

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2012 and 2011

CONTENTS

	PAGE
Independent Auditor's Report	1 and 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3 and 4
Consolidated Statements of Activities	5 and 6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 through 21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22 and 23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	24 and 25
SUPPLEMENTARY INFORMATION	
Schedule of Findings and Questioned Costs	26
Schedule of Expenditures of Federal Awards	27
Notes to the Schedule of Expenditures of Federal Awards	28
Consolidating Schedule of Financial Position	29 and 30
Consolidating Schedule of Activities	31 and 32
Harborlight Community Partners, Inc. Statements of Financial Position	33 and 34
Statements of Activities	35



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Harborlight Community Partners, Inc.

We have audited the accompanying financial statements of Harborlight Community Partners, Inc., which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years 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 audits. We conducted our audits 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 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.

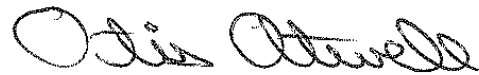
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harborlight Community Partners, Inc. as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2013 on our consideration of Harborlight Community Partners, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information shown on pages 26 to 35 is presented for purposes of additional analysis. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Otis Otwell". The signature is fluid and cursive, with the first name "Otis" and last name "Otwell" clearly distinguishable.

Certified Public Accountants

June 24, 2013
South Portland, Maine
Employer Identification No: 20-3690847
Engagement Partner: Scott Blakeslee

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2012 and 2011

ASSETS

	2012	2011
Current Assets		
Cash - Unrestricted	\$ 679,603	\$ 340,867
Cash - Reserves and Mortgage Escrows (Note 7)	700,397	1,227,948
Tenant Security Deposits	36,702	35,421
Accounts Receivable - Tenants	17,055	3,053
Accounts Receivable - Related Party (Note 9)	260	-
Accounts Receivable - Other (Note 9)	129,573	138,316
Prepaid Expenses	45,443	41,373
Notes Receivable, Current Maturities (Note 2)	34,502	27,664
Total Current Assets	1,643,535	1,814,642
Property and Equipment (Note 5)		
Land and Site Improvements	2,329,687	2,111,806
Buildings Held for Rent	12,908,274	11,992,135
Furniture and Equipment	368,491	316,413
Motor Vehicles	116,233	167,891
Construction in Progress	229,233	77,000
Total	15,951,918	14,665,245
Less Accumulated Depreciation	2,701,683	2,362,195
Total Property and Equipment	13,250,235	12,303,050
Other Assets		
Deferred Financing Fees (net of Accumulated Amortization of \$40,965 and \$32,145 in 2012 and 2011, respectively)	138,119	146,939
Notes Receivable, Less Current Maturities (Note 2)	193,165	232,667
Total Other Assets	331,284	379,606
TOTAL ASSETS	\$ 15,225,054	\$ 14,497,298

See accompanying notes to the financial statements.

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

December 31, 2012 and 2011

LIABILITIES AND NET ASSETS

	2012	2011
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 9)	\$ 266,571	\$ 122,917
Accounts Payable - Related Party (Note 9)	13,232	-
Accrued Expenses	125,503	85,154
Accrued Interest	15,240	21,495
Tenant Security Deposits	29,478	29,159
Prepaid Rent	9	1,436
Deferred Revenue	-	4,139
Line of Credit (Note 4)	-	231,000
Current Portion of Long-Term Debt	124,408	119,955
Total Current Liabilities	574,441	615,255
Long-term Liabilities (Note 5)		
Long-term Debt	11,539,087	11,104,407
Deferred Interest	909,077	825,201
Total Long-term Liabilities	12,448,164	11,929,608
TOTAL LIABILITIES	13,022,605	12,544,863
MINORITY INTEREST IN AFFILIATE	(171,895)	22,557
NET ASSETS		
Unrestricted	2,244,194	1,299,609
Temporarily Restricted (Note 3)	130,150	630,269
Total Net Assets	2,374,344	1,929,878
TOTAL LIABILITIES AND NET ASSETS	\$ 15,225,054	\$ 14,497,298

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Housing Management Revenue	\$ 287,191	\$ -	\$ 287,191
Housing Operations Revenue	2,215,092	-	2,215,092
Social Service Revenue	643,348	-	643,348
Fundraising Revenue	186,336	157,500	343,836
Development Income	57,500	-	57,500
Interest Income	19,424	-	19,424
Other Income	8,052	-	8,052
	<u>3,416,943</u>	<u>157,500</u>	<u>3,574,443</u>
Expenses			
Administrative Expenses	99,967	-	99,967
Housing Operations and Development Expenses	2,661,372	-	2,661,372
Social Service Expenses	607,825	-	607,825
Fundraising Expenses	201,481	-	201,481
	<u>3,570,645</u>	<u>-</u>	<u>3,570,645</u>
Minority Interest in Net Loss of Affiliate	194,452	-	194,452
Net Assets Released from Donor Restrictions	657,619	(657,619)	-
Change in Net Assets	40,750	157,500	198,250
Transfer of Net Assets - Merger (Note 1)	246,216	-	246,216
Net Assets, Beginning of Year	<u>1,299,609</u>	<u>630,269</u>	<u>1,929,878</u>
Net Assets, End of Year	<u>\$ 2,244,194</u>	<u>\$ 130,150</u>	<u>\$ 2,374,344</u>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Housing Management Revenue	\$ 266,037	\$ -	\$ 266,037
Housing Operations Revenue	1,534,754	-	1,534,754
Social Service Revenue	636,366	-	636,366
Fundraising Revenue	566,487	(13,100)	553,387
Development Income	100,115	574,885	675,000
Interest Income	19,439	-	19,439
Other Income	13,137	-	13,137
	<u>3,136,335</u>	<u>561,785</u>	<u>3,698,120</u>
Total Revenue			
Expenses			
Administrative Expenses	90,174	-	90,174
Housing Operations and Development Expenses	2,236,398	-	2,236,398
Social Service Expenses	617,238	-	617,238
Fundraising Expenses	129,779	-	129,779
	<u>3,073,589</u>	<u>-</u>	<u>3,073,589</u>
Total Expenses			
Minority Interest in Net Loss of Affiliate	176,194	-	176,194
	<u>176,194</u>	<u>-</u>	<u>176,194</u>
Change in Net Assets	238,940	561,785	800,725
Net Assets, Beginning of Year	1,060,669	68,484	1,129,153
	<u>1,060,669</u>	<u>68,484</u>	<u>1,129,153</u>
Net Assets, End of Year	<u>\$ 1,299,609</u>	<u>\$ 630,269</u>	<u>\$ 1,929,878</u>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 198,250	\$ 800,725
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	393,150	298,575
Deferred Interest Expense	83,876	79,153
Minority Interests' Share of Net Loss of Affiliate	(194,452)	(176,194)
Merger with The Community Land Trust of Cape Ann	246,216	-
Changes in Assets and Liabilities:		
Accounts Receivable - Tenants	(14,002)	(2,830)
Accounts Receivable - Related Party	(260)	4,468
Other Receivables	8,743	(1,628)
Prepaid Expenses	(4,070)	(23,457)
Accounts Payable	143,654	(14,858)
Accounts Payable - Related Party	13,232	-
Accrued Expenses	40,349	3,080
Accrued Interest	(6,255)	7,055
Tenant Security Deposits and Accrued Interest	319	12,589
Prepaid Rent	(2,708)	(24,085)
Deferred Revenue	(4,139)	(4,318)
Net Cash Provided by Operating Activities	901,903	958,275
Cash Flows from Investing Activities:		
Net Withdrawals from (Deposits to) Restricted Cash	527,551	(824,960)
Purchases of Property and Equipment	(1,331,515)	(4,507,920)
Payments from Note Receivables	32,664	35,941
Net Cash Used by Investing Activities	(771,300)	(5,296,939)
Cash Flows From Financing Activities:		
Long-term Debt Proceeds	523,454	4,678,044
Principal Payments on Long-term Debt	(84,321)	(267,224)
Proceeds from Line of Credit	-	231,000
Payment of Line of Credit	(231,000)	(250,897)
Payment of Deferred Fees	-	(49,669)
Net Cash Provided by Financing Activities	208,133	4,341,254
Net Increase in Cash	338,736	2,590
Cash at Beginning of Year	340,867	338,277
Cash at End of Year	\$ 679,603	\$ 340,867
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	\$ 200,368	\$ 180,884

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) is a Massachusetts nonprofit corporation formed to develop, maintain and operate affordable housing for low to moderate income families. Harborlight currently owns, manages or supports 344 residential units which are home to over 450 working families, fixed income elders and those with disabilities. They also manage one commercial space for a local food pantry and provide services to a homeless shelter.

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of Harborlight Community Partners, Inc., HLH Affordable Housing, Inc. and Firehouse Place, 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. Pigeon Cove is wholly owned by Harborlight; and its operations are included in the consolidation. All significant inter-company transactions and balances are eliminated in consolidation.

Merger - On January 1, 2012, Harborlight merged with The Community Land Trust of Cape Ann, Inc. (CLTCA), a non-profit charitable corporation. The financial statements include the operations and transfer of net assets of the CLTCA.

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, 2012 and 2011, 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. Certain units must be maintained as a low income rental project to realize the tax credit. If these units are 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.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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

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 June 24, 2013, the date the financial statements were available to be issued.

NOTE 2 - NOTES RECEIVABLE

Notes receivable consisted of the following:

	<u>2012</u>	<u>2011</u>
Harborlight provided a loan to a key employee in the amount of \$30,000 with interest at 5%, interest only payments through December 2012. Additional principal payments of \$5,000 and \$10,000 were received during 2012 and 2011, respectively. During 2012 the board amended the terms of the loan to be repaid in equal annual installments of \$5,000 through a bonus program until July 2015. At such time, if the employee ceases to be employed by HCP for any reason before the final payment is due the loan will be forgiven.	\$ 15,000	\$ 20,000

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

NOTE 2 - NOTES RECEIVABLE (Continued)

	2012	2011
The Organization sold their personal care services business 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. (See Note 4)	212,667	240,331
	\$ 227,667	\$ 260,331

Aggregate maturities of notes receivable are as follows:

2013	\$ 34,502
2014	36,463
2015	38,553
2016	35,782
2017	38,160
Thereafter	44,207
	\$ 227,667

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, 2012 and 2011, temporarily restricted net assets include \$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 2012, a \$100,000 anonymous donation was received to benefit the Harborlight House. Facility improvements and special services for the tenants totaling \$4,829 were spent and released from this restriction during 2012.

During 2012, donations totaling \$57,500 were received by the Organization for the benefit of a property in development. Costs associated with the improvements totaled \$27,905 and were released from temporarily restricted net assets during 2012.

At December 31, 2011, temporarily restricted net assets included \$574,885 in donations that were made to the Pigeon Cove development. These donations were released during 2012, after completion of the required services were performed.

At December 31, 2011, temporarily restricted net assets include \$50,000 in donations that were made to the Organization for general operating support. The grant shall be expended over a one-year term expiring in 2012. These funds were released during 2012.

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

NOTE 4 - LINE OF CREDIT

During 2011, the Organization obtained a \$250,000 line of credit with Beverly Cooperative Bank. The note is secured by interest in the assignment and payment of the Associated Home Care, Inc. note. (See Note 2) Interest is the Wall Street Journal prime rate plus 1% with a floor of 4% (4.25% at December 31, 2011). Interest only was payable in monthly installments. The line of credit was payable on demand. At December 31, 2011, the unpaid principal balance was \$231,000 and was paid during April 2012.

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following:

	2012	2011
<u>Harborlight Community Partners, Inc.</u>		
Promissory Note Payable - People's United Bank, 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 (8-10 Dodge Street).	\$ 86,347	\$ 93,324
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 a motor vehicle and equipment.	12,705	18,589
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 (8-10 Dodge Street).	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 (24 Home Street).	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 (8-10 Dodge Street).	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 (8-10 Dodge Street).	150,000	150,000

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

NOTE 5 - LONG-TERM DEBT (Continued)

	2012	2011
Promissory Note Payable - NSHC, non-interest bearing. Payments are due upon default. This note is secured by the property (21 River Street).	65,000	65,000
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 (5 Chase Street).	60,000	60,000
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 (9 Beckford Street).	25,000	25,000
Promissory Note Payable - Boston Private Bank & Trust, with interest at 6.07%, principal and interest due in monthly payments of \$396 until August 2021, when all unpaid principal is due. The loan is secured by property (7 Pleasant Street).	63,935	64,717
Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in October 2041. This note is secured by property (7 Pleasant Street).	90,000	54,500
Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in December 2040. This note is secured by property (5 Chase Street).	78,100	78,100
Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in December 2041. This note is secured by property (11 Union Street).	101,000	101,000
Promissory Note Payable - Ally Financial, without interest, principal due in monthly payments of \$680 until October 2019, when all unpaid principal is due. The loan is secured by a motor vehicle.	31,291	39,454
<u>Pigeon Cove</u>		
Mortgage Note Payable - USDA, Rural Development with market rate interest at 3.25% per annum. USDA, Rural Development, under Section 515 of the Housing Act, is committed to issue monthly interest credits of \$3,048 so as to reduce the principal and interest payments to an amount equivalent to a loan at a basic interest rate of 1%. For both financial statement and tax purposes, the mortgage note is being amortized using the market interest rate. The USDA, Rural Development interest credits are reduced by rent collections in excess of basic contract rents. Monthly payments of \$5,143 reflect a 50-year amortization at 1%. The final installment is due July 2036. The note is secured by real estate and personal property.	2,407,631	2,427,318

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

	<u>2012</u>	<u>2011</u>
Mortgage Note Payable - USDA, Rural Development with market rate interest at 3.25% per annum. USDA, Rural Development, under Section 515 of the Housing Act, is committed to issue monthly interest credits of \$1,520 so as to reduce the principal and interest payments to an amount equivalent to a loan at a basic interest rate of 1%. For both financial statement and tax purposes, the mortgage note is being amortized using the market interest rate. The USDA, Rural Development interest credits are reduced by rent collections in excess of basic contract rents. Monthly payments of \$2,565 reflect a 50-year amortization at 1%. The final installment is due July 2036. The note is secured by real estate and personal property (Pigeon Cove).	1,200,699	1,210,517
Mortgage Note Payable - USDA, Rural Development with market rate interest at 3.25% per annum. USDA, Rural Development, under Section 515 of the Housing Act, is committed to issue monthly interest credits of \$159 so as to reduce the principal and interest payments to an amount equivalent to a loan at a basic interest rate of 1%. For both financial statement and tax purposes, the mortgage note is being amortized using the market interest rate. The USDA, Rural Development interest credits are reduced by rent collections in excess of basic contract rents. Monthly payments of \$268 reflect a 50-year amortization at 1%. The final installment is due July 2036. The note is secured by real estate and personal property (Pigeon Cove).	125,526	126,552
Promissory Notes Payable - North Shore HOME Consortium (NSHC), without interest. Payments of principal are deferred until January 2041. The loans are secured by a mortgage deed on the property.	200,488	-

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

NOTE 5 - LONG-TERM DEBT (Continued)

	2012	2011
<u>HLH Affordable Housing, LP</u>		
Promissory Note Payable - First Baptist Church in Beverly, an affiliate of the general partner, 6.5% through December 2011, then interest only at 4% through December 31, 2014, after which time interest shall be the Wall Street Journal prime rate plus 3%, thereafter, adjusted every five years. Monthly payments of principal and interest of \$5,364 through December 2011, and monthly interest payments of \$2,204 from February 2012 through December 2014 when the payments will be readjusted. The note is due in full on December 31, 2028. The loan is secured by a mortgage deed on the property.	661,316	661,316
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
Promissory Note Payable - CEDAC, with interest at 5% until December 31, 2004 then 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.	506,349	533,881
Mortgage Note Payable - North Shore Bank, with interest recast and fixed every five years, at the Federal Home Loan Bank of Boston Classic Advance Rate plus 2.5%, currently 5.55% and 7.5% at December 31, 2011 and 2010, respectively. Monthly payments of principal and interest of \$613 and \$696 were paid during 2011 and 2010, respectively, until March 2026 when all unpaid principal and interest is due. The loan is secured by the property.	68,684	72,063

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

NOTE 5 - LONG-TERM DEBT (Continued)

	2012	2011
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.	1,696	2,677
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
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>Firehouse Place, Inc.</u> Promissory Note Payable - The First Baptist Church in Beverly, with interest at 6%, monthly payments of principal and interest of \$1,003 until February 2031 when all unpaid principal is due. The loan is secured by the property, and guaranteed by the Organization.	132,972	136,901
Promissory Note Payable - Department of Housing and Community Development (DHCD) through the Affordable Housing Trust Fund, non-interest bearing, the entire unpaid balance shall be due and payable in full in October 2041. The Corporation can draw up to \$210,000 on the note. The loan is secured by the property.	200,000	199,500

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

NOTE 5 - LONG-TERM DEBT (Continued)

	2012	2011
Promissory Note Payable – Community Economic Development Assistance Corporation, non-interest bearing, annual payments equal to the excess of gross receipts that exceed 105% of gross cash expenditures. The entire unpaid balance shall be due and payable in full in October 2041. The loan is secured by the property. Additional Funding up to \$317,000 has been granted.	307,000	-
Promissory Note Payable - North Shore HOME Consortium (HOME Loan), non-interest bearing, the entire unpaid balance shall be due and payable in full in October 2041. The loan is secured by the property.	220,000	220,000
Promissory Note Payable - Town of Hamilton (HOME Loan), non-interest bearing, the entire unpaid balance shall be due and payable in full in October 2041. The loan is secured by the property.	65,720	50,254
	\$ 9,981,478	\$ 9,510,682

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, 2012 and 2011 consisted of the following:

	2012	2011
Bond Payable, the bonds were refinanced with Boston Private Bank during 2011 at 3.75% interest. Commencing September 1, 2011, monthly principal and interest payments of \$8,038 due until August 2021. The bond is secured by the real estate and personal property.	\$ 1,682,017	\$ 1,713,680

Aggregate maturities of long-term debt are as follows:

2013	\$ 124,408
2014	127,321
2015	160,939
2016	165,476
2017	164,883
Thereafter	10,920,468
Total	\$ 11,663,495

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 5 - LONG-TERM DEBT (Continued)

Deferred interest payable of loans of HLH Affordable Housing, LP at December 31, 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Promissory Note Payable - DHCD	\$ 637,388	\$ 573,007
Promissory Note Payable - CEDAC	80,000	80,000
Promissory Note Payable - NSHC	184,367	165,440
Promissory Note Payable - City of Beverly	<u>7,322</u>	<u>6,754</u>
	<u>\$ 909,077</u>	<u>\$ 825,201</u>

NOTE 6 - RENTAL ASSISTANCE AGREEMENTS

The U.S. 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 2012 and 2011, rental subsidies totaled \$91,596 and \$85,935, respectively. The project may not increase rents charged to tenants without HUD approval.

The U.S. Department of Housing and Urban Development (HUD) has contracted with Firehouse Place, Inc. under Section 8 of Title II of the Housing and Community Development Act of 1974, to make housing assistance payments to the Corporation on behalf of qualified tenants. The contract is administered and monitored by Community Teamwork, Inc. The contract provides rental subsidies for 4 of the residential units. During 2012 and 2011, rental subsidies totaled \$43,610 and \$1,025, respectively. The project may not increase rents charged to tenants without HUD approval.

Pigeon Cove has entered into a Rental Assistance Agreement with USDA, Rural Development which provides assistance for 30 apartment units.

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

The Organization charges various affiliates for administrative and maintenance services. During 2012 and 2011, the Organization received the following from the affiliated parties:

	2012	2011
<u>Housing Management Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ 142,467	\$ 138,559
Turtle Woods Corporation	79,890	78,106
First Baptist Church in Beverly	29,928	30,223
	\$ 252,285	\$ 246,888
<u>Housing Operations Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ 252,177	\$ 254,835
Turtle Woods Corporation	123,632	140,972
First Baptist Church in Beverly	16,021	23,150
	\$ 391,830	\$ 418,957
<u>Social Service Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ 58,038	\$ 58,233
Turtle Woods Corporation	18,839	24,222
First Baptist Church in Beverly	-	7,225
	\$ 76,877	\$ 89,680

Amounts due from Affiliates and included in Accounts Receivable - Other at December 31, 2012 and 2011 consisted of the following:

	2012	2011
First Baptist Beverly Housing for the Elderly, Inc.	\$ 10,007	\$ 15,514
Turtle Woods Corporation	7,022	11,130
Harborlight Nursery School, Inc.	2,345	145
First Baptist Church in Beverly	2,654	4,738
Non-Related Party	107,545	106,789
	\$ 129,573	\$ 138,316

Amounts due to Affiliates and included in Accounts Payable at December 31, 2012 and 2011 consisted of the following:

	2012	2011
First Baptist Church in Beverly	\$ -	\$ 74
First Baptist Beverly Housing for the Elderly, Inc.	545	102
Turtle Woods Corporation	288	-
Non-Related Party	265,738	122,741
	\$ 266,571	\$ 122,917

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

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

At December 31, 2012 and 2011, Accounts Receivable - Related Party consisted of the following:

	<u>2012</u>	<u>2011</u>
First Baptist Beverly Housing for the Elderly, Inc.	\$ 130	\$ -
Turtle Woods Corporation	130	-
	<u>\$ 260</u>	<u>\$ -</u>

At December 31, 2012 and 2011, Accounts Payable - Related Party consisted of the following:

	<u>2012</u>	<u>2011</u>
First Baptist Church in Beverly	\$ 8,863	\$ -
First Baptist Beverly Housing for the Elderly, Inc.	3,259	-
Turtle Woods Corporation	1,110	-
	<u>\$ 13,232</u>	<u>\$ -</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 2012 and 2011, \$15,240 and \$20,004, respectively, 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 \$36,236 and \$41,495 for the years ended December 31, 2012 and 2011, respectively.

NOTE 11 - OPERATING LEASE

Firehouse Place, Inc. leases commercial building space under an operating lease to Acord, Inc., which is a charitable corporation that runs a food pantry in the building. The lease runs for fifteen years with options to renew for periods of ten years.

Future minimum lease payments are as follows:

2013	\$ 7,230
2014	7,592
2015	7,971
2016	8,375
2017	8,797
Thereafter	<u>100,622</u>
	<u>\$ 140,587</u>

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

NOTE 11 - OPERATING LEASE (Continued)

Firehouse Place, Inc. also received \$70,000 in donations from Acord, Inc. during 2011 to assist in the acquisition and renovation of the building.

During January 2012, the Organization entered into a lease agreement for office space. Monthly lease payments of \$2,583 are due through January 2015, with a two year option to renew available.

Future minimum lease payments are as follows:

2013	\$	31,000
2014		31,000
2015		<u>1,292</u>
	\$	<u><u>63,292</u></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, incidental to the use of the land.

NOTE 13 - FUNCTIONAL EXPENSES

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

	2012	2011
Program Services	\$3,269,197	\$2,853,636
General and Administrative	99,967	90,174
Fundraising	<u>201,481</u>	<u>129,779</u>
Total	<u><u>\$3,570,645</u></u>	<u><u>\$3,073,589</u></u>

NOTE 14 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of checking, savings accounts, and trust accounts with banks. As of December 31, 2012, the Organization had cash on deposit with banks of \$1,363,427. Of this amount, \$686,103 was insured by the FDIC or invested in government securities.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Harborlight Community Partners, Inc.

We have audited, in accordance with the 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, the financial statements of Harborlight Community Partners, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harborlight Community Partners, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harborlight Community Partners, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Harborlight Community Partners, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

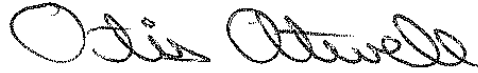
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harborlight Community Partners, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

June 24, 2013
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Harborlight Community Partners, Inc.

Report on Compliance for Each Major Federal Program

We have audited Harborlight Community Partners, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Harborlight Community Partners, Inc.'s major federal programs for the year ended December 31, 2012. Harborlight Community Partners, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Harborlight Community Partners, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harborlight Community Partners, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Harborlight Community Partners, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Harborlight Community Partners, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Harborlight Community Partners, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Harborlight Community Partners, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Harborlight Community Partners, Inc.'s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

June 24, 2013
South Portland, Maine

SUPPLEMENTARY INFORMATION

HARBORLIGHT COMMUNITY PARTNERS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____ yes X none reported
 Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:
 Material weakness(es) identified? _____ yes X no
 Significant deficiency(ies) identified
 not considered to be material weaknesses? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? _____ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.415	Rural Rental Housing Loans

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ yes x no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None

HARBORLIGHT COMMUNITY PARTNERS, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2012

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture, Rural Development</u>		
Rural Rental Housing Loans	10.415	<u>\$ 3,733,856</u>
Total U.S. Department of Agriculture, Rural Development		<u>3,733,856</u>
 Total Expenditures of Federal Awards		 <u><u>\$ 3,733,856</u></u>

Note: The schedule is prepared on the accrual basis of accounting.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2012

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2012

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Eliminations	Totals
ASSETS							
Current Assets							
Cash - Unrestricted	\$ 583,899	\$ -	\$ 59,886	\$ 26,868	\$ 8,950	\$ -	\$ 679,603
Cash - Reserves and Mortgage Escrows	404,277	-	210,193	52,422	33,505	-	700,397
Tenant Security Deposits	30,269	-	-	5,478	955	-	36,702
Accounts Receivable - Tenants	15,120	-	433	1,098	404	-	17,055
Accounts Receivable - Related Party	22,421	-	-	-	-	(22,161)	260
Accounts Receivable - Other	139,048	-	-	-	-	(9,475)	129,573
Prepaid Expenses	38,037	-	4,735	1,579	1,092	-	45,443
Notes Receivable, Current Maturities	34,502	-	-	-	-	-	34,502
Total Current Assets	1,267,573	-	275,247	87,445	44,906	(31,636)	1,643,535
Property and Equipment							
Land and Site Improvements	1,932,248	-	262,439	-	135,000	-	2,329,687
Buildings Held for Rent	5,887,517	-	3,682,988	2,648,641	1,011,872	(322,744)	12,908,274
Furniture and Equipment	191,318	-	157,096	8,659	11,418	-	368,491
Motor Vehicles	116,233	-	-	-	-	-	116,233
Construction in Progress	229,233	-	-	-	-	-	229,233
Total	8,356,549	-	4,102,523	2,657,300	1,158,290	(322,744)	15,951,918
Accumulated Depreciation	722,743	-	1,564,624	385,015	29,301	-	2,701,683
Total Property and Equipment	7,633,806	-	2,537,899	2,272,285	1,128,989	(322,744)	13,250,235
Other Assets							
Investments in Affiliates	(145)	(145)	-	-	-	290	-
Deferred Financing Fees, Net	119,669	-	18,450	-	-	-	138,119
Development Fee Receivable	432,907	-	-	-	-	(432,907)	-
Notes Receivable, Less Current Maturities	193,165	-	-	-	-	-	193,165
Total Other Assets	745,596	(145)	18,450	-	-	(432,617)	331,284
TOTAL ASSETS	\$ 9,646,975	\$ (145)	\$ 2,831,596	\$ 2,359,730	\$ 1,173,895	\$ (786,997)	\$ 15,225,054
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	\$ 247,410	\$ -	\$ 22,587	\$ 566	\$ 1,375	\$ (5,367)	\$ 266,571
Accounts Payable - Related Party	17,126	-	20,345	2,030	-	(26,269)	13,232
Accrued Expenses	116,303	-	5,200	4,000	-	-	125,503
Accrued Interest	12,029	-	2,204	728	279	-	15,240
Tenant Security Deposits	24,409	-	-	4,114	955	-	29,478
Prepaid Rent	9	-	-	-	-	-	9
Current Portion of Long-term Debt	87,097	-	-	33,140	4,171	-	124,408
Total Current Liabilities	504,383	-	50,336	44,578	6,780	(31,636)	574,441
Long-term Liabilities							
Long-term Debt	6,770,668	-	1,611,316	2,235,582	921,521	-	11,539,087
Development Fee Payable	-	-	432,907	-	-	(432,907)	-
Deferred Interest	-	-	909,077	-	-	-	909,077
Total Long-term Liabilities	6,770,668	-	2,953,300	2,235,582	921,521	(432,907)	12,448,164
TOTAL LIABILITIES	7,275,051	-	3,003,636	2,280,160	928,301	(464,543)	13,022,605
Minority Interest in Affiliate	-	-	(171,895)	-	-	-	(171,895)
NET ASSETS							
Unrestricted	2,241,774	(145)	(145)	79,570	245,594	(322,454)	2,244,194
Temporarily Restricted	130,150	-	-	-	-	-	130,150
Total Net Assets	2,371,924	(145)	(145)	79,570	245,594	(322,454)	2,374,344
TOTAL LIABILITIES AND NET ASSETS	\$ 9,646,975	\$ (145)	\$ 2,831,596	\$ 2,359,730	\$ 1,173,895	\$ (786,997)	\$ 15,225,054

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

December 31, 2011

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Eliminations	Totals
ASSETS							
Current Assets							
Cash - Unrestricted	\$ 268,011	\$ -	\$ 43,567	\$ 21,915	\$ 7,374	\$ -	\$ 340,867
Cash - Reserves and Mortgage Escrows	951,181	-	214,102	52,311	10,354	-	1,227,948
Tenant Security Deposits	30,003	-	-	4,463	955	-	35,421
Accounts Receivable - Tenants	-	-	2,028	-	1,025	-	3,053
Accounts Receivable - Related Party	21,048	-	-	-	-	(21,048)	-
Accounts Receivable - Other	385,553	-	53	-	-	(247,290)	138,316
Prepaid Expenses	36,601	-	3,287	889	596	-	41,373
Notes Receivable, Current Maturities	27,664	-	-	-	-	-	27,664
Total Current Assets	1,720,061	-	263,037	79,578	20,304	(268,338)	1,814,642
Property and Equipment							
Land and Site Improvements	1,714,367	-	262,439	-	135,000	-	2,111,806
Buildings Held for Rent	4,998,520	-	3,673,291	2,648,641	947,839	(276,156)	11,992,135
Furniture and Equipment	153,199	-	148,675	8,659	5,880	-	316,413
Motor Vehicles	167,891	-	-	-	-	-	167,891
Construction in Progress	77,000	-	-	-	-	-	77,000
Total	7,110,977	-	4,084,405	2,657,300	1,088,719	(276,156)	14,665,245
Accumulated Depreciation	580,440	-	1,458,036	317,933	5,786	-	2,362,195
Total Property and Equipment	6,530,537	-	2,626,369	2,339,367	1,082,933	(276,156)	12,303,050
Other Assets							
Investments in Affiliates	(126)	(126)	-	-	-	252	-
Deferred Financing Fees, Net	126,849	-	20,090	-	-	-	146,939
Development Fee Receivable	407,442	-	-	-	-	(407,442)	-
Notes Receivable, Less Current Maturities	232,667	-	-	-	-	-	232,667
Total Other Assets	766,832	(126)	20,090	-	-	(407,190)	379,606
TOTAL ASSETS	\$ 9,017,430	\$ (126)	\$ 2,909,496	\$ 2,418,945	\$ 1,103,237	\$ (951,684)	\$ 14,497,298
LIABILITIES AND NET ASSETS							
Current Liabilities							
Accounts Payable	\$ 102,422	\$ -	\$ 13,476	\$ 1,275	\$ 20,758	\$ (15,014)	\$ 122,917
Accounts Payable - Related Party	-	-	21,048	1,276	231,000	(253,324)	-
Accrued Expenses	76,254	-	5,000	3,900	-	-	85,154
Accrued Interest	17,190	-	3,582	723	-	-	21,495
Tenant Security Deposits	23,668	-	-	4,536	955	-	29,159
Prepaid Rent	-	-	-	1,085	351	-	1,436
Deferred Revenue	4,139	-	-	-	-	-	4,139
Line of Credit	231,000	-	-	-	-	-	231,000
Current Portion of Long-term Debt	83,977	-	-	32,049	3,929	-	119,955
Total Current Liabilities	538,650	-	43,106	44,844	256,993	(268,338)	615,255
Long-term Liabilities							
Long-term Debt	6,621,800	-	1,611,316	2,268,565	602,726	-	11,104,407
Development Fee Payable	-	-	407,442	-	-	(407,442)	-
Deferred Interest	-	-	825,201	-	-	-	825,201
Total Long-term Liabilities	6,621,800	-	2,843,959	2,268,565	602,726	(407,442)	11,929,608
TOTAL LIABILITIES	7,160,450	-	2,887,065	2,313,409	859,719	(675,780)	12,544,863
Minority Interest in Affiliate	-	-	22,557	-	-	-	22,557
NET ASSETS							
Unrestricted	1,226,711	(126)	(126)	105,536	243,518	(275,904)	1,299,609
Temporarily Restricted	630,269	-	-	-	-	-	630,269
Total Net Assets	1,856,980	(126)	(126)	105,536	243,518	(275,904)	1,929,878
TOTAL LIABILITIES AND NET ASSETS	\$ 9,017,430	\$ (126)	\$ 2,909,496	\$ 2,418,945	\$ 1,103,237	\$ (951,684)	\$ 14,497,298

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2012

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Eliminations	Totals
REVENUE							
Housing Management Revenue	\$ 348,153	\$ -	\$ -	\$ -	\$ -	\$ (60,962)	\$ 287,191
Housing Operations Revenue	1,764,798	-	381,490	140,990	68,482	(140,668)	2,215,092
Social Service Revenue	643,348	-	-	-	-	-	643,348
Fundraising Revenue	343,836	-	-	-	-	-	343,836
Development Income	57,500	-	-	-	-	-	57,500
Interest Income	44,704	-	-	112	73	(25,465)	19,424
Other Income	62,447	-	109	-	-	(54,504)	8,052
TOTAL REVENUE	3,264,786	-	381,599	141,102	68,555	(281,599)	3,574,443
EXPENSES							
Administrative Expenses	99,444	-	-	523	-	-	99,967
Housing Operations and Development Expenses	2,087,289	-	576,070	166,545	66,479	(235,011)	2,661,372
Social Service Expenses	607,825	-	-	-	-	-	607,825
Fundraising Expenses	201,481	-	-	-	-	-	201,481
TOTAL EXPENSES	2,996,039	-	576,070	167,068	66,479	(235,011)	3,570,645
Loss on Investment in Affiliate	(19)	(19)	-	-	-	38	-
Minority Interest in Net Loss of Affiliate	-	-	194,452	-	-	-	194,452
Increase (Decrease) in Net Assets	268,728	(19)	(19)	(25,966)	2,076	(46,550)	198,250
Transfer of Net Assets	246,216	-	-	-	-	-	246,216
Net Assets (Deficit), Beginning of Year	1,856,980	(126)	(126)	105,536	243,518	(275,904)	1,929,878
Net Assets (Deficit), End of Year	\$ 2,371,924	\$ (145)	\$ (145)	\$ 79,570	\$ 245,594	\$ (322,454)	\$ 2,374,344

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2011

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Eliminations	Totals
REVENUE							
Housing Management Revenue	\$ 316,911	\$ -	\$ -	\$ -	\$ -	\$ (50,874)	\$ 266,037
Housing Operations Revenue	1,131,955	-	372,952	136,405	1,999	(108,557)	1,534,754
Social Service Revenue	636,366	-	-	-	-	-	636,366
Fundraising Revenue	298,387	-	-	-	255,000	-	553,387
Development Income	675,000	-	-	-	-	-	675,000
Interest Income	43,145	-	-	198	63	(23,967)	19,439
Other Income	67,242	-	400	-	-	(54,505)	13,137
TOTAL REVENUE	3,169,006	-	373,352	136,603	257,062	(237,903)	3,698,120
EXPENSES							
Administrative Expenses	89,741	-	-	433	-	-	90,174
Housing Operations and Development Expenses	1,682,966	-	549,564	181,638	13,544	(191,314)	2,236,398
Social Service Expenses	617,238	-	-	-	-	-	617,238
Fundraising Expenses	129,779	-	-	-	-	-	129,779
TOTAL EXPENSES	2,519,724	-	549,564	182,071	13,544	(191,314)	3,073,589
Loss on Investment in Affiliate	(18)	(18)	-	-	-	36	-
Minority Interest in Net Loss of Affiliate	-	-	176,194	-	-	-	176,194
Increase (Decrease) in Net Assets	649,264	(18)	(18)	(45,468)	243,518	(46,553)	800,725
Net Assets (Deficit), Beginning of Year	1,207,716	(108)	(108)	151,004	-	(229,351)	1,129,153
Net Assets (Deficit), End of Year	<u>\$ 1,856,980</u>	<u>\$ (126)</u>	<u>\$ (126)</u>	<u>\$ 105,536</u>	<u>\$ 243,518</u>	<u>\$ (275,904)</u>	<u>\$ 1,929,878</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2012 and 2011

ASSETS

	<u>2012</u>	<u>2011</u>
Current Assets		
Cash - Unrestricted	\$ 583,899	\$ 268,011
Cash - Reserves and Mortgage Escrows	404,277	951,181
Tenant Security Deposits	30,269	30,003
Accounts Receivable - Tenants	15,120	-
Accounts Receivable - Related Party	22,421	21,048
Accounts Receivable - Other	139,048	385,553
Prepaid Expenses	38,037	36,601
Notes Receivable, Current Maturities	34,502	27,664
Total Current Assets	<u>1,267,573</u>	<u>1,720,061</u>
Property and Equipment		
Land and Site Improvements	1,932,248	1,714,367
Buildings Held for Rent	5,887,517	4,998,520
Furniture and Equipment	191,318	153,199
Motor Vehicles	116,233	167,891
Construction in Progress	229,233	77,000
Total	8,356,549	7,110,977
Less Accumulated Depreciation	<u>722,743</u>	<u>580,440</u>
Total Property and Equipment	<u>7,633,806</u>	<u>6,530,537</u>
Other Assets		
Investments in Affiliates	(145)	(126)
Deferred Financing Fees, Net	119,669	126,849
Development Fee Receivable	432,907	407,442
Notes Receivable, Less Current Maturities	193,165	232,667
Total Other Assets	<u>745,596</u>	<u>766,832</u>
TOTAL ASSETS	<u>\$ 9,646,975</u>	<u>\$ 9,017,430</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION
(Continued)

December 31, 2012 and 2011

LIABILITIES AND NET ASSETS

	<u>2012</u>	<u>2011</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 247,410	\$ 102,422
Accounts Payable - Related Party	17,126	-
Accrued Expenses	116,303	76,254
Accrued Interest	12,029	17,190
Tenant Security Deposits	24,409	23,668
Prepaid Rent	9	-
Deferred Revenue	-	4,139
Line of Credit	-	231,000
Current Portion of Long-term Debt	<u>87,097</u>	<u>83,977</u>
Total Current Liabilities	<u>504,383</u>	<u>538,650</u>
Long-term Liabilities		
Long-term Debt	<u>6,770,668</u>	<u>6,621,800</u>
Total Long-term Liabilities	<u>6,770,668</u>	<u>6,621,800</u>
TOTAL LIABILITIES	<u>7,275,051</u>	<u>7,160,450</u>
NET ASSETS		
Unrestricted	2,241,774	1,226,711
Temporarily Restricted	<u>130,150</u>	<u>630,269</u>
Total Net Assets	<u>2,371,924</u>	<u>1,856,980</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 9,646,975</u>	<u>\$ 9,017,430</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Revenue		
Housing Management Revenue	\$ 348,153	\$ 316,911
Housing Operations Revenue	1,764,798	1,131,955
Social Service Revenue	643,348	636,366
Fundraising Revenue	343,836	298,387
Development Income	57,500	675,000
Interest Income	44,704	43,145
Other Income	62,447	67,242
Total Revenue	<u>3,264,786</u>	<u>3,169,006</u>
Expenses		
Administrative Expenses	99,444	89,741
Housing Operations and Development Expenses	2,087,289	1,682,966
Social Service Expenses	607,825	617,238
Fundraising Expenses	201,481	129,779
Total Expenses	<u>2,996,039</u>	<u>2,519,724</u>
Loss on Investment in Affiliate	<u>(19)</u>	<u>(18)</u>
Change in Net Assets	268,728	649,264
Transfer of Net Assets - CLTCA	246,216	-
Net Assets, Beginning of Year	<u>1,856,980</u>	<u>1,207,716</u>
Net Assets, End of Year	<u>\$ 2,371,924</u>	<u>\$ 1,856,980</u>