

**TEDFORD HOUSING
ANNUAL REPORT
JUNE 30, 2012**

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited Tedford Housing's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Tedford Housing's major federal programs for the years ended June 30, 2012 and 2011. Tedford Housing's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Tedford Housing's management. Our responsibility is to express an opinion on Tedford Housing's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tedford Housing's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Tedford Housing's compliance with those requirements.

In our opinion, Tedford Housing complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended June 30, 2012 and 2011.

Internal Control Over Compliance

The management of Tedford Housing is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tedford Housing's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Tedford Housing's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in dark ink, appearing to read "William H. Brewer". The signature is written in a cursive, flowing style.

October 19, 2012

WILLIAM H. BREWER
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**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**

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

We have audited the financial statements of Tedford Housing (a nonprofit organization) as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated October 19, 2012. 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

Management of Tedford Housing is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tedford Housing'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 Tedford Housing's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 a 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 internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tedford Housing'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 instance of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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This report is intended solely for the information and use of management, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 19, 2012

A handwritten signature in cursive script, appearing to read "William H. Brewer".

TEDFORD HOUSING
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS		2012	2011
CURRENT ASSETS:			
Cash (Note B)	\$	312,986	\$ 683,890
Accounts Receivable		115,276	136,197
Investments (Note C)		249,818	260,386
Prepaid Expenses		7,185	
Total Current Assets	\$	<u>685,265</u>	<u>\$ 1,080,473</u>
PROPERTY, PLANT, AND EQUIPMENT (NOTE D):			
Land	\$	117,428	\$ 117,428
Buildings		5,786,073	4,987,837
Furniture, Fixtures, and Equipment		21,976	21,277
Leasehold Improvements		56,165	56,165
Total Property, Plant, and Equipment	\$	<u>5,981,642</u>	<u>\$ 5,182,707</u>
Less: Accumulated Depreciation		638,763	512,242
Net Property, Plant, and Equipment	\$	<u>5,342,879</u>	<u>\$ 4,670,465</u>
Total Assets	\$	<u><u>6,028,144</u></u>	<u><u>\$ 5,750,938</u></u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Notes Payable - Current Portion (Note I)	\$	15,468	\$ 15,468
Accounts Payable		9,595	10,408
Accrued Payroll and Taxes		41,294	
Security Deposits		39,183	30,566
Total Current Liabilities	\$	<u>105,540</u>	<u>\$ 56,442</u>
LONG-TERM DEBT:			
Notes Payable - Net of Current Portion (Note I)		3,624,654	3,644,218
Total Liabilities	\$	<u>3,730,194</u>	<u>\$ 3,700,660</u>
NET ASSETS:			
Unrestricted	\$	2,295,450	\$ 2,038,951
Temporarily Restricted		2,500	11,327
Total Net Assets	\$	<u>2,297,950</u>	<u>\$ 2,050,278</u>
Total Liabilities and Net Assets	\$	<u><u>6,028,144</u></u>	<u><u>\$ 5,750,938</u></u>

The accompanying notes are an integral part of the financial statements

TEDFORD HOUSING
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	UNRESTRICTED	TEMPORARILY RESTRICTED	2012 TOTAL	2011 TOTAL
PUBLIC SUPPORT AND REVENUE:				
Contributions	\$ 275,028	\$ -	\$ 275,028	\$ 213,434
State and Federal Grants	755,689		755,689	268,173
County and Municipal Support	62,821		62,821	81,587
United Way	85,470		85,470	72,468
Warm Thy Neighbor	55,823		55,823	81,243
Other Restricted Grants		27,673	27,673	21,540
ARC Contract	2,500		2,500	1,500
Miscellaneous/Special Events				541
Interest and Dividends	2,448		2,448	3,728
Unrealized Appreciation	(924)		(924)	43,415
Rental Income (Note K)	240,217		240,217	190,132
Targeted Case Management	78,785		78,785	38,141
Supportive Housing	9,696		9,696	65,922
Net Assets Released from Restrictions:				
Restrictions Satisfied by Payments	36,500	(36,500)		
Total Public Support and Revenue	\$ 1,604,053	\$ (8,827)	\$ 1,595,226	\$ 1,081,824
EXPENSES:				
Program Services:				
Tedford Housing	\$ 534,894	\$ -	\$ 534,894	\$ 597,130
Homelessness Prevention	148,159		148,159	145,905
Supportive Housing	452,767		452,767	369,445
Total Program Services	\$ 1,135,820	\$ -	\$ 1,135,820	\$ 1,112,480
Support Services:				
Management and General	\$ 165,744	\$ -	\$ 165,744	\$ 112,234
Fund Raising	45,990		45,990	35,203
Total Support Services	\$ 211,734	\$ -	\$ 211,734	\$ 147,437
Total Expenses	\$ 1,347,554	\$ -	\$ 1,347,554	\$ 1,259,917
Excess Public Support and Revenue				
Over (Under) Expenses	\$ 256,499	\$ (8,827)	\$ 247,672	\$ (178,093)
OTHER REVENUES:				
Homeless to Hope Campaign (Note K)				1,000
Change in Net Assets	\$ 256,499	\$ (8,827)	\$ 247,672	\$ (177,093)
Net Assets, July 1	2,038,951	11,327	2,050,278	2,227,371
Net Assets, June 30	\$ 2,295,450	\$ 2,500	\$ 2,297,950	\$ 2,050,278

The accompanying notes are an integral part of the financial statements

TEDFORD HOUSING
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	TEDFORD HOUSING	HOMELESSNESS PREVENTION	MANAGEMENT AND GENERAL	SUPPORTIVE HOUSING	FUND RAISING	2012 TOTALS	2011 TOTALS
Payroll and Related Taxes	\$ 265,688	\$ 109,531	\$ 98,277	\$ 116,668	\$ 40,035	\$ 630,199	\$ 610,027
Employee Health Benefits	33,438	13,445	8,722	12,263	4,542	72,410	57,828
Food	2,568					2,568	2,214
Client Services	2,506	2,491				4,997	4,973
Security Deposits		11,831				19,066	26,490
Rent (Note H)	8,628		8,640	7,235		24,857	69,596
Utilities and Telephone	32,630	1,939	9,347	138,825		182,741	148,362
Supplies	3,993	1,628	6,806	2,240		14,667	20,039
Insurance	19,773	3,296	4,943	4,943		32,955	48,120
Miscellaneous	8,429	3,998	28,247	42,262	1,413	84,349	78,559
Maintenance and Repairs	30,720		762	48,782		80,264	68,275
Depreciation	126,521					126,521	125,434
Bad Debt Expense				71,960		71,960	
Total Expenses	<u>\$ 534,894</u>	<u>\$ 148,159</u>	<u>\$ 165,744</u>	<u>\$ 452,767</u>	<u>\$ 45,990</u>	<u>\$ 1,347,554</u>	<u>\$ 1,259,917</u>

The accompanying notes are an integral part of the financial statements

TEDFORD HOUSING
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (Decrease) in Net Assets	\$ 247,672	\$ (177,093)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash from Operating Activities:		
Depreciation	126,521	125,434
Unrealized (Appreciation) Depreciation	925	(43,415)
(Increase) Decrease in Accounts Receivable	20,921	(15,233)
(Increase) in Prepaid Expenses	(7,185)	
(Decrease) in Accounts Payable	(816)	(3,476)
Increase in Accrued Payroll and Taxes	41,294	
Increase in Security Deposits	8,617	4,636
(Decrease) in Deferred Revenue		(50,000)
Net Cash Provided by (Used in) Operating Activities	<u>\$ 437,949</u>	<u>\$ (159,147)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property, Plant, and Equipment	\$ (798,935)	\$ (1,554,652)
Purchase of Investments	(1,948)	(2,699)
Proceeds from Investments	11,591	11,881
Net Cash Used in Investing Activities	<u>\$ (789,292)</u>	<u>\$ (1,545,470)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Borrowing	\$ -	\$ 1,896,607
Principal Payment on Debt	(19,562)	(41,275)
Net Cash Provided by (Used in) Financing Activities	<u>\$ (19,562)</u>	<u>\$ 1,855,332</u>
 Increase (Decrease) in Cash	<u>\$ (370,905)</u>	<u>\$ 150,715</u>
Cash Balance, July 1	683,891	533,176
Cash Balance, June 30	<u>\$ 312,986</u>	<u>\$ 683,891</u>

The accompanying notes are an integral part of the financial statements

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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. Up to twenty 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.

Tedford Housing operates supportive housing at the following locations:

- Evergreen Woods – Bath, Maine accommodates six families
- Everett Street – Brunswick, Maine accommodates eight adults
- Pleasant Street – Augusta, Maine accommodates two families
- Gilbert Place – Bath, Maine accommodates five adults
- Blake Street – Lewiston, Maine accommodates ten families
- Pine Street – Auburn, Maine accommodates six 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, 2012

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 Statements 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 Statements 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, Buildings, and Improvements

Land, Buildings, 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.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

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	\$ 312,986	\$ 319,808	\$ 319,808	\$	\$

NOTE C - INVESTMENTS:

Investments as of June 30, 2012 are summarized by type as follows:

	JUNE 30, 2012 COST	JUNE 30, 2012 FAIR VALUE
Mutual Funds	\$ 259,885	\$ 249,818

NOTE D - PROPERTY, PLANT, AND EQUIPMENT:

Activity in fixed asset accounts for the year ended June 30, 2012 is as follows:

	BALANCE JULY 1, 2011	ADDITIONS	DISPOSALS	BALANCE JUNE 30, 2012
Land	\$ 117,428	\$	\$	\$ 117,428
Buildings	4,987,837	798,236		5,786,073
Furniture, Fixtures, and Equipment	21,277	699		21,976
Leasehold Improvements	56,165			56,165
Total Fixed Assets	\$ 5,182,707	\$ 798,935	\$	\$ 5,981,642
Accumulated Depreciation	(512,242)	(126,521)		(638,763)
Fixed Assets Net of Accumulated Depreciation	\$ 4,670,465	\$ 672,414	\$	\$ 5,342,879

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE E - DONATED MATERIALS:

The value of donated food, which is included as revenue and expense in the financial statements, is \$15,000 for the year ended June 30, 2012. The organization also received donations of supplies for the year ended June 30, 2012 totaling \$5,000.

NOTE F - GRANTS:

State and Federal Grants include:

Maine State Housing Authority	\$ 5,055
Maine State Housing Authority - Prevention and Rehousing Funds	19,160
Maine State Housing Authority - Emergency Shelter Grant Program (ESG)	166,691
Maine State Housing Authority - Development Revenues	5,467
Federal Emergency Management Association (FEMA)	18,322
Maine Community Development Block Grant	10,535
Federal Housing Administration (HUD)	<u>372,574</u>
State and Federal Grants - Total	<u>\$ 597,804</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, 2012 employee contributions totaled \$15,393.61 and employer contributions totaled \$6,828.34.

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, 2012 there were no 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 expired on June 30, 2012 and was extended on a year to year basis. Annual rent is subject to change provided notice is given thirty days prior to each lease anniversary date. The rental rate for the 2012/2013 fiscal year is \$8,628.

The Shelter also rents office space in Brunswick at a rental rate of \$9,600.00 annually. The remaining rent paid of \$6,629.00 was for client assisted rents in supported housing units.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE I - NOTES PAYABLE:

Notes payable as of June 30, 2012 consists of the following:

CREDITOR	INTEREST RATE	TYPE	SECURITY	TOTAL	SHORT- TERM	LONG- TERM
Maine State Housing Authority - Gilbert Place	0%	Mortgage	Land & Building	\$ 315,000	\$ 5,000	\$ 310,000
City of Bath - Evergreen Woods	0%	Mortgage	Land & Building	50,000		50,000
Maine State Housing Authority - Evergreen Woods	0%	Mortgage	Land & Building	672,736		672,736
Maine State Housing Authority - Everett Apartments	0%	Mortgage	Land & Building	565,805	5,055	560,750
Maine State Housing Authority - 114 Blake Street	0%	Mortgage	Land & Building	1,534,099		1,534,099
Maine State Housing Authority - 22 Pine Street	0%	Mortgage	Land & Building	372,564		372,564
Maine State Housing Authority 19 Pleasant Street	0%	Mortgage	Land & Building	129,918	5,413	124,505
				<u>\$ 3,640,122</u>	<u>\$ 15,468</u>	<u>\$ 3,624,654</u>

Maine State Housing Authority - Gilbert Place 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 was 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.

City of Bath - Evergreen Woods Bath, Maine:

The deferred loan of \$50,000 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or February 17, 2035.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE I - NOTES PAYABLE (CONT'D):

Maine State Housing Authority - Evergreen Woods Bath, Maine:

The forgivable loan of \$346,073 is financed at 0% for 30 years. The loan will be forgiven as follows:

Fifty percent (50%) of the original principal balance is forgiven at the end of 15 years from the time of execution of the permanent mortgage documents, and the remaining fifty percent (50%) of the original principal balance shall be forgiven 30 years from the time of execution of the permanent mortgage documents.

In September 2006 Tedford Housing obtained a deferred loan from Maine State Housing Authority for the acquisition and construction of property located on Edgett Street, Bath, Maine. The deferred loan of \$100,000 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or September 28, 2036.

The forgivable loan of \$180,000 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 of execution of the note. Forty percent (40%) of the original principal balance shall be forgiven 15 years following execution. The remaining forty percent (40%) of the original principal balance shall be forgiven 30 years following execution.

The forgivable loan of \$103,329 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 of execution of the note. Forty percent (40%) of the original principal balance shall be forgiven 15 years following execution. The remaining forty percent (40%) of the original principal balance shall be forgiven 30 years following execution.

Maine State Housing Authority - Everett Apartments 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 the 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.

Maine State Housing Authority - 114 Blake Street Lewiston, Maine:

The deferred loan of \$880,620 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or December 23, 2039.

The deferred loan of \$260,000 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or December 23, 2039.

The deferred loan of \$393,479 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or December 23, 2039.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE I - NOTES PAYABLE (CONT'D):

Maine State Housing Authority - 22 Pine Street, Auburn, Maine:

The deferred loan of \$372,564 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or March 3, 2041.

Maine State Housing Authority - 19 Pleasant Street, Augusta, Maine:

The deferred loan of \$162,398 is financed at 0% for 30 years and becomes payable in full upon sale or transfer of the property, or November 28, 2037.

NOTE J - 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 \$2,468 at June 30, 2012.

NOTE K - RENTAL INCOME:

For fiscal year ended June 30, 2012 rental income was \$240,217 and the related rental expenses were \$16,217.

NOTE L - SUBSEQUENT EVENTS:

As of October 19, 2012, management has reviewed activity since year end and there were no subsequent events requiring disclosure in the notes to financial statements.

NOTE M - 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 \$1,704 for the year ended June 30, 2012.

NOTE N - 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. During fiscal year 2012, \$28,377 in funds were withdrawn for use in providing services for homeless families in the Brunswick Naval Air Station redevelopment area.

On January 1, 2012 Tedford Housing entered into a contract with LaBrecque Property Management LLC to manage their properties. LaBrecque Property Management LLC manages all properties (Franklin Apartments in Auburn, Pleasant Street in Augusta, Blake Street in Lewiston, Pine Street in Auburn, Everett Street in Brunswick, Gilbert Place in Bath, and Evergreen Woods in Bath) at a cost of \$40-\$50 per unit per month. Contracts are for one year.

TEDFORD HOUSING
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE O - HOUSING ASSISTANCE CONTRACT:

On April 25, 2008 Tedford Housing entered into a supportive housing contract with the Department of Housing & Urban Development. This contract provides funding for supportive housing to provide services to tenants at the 19 Pleasant Street, Augusta property. This contract expires April 25, 2018.

NOTE P - FUND BALANCE:

The June 30, 2011 Fund Balance was restated to record additional escrow monies (\$8,148), to record additional depreciation on buildings at 19 Pleasant Street (\$14,921), to record forgiven portion of 19 Pleasant Street deferred loan (\$27,066) and to correct escrow monies not deposited by Maine State Housing (\$7,992) for a total adjusted fund balance of \$12,301.

TEDFORD HOUSING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS THROUGH GRANTOR NUMBER	FUND BALANCE JULY 1, 2011	REVENUES	EXPENDITURES	FUND BALANCE JUNE 30, 2012
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:						
Emergency Shelter Grant (ESG)	14.231	N/A	\$ -	\$ 166,691	\$ 162,750	\$ 3,941
Housing Counseling	14.231	N/A		6,768	6,768	
Supportive Housing	14.231	N/A		2,034	2,034	
Special Needs Assistance Program	14.231	N/A		372,574	372,574	
Federal Emergency Management Agency (FEMA)	97.024	N/A		18,322	18,322	
Total			\$ -	\$ 566,389	\$ 562,448	\$ 3,941

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of Tedford Housing's Schedule of Expenditures of Federal Awards conforms to generally accepted accounting principles as applicable to governmental units. The modified accrual basis of accounting is followed. This method of accounting is defined as the basis of accounting under which expenditures are recorded as incurred, and revenues are recorded when received in cash except for material and/or available revenues which are accrued to reflect properly the assessments levied and the revenues earned.

TEDFORD HOUSING
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDIT RESULTS

- 1) The Auditor's Report expresses an unqualified opinion on the general purpose financial statements of Tedford Housing.
- 2) No reportable conditions relating to the audit of the financial statements are reported in the 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.
- 3) No instances of non-compliance material to the financial statements of Tedford Housing were disclosed during the audit.
- 4) No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
- 5) The Auditor's Report on Compliance for the Major Federal Award Programs for Tedford Housing expressed an unqualified opinion.
- 6) The audit disclosed no audit findings relative to the major federal award programs for Tedford Housing.
- 7) The programs tested as major programs were:
 - a. U.S. Department of Housing and Urban Development – Special Needs Assistance Program.
- 8) The threshold for distinguishing Types A and B programs was \$300,000.00.
- 9) Tedford Housing was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None