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ISLAND HOUSING TRUST CORPORATION

Financial Statements

For the Year Ended December 31, 2012

ISLAND HOUSING TRUST CORPORATION

Financial Statements

Year Ended December 31, 2012

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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 statement of financial position of Island Housing Trust Corporation (a nonprofit organization) as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Island Housing Trust Corporation as of December 31, 2012, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 2011 financial statements were reviewed by other accountants, and their report thereon, dated January 21, 2012, stated they were not aware of any material modifications that should be made to those statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements as a whole.

NE Kelly & Associates, LLC
Boston, Massachusetts
March 15, 2013

ISLAND HOUSING TRUST CORPORATION

Management's Discussion and Analysis

For the Year Ended December 31, 2012

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 income increased in 2012 by \$1,538,283. This increase in income is a result of a combination of \$187,845 in multi-year pledges, a one-time \$500,000 pledge towards a development project, and a donated land valued at \$700,000, along with \$150,428 from the sales of the four townhouses at 129 Lake Street and the investment in the development of two additional townhouses at 129 Lake Street in Vineyard Haven and two single-family houses at 619 Edgartown Road in West Tisbury. Revenues from grants and contributions recognized in 2012 will be offset, in large part, by the cost of development projects once the houses are sold. The 129 Lake Street townhouses and the 619 Edgartown Road houses are scheduled to be completed and sold by May/June of 2013. Once a housing development is completed the IHT sells the homes at an affordable price to low and moderate income eligible homebuyers who ground lease the land from the IHT for 99-years with affordability restrictions. Ground lease fees generated \$25,300 of revenues in 2011 and \$28,400 of revenues in 2012, used to defray a portion of the IHT's costs for management and stewardship of 43 ground leased properties in 2011 and 48 ground lease properties in 2012.

FIXED ASSETS

The IHT investment in fixed assets as of December 31, 2012, amounts to \$156,582 of total fixed assets. The investments include a rental property in the Town of West Tisbury and office equipment located at the Vineyard Housing Office in the Town of Tisbury.

HOUSING PROJECT INVENTORY

The IHT investment in housing project inventory as of December 31, 2012, amounts to \$261,053. This includes property under development for eventual sale, including a property at 129 Lake Street in the Town of Tisbury and 619 Edgartown Road in West Tisbury.

ISLAND HOUSING TRUST CORPORATION

Management's Discussion and Analysis

For the Year Ended December 31, 2012

GROUND LEASED LAND

The IHT holds the title to land that it ground leases to homeowners for 99-years. This investment as of December 31, 2012 amounts to approximately \$1.18 million, including 48 ground leased properties located in the towns of Aquinnah, Edgartown, Oak Bluffs, Tisbury, and West Tisbury. These ground leases resulted in revenues of approximately \$28,400 in 2012, used to defray a portion of the IHT's administrative costs to manage 48 ground leased properties.

ECONOMIC FACTORS

The tables below provide a summary of the changes in net assets for the year ended December 31, 2012, and reflects the Statement of Financial Position for 2012:

Statement of Financial Position

December 31, 2012

Assets

Cash and cash equivalents	\$	143,938
Accounts receivable		2,000
Pledges receivable		687,845
Housing project inventories		261,053
Land held for development		749,900
Prepaid expenses		4,044
Notes receivables		20,000
Fixed assets, net		156,582
Ground leased land		<u>1,182,767</u>
<i>Total assets</i>	\$	<u><u>3,208,129</u></u>

Liabilities and Net Assets

Liabilities:

Notes and mortgages payable	\$	300,911
Accounts payable and accrued expenses		<u>27,762</u>
<i>Total liabilities</i>		<u>328,673</u>

Net assets:

Unrestricted net assets		2,191,611
Temporarily restricted net assets		<u>687,845</u>
<i>Total net assets</i>		<u>2,879,456</u>
<i>Total assets and liabilities</i>	\$	<u><u>3,208,129</u></u>

ISLAND HOUSING TRUST CORPORATION

Management's Discussion and Analysis

For the Year Ended December 31, 2012

Statement of Activities

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<i>Income:</i>			
Project Grants	\$ 442,870	\$ -	\$ 442,870
Donations	109,254	-	109,254
Multi-year Pledges	-	187,845	187,845
Project Pledge	-	500,000	500,000
Sale of Property	867,500	-	867,500
Ground Lease	28,400	-	28,400
Other Revenues	27,135	-	27,135
Donated Services	27,242	-	27,242
Donated Land	700,000	-	700,000
	<u>2,202,401</u>	<u>687,845</u>	<u>2,890,246</u>
<i>Total income</i>			
	<u>2,202,401</u>	<u>687,845</u>	<u>2,890,246</u>
<i>Expenses:</i>			
Housing Development	1,221,859	-	1,221,859
Property Management/Stewardship	38,777	-	38,777
Fundraising	24,442	-	24,442
Administration	48,884	-	48,884
Grants	10,000	-	10,000
Other Expenses	8,000	-	8,000
	<u>1,351,963</u>	<u>-</u>	<u>1,351,963</u>
<i>Total expenses</i>			
	<u>1,351,963</u>	<u>-</u>	<u>1,351,963</u>
<i>Change in net assets</i>	850,438	- 687,845	1,538,283
<i>Net assets at beginning of year</i>	<u>1,341,173</u>		<u>1,341,173</u>
<i>Net assets at end of year</i>	<u>\$ 2,191,611</u>	<u>\$ 687,845</u>	<u>\$ 2,879,456</u>

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, 2012

(With summarized comparative totals as of December 31, 2011)

	<i>(Audited)</i> <i>2012</i>	<i>(Reviewed)</i> <i>2011</i>
<i>Assets</i>		
Cash and cash equivalents	\$ 143,938	\$ 61,078
Accounts receivable	2,000	1,915
Pledges receivable	687,845	-
Housing project inventories	261,053	190,055
Land held for development	749,900	-
Prepaid expenses	4,044	4,044
Notes receivables	20,000	-
Fixed assets, net	156,582	165,034
Ground leased land	1,182,767	1,168,032
<i>Total assets</i>	<u>\$ 3,208,129</u>	<u>\$ 1,590,158</u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities</i>		
Notes and mortgages payable	\$ 300,911	\$ 237,104
Accounts payable and accrued expenses	27,762	11,881
<i>Total liabilities</i>	<u>328,673</u>	<u>248,985</u>
<i>Net Assets</i>		
Unrestricted net assets	2,191,611	1,341,173
Temporarily restricted net assets	687,845	-
<i>Total net assets</i>	<u>2,879,456</u>	<u>1,341,173</u>
<i>Total assets and liabilities</i>	<u>\$ 3,208,129</u>	<u>\$ 1,590,158</u>

ISLAND HOUSING TRUST CORPORATION

Statement of Activities

For the Year Ended December 31, 2012

(with summarized comparative totals for year ended December 31, 2011)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>(Audited) 2012</u>	<u>(Reviewed) 2011</u>
<i>Revenues and other support:</i>				
Grants and contributions	\$ 552,124	\$ 687,845	\$ 1,239,969	\$ 271,197
Sales of real estate	867,500	-	867,500	-
Rental income ground leases	28,400	-	28,400	25,300
Contributed goods and services	27,242	-	27,242	-
Contributed land	700,000	-	700,000	-
Other revenue	27,135	-	27,135	53,157
	<u>2,202,401</u>	<u>687,845</u>	<u>2,890,246</u>	<u>349,654</u>
<i>Total revenues and other support</i>				
<i>Expenses:</i>				
Cost of goods sold	1,091,677	-	1,091,677	-
Program and administrative expenses	260,286	-	260,286	180,919
	<u>1,351,963</u>	<u>-</u>	<u>1,351,963</u>	<u>180,919</u>
<i>Total expenses</i>				
<i>Change in net assets</i>	<u>850,438</u>	<u>687,845</u>	<u>1,538,283</u>	<u>168,735</u>
<i>Net assets at beginning of year</i>	<u>1,341,173</u>	<u>-</u>	<u>1,341,173</u>	<u>1,172,438</u>
<i>Net assets at end of year</i>	<u>\$ 2,191,611</u>	<u>\$ 687,845</u>	<u>\$ 2,879,456</u>	<u>\$ 1,341,173</u>

ISLAND HOUSING TRUST CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2012

(with summarized comparative totals for year ended December 31, 2011)

	<i>(Audited)</i> 2012	<i>(Reviewed)</i> 2011
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 1,538,283	\$ 168,735
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	8,452	8,452
Change in:		
Accounts receivable	(85)	1,535
Notes receivable	(20,000)	
Housing project inventories	(70,998)	(148,401)
Ground leased land	(14,735)	(28,557)
Pledge receivables	(687,845)	
Prepaid expenses	-	(54)
Accounts payable and accrued expenses	15,881	689
Deferred revenue	-	(25,746)
<i>Net cash provided by (used in) operating activities</i>	<u>768,953</u>	<u>(23,347)</u>
<i>Cash flows from investing activities:</i>		
Investment in land held for development	<u>(749,900)</u>	<u>7,167</u>
<i>Net cash used in investing activities</i>	<u>(749,900)</u>	<u>7,167</u>
<i>Cash flows from financing activities:</i>		
Proceeds from notes payable	-	29,180
Repayment of mortgages and notes payable	<u>63,807</u>	<u>(16,770)</u>
<i>Net cash provided by financing activities</i>	<u>63,807</u>	<u>12,410</u>
<i>Net change in cash and cash equivalents</i>	<u>82,860</u>	<u>(3,770)</u>
<i>Cash and cash equivalents, at beginning of year</i>	<u>61,078</u>	<u>64,848</u>
<i>Cash and cash equivalents, at end of year</i>	<u><u>\$ 143,938</u></u>	<u><u>\$ 61,078</u></u>

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

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 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, 2012

(with summarized comparative totals for the year ended December 31, 2011)

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, 2012

(with summarized comparative totals for the year ended December 31, 2011)

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. During the fiscal years 2012 and 2011, bad debts from uncollected pledges and gift commitments were zero.

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, 2012 and 2011 was \$1,079 and \$2,384, 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 \$927 as of July 1, 2012. Total rent expense for the years ended December 31, 2012 and 2011, was \$9,210 and \$7,188, respectively.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

Note 4 - Notes and Mortgages Payable

The Corporation has the following notes and mortgages payable at December 31, 2012 and 2011:

- 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, 2012 and 2011.
- b) A 30-year \$124,959 note payable with Martha's Vineyard Saving Bank which bears an interest rate of 6% 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, 2012 and 2011 was \$105,566 and \$107,924, respectively.
- c) The Corporation has a construction line of credit from Edgartown National Bank which was modified on June, 2012 and capped at \$500,000 with a one year term bearing an interest rate of 5% per annum and required interest only monthly payments on the outstanding balance. The loan is collateralized by the land and property on Wentworth Way, Tisbury, Massachusetts. Outstanding balance on the note at December 31, 2012 and 2011 was \$88,615 and \$29,180, respectively.
- d) The Corporation has a construction line of credit with an outstanding balance of \$6,730 as of December 31, 2012 with Edgartown National Bank secured by the property at 619 Edgartown Road.

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

2013	\$	32,030
2014		3,040
2015		3,225
2016		3,425
2017		3,776
Thereafter		<u>255,415</u>
	\$	<u><u>300,911</u></u>

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

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. Richard Knabel, a former Board member, is a Selectman for the Town of West Tisbury from which the Corporation receives funds. For the years ending 2012 and 2011, the Corporation received grant funding from the Town of Tisbury of \$149,603 and \$0, respectively.
- B. Tristan Israel, a Board member, is a Selectman for the Town of Tisbury from which the Corporation may receive funds. For the years ending 2012 and 2011 the Corporation received grant funding from the Town of Tisbury of \$323,400 and \$113,803, respectively.
- C. Darren Reubens, Wendy Swolinzky, Bonnie Tilton, Richard Saltzberg, Drew Kinsman, Jennifer Powers, Paul Galligan, Paul Moreau, 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.
- D. Richard Leonard, a Board member is the chief operations officer and Executive Vice President at the Martha's Vineyard Saving Bank that holds one of the Corporation's operating bank accounts and provides lending and credit facilities to the Corporation (Note 4).
- E. Dan Seidman, a Board member, is also Board member of the Dukes County Regional Housing Authority. The Dukes County Regional Housing Authority leases office to the Corporation (Note 3) and/or decides on issues that may affect the Corporation.
- F. 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.
- G. 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.
- H. Doug Ruskin, a former Board member of Habitat for Humanity of Martha's Vineyard was also a Board member of the Corporation for part of 2012. From time to time both entities discuss and/or decide on issues that may affect the Corporation.

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 \$27,242 (reflected in project expenses in the Schedule of Expenses) and \$35,225 in donated legal services for the years ended December 31, 2012 and 2011, respectively. The Corporation received a contribution of land with an appraisal of \$700,000. This is recorded as donated land and contribution revenue.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

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. Net rental income from the property for the years ended December 31, 2012 and 2011 was \$2,727 and \$2,427, respectively.

During 2012, 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. Properties sold during the year December 31, 2012 are as follows:

Sales:

Lake Street - Loucks	129-F	\$	225,000
Lake Street - Nevin	129-D		184,500
Lake Street - Schoenfeld	129-E		225,000
Lake Street - Jacobs	129-C		225,000
Other closing costs			<u>8,000</u>
		\$	<u><u>867,500</u></u>

Note 9 - Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the current year presentation.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

Note 10 - Property and Equipment

At December 31, 2012 and 2011 property and equipment consisted of the following:

	<u>2012</u>	<u>2011</u>
Rental property - Halcyon Way	\$ 227,116	\$ 227,116
Office equipment	<u>6,227</u>	<u>6,227</u>
	233,343	233,343
Accumulated depreciation	<u>(76,761)</u>	<u>(68,309)</u>
<i>Total</i>	<u>\$ 156,582</u>	<u>\$ 165,034</u>

Depreciation expense for the years ended December 31, 2012 and 2011 was \$8,452.

Note 11 - 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:

	<u>Pledge Balances</u>	<u>Discount</u>	<u>Present Value of Pledges Balances</u>
2013	\$ 560,100	\$ -	\$ 560,100
2014	60,100	1,020	59,080
2015	35,100	780	34,320
2016	<u>35,100</u>	<u>755</u>	<u>34,345</u>
<i>Total</i>	<u>\$ 690,400</u>	<u>\$ 2,555</u>	<u>\$ 687,845</u>

Note 12 - Notes Receivable

The Organization has two notes receivables with two individuals for second mortgages on properties that were sold. They are for \$5,000 and \$15,000, totaling \$20,000. Both notes are secured by the properties.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2012

(with summarized comparative totals for the year ended December 31, 2011)

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, 2012, 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

Note 14 - Schedule of Expenses

	(Audited) 2012	(Reviewed) 2011
Salaries and wages	\$ 89,633	\$ 87,456
Payroll taxes and fringe benefits	26,458	27,447
Accounting fees	16,991	6,911
Advertising	1,079	2,384
Depreciation	8,452	8,452
Filing fees	3,700	50
Insurance	4,354	4,521
Interest expense	5,883	6,563
Legal fees	6,115	-
Travel expense	2,027	1,304
Office supplies	2,853	3,265
Printing and postage	511	-
Professional fees	11,334	6,033
Equipment rentals	1,532	-
Occupancy	9,210	7,188
Grants expense	10,000	-
Town easements	8,000	-
Telephone expense	1,490	1,473
Utilities	2,153	336
Website expenses	2,413	-
Fundraising expense	8,329	-
Project expenses	32,413	-
Other expenses	5,356	17,536
<i>Total expenses</i>	<u>\$ 260,286</u>	<u>\$ 180,919</u>

Note 15 - Subsequent Events

Subsequent events have been evaluated through March 15, 2013 which is the date the financial statements were available to be issued.