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**ISLAND HOUSING TRUST CORPORATION**

***Financial Statements***

***For the Year Ended December 31, 2014***

# ISLAND HOUSING TRUST CORPORATION

## *Financial Statements*

*Year Ended December 31, 2014*

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*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, 2014, 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, 2014, 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.

***Report on Summarized Comparative Information***

We have previously audited the Island Housing Trust Corporation's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*NE Kelly & Associates LLC*

NE Kelly & Associates, LLC  
Boston, Massachusetts  
April 2, 2015

# ISLAND HOUSING TRUST CORPORATION

## *Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

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 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 assets of IHT exceeded its liabilities at the close of the fiscal year. The IHT's total net assets increased in 2014 by \$1,339,476. This increase in assets is a result of investments in the development of three rental apartments at 12 Clam Point Road in West Tisbury, the purchase and renovation six rental apartments at 14 Village Court in Vineyard Haven, and the bequest of a single family house at 42 Richmond Avenue in Oak Bluffs. Revenues from grants and contributions recognized in 2014 will be offset, in large part, by the cost of development projects once these apartments are rented.

The 12 Clam Point Road rental apartments in West Tisbury and the 14 Village Court Apartments in Vineyard Haven were completed and began renting by December 31, 2014. Once a rental housing development is completed the IHT rents the apartments at an affordable price to low and very low income eligible renters.

### RENTAL PROPERTIES

Rental income is used to defray the IHT's costs for rental and property management of rental apartments. In 2013 rental property consisted of a property at Halcyon Way in West Tisbury. In 2014 rental properties consisted of two rental apartments at Halcyon Way in West Tisbury and six rental apartments at 14 Village Court in Vineyard Haven.

### FIXED ASSETS

The IHT investment in fixed assets and housing project inventories net of related depreciation and mortgage debt is \$1,906,481 as of December 31, 2014.

# ISLAND HOUSING TRUST CORPORATION

## *Management's Discussion and Analysis*

*For the Year Ended December 31, 2014*

### HOUSING PROJECT INVENTORY

The IHT investment in housing project inventory as of December 31, 2014, amounts to \$1,094,750. This includes properties under development for eventual rental, including three apartments at 12 Clam Point Road in the Town of West Tisbury and six apartments at 14 Village Court in the Town of Tisbury.

### GROUND LEASED LAND

The IHT holds the title to land that it ground leases with affordability restrictions to homeowners for 99-years. This investment as of December 31, 2014 amounts to approximately \$1,235,638, including 58 ground leased properties located in the towns of Aquinnah, Edgartown, Oak Bluffs, Tisbury, and West Tisbury.

Ground lease fees generated \$51,600 and \$34,750 for the year ended 2013 and 2014, respectively. These revenues were used to defray a portion of the IHT's costs for management and stewardship of 48 ground leased properties in 2013 and 58 ground lease properties in 2014. The ground lease fees in 2013 included a one-time ground lease fee of \$20,000 to off set certain costs of construction for a property in the Town of Aquinnah.

### 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.

### 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.



Philippe Jordi, Executive Director  
Island Housing Trust

# ISLAND HOUSING TRUST CORPORATION

## Statement of Financial Position

As of December 31, 2014

(With summarized comparative totals as of December 31, 2013)

|                                       | <u>2014</u>                | <u>2013</u>                |
|---------------------------------------|----------------------------|----------------------------|
| <b>Assets</b>                         |                            |                            |
| Cash and cash equivalents             | \$ 1,045,612               | \$ 790,334                 |
| Cash - property reserves              | 9,000                      | -                          |
| Accounts receivable                   | 3,315                      | 1,700                      |
| Pledges receivable                    | 254,375                    | 412,400                    |
| Prepaid expenses                      | 14,539                     | 5,079                      |
| Housing project inventories           | 1,094,750                  | 766,971                    |
| Deposits                              | 1,000                      | 1,000                      |
| Notes receivables                     | 35,000                     | 35,000                     |
| Fixed assets, net                     | 1,971,974                  | 148,130                    |
| Ground leased land                    | <u>1,235,638</u>           | <u>1,212,868</u>           |
| <b>Total assets</b>                   | <u><u>\$ 5,665,203</u></u> | <u><u>\$ 3,373,482</u></u> |
| <b>Liabilities and Net Assets</b>     |                            |                            |
| <b>Liabilities</b>                    |                            |                            |
| Notes and mortgages payable           | \$ 1,160,243               | \$ 203,006                 |
| Accounts payable and accrued expenses | <u>33,743</u>              | <u>38,735</u>              |
| <b>Total liabilities</b>              | <u><u>1,193,986</u></u>    | <u><u>241,741</u></u>      |
| <b>Net Assets</b>                     |                            |                            |
| Unrestricted net assets               | 4,207,842                  | 2,719,341                  |
| Temporarily restricted net assets     | <u>263,375</u>             | <u>412,400</u>             |
| <b>Total net assets</b>               | <u><u>4,471,217</u></u>    | <u><u>3,131,741</u></u>    |
| <b>Total assets and liabilities</b>   | <u><u>\$ 5,665,203</u></u> | <u><u>\$ 3,373,482</u></u> |

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

# ISLAND HOUSING TRUST CORPORATION

## *Statement of Activities*

*For the Year Ended December 31, 2014*

*(with summarized comparative totals for year ended December 31, 2013)*

|   | <i>Unrestricted</i> | <i>Temporarily<br/>Restricted</i> | <i>Total<br/>2014</i> | <i>Total<br/>2013</i> |
|---|---------------------|-----------------------------------|-----------------------|-----------------------|
| <i>Revenues and other support:</i>      |                     |                                   |                       |                       |
| Grants and contributions                | \$ 145,216          | \$ 984,131                        | \$ 1,129,347          | \$ 708,583            |
| Tax credit revenue                      | 220,000             | -                                 | 220,000               | -                     |
| Sales of real estate                    | -                   | -                                 | -                     | 860,000               |
| Rental income                           | 45,776              | -                                 | 45,776                | -                     |
| Ground lease fees                       | 34,750              | -                                 | 34,750                | 51,600                |
| Contributed goods and services          | 3,000               | -                                 | 3,000                 | 988                   |
| Contributed land                        | 380,000             | -                                 | 380,000               | -                     |
| Interest income                         | 2,086               | -                                 | 2,086                 | 1,860                 |
| Other revenue                           | 4,151               | -                                 | 4,151                 | 14,779                |
| Net assets released from restrictions   | 1,133,156           | (1,133,156)                       | -                     | -                     |
| <i>Total revenues and other support</i> | 1,968,135           | (149,025)                         | 1,819,110             | 1,637,810             |
| <i>Expenses:</i>                        |                     |                                   |                       |                       |
| Cost of goods sold                      | -                   | -                                 | -                     | 1,090,051             |
| Rental property programs                | 44,861              | -                                 | 44,861                | -                     |
| Programs and project development        | 325,159             | -                                 | 325,159               | 221,606               |
| Administration                          | 109,614             | -                                 | 109,614               | 73,868                |
| <i>Total expenses</i>                   | 479,634             | -                                 | 479,634               | 1,385,525             |
| <i>Change in net assets</i>             | 1,488,501           | (149,025)                         | 1,339,476             | 252,285               |
| <i>Net assets at beginning of year</i>  | 2,719,341           | 412,400                           | 3,131,741             | 2,879,456             |
| <i>Net assets at end of year</i>        | \$ 4,207,842        | \$ 263,375                        | \$ 4,471,217          | \$ 3,131,741          |

*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, 2014*

*(with summarized comparative totals for year ended December 31, 2013)*

|   | <b>2014</b>         | <b>2013</b>       |
|---|---------------------|-------------------|
| <i>Cash flows from operating activities:</i>  |                     |                   |
| Change in net assets  | \$ 1,339,476        | \$ 252,285        |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: |                     |                   |
| Depreciation  | 56,525              | 8,452             |
| Change in:  |                     |                   |
| Accounts receivable   | (1,615)             | 300               |
| Note receivable   | -                   | (15,000)          |
| Housing project inventories   | (327,779)           | 194,082           |
| Pledge receivables  | 158,025             | 275,445           |
| Prepaid expenses  | (9,460)             | (1,035)           |
| Deposits  | -                   | (1,000)           |
| Accounts payable and accrued expenses   | (4,992)             | 10,973            |
| <i>Net cash provided by operating activities</i>  | <u>1,210,180</u>    | <u>724,502</u>    |
| <i>Cash flows from investing activities:</i>  |                     |                   |
| Investment in fixed assets  | (1,880,369)         | -                 |
| Investment in land held for development   | -                   | 49,900            |
| Ground leased land  | (22,770)            | (30,101)          |
| <i>Net cash provided by (used in) provided by investing activities</i>                      | <u>(1,903,139)</u>  | <u>19,799</u>     |
| <i>Cash flows from financing activities:</i>  |                     |                   |
| Proceeds from (repayment of) mortgages and notes payable                                    | 957,237             | (97,905)          |
| <i>Net cash provided by (used in) financing activities</i>                                  | <u>957,237</u>      | <u>(97,905)</u>   |
| <i>Net change in cash and cash equivalents</i>  | <u>264,278</u>      | <u>646,396</u>    |
| <i>Cash and cash equivalents, at beginning of year</i>                                      | <u>790,334</u>      | <u>143,938</u>    |
| <i>Cash and cash equivalents, at end of year</i>  | <u>\$ 1,054,612</u> | <u>\$ 790,334</u> |

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, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

### **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, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

### *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, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

### ***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 that 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.

#### ***Advertising***

The Corporation expenses advertising expenses as incurred. Advertising expense for the years ended December 31, 2014 and 2013 was \$2,965 and \$2,233 respectively.

### ***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 \$984 as of July 1, 2014. Total rent expense for the years ended December 31, 2014 and 2013, was \$11,635 and \$11,292, respectively.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

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

The Corporation has the following notes and mortgages payable at December 31, 2014 and 2013:

- a) 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, Martha's Vineyard, Massachusetts. The note bears no interest rate and is secured by the related property. 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, 2014 and 2013.
- b) A 30-year 6% interest rate note payable with Martha's Vineyard Saving Bank and is secured by the Corporation's property located on Halcyon Way, Martha's Vineyard, Massachusetts. The loan matures in November 2032. Outstanding balance on the note at December 31, 2014 and 2013 was \$102,414 and \$105,566, respectively.
- c) The Corporation had a construction line of credit from Edgartown National Bank that was discharged on August 2013.
- d) The Corporation has a mortgage with the Edgartown National Bank of \$490,000 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 . The loan is subject to certain financial covenants. The payments are interest only, therefore, the balance at year end on the principal remains at \$490,000.
- e) The Corporation has a \$160,000 promissory note for a rental project with the Federal Home Loan Bank of Boston Affordable Housing Program (AHP). 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"). This is referred to as the AHP Subsidy. This is a contingent loan that will be released 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.
- f) The Corporation has a non interest bearing contingent loan with the The Resource Inc. (TRI) under their Housing Rehabilitation Loan Program for \$200,000 with a maturity date of May 29, 2029. The Note is 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 entered into a construction line of credit from the Edgartown National Bank for \$600,000 on November 5, 2012 with a one year term bearing an interest rate of 5% per annum and required interest only monthly payment on the outstanding balance. The loan was collateralized by real estate owned at Unit A and B - 619 Edgartown Road, West Tisbury, This loan was discharged on May 9, 2014.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

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

- h) The Corporation has a construction loan with the Edgartown National Bank for \$271,000. This note converts 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 year end was \$107,829. 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”)

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

|            |    |                  |
|------------|----|------------------|
| 2015       | \$ | 3,044            |
| 2016       |    | 3,225            |
| 2017       |    | 3,425            |
| 2018       |    | 3,725            |
| Thereafter |    | 1,146,824        |
|            | \$ | <u>1,160,243</u> |

### **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 2014 and 2013 the Corporation received grant funding from the Town of Tisbury of \$105,650 and \$119,080, respectively.
- B. Wendy Swolinzky, Richard Jacobs, Sheetal Reubens, Richard Saltzberg, Paul Moreau, 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. For the years ending 2014 and 2013 the Corporation received grant funding from the DCRHA of \$30,000 and \$0, respectively. From time to time the TAHC discusses and/or decides on issues that may affect the Corporation. For the years ending 2014 and 2013 the Corporation received grant funding from the Town of Tisbury of \$105,650 and \$119,080, respectively.
- D. Marie Doubleday, a Board member is a member of the Oak Bluffs Housing Committee (“OBHC”). From time to time the OBHC discusses and/or decides on issues that may affect the Corporation.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

#### ***Note 5 - Related Party Relationships (continued)***

- E. Vickie Thurber, a Board member, is a member of the West Tisbury Housing Committee (“WTHC”). From time to time the WTHC discusses and/or decides on issues that may affect the Corporation. For the years ending 2014 and 2013 the Corporation received grant funding from the Town of West Tisbury of \$554,704 and \$65,000, respectively.
- F. 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.
- G. 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. For the years ending 2014 and 2013 the Corporation received grant funding from the Town of West Tisbury of \$65,000 and \$0, 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 \$3,000 in donated legal services for the years ended December 31, 2014 and 2013, respectively. 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 2014 and 2013, 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:

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

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

#### **Purchases for the Year Ended 2014**

|   |    |                       |
|---|----|-----------------------|
| 45 Bailey Park                                  | \$ | 15,000                |
| 14 Village Court, Vineyard Haven, Massachusetts |    | <u>600,000</u>        |
|   | \$ | <u><u>615,000</u></u> |

#### **Purchases for the Year Ended 2013**

|                         |    |                      |
|-------------------------|----|----------------------|
| 20 State Road, Aquinnah | \$ | 20,000               |
| 50 Bailey Park          |    | <u>10,000</u>        |
|                         | \$ | <u><u>30,000</u></u> |

#### **2013 Sales**

|                  |        |    |                       |
|------------------|--------|----|-----------------------|
| Lake Street      | 129-A  | \$ | 185,000               |
| Lake Street      | 129-B  |    | 225,000               |
| 619 Edgartown Rd | Unit 3 |    | 225,000               |
| 619 Edgartown Rd | Unit 1 |    | <u>225,000</u>        |
|                  |        | \$ | <u><u>860,000</u></u> |

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

#### ***Halcyon Way***

The Organization contracted with the Dukes County Housing Authority to provide 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. Rental Management fee        | 7% of gross rental income  |
| c. Property Management fee      | 10% 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, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

### **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.

#### ***Sepiessa 11 Apartments, 12 Clam Point Road, West Tisbury***

The Organization contracted with the Dukes County Housing Authority to provide 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 60% and 50% 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. Rental Management fee        | 7% of gross rental income |
| c. Property Management fee      | 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.

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, Massachusetts***

The Organization contracted with the Dukes County Housing Authority to provide property 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 60% and 50% 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.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

### **14 Village Court, Vineyard Haven, Massachusetts (continued)**

#### *Management Agreement (continued)*

Rental income is to be allocated as follows:

- |                                 |                           |
|---------------------------------|---------------------------|
| a. Operating costs              |                           |
| b. Rental Management fee        | 7% of gross rental income |
| c. Property Management fee      | 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, 2014 and 2013 property and equipment consisted of the following:

|                                    | <u>2014</u>         | <u>2013</u>       |
|------------------------------------|---------------------|-------------------|
| Rental property                    | \$ 2,107,485        | \$ 227,116        |
| Office equipment                   | <u>6,227</u>        | <u>6,227</u>      |
|                                    | 2,113,712           | 233,343           |
| Accumulated depreciation           | <u>(141,738)</u>    | <u>(85,213)</u>   |
| <i>Property and Equipment, net</i> | <u>\$ 1,971,974</u> | <u>\$ 148,130</u> |

Depreciation expense for the years ended December 31, 2014 and 2013 was \$56,525 and \$8,452, 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 \$110,000 in tax credits. In order to make use of the maximum allocation, the Corporation must secure qualified investments totaling \$220,000. All qualified investments by eligible taxpayers shall be applied against the total maximum allocation amount upon DHCD certification. The total amount of revenue which qualified for the tax credits for the year ended December 31, 2014 was \$220,000.

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

The Organization has three noninterest bearing notes receivables from three individuals for second mortgages on properties that were sold to them by the Organization. The total notes receivable balance as of December 31, 2013 and December 31, 2014 was \$35,000. The notes are secured by the properties.

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

### *For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

#### ***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, 2013, temporarily restricted net assets consisted of \$687,845 of which \$187,845 in multi-year pledges, and a one-time \$500,000 pledge towards a development project. The temporarily restricted net asset for the year ended 2014 is \$263,375 that is made up of the pledges receivable and the restricted cash of \$9,000.

#### ***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, 2013***

|              | <b><i>Pledge<br/>Balances</i></b> | <b><i>Discount</i></b> |           | <b><i>Present Value<br/>of Pledges<br/>Balances</i></b> |
|--------------|-----------------------------------|------------------------|-----------|---|
| 2014         | \$ 263,600                        | \$ -                   | \$        | 263,600   |
| 2015         | 64,400                            | 511                    |           | 63,889  |
| 2016         | 64,400                            | 898                    |           | 63,502  |
| 2017         | 22,300                            | 891                    |           | 21,409  |
| <b>Total</b> | <b>\$ 414,700</b>                 | <b>\$ 2,300</b>        | <b>\$</b> | <b>412,400</b>  |

#### ***Year Ended December 31, 2014***

|              | <b><i>Pledge<br/>Balances</i></b> | <b><i>Discount</i></b> |           | <b><i>Present Value<br/>of Pledges<br/>Balances</i></b> |
|--------------|-----------------------------------|------------------------|-----------|---|
| 2015         | \$ 118,975                        | \$ -                   | \$        | 118,975   |
| 2016         | 79,900                            | 634                    |           | 79,266  |
| 2017         | 54,350                            | 758                    |           | 53,592  |
| 2018         | 1,200                             | 48                     |           | 1,152   |
| <b>Total</b> | <b>\$ 256,930</b>                 | <b>\$ 2,555</b>        | <b>\$</b> | <b>254,375</b>  |

# ISLAND HOUSING TRUST CORPORATION

## *Notes to the Financial Statements*

*For the Year Ended December 31, 2014*

*(With summarized comparative totals for the year ended December 31, 2013)*

### *Note 15 - Reclassifications*

Certain amounts in the 2013 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, 2014 to April 2, 2015, which is the issuance date of this report. There have been no material events noted during this period that would either impact the results reflected in this report or results going forward.

### *Note 17 - Schedule of Expenses*

|                                   | <u>Rental Programs</u> |                             | <u>Program/<br/>Project</u> | <u>General and<br/>Administration</u> | <u>2014<br/>Total</u> | <u>2013<br/>Total</u> |
|-----------------------------------|------------------------|-----------------------------|-----------------------------|---------------------------------------|-----------------------|-----------------------|
|                                   | <u>Halycon<br/>Way</u> | <u>14 Village<br/>Court</u> | <u>Expenses</u>             |                                       |                       |                       |
| Salaries and wages                | \$ -                   | \$ -                        | \$ 127,095                  | \$ 42,365                             | \$ 169,460            | \$ 114,019            |
| Payroll taxes and fringe benefits | -                      | -                           | 28,004                      | 9,335                                 | 37,339                | 26,363                |
| Professional fees                 | -                      | 1,403                       | 31,102                      | 10,367                                | 42,872                | 40,875                |
| Project lease fee expense         | -                      | -                           | -                           | -                                     | -                     | 15,000                |
| Conferences                       | -                      | -                           | 1,999                       | 666                                   | 2,665                 | -                     |
| Insurance                         | 1,132                  | -                           | 3,329                       | 1,110                                 | 5,571                 | 11,837                |
| Office lease                      | -                      | -                           | 8,726                       | 2,909                                 | 11,635                | 11,292                |
| Fundraising                       | -                      | -                           | 14,781                      | 4,927                                 | 19,708                | 10,263                |
| Property expenses                 | -                      | -                           | 19,337                      | 6,446                                 | 25,783                | 8,760                 |
| Depreciation                      | -                      | -                           | 42,394                      | 14,131                                | 56,525                | 8,452                 |
| Legal fees                        | -                      | -                           | -                           | 3,000                                 | 3,000                 | 6,988                 |
| Printing and postage              | -                      | -                           | 5,132                       | 1,711                                 | 6,843                 | 6,974                 |
| Rental management                 | 1,154                  | 1,194                       | -                           | -                                     | 2,348                 | 6,654                 |
| Property management fee           | 6,277                  | 2,882                       | -                           | -                                     | 9,159                 | -                     |
| Interest expense                  | 6,360                  | -                           | 17,370                      | 5,790                                 | 29,520                | 6,428                 |
| Repairs and maintenance           | 11,230                 | 7,260                       | -                           | -                                     | 18,490                | -                     |
| Office supplies                   | -                      | -                           | 7,996                       | 2,664                                 | 10,660                | 6,078                 |
| Equipment rentals                 | -                      | -                           | -                           | -                                     | -                     | 4,064                 |
| Website expenses                  | -                      | -                           | 2,911                       | 970                                   | 3,881                 | 3,440                 |
| Advertising                       | -                      | -                           | 2,224                       | 741                                   | 2,965                 | 2,233                 |
| Telephone                         | -                      | -                           | 1,684                       | 561                                   | 2,245                 | 2,013                 |
| Travel                            | -                      | -                           | 3,629                       | 1,210                                 | 4,839                 | 1,591                 |
| Utilities                         | -                      | 5,559                       | 494                         | 165                                   | 6,218                 | 901                   |
| Property taxes                    | 410                    | -                           | 1,639                       | 546                                   | 2,595                 | 781                   |
| Filing fees                       | -                      | -                           | 5,313                       | -                                     | 5,313                 | 468                   |
| <b>Total expenses</b>             | <b>\$ 26,563</b>       | <b>\$ 18,298</b>            | <b>\$ 325,159</b>           | <b>\$ 109,614</b>                     | <b>\$ 479,634</b>     | <b>\$ 295,474</b>     |