Mortgage payable	<u>5,917,777</u>	<u>5,872,995</u>
Total long-term liabilities	5,917,777	5,872,995
<u>Net Assets</u>		
Unrestricted	(395,269)	(563,735)
Temporarily restricted	<u>44,013</u>	<u></u>
Total net assets	<u>(351,256)</u>	<u>(563,735)</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 6,229,427</u>	<u>\$ 6,481,110</u>

See accompanying notes. See Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009			2008
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Support:				
Contributions	\$ 3,995	\$ 34,013	\$ 38,008	\$ 84,398
In-kind contributions				587
Special events	108,478	10,000	118,478	100,466
Revenue:				
Deferred rental income	5,161		5,161	
Government grants	34,091		34,091	73,956
Rental income	385,813		385,813	395,940
Management fees	2,600		2,600	2,600
Interest income	89		89	105
Total support and revenue	540,227	44,013	584,240	658,052
<u>Expenses</u>				
Housing development	27,713		27,713	32,938
Rental activities	554,034		554,034	598,917
Total program expenses	581,747		581,747	631,855
General and administrative	97,598		97,598	92,231
Fundraising	59,746		59,746	59,003
Total expenses	739,091		739,091	783,089
 <u>Change in Net Assets – Before Other Income (Loss)</u>				
	(198,864)	44,013	(154,851)	(125,037)
 <u>Other Income (Loss)</u>				
Debt forgiveness	529,289		529,289	108,455
Sale of property under development	(161,959)		(161,959)	(432,117)
Total other income (loss)	367,330		367,330	(323,662)
 <u>Change in Net Assets – After Other Income (Loss)</u>				
	168,466	44,013	212,479	(448,699)
 <u>Net Assets - Beginning of Year</u>				
	(563,735)		(563,735)	(115,036)
 <u>Net Assets - End of Year</u>				
	\$ (395,269)	\$ 44,013	\$ (351,256)	\$ (563,735)

See accompanying notes. See Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)**

	2009					2008	
	Housing Development	Rental Activities	Total Program	General and Administrative	Fundraising	Total	Total
Salaries	\$ 10,438	\$ 41,753	52,191	\$ 26,095	\$ 26,095	\$ 104,381	\$ 97,671
Payroll taxes	720	2,877	3,597	1,799	1,799	7,195	7,736
Employee benefits	1,410	5,641	7,051	3,526	3,526	14,103	15,780
Salaries and related expenses	<u>12,568</u>	<u>50,271</u>	<u>62,839</u>	<u>31,420</u>	<u>31,420</u>	<u>125,679</u>	<u>121,187</u>
Advertising				560	308	868	804
Architect							2,190
Bank charges	260	693	953	300	1,490	2,743	1,299
Capital expenditures							3,399
Condo fees		4,296	4,296			4,296	4,296
Conferences				372		372	
Consultants		5,980	5,980	15,763		21,743	21,296
Depreciation		191,952	191,952	548		192,500	208,233
Donations		300	300	100		400	525
Dues and subscriptions				1,574		1,574	2,775
Event expenses					13,406	13,406	6,239
Exterminating		716	716			716	1,269
Filing fees	85	225	310	268		578	1,316
Facility maintenance	177	49,350	49,527	985		50,512	33,372
Insurance		20,963	20,963	5,525		26,488	24,569
Interest	10,394	107,534	117,928	15,296		133,224	173,031
Landscaping		4,270	4,270			4,270	7,299
Legal fees		2,963	2,963	234		3,197	498
Management fees		10,749	10,749			10,749	22,485
Miscellaneous expenses		623	623			623	148
Payroll services	343	1,368	1,711	855	855	3,421	1,207
Postage				680	450	1,130	1,598
Printing				3,211	3,469	6,680	7,791
Professional fees				10,000		10,000	8,000
Real estate taxes		41,841	41,841			41,841	42,160
Rent	2,552	10,208	12,760	6,380	6,380	25,520	24,720
Repairs and maintenance	573	2,560	3,133			3,133	3,187
Security		138	138			138	333
Supplies	58	276	334	1,549	210	2,093	3,124
Supportive services		12,616	12,616			12,616	11,462
Telephone	360	1,439	1,799	900	900	3,599	3,544
Travel	13	51	64	32	32	128	1,708
Utilities		31,333	31,333	220		31,553	34,417
Vehicle expenses	330	1,319	1,649	826	826	3,301	3,608
Total	<u>\$ 27,713</u>	<u>\$ 554,034</u>	<u>\$ 581,747</u>	<u>\$ 97,598</u>	<u>\$ 59,746</u>	<u>\$ 739,091</u>	<u>\$ 783,089</u>

See accompanying notes. See Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

	2009	2008
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 212,479	\$ (448,699)
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Depreciation	192,500	208,233
Debt forgiveness	(529,289)	(108,455)
In-kind development costs		(587)
(Increase) decrease in:		
Accounts receivable	18,679	(21,710)
Prepaid insurance	4,833	(1,273)
Increase (decrease) in:		
Credit cards	(3,648)	(9,094)
Accounts payable	7,911	(34,649)
Accrued expenses	5,780	5,880
Accrued and deferred interest	3,332	
Tenant security deposits	(2,708)	(938)
<u>Net Cash (Used) by Operating Activities</u>	(90,131)	(411,292)
<u>Cash Flows From Investing Activities</u>		
Purchase of land, building and improvements	(711,972)	(14,914)
Sale of developed units	738,154	858,400
Increase in replacement reserves (net)	3,485	3,013
Security deposits (net)	2,258	(938)
<u>Net Cash Provided by Investing Activities</u>	31,925	845,561
<u>Cash Flows From Financing Activities</u>		
Proceeds from mortgages	914,450	398,015
Repayment of mortgage principal	(782,922)	(870,327)
Borrowing on line of credit	5,456	22,267
Repayment of line of credit	(82,524)	(2,249)
<u>Net Cash Provided (Used) by Financing Activities</u>	54,460	(452,294)
<u>(Decrease) in Cash and Cash Equivalents</u>	(3,746)	(18,025)

See accompanying notes. See Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009
(WITH COMPARATIVE TOTALS FOR 2008)

(Continued)

	<u>2009</u>	<u>2008</u>
<u>Cash and Cash Equivalents - Beginning of Year</u>	<u>9,594</u>	<u>27,619</u>
	<u>Beginning</u>	<u>Ending</u>
Cash and cash equivalents	\$ 9,486	\$ 5,737
Operating reserves	<u>108</u>	<u>111</u>
	<u>\$ 9,594</u>	<u>\$ 5,848</u>
 <u>Cash and Cash Equivalents - End of Year</u>	 <u>\$ 5,848</u>	 <u>\$ 9,594</u>
 SUPPLEMENTAL INFORMATION:		
Interest paid and expensed	<u>\$ 133,224</u>	<u>\$ 173,031</u>
Write off of fully depreciated equipment	<u>\$ 9,162</u>	<u>\$ 0</u>

See accompanying notes. See Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

Note 1. Organization

Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO), was organized in January, 1994 in the Commonwealth of Massachusetts as a not-for-profit corporation. The purpose of the Organization is to expand the supply of decent and affordable housing in Newton, Massachusetts. The purpose is accomplished by promoting the development, construction and conversion of properties and serving as a Community Housing Development Organization.

The Organization currently owns and rents four residential properties with a total of 8 affordable housing units. In addition, the Organization has two transitional housing properties with a total of eight units and one group home that houses six people.

Note 2. Summary of Significant Accounting Policies

- a. Standards of Accounting and Reporting
The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

- b. Financial Statement Presentation
Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. No permanently restricted assets were received or held during 2009 or 2008 and accordingly, these financials do not reflect any activities related to this class of net assets for 2009 or 2008.

- c. Property and Equipment
These assets are stated at cost or if donated, at fair value at date of receipt. Maintenance repairs and minor repairs are expensed as incurred and major renewals in excess of \$1,000 which extend the life of the assets are capitalized.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- d. Depreciation
Provisions for depreciation are made in the accounts using the straight-line method. Equipment is being depreciated over 3-7 years and the building and improvements over 20-27.5 years.
- e. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.
- f. Cash and Cash Equivalents
For purposes of the statement of cash flows, Citizens for Affordable Housing in Newton Development Organization, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.
- g. Use of Estimates
The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.
- h. Restricted and Unrestricted Revenue
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a time or purpose restriction expires, restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions.
- i. Donated Materials and Services
Donated goods and services represent the estimated fair market value of materials and services provided. Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

i. Donated Materials and Services (Continued)

For the year ended December 31, 2009, the Organization received legal services valued at \$1,500 provided during the sale of housing units during the year. The value was not reflected in the accompanying financial statements as it did not meet the criteria for recognition.

Note 3. Tax Status

Citizens for Affordable Housing in Newton Development Organization, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an Organization that is not a private foundation under Section 509(a)(1).

Note 4. Concentration of Credit Risk

Credit risk with respect to receivables is considered low because a substantial portion is due from tenants. Tenant receivables are closely monitored by management and rental property management companies with strict guidelines in place when balances initially become delinquent.

Note 5. Property Under Development

At December 31, 2009, the Organization had the following site including land, building and improvements under development:

	<u>Land</u>	<u>Building and Improvements</u>	<u>Total</u>
Veteran House	\$ 67,553	\$ 607,977	\$ 675,530

Note 6. Contract Management Services

Two residential rental properties, Nonantum Place and Christina Street, are managed by the Newton Community Development Foundation. Contracted management fees for the years ended 2009 and 2008 were \$10,749 and \$22,485, respectively.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable

	2009			2008
	Current	Long Term	Total	Total
<u>Nonantum Place - Three Unit Residential</u>				
Newton Community Development Authority-Rehab dated 6/20/96 of \$123,455; at 3% per annum; requires monthly payments of \$685; administered by Brookline Savings Bank, secured by real estate; due 7/1/2016; balance forgiven in June 2009;	\$ --	\$ --	\$ --	\$ 55,605
Newton Community Development Authority dated 12/1/95, of \$104,247; forgivable deferred loan; due 15 years from completion date or April, 2011; one-fifteenth of unpaid balance due annually until maturity; payment deferred as long as Organization continues to own property and verification of restrictions are filed timely and events of acceleration have not occurred;	--	104,247	104,247	104,247
Community Economic Development Corporation (CEDAC) date of 1/3/97 of \$90,000 at 5% accrued for first twenty years; due 2017; a cash payment due annually if gross receipts exceeds 105% of cash expenditures; Organization in compliance and all payments deferred; accrued interest totaled \$35,975;	--	90,000	90,000	90,000
The Village Bank Loan dated 12/28/06, of \$130,000 at 7.125%; requiring monthly payments of \$884.97; due 12/28/21.	1,735	123,708	125,443	127,519
Subtotal Nonantum Place	1,735	317,955	319,690	377,371

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009			2008
	Current	Long Term	Total	Total
<u>Christina Street – Five Unit Residential</u>				
Newton Community Development Authority dated 8/26/99 of \$225,000 at 7%; due forty years from project completion; one-fifteenth of original principal, \$15,000, and accrued interest due each annual anniversary date of completion; payment deferred if Organization in compliance; secured by third mortgage on property;	--	225,000	225,000	225,000
Newton Community Development Authority administered by Brookline Savings Bank dated 8/1/02 of \$200,000 at 3%; due in monthly payments of \$843.21; balance due 6/2/2032; secured by third mortgage on property; balance forgiven in June 2009;	--	--	--	171,313
Boston Community Loan Fund dated 5/23/02 of \$101,942 at 7%; due in monthly payments of \$677.94, balance due 1/15/2024; secured by second mortgage on the subject property;	1,173	97,426	98,599	99,771
Newton Community Development Authority dated 12/02 of \$45,150 at 7.25%; balance due 12/2022; secured by second mortgage on the subject property;	--	45,150	45,150	45,150
The Village Bank (formerly the Auburndale Co-operative Bank) dated 7/18/02 of \$688,315 at 6.375%; requiring monthly payments of \$1,864.09; balance due by 7/18/2032;	5,528	260,672	266,200	272,965
CEDAC 8/15/2002 of \$125,000 at 0%; unless in default, then at 5%; balance due 7/15/2032;	--	125,000	125,000	125,000
Newton Community Development Authority dated 2/12/04 of \$32,736 at 3%; due in monthly payments of \$138.02; balance due 2/12/2034; balance forgiven in June 2009;	--	--	--	29,299

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009		2008	
	Current	Long Term	Total	Total
<u>Christina Street – Five Unit Residential</u> (continued)				
Newton Community Development Authority dated 2/12/04 of \$11,665; forgivable deferred loan at 7.25% per annum; due 2/12/14 as long as Organization continues to own property and verification of restrictions are filed timely and events of acceleration have not occurred.	--	11,665	11,665	11,665
Subtotal Christina Street	6,701	764,913	771,614	980,163
<u>Webster Street – Six Units Residential</u>				
Newton Community Development Authority dated 8/23/00 of \$237,957 at 7%; due forty years from project completion; one-fortieth of original principal, \$5,625, and accrued interest due each annual anniversary date of completion; payment deferred if Organization in compliance; secured by third mortgage on property;	--	237,957	237,957	237,957
The Village Bank (formerly the Auburndale Co-operative Bank) dated 3/14/02 of \$325,000 at 6.5%; due in monthly payments of \$1,804; balance due 3/14/2032;	6,160	282,710	288,870	297,236
CEDAC 4/22/02 of \$389,811 at 6.375%;	--	389,811	389,811	389,811
Massachusetts Housing of \$250,000 at 6.375%.	--	250,000	250,000	250,000
The Newton Community Development Authority dated July 2, 2009 of \$8,150 at 0% interest rate; balance due July 2, 2014; 20% of loan amount will be forgiven on each anniversary of the date of loan with compliance of terms and conditions of loan.	1,630	6,520	8,150	--
Subtotal Webster Street	7,790	1,166,998	1,174,788	1,175,004
<u>18-20 Cambria Road – Two Units Residential</u>				
City of Newton, Community Preservation Grant (CPA) dated 9/29/03; deferred grant loan with a permanent affordable housing restriction;	--	200,000	200,000	200,000

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009		2008	
	Current	Long Term	Total	Total
<u>18-20 Cambria Road – Two Units Residential</u> (continued)				
Newton Community Development Authority serviced by Brookline Bank dated 8/1/2003 of \$106,492 at 3% due in monthly payments of \$449 balance due 8/1/2033; balance forgiven in June 2009;	--	--	--	93,826
The Village Bank (formerly the Auburndale Co-operative Bank) dated 12/19/02 of \$400,000 at 5%; due in monthly payments of \$2,032.40; balance due January 2033;	6,672	283,340	290,012	296,630
Newton Community Development Authority dated 12/19/02 of \$200,000 at 7%; due 50 years from completion; no interest accrual as cancellation of obligation expected;	--	200,000	200,000	200,000
Newton Community Development Authority dated 7/22/03 of \$25,969; forgivable deferred loan in ten years as long as no change in use;	--	25,969	25,969	25,969
Newton Community Development Authority dated 10/29/08 of \$6,910; comprised of CDBG funds.	--	6,910	6,910	6,910
Subtotal 18-20 Cambria Road	<u>6,672</u>	<u>716,219</u>	<u>722,591</u>	<u>823,335</u>

11-13 Cambria Road – Two Units Residential

Benjamin Franklin Bank dated 7/13/06, of \$160,000 at 7%; requiring monthly payments of \$1,075.65, due 7/13/36; refinanced July 2009 at the Village Bank of \$240,000 for a 15 year term with a 30 year amortization. The interest rate for the first 5 years is 6%. On each five year anniversary the interest rate will adjust to the 5 year federal home loan Bank of Boston Regular Classic Advance rate plus 2.5%; paid in full July 2009;	--	--	--	155,990
Newton Community Development Authority dated 1/6/06; of \$200,000 at 0%; forgivable deferred loan provided the property complies with Community Development Block Grant program regulations and requirements for no less than 50 years;	--	200,000	200,000	200,000

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009		2008	
	Current	Long Term	Total	Total
<u>11-13 Cambria Road – Two Unit Residential</u> (continued)				
City of Newton, Community Preservation Grant (CPA) dated 5/16/06; deferred grant loan with a permanent affordable housing restriction;	--	350,000	350,000	350,000
Local Initiatives Support Corporation dated 3/28/06 at 6% on the outstanding principal balance due on a monthly basis; due and payable on the earlier of (i) the closing and initial funding date of any Community Preservation Funds for the "Project" from the Commonwealth of MA, or (ii) the two year anniversary of the first day of the first full month after the closing date (5/1/08);	--	--	--	447
NCDA dated 8/1/06, of \$49,975 at 0%; requiring monthly payments of \$138.82; due 8/1/36; balance forgiven in June 2009;	--	--	--	45,809
The Village Bank (formerly Auburndale Co-operative Bank) dated July 14, 2009 of \$240,000 at 6%; due in monthly payments of \$1,425.58; balance due on July 14, 2039;	3,873	234,892	238,765	--
Subtotal Cambria Road	3,873	784,892	788,765	752,246
<u>Chestnut Street</u>				
Cambridge Savings Bank construction loan dated 12/30/03 up to \$2,775,000, at 6%, due 12/1/2005; additional \$144,204 drawn 2007 and reduced by sale proceeds, remaining \$198,276 restructured; due March 31, 2018; 3.5% fixed for three years through March 31, 2012; re-priced at 250 bps over the 3 year FHLB rate for years 4-6 and 6-9;	3,939	190,458	194,397	198,276
Subtotal Chestnut Street	3,939	190,458	194,397	198,276
<u>Falmouth Road – Two Unit Residential</u>				
The Village Bank loan dated 10/12/05 of \$287,500; interest at 6.625%; \$1,859.10 monthly due 10/12/2020;	5,383	267,042	272,425	277,022

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009			2008
	Current	Long Term	Total	Total
<u>Falmouth Road – Two Unit Residential</u> (Continued)				
Newton Community Development Authority dated 9/1/05 of \$80,000 at zero interest; payments of \$222.22 monthly with balance due 10/1/2035 requiring continued ownership and verification of restrictions filings monthly or other events which by cause acceleration; balance forgiven in June 2009;	--	--	--	71,556
City of Newton, Community Preservation Funding (CPA), dated 8/11/2005 of \$275,000, deferred grant loan with a permanent affordable housing restriction and repayment of \$237,500 to MHIC; only payable if the terms of the deed restriction are violated;	--	275,000	275,000	275,000
Newton Community Development Authority deferred loan dated 8/11/2005 of \$62,500; comprised of CDBG funds; zero interest balance forgivable 10/2054;	--	62,500	62,500	62,500
Newton Community Development Authority deferred loan dated 10/15/04 of \$200,000; balance due 10/15/54;	--	200,000	200,000	200,000
Subtotal Falmouth Road	5,383	804,542	809,925	886,078
<u>Jackson Road – Two Unit Residential</u>				
The Village Bank loan dated 10/12/05 of \$287,500; interest at 5.5%; \$1,859.10 monthly due 10/12/2020;	4,425	268,000	272,425	277,022
Newton Community Development Authority dated 9/1/05 of \$80,000 at zero interest; payments of \$222.22 monthly with balance due 10/1/2035 requiring continued ownership and verification of restrictions filings monthly or other events which cause acceleration; balance forgiven in June 2009;	--	--	--	71,556

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009			2008
	Current	Long Term	Total	Total
<u>Jackson Road – Two Unit Residential</u> (continued)				
City of Newton, Community Preservation Funding (CPA), dated 8/11/2005 of \$275,000, deferred grant loan with a permanent affordable housing restriction and repayment of \$237,500 to MHIC; only payable if the terms of the deed restriction are violated;	--	275,000	275,000	275,000
Newton Community Development Authority deferred loan dated 8/11/2005 of \$62,500; comprised of CDBG funds; zero interest balance forgivable 10/2054;	--	62,500	62,500	62,500
Newton Community Development Authority deferred loan dated 10/15/04 of \$200,000; balance due 10/15/2054;	--	200,000	200,000	200,000
Subtotal Jackson Road	4,425	805,500	809,925	886,078
<u>Coyne Road</u>				
The Village Bank dated November 6, 2007 of \$70,400 interest only at 5.5% pending receipt of CDBG and HOME funds, balance due on 2/6/09; paid in full August 2009;	--	--	--	186,400
Newton Community Development Authority deferred loan dated January 7, 2008; totaling \$391,105 comprised of CDBG and HOME funds; zero interest; balance forgivable 10/2054;	--	--	--	391,105
Subtotal Coyne Road	--	--	--	577,505

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 7. Mortgage Payable (Continued)

	2009			2008
	Current	Long Term	Total	Total
<u>Veteran House-Two Unit Residential</u>				
The Village Bank dated November 16, 2009 of \$666,300 at 6% interest rate; payments of interest only are due and payable monthly; balance due November 16, 2010; \$300,000 to be repaid upon receipt of loan funds from the Newton Community Development Authority (CDBG) approved 12/30/09; payable 50 years from completion date.	366,300	300,000	666,300	--
Subtotal Veteran House	366,300	300,000	666,300	--
<u>Total Mortgages Payable</u>	<u>\$ 406,818</u>	<u>\$ 5,851,477</u>	<u>\$ 6,258,295</u>	<u>\$ 6,656,056</u>

Future minimum payments of principal are as follows:

2010	\$ 406,818
2011	40,059
2012	42,384
2013	44,854
2014	47,478
2015 and thereafter	5,676,702

Note 8. Note Payable

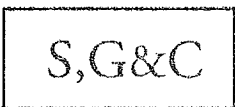
From an individual dated July 23, 2007 for \$50,000 zero interest due December 31, 2007, extended to December 31, 2010.

Note 9. Line of Credit

The Organization had a \$57,000 line of credit with an interest rate of 7.25% per year expiring June 30, 2009 and another \$20,000 line of credit with an interest rate of 4.25% per year expiring February 15, 2049. In addition, one credit card had a cash advance totaling \$68. During fiscal year 2009, the whole balance was paid off.

Note 10. Revolving Loan Pool

In 1999, the Organization received a \$20,000 grant from the Newton Community Development Authority to establish a revolving account, which will provide immediate funding for deposits and down payments to acquire property for use as affordable housing.



**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 11. Developer Fees

The Organization earns developer fees from the renovation of housing projects. These fees fluctuate throughout the course of a project due to budget changes. No development fees were recognized in 2009 due to the board decision to abort a development project in 2009.

Note 12. Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. Upon termination the employee is compensated for any accrued but unused vacation pay. The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

Note 13. Retirement Plan

A 403B plan was established in 2001 that covers the Executive Director. Pension expense for 2009 and 2008 totaled \$6,615 and \$6,615, respectively. The estimated unfunded benefit totals \$53,713 and is included as an accrued liability.

Note 14. Related Party Activity

In accordance with the Agency's articles of Organization one Board member is an income eligible tenant in one of the units authorized and monitored by the U. S. Department of Housing and Urban Development.

One board member provides printing services to the Organization through his business at a reduced rate that totaled \$1,744 for 2009.

The Executive Director is an employee of the Organization.

Note 15. Leases

Citizens for Affordable Housing in Newton Development Organization, Inc. entered into a lease agreement extension expiring June 1, 2009. The lease requires monthly payments of \$2,005 in 2008 and increased to \$2,085 from July 2008. Rent expense for the year ended 2009 and 2008, totaled 25,520 and \$24,721, respectively. Future minimum rental payments for the year ending December 31 are as follows:

2010	\$ 25,020
------	-----------

In addition, the Organization entered into an operating lease agreement for a vehicle expiring 2010. The lease requires monthly payments of \$258. Future minimum lease payments for the year ending December 31 are as follows:

2010	\$ 714
------	--------

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009
(Continued)

Note 16. Lead Free Forgivable Grant/Loans

The Organization has received a number of grants to remove lead from various developments ranging from \$2,998 to \$30,000. These grants are reduced over a five year period by the City of Newton. Many of these grants were reported as revenue in the years received. All properties receiving these grants are currently operating as income eligible housing.

Note 17. Forgiven Debt

At December 31, 2009, the City of Newton forgave affordable housing loans provided through the Newton Community Development Authority, as itemized in Note 7, for the improvement of the following affordable housing sites:

Nonantum Street	\$ 52,321
Christina Street	198,202
Cambria Road	137,890
Falmouth Road	70,438
Jackson Road	<u>70,438</u>
Total	<u>\$529,289</u>

Note 18. Sale of Property Under Development

The Organization completed the sale of affordable housing located on Coyne Road in 2009 resulting in the following:

Cost of housing	\$ 738,153
Cost of sale	1,311
Less: Liquidation of debt	<u>577,505</u>
Loss on sale of affordable Housing	<u>\$(161,959)</u>

331 PAGE STREET
STOUGHTON, MA 02072
TELEPHONE (781) 344-0850
FAX (781) 344-6960

To the Board of Directors of
Citizens for Affordable Housing in Newton
Development Organization, Inc.
West Newton, Massachusetts

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

We have audited the financial statements of Citizens for Affordable Housing in Newton Development Organization, Inc. as of and for the year ended December 31, 2009, and have issued our report thereon dated March 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of Citizens for Affordable Housing in Newton Development Organization, Inc. as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Citizens for Affordable Housing in Newton Development Organization, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.


Our consideration of the internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citizens for Affordable Housing in Newton Development Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the management of Citizens for Affordable Housing in Newton Development Organization, Inc. in a separate letter dated March 23, 2010.

This report is intended solely for the information and use of the audit committee, management, and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.



SANDBERG, GONZALEZ & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
March 23, 2010