

2010
AUDIT

004062

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009

2010

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CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010 and 2009

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Harborlight Community Partners, Inc.

We have audited the accompanying consolidated statement of financial position of Harborlight Community Partners, Inc. as of December 31, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of Harborlight Community Partners, Inc.'s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of Harborlight Community Partners, Inc. as of December 31, 2009, were audited by other auditors whose report dated December 17, 2010, expressed an unqualified opinion on those statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Harborlight Community Partners, Inc. as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating additional information on pages 19 through 25 is presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Certified Public Accountants

July 21, 2011
South Portland, Maine

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash - Unrestricted	\$ 338,277	\$ 436,780
Cash - Reserves and Mortgage Escrows (Note 7)	402,988	393,239
Tenant Security Deposits	10,906	9,270
Accounts Receivable - Tenants	223	8
Accounts Receivable - Related Party (Note 9)	4,468	654
Accounts Receivable - Other (Note 9)	136,688	72,050
Prepaid Expenses	17,916	28,122
Notes Receivable, Current Maturities (Note 2)	25,941	24,325
Total Current Assets	937,407	964,448
Property and Equipment (Note 5)		
Land and Site Improvements	1,259,232	1,259,232
Buildings Held for Rent	8,392,149	8,051,179
Furniture and Equipment	287,371	259,767
Motor Vehicles	127,076	122,486
Construction in Progress	20,500	193,705
Development in Progress	72,480	-
Total	10,158,808	9,886,369
Less Accumulated Depreciation	2,080,834	1,816,563
Total Property and Equipment	8,077,974	8,069,806
Other Assets		
Deferred Financing Fees (net of Accumulated Amortization of \$25,164 and \$19,103 in 2010 and 2009, respectively)	104,251	110,312
Notes Receivable, Less Current Maturities (Note 2)	270,331	296,271
Total Other Assets	374,582	406,583
TOTAL ASSETS	\$ 9,389,963	\$ 9,440,837

See accompanying notes to the financial statements.

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HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Continued)

December 31, 2010 and 2009

LIABILITIES AND NET ASSETS

	2010	2009
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 9)	\$ 129,025	\$ 87,494
Accrued Expenses	92,041	109,365
Accrued Interest	4,473	4,629
Tenant Security Deposits	16,570	10,269
Prepaid Rent	1,006	7,532
Deferred Revenue	8,457	13,167
Line of Credit (Note 4)	211,103	211,103
Current Portion of Long-Term Debt	91,301	69,710
Total Current Liabilities	553,976	513,269
Long-Term Liabilities (Note 5)		
Long-Term Debt	6,762,035	6,848,067
Deferred Interest	746,048	671,350
Total Long-Term Liabilities	7,508,083	7,519,417
TOTAL LIABILITIES	8,062,059	8,032,686
MINORITY INTEREST IN AFFILIATE	198,751	375,636
NET ASSETS		
Unrestricted	1,060,669	1,027,131
Temporarily Restricted (Note 3)	68,484	5,384
Total Net Assets	1,129,153	1,032,515
TOTAL LIABILITIES AND NET ASSETS	\$ 9,389,963	\$ 9,440,837

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Administrative Revenue	\$ 244,737	\$ -	\$ 244,737
Site Revenue	661,952	-	661,952
Service Revenue	724,711	-	724,711
Fundraising Revenue	236,404	63,100	299,504
Interest Income	22,298	-	22,298
Forgiveness of Debt (Note 5)	53,798	-	53,798
Other Income	2,491	-	2,491
	<u>1,946,391</u>	<u>63,100</u>	<u>2,009,491</u>
Total Revenue			
Expenses			
Administrative Expenses	62,042	-	62,042
Site Expenses	1,253,290	-	1,253,290
Service Expenses	635,826	-	635,826
Fundraising Expenses	93,694	-	93,694
	<u>2,044,852</u>	<u>-</u>	<u>2,044,852</u>
Total Expenses			
Rental Activities			
Rental and Other Income	516,815	-	516,815
Rental Expenses	(561,701)	-	(561,701)
	<u>(44,886)</u>	<u>-</u>	<u>(44,886)</u>
Net Rental Activities			
Minority Interest in Net Loss of Affiliate	176,885	-	176,885
	<u>176,885</u>	<u>-</u>	<u>176,885</u>
Change in Net Assets	33,538	63,100	96,638
Net Assets, Beginning of Year	<u>1,027,131</u>	<u>5,384</u>	<u>1,032,515</u>
Net Assets, End of Year	<u>\$ 1,060,669</u>	<u>\$ 68,484</u>	<u>\$ 1,129,153</u>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2009

	Unrestricted	Temporarily Restricted	Total
Revenue			
Administrative Revenue	\$ 226,817	\$ -	\$ 226,817
Site Revenue	501,068	-	501,068
Service Revenue	780,680	-	780,680
Fundraising Revenue	170,236	-	170,236
Interest Income	22,489	-	22,489
Forgiveness of Debt (Note 5)	13,835	-	13,835
Other Income (Note 2)	333,003	-	333,003
	<u>2,048,128</u>	<u>-</u>	<u>2,048,128</u>
Total Revenue			
Expenses			
Administrative Expenses	525,705	-	525,705
Site Expenses	662,904	-	662,904
Service Expenses	712,732	-	712,732
Fundraising Expenses	97,868	-	97,868
	<u>1,999,209</u>	<u>-</u>	<u>1,999,209</u>
Total Expenses			
Rental Activities			
Rental and Other Income	508,413	-	508,413
Rental Expenses	(589,930)	-	(589,930)
	<u>(81,517)</u>	<u>-</u>	<u>(81,517)</u>
Net Rental Activities			
Minority Interest in Net Loss of Affiliate	191,931	-	191,931
	<u>191,931</u>	<u>-</u>	<u>191,931</u>
Net Assets Released from Donor Restrictions	8,239	(8,239)	-
	<u>8,239</u>	<u>(8,239)</u>	<u>-</u>
Change in Net Assets	167,572	(8,239)	159,333
Net Assets, Beginning of Year	859,559	13,623	873,182
	<u>859,559</u>	<u>13,623</u>	<u>873,182</u>
Net Assets, End of Year	\$ 1,027,131	\$ 5,384	\$ 1,032,515
	<u>\$ 1,027,131</u>	<u>\$ 5,384</u>	<u>\$ 1,032,515</u>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 96,638	\$ 159,333
Adjustments to Reconcile Increase in Net Assets		
Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	262,416	228,663
Deferred Interest Expense	74,698	3,113
Gain on Sale	-	(332,000)
Forgiveness of Long-Term Debt	(53,798)	(13,835)
Minority Interests' Share of Net Loss of Affiliate	(176,885)	(191,931)
Changes in Assets and Liabilities:		
Accounts Receivable - Tenants	(215)	176,906
Accounts Receivable - Related Party	(3,814)	275,831
Other Receivables	(64,638)	-
Prepaid Expenses	10,206	25,286
Accounts Payable	41,531	(138,753)
Due to Related Party	-	(223,936)
Accrued Expenses	(17,324)	143,417
Accrued Interest	(156)	-
Tenant Security Deposits and Accrued Interest	6,301	13,607
Prepaid Rent	(8,162)	(17,029)
Deferred Revenue	(4,710)	-
Net Cash Provided by Operating Activities	162,088	108,672
Cash Flows from Investing Activities:		
Net Deposits to Restricted Cash	(9,749)	(55,539)
Purchases of Property and Equipment	(264,523)	(1,489,798)
Payments from Note Receivables	24,324	41,404
Net Cash Used by Investing Activities	(249,948)	(1,503,933)
Cash Flows From Financing Activities:		
Long-term Debt Proceeds	55,300	2,088,700
Principal Payments on Long-term Debt	(65,943)	(782,106)
Proceeds from Line of Credit	-	16,613
Payment of Deferred Fees	-	(88,415)
Net Cash Provided (Used) by Financing Activities	(10,643)	1,234,792
Net Decrease in Cash	(98,503)	(160,469)
Cash at Beginning of Year	436,780	597,249
Cash at End of Year	\$ 338,277	\$ 436,780
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	\$ 209,093	\$ 153,941

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities - Harborlight Community Partners, Inc. (Harborlight) formerly FBC Property Management Corporation, Harborlight Care Services, Inc. and Harborlight House Properties, Inc. is a Massachusetts nonprofit corporation formed to develop, maintain and operate affordable housing for low to moderate income families. Harborlight currently owns and manages 248 residential units, and one commercial property. Harborlight also manages an additional 4 residential units.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of Harborlight Community Partners, Inc. and HLH Affordable Housing, Inc., not-for-profit entities related through common control. HLH Affordable Housing, Inc. is the sole general partner of HLH Affordable Housing, LP and Harborlight Community Partners, Inc. is the sole member of Whipple Annex Housing, LLC. These two entities are included in the consolidated financial statements. All significant inter-company transactions and balances are eliminated in consolidation.

Property and Equipment - Property and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Income Taxes - Harborlight is exempt from income tax liabilities under Section 501(c)(3) of the Internal Revenue Code.

HLH Affordable Housing Inc. is taxed as a C Corporation. At December 31, 2010 and 2009, the Corporation had net operating losses.

No provision for taxes on income is made on the HLH Affordable Housing Limited Partnership and Whipple Annex Housing, LLC financial statements since, as a partnership or limited liability company, all taxable income and losses are allocated to the partners or members for inclusion in their respective income tax returns.

A low income housing tax credit pursuant to Internal Revenue Code Section 42 has been allocated HLH Affordable Housing, LP. This credit is allocated to the partners for inclusion in their respective tax returns. The project must be maintained as a low income rental project to realize the tax credit. If the project or any portion thereof is not low income, adverse tax consequences will occur.

Cash - For purposes of reporting cash flows, cash includes cash on hand and amounts due from banks. The statement of cash flows does not include tenant security deposits in cash. These funds are held in trust and may be returned to the tenants.

Deferred Financing Fees - Deferred financing fees are being amortized over the terms of the related notes payable.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Contributions - Contributions are recognized when the donor makes a promise to give to Harborlight that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contribution is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets.

Functional Allocation of Expenses - The costs of providing various programs and supporting activities have been summarized on a functional basis in the statement of activities and the supplementary information to the financial statements. Accordingly, certain costs have been allocated between the programs and supporting services.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events - Subsequent events have been evaluated through July 21, 2011, the date the financial statements were available to be issued.

NOTE 2 - NOTES RECEIVABLE

Notes receivable consisted of the following:

	2010	2009
Harborlight provided a loan to a key employee in the amount of \$30,000 with interest only payments of \$125 per month through December 2012 with interest at 5%, and payments of principal and interest thereafter at a rate equal to the lower of the Wall Street Journal prime rate or 7% per annum until the earlier of December 1, 2017 or 120 days following the cessation of the individual's employment with the Organization, when all unpaid principal is due.	\$ 30,000	\$ 30,000
The Organization sold their personal care services during 2009 for \$332,000. A note receivable was issued in connection with the sale, with interest at 6.45% per annum. Monthly payments of principal and interest of \$6,254 through August 2009 and monthly payments thereafter of \$3,530 until January 2019 when all unpaid principal is due.	266,272	290,596
	\$ 296,272	\$ 320,596

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HARBORLIGHT COMMUNITY PARTNERS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 2 - NOTES RECEIVABLE (Continued)

Aggregate maturities of notes receivable are as follows:

2011	\$ 25,941
2012	27,664
2013	31,650
2014	33,766
2015	36,023
Thereafter	141,228
	<u>\$ 296,272</u>

NOTE 3 - RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Certain net assets are subject to donor restrictions. These net assets will be released from the imposed restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor.

At December 31, 2010 and 2009, temporarily restricted net assets includes \$5,384 in donations that were made to the Moving Partners fund. These donations will continue to be restricted until the required services have been performed.

During 2010, a grant totaling \$7,000 was awarded to the Organization for a market study on one of the properties. Half of this amount was expended in 2010, leaving \$3,500 in temporarily restricted net assets at December 31, 2010. In addition, \$59,600 in gifts were received by the Organization for the benefit of a property currently in development. This amount will be released from temporarily restricted net assets when the property is placed in operation.

NOTE 4 - LINE OF CREDIT

The Organization has an unsecured \$250,000 line of credit with Danversbank. Interest is the Wall Street Journal prime rate plus .5% with a floor of 4% (4% at both December 31, 2010 and 2009). Interest only is payable in monthly installments. The line of credit is payable on demand. At both December 31, 2010 and 2009, the unpaid principal balance was \$211,103.

The Organization had an unsecured \$70,000 line of credit with a bank for payroll. Interest is the Wall Street Journal prime rate plus 1% (4.25% at December 31, 2009). The line of credit was paid in full during 2009. The line of credit was closed during March 2010.

HARBORLIGHT COMMUNITY PARTNERS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following:

	2010	2009
<u>Harbor Light Community Partners, Inc.</u>		
Promissory Note Payable – Danversbank, with interest at 6.5%, principal and interest due in monthly payments of \$1,007 until September 2022, when all unpaid principal is due. The loan is secured by property.	\$ 99,113	\$ 104,562
Promissory Note Payable – Beverly Cooperative Bank, with interest at 6.75%, principal and interest due in monthly payments of \$620 until October 2014, when all unpaid principal is due. The loan is secured by the a motor vehicle and equipment.	24,568	30,124
Promissory Note Payable - Community Economic Development Assistance Corp. (CEDAC), non-interest bearing, the entire unpaid balance shall be due and payable in full in June 2032, as long as the property remains affordable to low income tenants. Principal payments in excess of 115% of Gross Cash Expenditures are payable within 45 days of the calendar year end.	238,026	238,026
Promissory Note Payable - North Shore Home Consortium (NSHC), non-interest bearing, the entire unpaid balance shall be due and payable in full in July 2023. This note is secured by the property.	140,000	140,000
Promissory Note Payable – Community Development Block Grant Loan Program, non-interest bearing, repayment of principal is forgiven unless property doesn't remain affordable low income housing.	100,000	100,000
Promissory Notes Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in August 2039. This note is secured by the property.	150,000	94,700
Promissory Note Payable - NSHC, non-interest bearing. Payments are due upon default. This note is secured by the property.	65,000	65,000

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HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

	2010	2009
Promissory Note Payable - Home Improvement Deferred Loan Program (HIDL), non-interest bearing, deferred declining balance loan, with the unpaid balance forgiven in September 2019. The loan shall be due in full in the event of a default or breach on the note conditions. This note is secured by the property.	60,000	60,000
Promissory Note Payable - HIDL, non-interest bearing, the entire unpaid balance shall be due and payable in full in July 2009. This note was forgiven during 2010.	-	33,798
Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in December 2023. This note is secured by property.	25,000	25,000
Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in May 2009. This note was forgiven during 2010.	-	20,000
<u>HLH Housing Affordable, LP</u>		
Promissory Note Payable - First Baptist Church in Beverly, an affiliate of the general partner, with interest at 6.5% through December 2013, and interest at the Wall Street prime rate plus 3% thereafter, adjusted every five years. The adjusted rate shall not exceed the lesser of 9% or the previous adjusted rate plus 1.75%. Monthly payments of principal and interest of \$5,364 through December 2014 when the payments will be readjusted. The loan is secured by a mortgage deed on the property.	681,965	701,318
Promissory Note Payable - Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD), with interest at 6%. Payments of principal and interest are deferred until August 2028. The loan is secured by a mortgage deed on the property.	500,000	500,000

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HARBORLIGHT COMMUNITY PARTNERS, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

	2010	2009
Promissory Note Payable - CEDAC, non-interest bearing, the entire unpaid balance shall be due and payable in full in August 2028. The loan is secured by a mortgage deed on the property.	250,000	250,000
Promissory Note Payable - NSHC, with interest at 6%. Payments of principal and interest are deferred until August 2028. The loan is secured by a mortgage deed on the property.	150,000	150,000
Promissory Note Payable - City of Beverly, with interest at 1%. Payments of principal and interest are deferred until August 2028. The loan is secured by a mortgage deed on the property.	50,000	50,000
<u>Whipple Annex Housing, LLC</u>		
Mortgage Note Payable - North Shore Bank, with interest at 3%, monthly payments of principal and interest of \$3,619 until May 2027 when all unpaid principal is due. The loan is secured by the property.	560,632	586,582
Mortgage Note Payable - North Shore Bank, with interest at 7.5%, monthly payments of principal and interest of \$696 until March 2026 when all unpaid principal is due. The loan is secured by the property.	75,114	77,855
Promissory Note Payable - Massachusetts Development Finance Agency, non-interest bearing, monthly principal payments of \$89 until June 2014 when all unpaid principal is due. The loan is secured by the property.	3,748	4,819
Promissory Note Payable - DHCD, non-interest bearing, the entire unpaid balance shall be due and payable in full in March 2036. The loan is secured by the property.	500,000	500,000
Promissory Note Payable - Commonwealth of Massachusetts (DHCD), non-interest bearing, the entire unpaid balance shall be due and payable in full in March 2056. The loan is secured by the property.	500,000	500,000

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>2010</u>	<u>2009</u>
Promissory Note Payable - Federal Home Loan Bank, non-interest bearing, the entire unpaid balance shall be deemed payable in May 2022. The loan is secured by the property.	300,000	300,000
Promissory Note Payable - CEDAC, non-interest bearing, the entire unpaid balance shall be due and payable in full in May 2037. The loan is secured by the property.	201,993	201,993
Promissory Note Payable - Town of Ipswich (HOME Loan), non-interest bearing, the entire unpaid balance shall be due and payable in full in May 2105. The loan is secured by the property.	115,000	115,000
Promissory Note Payable - NSHC (HOME Loan), non-interest bearing, the entire unpaid balance shall be due and payable in full in May 2104. The loan is secured by the property.	75,000	75,000
	<u>\$ 4,865,159</u>	<u>\$ 4,923,777</u>

In addition to the terms described above, many of the loans included in long-term debt have covenants that require premature payment if properties purchased with the loan proceeds are not occupied by, and affordable to, low-income households.

The organization entered into a bond payable with Massachusetts Development Finance Agency (MDFA) in the amount of \$1,994,000.

The bond payable at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
Bond Payable, interest only payments of 5% due monthly until October 2010 when monthly payments of principal and interest of \$10,704 until September 2019. Thereafter the interest rate will be the greater of 4.5% or the Federal Home Loan Bank Rate plus 1.5%, adjusted every five years until September 2029. The bond is secured by the real estate and personal property.	\$ 1,988,177	\$ 1,994,000
	<u>\$ 1,988,177</u>	<u>\$ 1,994,000</u>

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HARBORLIGHT COMMUNITY PARTNERS, INC.
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 (Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

Aggregate maturities of long-term debt are as follows:

2011		\$ 91,301
2012		95,941
2013		100,968
2014		103,968
2015		102,928
Thereafter		<u>6,358,230</u>
Total		<u>\$ 6,853,336</u>

Deferred interest payable at December 31, 2010 and 2009 was as follows:

	<u>2010</u>	<u>2009</u>
Promissory Note Payable - DHCD	\$ 512,271	\$ 454,974
Promissory Note Payable - CEDAC	80,000	80,000
Promissory Note Payable - NSHC	147,585	130,740
Promissory Note Payable - City of Beverly	<u>6,192</u>	<u>5,636</u>
	<u>\$ 746,048</u>	<u>\$ 671,350</u>

NOTE 6 - RENTAL ASSISTANCE AGREEMENTS

The Department of Housing and Urban Development (HUD) has contracted with Whipple Annex Housing, LLC under Section 8 of Title II of the Housing and Community Development Act of 1974, to make housing assistance payments to the Company on behalf of qualified tenants. The HAP contract provides rental subsidies for 8 of the units. During 2010 and 2009, rental subsidies totaled \$92,164 and \$102,732, respectively. The project may not increase rents charged to tenants without HUD approval.

NOTE 7 - COMMITMENTS

Under the terms of the Bond Payable, the Organization is required to have certain restricted deposits and reserves, which are maintained by the Bond Trustee and are restricted as to use. These amounts are designated to pay for construction costs incurred related to the financing received from the bonds and other purposes deemed appropriate by the bond issuer.

In addition, the Organization was required to establish and maintain a reserve for replacements that is to be funded annually from cash receipts from operations and used for capital purchases.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

The Organization charges various affiliates for administrative and maintenance services. During 2010 and 2009, the Organization received the following from the affiliated parties:

	<u>2010</u>	<u>2009</u>
<u>Administrative Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ 130,106	\$ 125,424
Turtle Woods Corporation	77,093	74,105
First Baptist Church in Beverly	29,511	27,288
	<u>\$ 236,710</u>	<u>\$ 226,817</u>
<u>Site Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ 183,647	\$ 194,531
Turtle Woods Corporation	124,996	105,294
First Baptist Church in Beverly	25,040	21,392
	<u>\$ 333,683</u>	<u>\$ 321,217</u>
<u>Service Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ 59,963	\$ 59,235
Turtle Woods Corporation	18,748	20,367
First Baptist Church in Beverly	8,336	7,510
	<u>\$ 87,047</u>	<u>\$ 87,112</u>

Amounts due from Affiliates and included in Accounts Receivable - Other at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
First Baptist Beverly Housing for the Elderly, Inc.	\$ 33,115	\$ 24,944
Turtle Woods Corporation	15,181	16,448
Harborlight Nursery School, Inc.	1,627	3,364
First Baptist Church in Beverly	6,698	-
	<u>\$ 56,621</u>	<u>\$ 44,756</u>

Amounts due to Affiliates and included in Accounts Payable at December 31, 2010 and 2009 consisted of the following:

	<u>2010</u>	<u>2009</u>
First Baptist Church in Beverly	\$ 2,841	\$ 839
Turtle Woods Corporation	80	-
	<u>\$ 2,921</u>	<u>\$ 839</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

At December 31, 2010 and 2009, Accounts Receivable - Related Party consisted of the following:

	2010	2009
First Baptist Church in Beverly	\$ 966	\$ (545)
First Baptist Beverly Housing for the Elderly, Inc.	3,437	1,127
Turtle Woods Corporation	65	72
	<u>\$ 4,468</u>	<u>\$ 654</u>

The First Baptist Church in Beverly allocates investment income earned from an endowment fund held by the Church to the Organization. The investment income received is included as an unrestricted contribution. During both 2010 and 2009, \$20,004 was received from the endowment fund.

The First Baptist Church in Beverly has provided financing to the Organization. See Note 5.

The Organization made a loan to a key employee. See Note 2.

NOTE 10 - PENSION PLAN

The Organization provides a defined contribution pension plan through its affiliation with the Church, for eligible employees. The Organization contributes an amount equal to 16% of each employee's annual compensation plan, which accounts for retirement savings, life and disability insurance. Pension expense totaled \$42,164 and \$46,342 for the years ended December 31, 2010 and 2009, respectively.

NOTE 11 - OPERATING LEASE

During 2010, the Organization entered into a lease agreement with Danversbank for office space. Monthly lease payments of \$575 are due through May 31, 2013 with two (2) one (1) year extensions available.

Future minimum lease payments are as follows:

2011	\$ 6,900
2012	6,900
2013	<u>2,875</u>
Total	<u>\$ 16,675</u>

NOTE 12 - LAND LEASE

Whipple Annex Housing, LLC leases the land upon which the residential units are situated from the Town of Ipswich, under a ninety-nine year lease. The lease provides that the Company shall be required to pay \$1 during the term of the lease, plus expenses, such as taxes and assessments, incident to the use of the land.

HARBORLIGHT COMMUNITY PARTNERS, INC.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 13 - FUNCTIONAL EXPENSES

The costs of providing the programs are summarized on a functional basis as follows:

	<u>2010</u>	<u>2009</u>
Program Services	\$1,889,116	\$1,663,055
General and Administrative	62,042	238,286
Fundraising	<u>93,694</u>	<u>97,868</u>
Total	<u>\$2,044,852</u>	<u>\$1,999,209</u>

ADDITIONAL INFORMATION

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2010

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Eliminations	Totals
ASSETS						
Current Assets						
Cash - Unrestricted	\$ 262,390	\$ -	\$ 43,192	\$ 32,695	\$ -	\$ 338,277
Cash - Reserves and Mortgage Escrows	122,267	-	218,589	62,132	-	402,988
Tenant Security Deposits	100	-	-	10,806	-	10,906
Accounts Receivable - Tenants	-	-	-	223	-	223
Accounts Receivable - Related Party	25,505	-	-	-	(21,037)	4,468
Accounts Receivable - Other	138,533	-	2,317	62	(4,224)	136,688
Prepaid Expenses	13,427	-	4,489	-	-	17,916
Notes Receivable, Current Maturities	25,941	-	-	-	-	25,941
Total Current Assets	588,163	-	268,587	105,918	(25,261)	937,407
Property and Equipment						
Land and Site Improvements	996,793	-	262,439	-	-	1,259,232
Buildings Held for Rent	2,304,879	-	3,668,196	2,648,641	(229,567)	8,392,149
Furniture and Equipment	142,890	-	139,182	5,299	-	287,371
Motor Vehicles	127,076	-	-	-	-	127,076
Construction in Progress	20,500	-	-	-	-	20,500
Development in Progress	72,480	-	-	-	-	72,480
Total	3,664,618	-	4,069,817	2,653,940	(229,567)	10,158,808
Accumulated Depreciation	477,020	-	1,352,908	250,906	-	2,080,834
Total Property and Equipment	3,187,598	-	2,716,909	2,403,034	(229,567)	8,077,974
Other Assets						
Investments in Affiliates	(108)	(108)	-	-	216	-
Deferred Financing Fees, Net	82,521	-	21,730	-	-	104,251
Development Fee Receivable	383,475	-	-	-	(383,475)	-
Notes Receivable, Less Current Maturities	270,331	-	-	-	-	270,331
Total Other Assets	736,219	(108)	21,730	-	(383,259)	374,582
TOTAL ASSETS	\$ 4,511,980	\$ (108)	\$ 3,007,226	\$ 2,508,952	\$ (638,087)	\$ 9,389,963
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	\$ 104,534	\$ -	\$ 17,564	\$ 9,955	\$ (3,028)	\$ 129,025
Accounts Payable - Related Party	-	-	21,037	1,196	(22,233)	-
Accrued Expenses	82,368	-	4,800	4,873	-	92,041
Accrued Interest	-	-	3,694	779	-	4,473
Tenant Security Deposits	7,111	-	-	9,459	-	16,570
Prepaid Rent	807	-	-	199	-	1,006
Deferred Revenue	8,457	-	-	-	-	8,457
Line of Credit	211,103	-	-	-	-	211,103
Current Portion of Long-Term Debt	40,105	-	20,649	30,547	-	91,301
Total Current Liabilities	454,485	-	67,744	57,008	(25,261)	553,976
Long-Term Liabilities						
Long-Term Debt	2,849,779	-	1,611,316	2,300,940	-	6,762,035
Development Fee Payable	-	-	383,475	-	(383,475)	-
Deferred Interest	-	-	746,048	-	-	746,048
Total Long-Term Liabilities	2,849,779	-	2,740,839	2,300,940	(383,475)	7,508,083
TOTAL LIABILITIES	3,304,264	-	2,808,583	2,357,948	(408,736)	8,062,059
Minority Interest in Affiliate	-	-	198,751	-	-	198,751
NET ASSETS						
Unrestricted	1,139,232	(108)	(108)	151,004	(229,351)	1,060,669
Temporarily Restricted	68,484	-	-	-	-	68,484
Total Net Assets	1,207,716	(108)	(108)	151,004	(229,351)	1,129,153
TOTAL LIABILITIES AND NET ASSETS	\$ 4,511,980	\$ (108)	\$ 3,007,226	\$ 2,508,952	\$ (638,087)	\$ 9,389,963

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2009

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Eliminations	Totals
ASSETS						
Current Assets						
Cash - Unrestricted	\$ 344,146	\$ -	\$ 49,198	\$ 43,436	\$ -	\$ 436,780
Cash - Reserves and Mortgage Escrows	116,747	-	214,619	61,873	-	393,239
Tenant Security Deposits	-	-	-	9,270	-	9,270
Accounts Receivable - Tenants	-	-	-	8	-	8
Accounts Receivable - Related Party	21,548	-	-	-	(20,894)	654
Accounts Receivable - Other	77,472	-	-	-	(5,422)	72,050
Prepaid Expenses	20,272	-	7,850	-	-	28,122
Notes Receivable, Current Maturities	24,325	-	-	-	-	24,325
Total Current Assets	604,510	-	271,667	114,587	(26,316)	964,448
Property and Equipment						
Land and Site Improvements	996,793	-	262,439	-	-	1,259,232
Buildings Held for Rent	1,976,575	-	3,663,446	2,648,641	(237,483)	8,051,179
Furniture and Equipment	120,585	-	139,182	-	-	259,767
Motor Vehicles	122,486	-	-	-	-	122,486
Construction in Progress	193,705	-	-	-	-	193,705
Total	3,410,144	-	4,065,067	2,648,641	(237,483)	9,886,369
Accumulated Depreciation	384,077	-	1,248,110	184,376	-	1,816,563
Total Property and Equipment	3,026,067	-	2,816,957	2,464,265	(237,483)	8,069,806
Other Assets						
Investments in Affiliates	(90)	(90)	-	-	180	-
Deferred Financing Fees, Net	86,942	-	23,370	-	-	110,312
Development Fee Receivable	362,523	-	-	-	(362,523)	-
Notes Receivable, Less Current Maturities	296,271	-	-	-	-	296,271
Total Other Assets	745,646	(90)	23,370	-	(362,343)	406,583
TOTAL ASSETS	\$ 4,376,223	\$ (90)	\$ 3,111,994	\$ 2,578,852	\$ (626,142)	\$ 9,440,837
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts Payable	\$ 67,923	\$ -	\$ 15,069	\$ 4,271	\$ 231	\$ 87,494
Accounts Payable - Related Party	-	-	20,101	6,446	(26,547)	-
Accrued Expenses	92,565	-	11,500	5,300	-	109,365
Accrued Interest	-	-	3,799	830	-	4,629
Tenant Security Deposits	1,015	-	-	9,254	-	10,269
Prepaid Rent	5,877	-	788	867	-	7,532
Deferred Revenue	13,167	-	-	-	-	13,167
Line of Credit	211,103	-	-	-	-	211,103
Current Portion of Long-Term Debt	20,677	-	19,353	29,680	-	69,710
Total Current Liabilities	412,327	-	70,610	56,648	(26,316)	513,269
Long-Term Liabilities						
Long-Term Debt	2,884,533	-	1,631,965	2,331,569	-	6,848,067
Development Fee Payable	-	-	362,523	-	(362,523)	-
Deferred Interest	-	-	671,350	-	-	671,350
Total Long-Term Liabilities	2,884,533	-	2,665,838	2,331,569	(362,523)	7,519,417
TOTAL LIABILITIES	3,296,860	-	2,736,448	2,388,217	(388,839)	8,032,686
Minority Interest in Affiliate	-	-	375,636	-	-	375,636
NET ASSETS						
Unrestricted	1,073,979	(90)	(90)	190,835	(237,303)	1,027,131
Temporarily Restricted	5,384	-	-	-	-	5,384
Total Net Assets	1,079,363	(90)	(90)	190,835	(237,303)	1,032,515
TOTAL LIABILITIES AND NET ASSETS	\$ 4,376,223	\$ (90)	\$ 3,111,994	\$ 2,578,852	\$ (626,142)	\$ 9,440,837

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2010

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Eliminations	Totals
REVENUE						
Administrative Revenue	\$ 294,728	\$ -	\$ -	\$ -	\$ (49,991)	\$ 244,737
Site Revenue	757,291	-	-	-	(95,339)	661,952
Service Revenue	724,711	-	-	-	-	724,711
Fundraising Revenue	299,504	-	-	-	-	299,504
Interest Income	42,991	-	-	259	(20,952)	22,298
Forgiveness of Debt	53,798	-	-	-	-	53,798
Other Income	-	-	2,491	-	-	2,491
TOTAL REVENUE	2,173,023	-	2,491	259	(166,282)	2,009,491
EXPENSES						
Administrative Expenses	61,842	-	-	200	-	62,042
Site Expenses	1,253,290	-	-	-	-	1,253,290
Service Expenses	635,826	-	-	-	-	635,826
Fundraising Expenses	93,694	-	-	-	-	93,694
TOTAL EXPENSES	2,044,652	-	-	200	-	2,044,852
RENTAL ACTIVITIES						
Rental and Other Income	-	-	379,140	137,675	-	516,815
Rental Expense	-	-	(558,534)	(177,365)	174,198	(561,701)
NET RENTAL ACTIVITIES	-	-	(179,394)	(39,690)	174,198	(44,886)
Loss on Investment in Affiliate	(18)	(18)	-	-	36	-
Minority Interest in Net Loss of Affiliate	-	-	176,885	-	-	176,885
Increase (Decrease) in Net Assets	128,353	(18)	(18)	(39,631)	7,952	96,638
Net Assets (Deficit), Beginning of Year	1,079,363	(90)	(90)	190,635	(237,303)	1,032,515
Net Assets (Deficit), End of Year	\$ 1,207,716	\$ (108)	\$ (108)	\$ 151,004	\$ (229,351)	\$ 1,129,153

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2009

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Eliminations	Totals
REVENUE						
Administrative Revenue	\$ 261,891	\$ -	\$ -	\$ -	\$ (35,074)	\$ 226,817
Site Revenue	580,169	-	-	-	(79,101)	501,068
Service Revenue	786,689	-	-	-	(6,009)	780,680
Fundraising Revenue	170,236	-	-	-	-	170,236
Interest Income	45,189	-	-	-	(22,700)	22,489
Forgiveness of Debt	13,835	-	-	-	-	13,835
Other Income	333,003	-	-	-	-	333,003
TOTAL REVENUE	2,191,012	-	-	-	(142,884)	2,048,128
EXPENSES						
Administrative Expenses	525,705	-	-	-	-	525,705
Site Expenses	662,904	-	-	-	-	662,904
Service Expenses	712,732	-	-	-	-	712,732
Fundraising Expenses	97,868	-	-	-	-	97,868
TOTAL EXPENSES	1,999,209	-	-	-	-	1,999,209
RENTAL ACTIVITIES						
Rental and Other Income	-	-	370,795	137,618	-	508,413
Rental Expense	-	-	(562,745)	(177,985)	150,800	(589,930)
NET RENTAL ACTIVITIES	-	-	(191,950)	(40,367)	150,800	(81,517)
Loss on Investment in Affiliate	(19)	(19)	-	-	38	-
Minority Interest in Net Loss of Affiliate	-	-	191,931	-	-	191,931
Increase (Decrease) in Net Assets	191,784	(19)	(19)	(40,367)	7,954	159,333
Net Assets (Deficit), Beginning of Year	887,579	(71)	(71)	231,002	(245,257)	873,182
Net Assets (Deficit), End of Year	\$ 1,079,363	\$ (90)	\$ (90)	\$ 190,635	\$ (237,303)	\$ 1,032,515

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Current Assets		
Cash - Unrestricted	\$ 262,390	\$ 344,146
Cash - Reserves and Mortgage Escrows	122,267	116,747
Tenant Security Deposits	100	-
Accounts Receivable - Related Party	25,505	21,548
Accounts Receivable - Other	138,533	77,472
Prepaid Expenses	13,427	20,272
Notes Receivable, Current Maturities	25,941	24,325
Total Current Assets	<u>588,163</u>	<u>604,510</u>
Property and Equipment		
Land and Site Improvements	996,793	996,793
Buildings Held for Rent	2,304,879	1,976,575
Furniture and Equipment	142,890	120,585
Motor Vehicles	127,076	122,486
Construction in Progress	20,500	193,705
Development in Progress	72,480	-
Total	3,664,618	3,410,144
Less Accumulated Depreciation	<u>477,020</u>	<u>384,077</u>
Total Property and Equipment	<u>3,187,598</u>	<u>3,026,067</u>
Other Assets		
Investments in Affiliates	(108)	(90)
Deferred Financing Fees, Net	82,521	86,942
Development Fee Receivable	383,475	362,523
Notes Receivable, Less Current Maturities	270,331	296,271
Total Other Assets	<u>736,219</u>	<u>745,646</u>
TOTAL ASSETS	<u>\$ 4,511,980</u>	<u>\$ 4,376,223</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION
(Continued)

December 31, 2010 and 2009

LIABILITIES AND NET ASSETS

	<u>2010</u>	<u>2009</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 104,534	\$ 67,923
Accrued Expenses	82,368	92,565
Tenant Security Deposits	7,111	1,015
Prepaid Rent	807	5,877
Deferred Revenue	8,457	13,167
Line of Credit	211,103	211,103
Current Portion of Long-Term Debt	<u>40,105</u>	<u>20,677</u>
Total Current Liabilities	<u>454,485</u>	<u>412,327</u>
Long-Term Liabilities		
Long-Term Debt	<u>2,849,779</u>	<u>2,884,533</u>
Total Long-Term Liabilities	<u>2,849,779</u>	<u>2,884,533</u>
TOTAL LIABILITIES	<u>3,304,264</u>	<u>3,296,860</u>
NET ASSETS		
Unrestricted	1,139,232	1,073,979
Temporarily Restricted	<u>68,484</u>	<u>5,384</u>
Total Net Assets	<u>1,207,716</u>	<u>1,079,363</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,511,980</u>	<u>\$ 4,376,223</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Revenue		
Administrative Revenue	\$ 294,728	\$ 261,891
Site Revenue	757,291	580,169
Service Revenue	724,711	786,689
Fundraising Revenue	299,504	170,236
Interest Income	42,991	45,189
Forgiveness of Debt	53,798	13,835
Other Income	-	333,003
	<u>2,173,023</u>	<u>2,191,012</u>
Expenses		
Administrative Expenses	61,842	525,705
Site Expenses	1,253,290	662,904
Service Expenses	635,826	712,732
Fundraising Expenses	93,694	97,868
	<u>2,044,652</u>	<u>1,999,209</u>
Loss on Investment in Affiliate	<u>(18)</u>	<u>(19)</u>
Change in Net Assets	128,353	191,784
Net Assets, Beginning of Year	<u>1,079,363</u>	<u>887,579</u>
Net Assets, End of Year	<u>\$ 1,207,716</u>	<u>\$ 1,079,363</u>

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