

TEDFORD HOUSING
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JUNE 30, 2008

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Tedford Housing
P.O. Box 958
Brunswick, Maine 04011

We have audited the accompanying statement of financial position of Tedford Housing (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses, and cash flows for the years 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. 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 Tedford Housing as of June 30, 2008 and 2007, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

January 13, 2009

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization and Nature of Activities

Tedford Housing, a nonprofit organization located in Brunswick, Maine, is a multi-service social agency whose mission is to meet the basic needs of homeless people and help them become self-sufficient.

Tedford Housing maintains two shelters in Brunswick and one in Bath. Up to eighteen individuals can stay at 49 Cumberland Street, Brunswick and up to six families with children can stay in apartments located at 34 Federal Street in Brunswick. The shelter at 500 Middle Street in Bath accommodates five adults. The Organization also offers services and programs to help individuals and families obtain permanent housing and employment. In addition, the Tedford Housing Homeless Prevention Program provides housing information in collaboration with area landlords and security deposit subsidy.

Tedford Housing is in the process of purchasing and renovating two additional shelters: The United Church of Christ in Bath will accommodate 6 families; and 19 Middle Street in Brunswick will accommodate 8 adults.

Tedford Housing is governed by a board of local volunteers.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenditures are recognized when incurred.

Basis of Presentation

Financial statement presentation follows the recommendation 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, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted Net Assets

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

Net assets whose uses by the Organization are 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

Net assets subject to donor-imposed restrictions that may be maintained permanently by the Organization.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Functional Allocation of Expenses

The costs of providing emergency shelter and other activities are summarized on the functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated between Tedford Housing and supporting services benefited.

Investments

Investments are stated at fair value. Quoted market prices are used to value investments.

Land, Building, and Improvements

Land, Building, and Improvements are stated at cost. Depreciation is provided over the estimated useful lives using the straight-line method.

Deferred Revenue

Deferred Revenue results from grant money that has not been spent as of the balance sheet date. Revenue is recognized only to the extent expenses were incurred.

Donated Services and Materials

Donated food is reflected in the accompanying statements as contributions with a like amount included in food expense at its estimated market value at date of receipt. The value of donated services is not included in the accompanying financial statements since there is no objective basis available by which to measure the value of such services. However, a substantial number of volunteers donate approximately 50 hours per week of direct services. Volunteers have also donated significant amounts of their time in board activities.

Tax Exemption

Tedford Housing is a not-for-profit organization and is exempt from income taxes under §501(c)(3) of the Internal Revenue Code.

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NOTE B - CASH AND CASH EQUIVALENTS:

The Organization's cash is categorized to give an indication of the level of risk assumed by the Organization at year-end. These categories are defined as follows:

Category #1 - Insured or collateralized with securities held by the Organization or by its agent in the Organization's name.

Category #2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Organization's name.

Category #3 - Uncollateralized (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Organization's name).

ACCOUNT TYPE	CARRYING AMOUNT	BANK BALANCE	CATEGORY		
			#1	#2	#3
Interest Bearing Accounts	\$ 403,048	\$ 418,913	\$ 155,807	\$	\$ 263,106

NOTE C - INVESTMENTS:

Investments as of June 30, 2008 are summarized by type as follows:

	JUNE 30, 2008 COST	JUNE 30, 2008 FAIR VALUE
Mutual Funds	\$ 259,885	\$ 285,688

NOTE D - FIXED ASSETS:

Activity in fixed assets accounts for the year ended June 30, 2008 is as follows:

	BALANCE JULY 1, 2007	ADDITIONS	BALANCE JUNE 30, 2008
Land	\$ 62,620	\$ 45,000	\$ 107,620
Building	2,128,345	242,922	2,371,267
Furniture, Fixtures, and Equipment	17,673	2,387	20,060
Leasehold Improvements	56,165		56,165
Total Fixed Assets	\$ 2,264,803	\$ 290,309	\$ 2,555,112
Accumulated Depreciation	105,962	62,881	168,843
Fixed Assets Net of Accumulated Depreciation	\$ 2,158,841	\$ 227,428	\$ 2,386,269

NOTE E - DONATED MATERIALS:

The value of donated food, which is included as revenue and expense in the financial statements, is \$56,650 for the year ended June 30, 2008.

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NOTE F - GRANTS:

State and Federal Grants include:

HUD - Development	\$ 37,800
Maine State Housing Authority	6,415
Maine State Housing Authority - Rehab Program	23,378
Maine State Housing Authority - State Funds	165,524
Maine State Housing Authority - Development	53,057
Maine State Housing Authority - Emergency Shelter Grant Program (ESG)	53,153
Federal Emergency Management Association (FEMA)	14,310
State and Federal Grants - Total	<u>\$ 353,637</u>

The Organization records income from grants in the period when it has incurred expenditures in compliance with the restrictions of the grantor.

NOTE G - EMPLOYEE RETIREMENT BENEFITS:

Tedford Housing offers a Simple IRA with an employer-match to all employees after one year of continuous employment, provided that the Organization has sufficient resources. Employees may elect to have one, two, or three percent of wages matched by Tedford Housing towards the Simple IRA Retirement Savings Plan. The Plan is managed by American Funds. During the fiscal year ending June 30, 2008 employee contributions totaled \$9,995 and employer contributions totaled \$7,654.

Tedford Housing offers an Internal Revenue Code Section 457 Plan to employees approved by the Board of Directors. The Plan was effective July 1, 2005. Employees can elect to defer compensation to the Plan. Employer contributions are discretionary and can be awarded to individuals within the Plan. During the fiscal year ending June 30, 2008 there were no employee or employer contributions to the Plan.

NOTE H - RENT:

The Shelter leases the land and building located at 34 Federal Street under a ten year operating lease. The current lease term expires on June 30, 2010. The Shelter has an option to renew the lease for two additional ten year terms commencing on July 1, 2010 and July 1, 2020. Annual rent is subject to change provided notice is given thirty days prior to each lease anniversary date.

The Shelter also rents office space in Brunswick. Total rent expense for the year ended June 30, 2008 was \$6,300.

NOTE I - PRIOR YEAR NET ASSETS:

The unrestricted net assets was reduced by \$307,176 because a Forgivable Loan with Maine State Housing was included in contributions and should have been a long-term liability.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE J - NOTES PAYABLE:

Notes payable as of June 30, 2008 consists of the following:

CREDITOR	INTEREST RATE	TYPE	SECURITY	TOTAL	SHORT- TERM	LONG- TERM
Maine State Housing Authority - 500 Middle Street	0%	Mortgage	Land & Building	\$135,000	\$ 5,000	\$130,000
Maine State Housing Authority - 500 Middle Street	0%	Mortgage	Land & Building	200,000		200,000
Maine State Housing Authority - 19 Middle Street	0%	Mortgage	Land & Building	590,121	5,055	585,066
				<u>\$925,121</u>	<u>\$ 10,055</u>	<u>\$915,066</u>

Maine State Housing Authority - 500 Middle Street, Bath, Maine -

In February 2005 Tedford Housing obtained a deferred loan and a forgivable loan from Maine State Housing Authority for the purchase and renovations of 500 Middle Street, Bath, Maine. The deferred loan of \$150,000 is financed at 0% for 30 years and becomes payable in full upon sale, or transfer of the property, or February 27, 2035.

The forgivable loan of \$250,000 is financed at 0% for 30 years. The loan will be forgiven as follows:

Twenty percent (20%) of the original principal balance was forgiven on the date that the mortgage is duly recorded in the Sagadahoc County Registry of Deeds. Forty percent (40%) of the original principal balance shall be forgiven 15 years from the date of the note. The remaining 40% of the original principal balance shall be forgiven 30 years from the date of the note.

Maine State Housing Authority - 19 Middle Street, Brunswick, Maine -

The forgivable loan of \$619,900 is financed at 0% for 30 years. The loan will be forgiven as follows:

Twenty percent (20%) of the forgivable note of \$98,342 was forgiven at closing of the loan October 17, 2006. Forty percent (40%) of the \$98,342 is forgiven at 15 years from the original date of the note with the remaining forty percent (40%) forgiven 30 years from the date of the note.

The deferred portion of the note, (\$151,657) will be due 30 years from the date of loan closing.

The remaining \$369,901 of the forgivable note is forgiven in the following order: Fifty percent (50%) of the note is forgiven 15 years from the execution of the permanent mortgage and the remaining fifty percent (50%) will be forgiven 30 years from the time of execution of the permanent mortgage documents.

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NOTE K - FRIENDS OF TEDFORD HOUSING:

The Friends of Tedford Housing raises money to assist in the purchase of equipment and supplies for operation of the shelter. The balance of their checking and savings accounts combined was \$210 at June 30, 2008.

NOTE L - CASH ADVANCES - STATE OF MAINE:

During the 2006 fiscal year, the State of Maine sent advance payments to Tedford Housing for unpaid billings. At June 30, 2007 Tedford Housing owed the State of Maine \$25,507 for the advanced payments received. Tedford Housing has paid this cash advance in full as of June 30, 2008.

NOTE M - HOMELESS TO HOPE CAMPAIGN:

The Homeless to Hope Campaign raises money to fund renovations of supportive housing. During the fiscal year ended June 30, 2008 the campaign raised \$11,855.

NOTE N - RENTAL INCOME:

Tedford Housing has a rental program where they pay rent for shelter residents and the residents pay the shelter back. For fiscal year ended June 30, 2008 rental income was \$151,335 and the related rental expenses were \$63,752.02.

NOTE O - SUBSEQUENT EVENTS:

Tedford Housing has been approved to receive \$162,398 from the 2006 Region II Homeless Council Housing for the Homeless RIP. They are in the process of developing two units of permanent housing for homeless families to be located at 19 Pleasant Street in Augusta.

NOTE P - FLEXIBLE BENEFIT PLAN:

On April 12, 2005 Tedford Housing started a flexible Health Benefit Plan for employees. The plan allows employees to contribute pre-tax income into a reimbursement account to cover out of pocket medical expenses. Contributions to the plan by employees totaled \$496.16 for the year ended June 30, 2008.

NOTE Q - CONTRACTS:

On October 29, 2008 Tedford Housing entered into a contract with the Midcoast Regional Redevelopment Authority to provide services for homeless families in the Brunswick Naval Air Station redevelopment area. As part of the contract \$686,605 in funds (conveyance proceeds) will be held in trust for Tedford Housing to utilize for homeless programs.

NOTE R - HOUSING ASSISTANCE CONTRACT:

On April 25, 2008 Tedford Housing entered into a housing assistance payment contract with the Department of Housing & Urban Development. This contract covers the rental assistance for 2 units at the 19 Pleasant Street Augusta property. This contract expires April 25, 2018.