



**DAVIS**KELLY CERTIFIED  
PUBLIC  
ACCOUNTANTS  
CREATING VALUE FROM NUMBERS

**ISLAND HOUSING TRUST CORPORATION**

*Financial Statements*

*For the Year Ended December 31, 2016*

# ISLAND HOUSING TRUST CORPORATION

## *Financial Statements*

*Year Ended December 31, 2016*

### *Table of Contents*

Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-4
<b><i>Financial Statements:</i></b>	
Statement of Financial Position	5
Statement of Activities	6
Statement of Cash Flows	7
Notes to Financial Statements	8-21



**DAVISKELLY** CERTIFIED  
PUBLIC  
ACCOUNTANTS  
CREATING VALUE FROM NUMBERS

*Independent Auditors' Report*

To the Board of Directors  
**Island Housing Trust Corporation**  
P.O. Box 779  
West Tisbury, MA 02575

We have audited the accompanying financial statements of Island Housing Trust Corporation. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flow, and functional expenses for the year then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Housing Trust Corporation. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*DavisKelly LLC*

Boston, Massachusetts  
March 23, 2017

# ISLAND HOUSING TRUST CORPORATION

## *Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

The primary mission of the Island Housing Trust Corporation ('IHT') is to develop and sell affordable homes on the Island of Martha's Vineyard to low and moderate income families and individuals, and provide on-going management of the properties' affordability restrictions through long-term ground leases. The IHT also owns and develops an affordable rental housing property and contracts for property management services. The property and programs are funded in part by private and public sources. The IHT is governed by its Board of Directors consisting of representatives from each of the six Island towns and the Dukes County Regional Housing Authority, the community-at-large, and homeowners that lease land from the IHT.

As financial managers of the IHT, we, the IHT Board of Directors, offer readers of this financial statement an overview and analysis of the IHT. This narrative is designed to assist the reader in focusing on the significant financial issues and identify changes in the IHT's financial position, identify any material deviations from the approved budget documents.

The Management's Discussion and Analysis ('MD&A') is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that follow.

### FINANCIAL HIGHLIGHTS

The net assets exceeded its liabilities at the close of the fiscal year by \$4,150,142. This increase in assets is a result of investments in the development of six rental apartments at 6 Water Street in Vineyard Haven totaling \$1,951,771. This included donated property valued at \$704,121; and the renovation and sale of a single family house at 42 Richmond Avenue in Oak Bluffs valued at \$581,089 which includes donated property valued at \$407,886.

The construction of the Water Street rental apartments in Vineyard Haven was completed in October 2016 and was rented affordably to six income-qualified tenants earning 50% and 60% or less of the Dukes County area median income (AMI). The renovation of the house at 42 Richmond Avenue in Oak Bluffs was completed in February 2016. This house sold for \$225,000 in a lottery with affordability restrictions in March 2016 to an income-qualified family earning 80% or less of the area median income.

Revenues from grants and contributions recognized in 2016 will be offset, in large part, by the cost of development projects. A total of \$1,403,000 in public grant funds was received, including \$503,000 for the Kuehn Way project in the Town of Tisbury and \$900,000 for the Scotts Grove project in the Town of West Tisbury. A total of \$1,574,000 in restricted individual donations was pledged for the investment in the 20-unit Kuehn's Way rental project located in the town of Tisbury and the development of the land located at 565 Edgartown Road for the 9-unit Scotts Grove rental project in the Town of West Tisbury.

In 2015 net assets increased by \$1,339,476. This increase in assets was a result of investments including the purchase of a 15-acre parcel of land in the Town of Tisbury for \$1,200,000 for a 20-unit Kuehn's Way rental project permitted in 2016.

# ISLAND HOUSING TRUST CORPORATION

## *Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

### HOUSING PROJECT INVENTORY

The IHT investment in housing project inventory as of December 31, 2016, amounts to \$1,379,744. This includes 29 rental apartments under development, including land off State Road for the 20-unit Kuehn's Way rental project in the Town of Tisbury and land at 565 Edgartown Road for the 9-unit Scotts Grove rental project in the Town of West Tisbury.

### GROUND LEASED LAND

The IHT owns the land upon which many of their projects are located. The Organization has entered into ground leases with affordability restrictions to homeowners for 99-years. The investment in the ground leases as of December 31, 2016 amounts to approximately \$1,885,742, representing 60 ground leased properties located in the towns of Aquinnah, Edgartown, Oak Bluffs, Tisbury, and West Tisbury.

Fees generated from these leases were \$34,800 and \$35,250 for the year ended 2015 and 2016, respectively. These revenues were, used to defray a portion of the IHT's costs for management and stewardship of 60 ground leased properties in 2015 and 2016.

### NET ASSETS

The \$6,458,088 in unrestricted net assets includes properties with affordability restrictions as per funding and zoning.

The temporarily restricted net assets consist of \$1,403,000 in public grant funds, including \$503,000 for the Kuehn's Way project in the Town of Tisbury and \$900,000 for the Scotts Grove rental project in the Town of West Tisbury.

Temporarily restricted individual donations of \$1,574,000 were pledged for the investment in the 20-unit Kuehn's Way rental project located in the Town of Tisbury and the development of the land located at 565 Edgartown Road for the 9-unit Scotts Grove rental project in the Town of West Tisbury.

### RENTAL PROPERTIES

Rental income is used to defray the IHT's costs for rental and property management. The IHT's rental properties are managed under contract by the Dukes Country Regional Housing Authority. In 2016 the IHT owned 17 rental properties, including two apartments at Halcyon Way and three apartments at 12 Clam Point Road, both in West Tisbury, and six apartments at 14 Village Court and six apartments at 6 Water Street, both in Vineyard Haven. In 2015 IHT owned 11 rental properties consisted of two apartments at Halcyon Way and three apartments at 12 Clam Point Road, both in West Tisbury, and six apartments at 14 Village Court in Vineyard Haven.

### ECONOMIC FACTORS

The financial statements that are a part of this report provide detailed summary of activities and should be read in its entirety with the audited financial statements.

# ISLAND HOUSING TRUST CORPORATION

## *Management's Discussion and Analysis*

*For the Year Ended December 31, 2016*

### REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the IHT for those with an interest in the Organization's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the Executive Director, Island Housing Trust, P.O. Box 779, West Tisbury, MA 02575.

A handwritten signature in black ink, appearing to read 'Philippe Jordi', is positioned above the printed name.

Philippe Jordi, Executive Director  
Island Housing Trust

# ISLAND HOUSING TRUST CORPORATION

## Statement of Financial Position

As of December 31, 2016

(With summarized comparative totals as of December 31, 2015)

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,696,815	\$ 1,130,385
Cash - restricted	45,500	40,316
Accounts receivable	13,590	17,613
Pledges receivable, net	2,977,699	344,983
Prepaid expenses	168	3,146
Housing project inventories	1,379,744	1,167,322
Land held for development	-	1,212,190
Deposits	14,599	150
Notes receivables	50,000	35,000
Fixed assets, net	3,877,393	1,925,682
Ground leased land	1,885,742	1,304,653
<b>Total assets</b>	<b>\$ <u>11,941,250</u></b>	<b>\$ <u>7,181,440</u></b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Notes and mortgages payable	\$ 2,388,423	\$ 1,349,924
Accounts payable and accrued expenses	71,541	36,171
<b>Total liabilities</b>	<b>\$ <u>2,459,964</u></b>	<b>\$ <u>1,386,095</u></b>
<b>Net Assets</b>		
Unrestricted net assets	6,458,088	5,419,862
Temporarily restricted net assets	3,023,199	375,483
<b>Total net assets</b>	<b><u>9,481,286</u></b>	<b><u>5,795,345</u></b>
<b>Total assets and liabilities</b>	<b>\$ <u>11,941,250</u></b>	<b>\$ <u>7,181,440</u></b>

The accompanying notes are an integral part of these financial statements.

# ISLAND HOUSING TRUST CORPORATION

## *Statement of Activities*

*For the Year Ended December 31, 2016*

*(with summarized comparative totals for year ended December 31, 2015)*

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total 2016</i>	<i>Total 2015</i>
<i>Revenues and other support:</i>				
Grants and contributions	\$ 286,865	\$ 3,443,201	\$ 3,730,066	\$ 844,124
Tax credit revenue	276,333	-	276,333	295,700
Sales of real estate	225,000	-	225,000	600,000
Rental income	139,938	-	139,938	121,029
Ground lease income	35,250	-	35,250	34,800
Contributed goods and services	2,549	-	2,549	9,547
Interest income	3,319	-	3,319	2,219
Other earned revenue	7,500	-	7,500	10,484
Net assets released from restrictions	795,485	(795,485)	-	-
<i>Total revenues and other support</i>	1,772,239	2,647,716	4,419,955	1,917,903
<i>Expenses:</i>				
Rental property programs	113,840	-	113,840	89,673
Programs and project development	465,258	-	465,258	380,220
Administration	154,915	-	154,915	123,882
<i>Total expenses</i>	734,013	-	734,013	593,775
<i>Change in net assets</i>	1,038,226	2,647,716	3,685,942	1,324,128
<i>Net assets at beginning of year</i>	5,419,862	375,483	5,795,345	4,471,217
<i>Net assets at end of year</i>	\$ 6,458,088	\$ 3,023,199	\$ 9,481,286	\$ 5,795,345

*The accompanying notes are an integral part of these financial statements.*

# ISLAND HOUSING TRUST CORPORATION

## *Statement of Cash Flows*

*For the Year Ended December 31, 2016*

*(with summarized comparative totals for year ended December 31, 2015)*

	<b>2016</b>	<b>2015</b>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 3,685,941	\$ 1,324,128
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,950	58,551
Change in:		
Accounts receivable	4,023	(14,298)
Note receivable	(15,000)	-
Housing project inventories	(212,422)	(72,572)
Pledge receivables, net	(2,632,716)	(90,608)
Prepaid expenses	2,978	11,393
Deposits	(14,449)	850
Accounts payable and accrued expenses	35,370	2,428
<i>Net cash provided by operating activities</i>	<b>912,676</b>	<b>1,219,872</b>
<i>Cash flows from investing activities:</i>		
Investment in fixed assets	(2,010,661)	(12,259)
Investment in land held for development	1,212,190	(1,212,190)
Ground leased land	(581,089)	(69,015)
<i>Net cash used in investing activities</i>	<b>(1,379,561)</b>	<b>(1,293,464)</b>
<i>Cash flows from financing activities:</i>		
Proceeds from mortgages and notes payable	1,038,499	189,681
<i>Net cash provided by financing activities</i>	<b>1,038,499</b>	<b>189,681</b>
<i>Net change in cash and cash equivalents</i>	<b>571,614</b>	<b>116,089</b>
<i>Cash and cash equivalents, at beginning of year</i>	<b>1,170,701</b>	<b>1,054,612</b>
<i>Cash and cash equivalents, at end of year</i>	<b>\$ 1,742,315</b>	<b>\$ 1,170,701</b>

The accompanying notes are an integral part of these financial statements.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 1 - Organization**

Island Housing Trust Corporation (the Corporation) was organized on January 8, 2002 to own and lease land for the purpose of developing, building and maintaining affordable housing on Martha's Vineyard, Massachusetts. The Corporation was created as a non-profit housing partnership between Island towns, housing organizations and homeowners on Martha's Vineyard, Massachusetts. The Corporation is supported primarily by contributions of cash and property from Massachusetts residents and project grants from municipal and state governments.

### **Note 2 - Summary of Significant Accounting Policies**

#### ***Basis of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

#### ***Basis of Presentation***

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. The Corporation 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.

*Unrestricted Net Assets* - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

*Temporarily Restricted Net Assets* - include funds with donor-imposed restrictions, which permit the Corporation to expend the assets as specified, and are satisfied either by the passage of time or by actions of the Corporation. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

*Permanently Restricted Net Assets* - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Corporation to expend part or all of the income derived from the donated assets. There are no permanently restricted net assets at year end.

#### ***Inventories***

Inventories consist of housing and land, and are recorded at the lower of cost and market value at the time of purchase or donation.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### *Note 2 - Summary of Significant Accounting Policies (Continued)*

#### *Cash and Cash Equivalents*

For financial statement purposes, the Corporation considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

#### *Property, Equipment and Depreciation*

Property and equipment are recorded at cost. Major repairs and maintenance over \$1,000 are capitalized as incurred. Depreciation is calculated on a straight-line basis as follows:

Property	39 years
Furniture	3 years
Equipment	5 years

#### *Use of Estimates and Assumptions*

The preparation of financial statements in conformity with generally accepted accounting principles requires the Corporation's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financials and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

#### *Contributed Goods and Services*

The Corporation records various types of in kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as "in kind support" are offset by amounts included in expenses or property and equipment.

The Corporation reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### ***Note 2 - Summary of Significant Accounting Policies (Continued)***

#### ***Revenue Recognition***

Contributions are recognized as revenue when they are received or unconditionally pledged. The Corporation reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

#### ***Pledges Receivable***

Pledges receivable represent amounts which are due from individual donors which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year.

Promises to give with expected payment dates that extend beyond one year are discounted to their present value. Management believes that all pledges receivable are collectible, and therefore, no allowance for doubtful pledges has been established. If pledges are determined to be uncollectible in subsequent periods, they will be charged to activities at that time.

#### ***Income Taxes***

The Corporation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (the Code), therefore no provision for federal income taxes has been made in the accompanying financial statements. In addition, the Corporation 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) of the Code. The Corporation is also exempt from Massachusetts state taxes.

### ***Note 3 - Rental Agreement***

The Corporation conducts its operations as a tenant-at-will in a facility located in Vineyard Haven, Massachusetts which requires monthly rent payments of \$1,343 as of July 1, 2016. Total rent expense for the years ended December 31, 2016 and 2015, was \$15,882 and \$14,048, respectively.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 4 - Notes and Mortgages Payable**

The Corporation has the following notes and mortgages payable at December 31, 2016 and 2015:

- a) The Corporation has a non-interest bearing contingent loan with The Resource Inc. under the Housing Rehabilitation Loan Program for \$28,676 with a maturity date of July 22, 2028 secured by a Mortgage on the property located at Halcyon Way, West Tisbury, Massachusetts. If the sale of the property takes place prior to the maturity date, the outstanding principal shall be forgiven proportionate to the years remaining until the maturity date at a rate of 1/15<sup>th</sup> per annum.
- b) The Corporation has a non-interest bearing 30-year note payable in the amount of \$100,000 due to the Massachusetts Housing Finance Agency. The note is restricted for the financing of two units of affordable housing on Halcyon Way, West Tisbury, Massachusetts. There is no installment payment required on the note, which is due in full in 2035. Outstanding balance on the note was \$100,000 as of December 31, 2016 and 2015.
- c) The Corporation has a 30-year 6% interest rate note payable with Martha's Vineyard Saving Bank secured by the Corporation's property located on Halcyon Way, West Tisbury, Massachusetts maturing in November 2032. The outstanding balance on the note at December 31, 2016 and 2015 was \$93,471 and \$102,414, respectively.
- d) The Corporation has a mortgage of \$295,000 with Edgartown National Bank with an interest rate of 5.25% for 25 years collateralized by the land with the buildings and improvements whether now existing or hereafter constructed or located at 14 Village Court, Vineyard Haven, Massachusetts subject to certain financial covenants. The balance at December 31, 2016 and 2015 was \$285,240 and \$291,436, respectively.
- e) The Corporation has three promissory notes for rental projects with the Federal Home Loan Bank of Boston Affordable Housing Program (AHP) are referred to as the AHP Subsidy. These are contingent loans that will be forgiven after 15 years of operation of the Project. The Project will be subject to deed restriction or other legally enforceable mechanism that incorporates the income-eligibility and affordability restrictions committed to in the approved AHP application.
  - a. \$160,000 promissory note secured by the property located at 12 Clam Point Road, West Tisbury, Massachusetts, known as Sepiessa II - Rental Housing Project
  - b. \$390,000 promissory note secured by the property located at 6 Water Street, Tisbury, Massachusetts.
  - c. \$291,436 promissory note secured by the property located at 14 Village Court, Tisbury, Massachusetts.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 4 - Notes and Mortgages Payable (continued)**

- f) The Corporation has a non-interest bearing contingent loan with The Resource Inc. under their Housing Rehabilitation Loan Program for \$200,000 with a maturity date of May 29, 2029 secured by a mortgage on the property located at 14 Village Court, Tisbury, Massachusetts. If the sale of the property takes place prior to the maturity date, the outstanding principal shall be forgiven proportionate to the years remaining until the maturity date at a rate of 1/15<sup>th</sup> per annum.
- g) The Corporation has a construction loan with the Edgartown National Bank for \$160,000 which was converted into permanent financing on June 17, 2015 with a 25-year term at an interest rate of 5.15%. The terms are interest only prior to that date. The outstanding balance at December 31, 2016 and 2015 was \$141,627 and \$153,819, respectively. The note is secured by the property located at 12 Clam Point Road, West Tisbury, Massachusetts which is known as Sepiessa II – Rental Housing Project (the Project)
- h) The Corporation has a non-interest bearing contingent loan with The Resource Inc. under their Housing Rehabilitation Loan Program for \$27,886 with a maturity date of August 31, 2030. The Note is secured by a Mortgage on the property located at 42 Richmond Avenue, Oak Bluffs, Massachusetts. This house was sold at a lottery during the year for \$225,000. If the sale of the property takes place prior to the maturity date, the outstanding principal shall be forgiven proportionate to the years remaining until the maturity date at a rate of 1/15<sup>th</sup> per annum.
- i) The Corporation has a line of credit with the Edgartown National Bank for \$250,000. No amounts were outstanding at year end.
- j) The Corporation has a demand note with the Island Housing Trust Corporation-Farmer Housing Gift (Ziff Fund), due in full on or before 120 days from demand by the holder, with an interest rate of four-tenths of one percent (.04%) per annum. The funds were used to purchase a property off State Road in Tisbury, Massachusetts. The outstanding balance at year-end was \$501,785.
- k) The Corporation has a construction loan with the Edgartown National Bank for \$185,000 which will convert into permanent financing on July 18, 2017 with a 25-year term at an interest rate of 5.25%. The terms are interest only prior to that date. The outstanding balance at year end was \$185,000. The note is secured by the property located at 6 Water Street, Tisbury, Massachusetts which is referred to as the Water Street Apartments.

Future maturities of the loans for the next five years are as follows:

2017	\$	27,540
2018		29,035
2019		30,611
2020		32,273
Thereafter		<u>1,804,765</u>
	\$	<u><u>1,924,223</u></u>

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 5 - Related Party Relationships**

The following is a list of the members of the Board of Directors who from time to time have relationships with other organizations that also do business and/or work for the Corporation:

- A. Tristan Israel, a Board member, is a Selectman for the Town of Tisbury from which the Corporation may receive funds. For the years ending 2016 and 2015 the Corporation received grant funding from the Town of Tisbury of \$299,999 and \$110,710, respectively.
- B. Wendy Swolinzky, Sheetal Reubens, Paul Moreau, Monica Miller, Elizabeth Loucks, and Matt Coffey are members or former members of the Board who are also homeowners and lease the land on which their homes are located for an annual rate of \$600.
- C. Dan Seidman, a Board member, is also Board member of the Dukes County Regional Housing Authority (DCRHA) and the Tisbury Affordable Housing Committee (TAHC). The DCRHA leases office to the Corporation (Note 3) and/or decides on issues that may affect the Corporation. From time to time the TAHC discusses and/or decides on issues that may affect the Corporation. For the years ending 2016 and 2015 the Corporation received grant funding from the Town of Tisbury of \$299,999 and \$110,710 respectively.
- D. Leon Brathwaite, a Board member is a Commissioner for the County of Duke County (CDC). From time to time the CDC discusses and/or decides on issues that may affect the Corporation.
- E. Jim Feiner, a Board member, is a member of the Chilmark Housing Committee (CTHC). From time to time the CTHC discusses and/or decides on issues that may affect the Corporation.
- F. Juli Vanderhoop, a Board member, is a Selectmen for the Town of Aquinnah from which the Corporation may receive funds.
- G. Doug Ruskin, a Board member, is a member of the West Tisbury Finance Committee (WTFC). From time to time the WTFC discusses and/or decides on issues that may affect the Corporation. For the years ending 2016 and 2015 the Corporation received grant funding from the Town of West Tisbury of \$100,000 and \$0, respectively.
- H. Cheryl Doble, a Board member, is a member of the Tisbury Community Preservation Committee (TCPC). From time to time the TCPC discusses and/or decides on issues that may affect the Corporation. For the years ending 2016 and 2015 the Corporation received grant funding from the Town of Tisbury of \$299,999 and \$110,710, respectively.

### **Note 6 - Donated Services, Materials and Facilities**

The Corporation received contributions of property consisting of land and houses. Additionally, a number of volunteers have donated substantial amounts of their time to the Corporation. The Corporation received \$9,546 in donated legal services for 2015. In 2016, the total of goods and services donated to the Corporation was \$2,549.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### ***Note 6 - Donated Services, Materials and Facilities (continued)***

In 2015, the Corporation received a bequest of property located at 42 Richmond Ave, Oak Bluffs. The appraised value is \$380,000 and is recorded as a contribution of donated property and capitalized on the Statement of Financial Position.

### ***Note 7 - Concentration of Risk***

The Corporation maintains cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

### ***Note 8 - Land Lease, Rental Income and Real Estate Sales and Acquisitions***

The Corporation leases from Dukes County Regional Housing Authority (DCRHA), for a nominal fee, a 1.3 acre lot of land located on Halcyon Way in West Tisbury on Martha's Vineyard. The lease is for approximately 50 years for a base rent of one dollar. The Corporation has a management agreement with DCRHA for the management of the property on the aforementioned land.

The Corporation leases from Dukes County Regional Housing Authority (DCRHA), for a nominal fee, a 1.5 acre lot of land located on 12 Clam Point Road in West Tisbury on Martha's Vineyard. The lease is for approximately 50 years for a base rent of one dollar. The Corporation has a management agreement with DCRHA for the management of the property on the aforementioned land.

During 2016 and 2015, the Corporation acquired and sold various real estate properties. The land of the properties sold were retained by the Corporation and subsequently given as a master ground lease to buyers or related homeowner association, as applicable.

Purchase and sale activity is as follows:

#### ***Sales for the Year Ended 2016***

42 Richmond Ave, Oak Bluffs, Massachusetts	\$	225,000
--	----	---------

#### ***Purchases for the Year Ended 2015***

Kuehn Way, Tisbury, Massachusetts	\$	1,200,000
-----------------------------------	----	-----------

#### ***Sales for the Year Ended 2015***

Kuehn Way, Tisbury, Massachusetts	\$	600,000
-----------------------------------	----	---------

The renovation of the house at 42 Richmond Avenue in Oak Bluffs was completed in February 2016, and the house sold for \$225,000 with affordability restrictions in March 2016 by a lottery.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 9 - Management Agreements**

#### ***Halcyon Way, West Tisbury***

The Organization contracted with the Dukes County Housing Authority to provide rental property management services to for property referred to as Halcyon Way (the Apartments) located 21 Halcyon Way, West Tisbury, Massachusetts. The agreement is for three years with a start date of December 1, 2012.

#### *Management Agreement*

The units are to be leased to qualified households with incomes at or below 80% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 75% median rents for the area.

Rental income is to be allocated as follows:

- |                                  |                            |
|----------------------------------|----------------------------|
| a. Operating costs               |                            |
| b. Administrative fees           | 7% of gross rental income  |
| c. Management fees paid to DCRHA | 10% of gross rental income |
| d. Capital reserve requirements  | 3% of gross rental income  |
| e. Operating reserve account     | 5% of gross rental income  |

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

#### ***Sepiessa II Apartments, 12 Clam Point Road, West Tisbury***

The Organization contracted with the Dukes County Housing Authority to provide rental property management services for property referred to as Sepiessa II Apartments (the Apartments) located off 12 Clam Point Road, West Tisbury, Massachusetts. The agreement is for three years with a start date of July 1, 2014.

#### *Management Agreement*

The units are to be leased to qualified households with incomes at or below 50% and 60% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 60% and 50% median rents for the area.

Rental income is to be allocated as follows:

- |                                  |                           |
|----------------------------------|---------------------------|
| a. Operating costs               |                           |
| b. Administrative fees           | 7% of gross rental income |
| c. Management fees paid to DCRHA | 8% of gross rental income |
| d. Capital reserve requirements  | 3% of gross rental income |
| e. Operating reserve account     | 5% of gross rental income |

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 9 - Management Agreements (continued)**

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

The Corporation leases from Dukes County Regional Housing Authority (DCRHA), for a nominal fee, a 1.5 acre lot of land located on 12 Clam Point Road in West Tisbury on Martha's Vineyard. The lease is for approximately 50 years for a base rent of one dollar.

#### **14 Village Court, Vineyard Haven**

The Organization contracted with the Dukes County Housing Authority to provide property rental management services to for property referred to as Village Court (the Apartments) located 14 Village Court, Vineyard Haven, Massachusetts. The agreement is for three years with a start date of February 26, 2014.

#### *Management Agreement*

The units are to be leased to qualified households with incomes at or below 50% and 60% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 50% and 60% median rents for the area.

Rental income is to be allocated as follows:

- |                                  |                           |
|----------------------------------|---------------------------|
| a. Operating costs               |                           |
| b. Administrative fees           | 7% of gross rental income |
| c. Management fees paid to DCRHA | 8% of gross rental income |
| d. Capital reserve requirements  | 3% of gross rental income |
| e. Operating reserve account     | 5% of gross rental income |

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### *Water Street Apartments, Vineyard Haven*

The Organization contracted with the Dukes County Housing Authority to provide property rental management services to for property referred to as located at 6 Water Street, Tisbury, Massachusetts which is referred to as the Water Street Apartments. The agreement is for three years with a start date of October, 2016.

#### *Management Agreement*

The units are to be leased to qualified households with incomes at or below 50% and 60% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 50% and 60% median rents for the area.

Rental income is to be allocated as follows:

- |                                  |                           |
|----------------------------------|---------------------------|
| a. Operating costs               |                           |
| b. Administrative fees           | 7% of gross rental income |
| c. Management fees paid to DCRHA | 8% of gross rental income |
| d. Capital reserve requirements  | 3% of gross rental income |
| e. Operating reserve account     | 5% of gross rental income |

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

### *Note 10 - Property and Equipment*

At December 31, 2016 and 2015 property and equipment consisted of the following:

	<u>2016</u>	<u>2015</u>
Rental property	\$ 4,118,198	\$ 2,109,535
Office equipment	<u>18,434</u>	<u>16,436</u>
	4,136,632	2,125,971
Accumulated depreciation	<u>(259,239)</u>	<u>(200,289)</u>
<i>Property and Equipment, net</i>	<u>\$ 3,877,393</u>	<u>\$ 1,925,682</u>

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### ***Note 10 - Property and Equipment (continued)***

Depreciation expense for the years ended December 31, 2016 and 2015 was \$58,949 and \$58,551, respectively.

### ***Note 11 - Tax Credits***

The Massachusetts Department of Housing and Community Development (DHCD) and the Island Housing Trust Corporation entered into an agreement to issue Certified Tax Credit. The DHCD allocates a maximum of \$150,000 in tax credits. In order to make use of the maximum allocation, the Corporation must secure qualified investments totaling \$300,000. All qualified investments by eligible taxpayers shall be applied against the total maximum allocation amount upon DHCD certification. The total amount of revenue earned which gave rise tax credits for the year ended December 31, 2016 and 2015 was \$276,333 and \$295,700.

### ***Note 12 - Notes Receivable***

The Organization has five interest bearing notes from five individuals for second mortgages on properties which were sold to them by the Organization. The total notes receivable balance as of December 31, 2016 and 2015 was \$50,000 and 35,000. The notes are secured by the properties.

### ***Note 13 - Temporarily Restricted Net Assets***

The temporarily restricted net assets consist of amounts that are restricted as to time and/or purpose. As of December 31, 2016 and 2015, temporarily restricted net assets were \$3,023,199 and \$375,483, which was made up of pledges receivable and restricted cash.

The temporarily restricted net assets consist of \$1,403,000 in public grant funds, including \$503,000 for the Kuehn's Way project in the Town of Tisbury and \$900,000 for the Scotts Grove rental project in the Town of West Tisbury.

Temporarily restricted individual donations of \$1,574,000 were pledged for the investment in the 20-unit Kuehn's Way rental project located in the Town of Tisbury and the development of the land located at 565 Edgartown Road for the 9-unit Scotts Grove rental project in the Town of West Tisbury.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### **Note 13 - Temporarily Restricted Net Assets (continued)**

The restricted cash represents amount held in reserve for the benefit of the properties managed by DCRHA as follows:

Halycon Way	\$	9,000
Sepiessa II		9,500
Village Court		12,000
6 Water Street		15,000
	\$	45,500

### **Note 14 - Pledges Receivable**

Pledges receivable are recorded after being discounted to the anticipated net present value of the future cash flows. The pledges have been discounted using rates that range from 0.4% to 4.6%. Pledges are expected to be realized in the following periods:

#### ***Year Ended December 31, 2016***

	<b><i>Pledge Balances</i></b>	<b><i>Discount</i></b>		<b><i>Present Value of Pledges Balances</i></b>
2017	\$ 2,517,975	\$ -	\$	2,517,975
2018	266,594	7,236		259,358
2019	130,810	7,005		123,805
2020	83,150	6,589		76,561
<i>Total</i>	\$ 2,998,529	\$ 20,830	\$	2,977,699

#### ***Year Ended December 31, 2015***

	<b><i>Pledge Balances</i></b>	<b><i>Discount</i></b>		<b><i>Present Value of Pledges Balances</i></b>
2016	\$ 149,452	\$ -	\$	149,452
2017	102,260	818		101,442
2018	49,110	695		48,415
2019	47,660	1,986		45,674
<i>Total</i>	\$ 348,482	\$ 3,499	\$	344,983

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### ***Note 15 - Reclassifications***

Certain amounts in the 2015 financial statements have been reclassified to conform to the current year presentation.

### ***Note 16 - Subsequent Events***

FASB ASC 855-10 Subsequent Events defines further disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. In accordance with FASB ASC 855-10, the Organization's management has evaluated events from December 31, 2016 to March 22, 2017, which is the issuance date of this report. The Corporation has no subsequent events to disclose.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2016*

*(With summarized comparative totals for the year ended December 31, 2015)*

### *Note 17 – Schedule of Expenses*

	<i>Rental Programs</i>				<i>Program/ Project Expense</i>	<i>General and Administration</i>	<i>2016 Total</i>	<i>2015 Total</i>
	<i>Halycon Way</i>	<i>14 Village Court</i>	<i>Sepiessa II</i>	<i>Water Street</i>				
Salaries and wages	\$ -	\$ -	\$ -	\$ -	\$ 186,807	\$ 62,269	\$ 249,076	\$ 202,604
Payroll taxes and fringe benefits	-	-	-	-	55,347	18,449	73,796	54,303
Professional fees	833	833	833	-	26,229	8,743	37,471	50,380
Conferences	-	-	-	-	899	300	1,199	2,363
Insurance	1,789	5,447	2,881	1,521	4,991	1,664	18,293	15,968
Occupancy	-	-	-	-	11,912	3,970	15,882	14,048
Fundraising	-	-	-	-	20,360	6,787	27,147	28,107
Property expenses	1,720	777	4,998	-	42,860	-	50,355	44,269
Depreciation	-	-	-	-	44,211	14,738	58,949	58,551
Printing and postage	-	-	-	-	7,279	2,427	9,706	13,427
Administrative management	2,190	4,440	2,322	1,038	-	14,292	24,282	8,608
Property management fee	2,645	5,563	2,872	1,185	5,727	1,909	19,901	9,908
Interest expense	5,826	15,406	7,962	1,603	-	-	30,797	33,185
Repairs and maintenance	5,669	21,114	5,622	1,578	-	-	33,983	27,520
Office supplies	-	-	-	-	7,844	2,615	10,459	6,500
Software licensing	-	-	-	-	9,331	3,110	12,441	2,999
Education and outreach	-	-	-	-	33,734	11,243	44,977	5,073
Telephone	-	-	-	601	2,761	920	4,282	3,915
Travel	-	-	-	-	3,561	1,187	4,748	2,111
Utilities	118	1,807	467	-	875	292	3,559	3,264
Property taxes	412	1,150	618	-	-	-	2,180	5,280
Filing fees	-	-	-	-	530	-	530	1,392
<b>Total expenses</b>	<b>\$ 21,202</b>	<b>\$ 56,537</b>	<b>\$ 28,575</b>	<b>\$ 7,526</b>	<b>\$ 465,258</b>	<b>\$ 154,915</b>	<b>\$ 734,013</b>	<b>\$ 593,775</b>