

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2014 and 2013

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014 and 2013

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## 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, 2014 and 2013, 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, 2014 and 2013, 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.

## **Emphasis of Matter**

As discussed in Note 15, Management has restated certain 2013 account balances to consolidate the related party development fees charged to various parties, previously eliminated, for consolidation purposes. Our opinion is not modified with respect to that matter.

## **Other Matters**

### *Other Information*

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 30 to 39 is presented for purposes of additional analysis. The accompanying schedule of expenditures of federal award, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis 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.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2015 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* in considering Harborlight Community Partners, Inc.'s internal control over financial reporting and compliance.



Certified Public Accountants

May 19, 2015  
South Portland, Maine  
Employer Identification No: 20-3690847  
Engagement Partner: Scott Blakeslee

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
December 31, 2014 and 2013

ASSETS

	2014	Restated 2013
<b>Current Assets</b>		
Cash - Unrestricted (Note 13)	\$ 743,148	\$ 635,456
Cash - Reserves and Mortgage Escrows (Notes 6 and 13)	3,585,131	14,201,454
Tenant Security Deposits (Note 13)	103,161	95,771
Accounts Receivable - Tenants	4,591	9,263
Accounts Receivable - Related Party (Note 8)	8,143	10,769
Accounts Receivable - Other (Note 8)	84,304	213,008
Prepaid Expenses	72,084	146,667
Notes Receivable, Current Maturities (Note 2)	38,553	36,463
Total Current Assets	4,639,115	15,348,851
<b>Property and Equipment (Note 4)</b>		
Land and Site Improvements	3,981,474	3,429,687
Buildings Held for Rent	30,349,819	25,410,282
Furniture and Equipment	805,812	421,831
Motor Vehicles	60,815	62,215
Construction in Progress	281,982	1,242,672
Total	35,479,902	30,566,687
Less Accumulated Depreciation	3,976,240	3,075,260
Total Property and Equipment	31,503,662	27,491,427
<b>Other Assets</b>		
Deferred Financing Fees (net of Accumulated Amortization of \$75,645 and \$50,728 in 2014 and 2013, respectively)	632,122	544,886
Notes Receivable, Less Current Maturities (Note 2)	118,149	156,701
Total Other Assets	750,271	701,587
<b>TOTAL ASSETS</b>	<b>\$ 36,893,048</b>	<b>\$ 43,541,865</b>

See accompanying notes to the financial statements.

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

December 31, 2014 and 2013

LIABILITIES AND NET ASSETS

	2014	Restated 2013
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable (Note 8)	\$ 332,208	\$ 370,402
Accounts Payable - Construction	99,250	-
Accrued Expenses	117,784	122,266
Accrued Interest	158,981	68,235
Tenant Security Deposits	94,448	90,091
Prepaid Rent	4,601	3,309
Deferred Revenue	75,000	-
Current Portion of Long-Term Debt	280,259	11,658,373
Total Current Liabilities	1,162,531	12,312,676
Long-term Liabilities (Note 4)		
Long-term Debt	27,234,217	26,917,913
Deferred Interest	1,127,370	1,031,239
Total Long-term Liabilities	28,361,587	27,949,152
<b>TOTAL LIABILITIES</b>	<b>29,524,118</b>	<b>40,261,828</b>
<b>NET ASSETS</b>		
Unrestricted - Controlling	2,611,855	2,235,062
Unrestricted - Noncontrolling (Note 1)	4,657,470	928,073
Temporarily Restricted (Note 3)	99,605	116,902
Total Net Assets	7,368,930	3,280,037
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 36,893,048</b>	<b>\$ 43,541,865</b>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Housing Management Revenue	\$ 191,535	\$ -	\$ 191,535
Housing Operations Revenue	4,556,598	-	4,556,598
Social Service Revenue	30,206	-	30,206
Fundraising Revenue	268,337	-	268,337
Development Income	1,112,093	-	1,112,093
Interest Income	28,492	-	28,492
Other Income	902	-	902
Total Revenue	<u>6,188,163</u>	<u>-</u>	<u>6,188,163</u>
Expenses			
Administrative Expenses	178,078	-	178,078
Housing Operations and Development Expenses	5,506,210	-	5,506,210
Social Service Expenses	80,695	-	80,695
Fundraising Expenses	194,713	-	194,713
Total Expenses	<u>5,959,696</u>	<u>-</u>	<u>5,959,696</u>
Change in Net Assets - Controlling	<u>363,436</u>	<u>-</u>	<u>363,436</u>
Change in Net Assets - Non-Controlling	(134,969)	-	(134,969)
Capital Contributions to LLC	<u>3,864,366</u>	<u>-</u>	<u>3,864,366</u>
Total Change in Net Assets - Non-Controlling	<u>3,729,397</u>	<u>-</u>	<u>3,729,397</u>
Total Change in Net Assets	4,092,833	-	4,092,833
Net Assets Released from Donor Restrictions	17,297	(17,297)	-
Transfer of Net Assets - Merger (Note 1)	(3,940)	-	(3,940)
Net Assets, Beginning of Year	<u>3,163,135</u>	<u>116,902</u>	<u>3,280,037</u>
Net Assets, End of Year	<u>\$ 7,269,325</u>	<u>\$ 99,605</u>	<u>\$ 7,368,930</u>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATED STATEMENTS OF ACTIVITIES  
For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Restated Total</u>
Revenue			
Housing Management Revenue	\$ 294,939	\$ -	\$ 294,939
Housing Operations Revenue	2,538,813	-	2,538,813
Social Service Revenue	617,826	-	617,826
Fundraising Revenue	544,495	-	544,495
Development Income	305,859	-	305,859
Interest Income	24,341	-	24,341
Other Income	1,931	-	1,931
	<u>4,328,204</u>	<u>-</u>	<u>4,328,204</u>
Expenses			
Administrative Expenses	94,826	-	94,826
Housing Operations and Development Expenses	3,409,407	-	3,409,407
Social Service Expenses	606,826	-	606,826
Fundraising Expenses	193,586	-	193,586
	<u>4,304,645</u>	<u>-</u>	<u>4,304,645</u>
Change in Net Assets - Controlling	<u>40,506</u>	<u>-</u>	<u>40,506</u>
Change in Net Assets - Non-Controlling (Note 1)	(16,947)		(16,947)
Capital Contributions to LLC	<u>945,020</u>	<u>-</u>	<u>945,020</u>
Total Change in Net Assets - Non-Controlling	<u>928,073</u>	<u>-</u>	<u>928,073</u>
	<u>968,579</u>	<u>-</u>	<u>968,579</u>
Net Assets Released from Donor Restrictions	13,248	(13,248)	-
Net Assets, Beginning of Year	2,072,299	130,150	2,202,449
Prior Period Adjustment (Note 15)	<u>109,009</u>	<u>-</u>	<u>109,009</u>
Net Assets, End of Year	<u>\$ 3,163,135</u>	<u>\$ 116,902</u>	<u>\$ 3,280,037</u>

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the Years Ended December 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities:		
Increase (Decrease) in Net Assets	\$ 228,467	\$ (282,300)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	926,264	431,572
Deferred Interest Expense	96,131	122,162
Merger with Marblehead Community Housing Corporation	(3,940)	-
Changes in Assets and Liabilities:		
Accounts Receivable - Tenants	4,672	7,792
Accounts Receivable - Related Party	2,626	(10,509)
Other Receivables	128,704	(83,435)
Prepaid Expenses	74,583	(101,224)
Accounts Payable	(38,194)	103,831
Accounts Payable - Related Party	-	(13,232)
Accrued Expenses	(4,482)	(3,237)
Accrued Interest	90,746	52,995
Tenant Security Deposits and Accrued Interest	(3,033)	1,544
Prepaid Rent	1,292	3,300
Deferred Revenue	75,000	-
Net Cash Provided by Operating Activities	1,578,836	229,259
Cash Flows from Investing Activities:		
Net Withdrawals from (Deposits to) Restricted Cash	10,616,323	(13,501,057)
Purchases of Property and Equipment	(4,814,332)	(14,248,133)
Payments from Note Receivables	36,462	34,503
Net Cash Provided (Used) by Investing Activities	5,838,453	(27,714,687)
Cash Flows From Financing Activities:		
Long-term Debt Proceeds	599,370	27,044,336
Principal Payments on Long-term Debt	(11,661,180)	(131,545)
Capital Contributions to LLC	3,864,366	945,020
Payments of Financing Fees	(112,153)	(416,530)
Net Cash Provided (Used) by Financing Activities	(7,309,597)	27,441,281
Net Increase (Decrease) in Cash	107,692	(44,147)
Cash at Beginning of Year	635,456	679,603
Cash at End of Year	\$ 743,148	\$ 635,456
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	\$ 666,753	\$ 230,409

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 376 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 (discontinued during 2014).

Basis of Consolidation - The accompanying consolidated financial statements include the accounts of Harborlight Community Partners, Inc., HLH Affordable Housing, Inc., Firehouse Place, Inc., Rockport Affordable Housing, Inc, and Marblehead Community Housing Corporation; not-for-profit entities related through common control. HLH Affordable Housing, Inc. is the sole general partner of HLH Affordable Housing, LP. Harborlight Community Partners, Inc. is the sole member of Whipple Annex Housing, LLC. Turtle Creek Housing MM LLC is the sole general partner in Turtle Creek Housing LLC, which Harborlight Community Partners, Inc. has a controlling interest. These 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.

Non-Controlling Interest in Affiliates – The Non-Controlling Interest represents the 99% limited partner interest in HLH Affordable Housing, LP and the 99.99% investor member interest in Turtle Creek Housing, LLC which are included in the consolidated financials. On December 31, 2013, the Investor Limited Partner in HLH Affordable Housing, LP assigned their Limited Partner interest to Harborlight Community Partners, Inc.

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.

In March of 2014, Harborlight merged with Marblehead Community Housing Corp., a non-profit charitable corporation. The financial statements include the operations and transfer of net assets of MCHC.

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.

In accordance with accounting principles generally accepted in the United States of America, management has evaluated its exposure to material tax positions and determined that there are no such tax positions requiring accounting recognition. Informational returns filed by the Corporation are subject to examination by the Internal Revenue Service for a period of three years. While no informational returns are currently being examined by the Internal Revenue Service, the three previous tax years remain open. No interest or penalties from federal or state tax authorities were recorded in the accompanying financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

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

HLH Affordable Housing Inc. is taxed as a C Corporation. At December 31, 2014 and 2013, the Corporation had net operating losses.

No provision for taxes on income is made on the HLH Affordable Housing Limited Partnership, Turtle Creek Housing, LLC 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 and Turtle Creek Housing, LLC. 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.

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 May 19, 2015, the date the financial statements were available to be issued.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 2 - NOTES RECEIVABLE

Notes receivable consisted of the following:

	<u>2014</u>	<u>2013</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 were received during both 2013 and 2012. 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.	\$ 5,000	\$ 10,000
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 \$3,530 until January 2019 when all unpaid principal is due. (See Note 4)	<u>151,702</u>	<u>183,164</u>
	<u>\$ 156,702</u>	<u>\$ 193,164</u>

Aggregate maturities of notes receivable are as follows:

2015	\$ 38,553
2016	35,782
2017	38,160
2018	40,695
2019	3,512
Thereafter	-
	<u>\$ 156,702</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.

	Temporarily Restricted at December 31, 2012	Released During 2013	Released During 2014	Temporarily Restricted at December 31, 2014
Moving Partners Fund	\$ 5,384	\$ -	\$ -	\$ 5,384
Harborlight House	95,171	600	350	94,221
Properties in Development	<u>29,595</u>	<u>12,648</u>	<u>16,947</u>	<u>-</u>
	<u>\$ 130,150</u>	<u>\$ 13,248</u>	<u>\$ 17,297</u>	<u>\$ 99,605</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT

Long-term debt consisted of the following:

	2014	2013
<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).	\$ 71,350	\$ 79,002
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
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

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2014	2013
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).	62,195	63,092
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	90,000
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 2016, when all unpaid principal is due. The loan is secured by a motor vehicle.	14,965	23,128
<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 January 2042. The note is secured by real estate and personal property.	2,366,286	2,387,294

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	<u>2014</u>	<u>2013</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 January 2042. The note is secured by real estate and personal property (Pigeon Cove).	1,180,080	1,190,557
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 January 2042. The note is secured by real estate and personal property (Pigeon Cove).	123,370	124,465
Promissory Note 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.	150,000	150,000
Promissory Note Payable –Town of Rockport, without interest. Payments of principal are deferred until January 2041. The loans are secured by a mortgage deed on the property.	72,764	72,764

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2014	2013
<u>HLH Affordable Housing, LP</u>		
Promissory Note Payable - First Baptist Church in Beverly, an affiliate of the general partner, amended terms allow for interest only at 4% through December 31, 2014 (extended through June 30, 2015), 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 commence after the extended interest only period through June 2015 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.	448,621	477,924
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% at both December 31, 2014 and 2013. Monthly payments of principal and interest of \$613 until March 2026 when all unpaid principal and interest is due. The loan is secured by the property.	61,307	65,099

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2014	2013
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.	124,372	128,801
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	200,000

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2014	2013
Promissory Notes 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	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	65,720
<u>Rockport Affordable Housing, Inc.</u>		
Mortgage Note Payable - USDA, Rural Development with market rate interest at 3.75% per annum. USDA, Rural Development, under Section 515 of the Housing Act, is committed to issue monthly interest credits of \$1,377 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 \$1,854 reflect a 50-year amortization at 1%. The final installment is due December 2043. The note is secured by real estate and personal property.	868,809	874,875
Promissory Note Payable - Town of Rockport, with interest at 0.5% per annum, the entire unpaid balance shall be due and payable in full in December 2040. The loan is secured by the property.	390,400	390,400

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2014	2013
Promissory Note Payable - Department of Housing and Community Development (DHCD) through the Housing Stabilization Fund Rehabilitation Initiative, non-interest bearing, the entire unpaid balance shall be due and payable in full in December 2043. The loan is secured by the property.	450,000	450,000
Promissory Note Payable – Cape Ann Savings Bank, with interest at 4.5% per annum, monthly payments of principal and interest of \$1,013 until December 2043 when all unpaid principal and interest is due. The loan is secured by a mortgage deed on the property.	196,900	200,000
Promissory Note Payable - North Shore HOME Consortium (NSHC), without interest. Payments of principal are deferred until November 2043. The loan is secured by a mortgage deed on the property, and can be drawn up to \$300,000.	237,164	237,164
<u>Turtle Creek Housing, LLC</u>		
Mortgage Note Payable - Red Mortgage Capital, LLC, which bears interest at 4.8% per annum, with monthly payments of principal and interest of \$50,742 until December 2048. The mortgage note is HUD insured under Section 223(f), which provides mortgage insurance for the purchase or refinancing of existing elderly housing projects. The note is secured by the real estate and personal property.	10,196,897	10,313,300
Promissory Note Payable – Boston Private Bank & Trust Company (Trustee) and is secured by a bond collateral account. The note bears interest at 1.61% per annum. Under the agreement, the Massachusetts Development Finance Agency has loaned the Trustee proceeds from the sale of \$9,200,000 Multifamily Housing Revenue Bonds, Series 2013. A corresponding bond collateral account was set up. The balance in the bond collateral account at December 31, 2013 was \$9,199,410. The note was paid in 2014 when construction was complete. Proceeds from the bond collateral account were used to repay the note.	-	9,200,000
Due to Seller - The Company agreed to reimburse the seller (First Baptist Beverly Housing for the Elderly, Inc.) an affiliate, for certain agreed upon amounts. Repayment was made in 2014 with proceeds from capital contributions.	-	2,211,998

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2014	2013
Surplus Cash Note Payable (Seller Acquisition Loan) - payable to First Baptist Beverly Housing for the Elderly, Inc. which bears interest at 3.37% per annum. The note is secured by real estate and personal property. Principal and interest are payable annually based on a 50 year amortization schedule, within 120 days of the fiscal year end, payable only from surplus cash. The balance of unpaid principal and interest is due in full on November 1, 2063.	2,704,613	2,704,613
Surplus Cash Note Payable - payable to First Baptist Beverly Housing for the Elderly, Inc. The note is secured by real estate and personal property. The note bears no interest. Payments may be paid from excess surplus cash. The balance of unpaid principal is due in full on November 1, 2063.	439,710	439,710
Promissory Note Payable - North Shore HOME Consortium (HOME Loan), non-interest bearing, the entire unpaid balance shall be due and payable in full in November 2048. The loan is secured by the property.	64,724	-
<u>Marblehead Community Housing Corporation</u>		
Promissory Note Payable – payable to Massachusetts Housing Partnership Fund Board. The note is non-interest bearing, the entire unpaid balance shall be due and payable in full in October 2054. The loan is secured by the property.	260,000	-
Mortgage Note Payable – National Grand Bank, which bears interest at 5.25% per annum, with monthly payments of principal and interest of \$876 until April 2034. The note is secured by the property.	127,554	-
Promissory Note Payable- payable to Federal Home Loan Bank of Boston. The note is non-interest bearing, and will be deemed paid in full at the end of the 15 year AHP Agreement compliance period. The loan is secured by real estate. Funding up to \$84,000 has been granted.	59,693	-
Promissory Note Payable- payable to North Shore HOME Consortium. The note is non-interest bearing, the entire unpaid balance shall be due September 2023. The loan is secured by the property. Funding up to \$100,000 has been granted.	84,953	-
	<u>\$25,899,882</u>	<u>\$36,927,341</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

Rockport Affordable Housing, Inc. also has a promissory note with the North Shore HOME Consortium for \$35,300, none of which had been drawn at December 31, 2013. The loan is non-interest bearing and due in full on November 25, 2043.

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 \$1,724,506.

The bond payable at December 31, 2014 and 2013 consisted of the following:

	<u>2014</u>	<u>2013</u>
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. In addition, certain covenants are required to be met as defined in the Bond Purchase Agreement.	<u>\$ 1,614,594</u>	<u>\$ 1,648,945</u>

Aggregate maturities of long-term debt are as follows:

2015	\$ 280,259
2016	309,892
2017	316,328
2018	330,129
2019	344,555
Thereafter	<u>25,933,313</u>
Total	<u>\$ 27,514,476</u>

Deferred interest payable of loans of HLH Affordable Housing, LP and Rockport Affordable Housing, Inc. at December 31, 2014 and 2013 were as follows:

	<u>2014</u>	<u>2013</u>
Promissory Note Payable - DHCD	\$ 777,967	\$ 705,631
Promissory Note Payable - CEDAC	80,000	80,000
Promissory Note Payable - NSHC	225,693	204,429
Promissory Note Payable - City of Beverly	8,474	7,895
Promissory Note Payable - Town of Rockport	<u>35,236</u>	<u>33,284</u>
	<u>\$1,127,370</u>	<u>\$1,031,239</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 5 - 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 2014 and 2013, rental subsidies totaled \$86,190 and \$88,274, 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 2014 and 2013, rental subsidies totaled \$40,098 and \$38,510, 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 Turtle Creek Housing, LLC 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 provides housing assistance payments to the Company on behalf of qualified tenants. Effective November 19, 2014 annual contract rents equal \$1,784,460. Under the Regulatory Agreement, 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.

Rockport Affordable Housing has entered into a Rental Assistance Agreement with USDA, Rural Development which provides assistance for 24 apartment units.

NOTE 6 - COMMITMENTS

Under the terms of the various agreements, the Organization is required to have certain restricted deposits and reserves, which are maintained by the mortgage holders and are restricted as to use. These amounts are designated to pay for construction costs incurred related to the financing received from the loans or bonds and other purposes deemed appropriate by the mortgage 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 6 - COMMITMENTS (Continued)

Under the terms of the various agreements, HLH Affordable Housing, LP and Turtle Creek Housing, LLC are required to make deposits to an escrow account to fund expected future costs as follows:

Replacement Reserve (HLH)	\$1,441 per month
Replacement Reserve (Turtle Creek)	\$2,750 per month
Operating Reserve (Turtle Creek)	\$725,000 minimum balance

In addition, HLH Affordable Housing, LP is required to hold an operating reserve equal to 50% of project expenses paid or payable during the prior year. The initial deposit was \$160,000.

In accordance with Regulatory Agreement, the new Mark up to Market Section 8 contract and the Section 8 renewal guide surplus cash is available for distribution. Distributions will be made in accordance with the First Amended and Restated Operating Agreement. Any "surplus cash", after distributions permitted by these agreements shall be considered Residual Receipts and shall be deposited into an escrow. The escrow funds can only be drawn upon with permission of HUD. At acquisition, \$47,745 was transferred to the Company from the seller. As of December 31, 2014 and 2013, the balances were \$47,787 and \$47,745, respectively.

An additional deposit of \$747,978 was being held by the mortgagor of Turtle Creek Housing, LLC, equal to 50% of the "cash out" proceeds to the seller. This amount was returned to the seller during 2014 when all program requirements had been met. At December 31, 2013, the balance in the escrow was \$747,922.

Under the terms of the mortgage note, an initial deposit of \$2,788,327 was deposited into an escrow account to fund non-critical repairs of Turtle Creek Housing, LLC. Withdrawals from the account must be authorized by the mortgagor. Any unused balance remaining in the escrow account will be released to the Company after 15 months from the completion date, in accordance with the agreement. Any unused balance remaining in the construction contingency amount will be used as described in the agreement. During 2014 and 2013, \$2,388,142 and \$400,185, respectively, was withdrawn from the account. The account was closed during 2014. At December 31, 2013, the balance was \$2,388,198.

Under the terms of the Loan Agreements with USDA, Rural Development, the properties are required to make deposits to an escrow account to fund expected future costs as follows:

Replacement Reserve – Pigeon Cove	\$24,000 annually increasing by 1.5% per year (currently \$24,725)
Replacement Reserve – Rockport Affordable Housing	\$33,000 annually increasing by 1.9% per year (currently \$33,000)

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 6 - COMMITMENTS (Continued)

Restricted Reserves and Mortgage Escrow Deposits were comprised of the following at December 31, 2014 and 2013:

	2014	2013
Bond Reserves	\$ 37,210	\$ 9,236,583
Replacement Reserves	1,105,296	1,045,244
Mortgage Escrow Accounts	104,266	69,766
Development Accounts	1,842,220	254,548
Operating Reserves	448,352	411,448
Repairs Reserve	-	2,388,198
Residual Receipts	47,787	47,745
Due to Seller Reserve	-	747,922
	<u>\$3,585,131</u>	<u>\$14,201,454</u>

NOTE 7 - AGREEMENTS

Whipple Annex Housing, LLC granted DHCD an option to purchase the residential housing units. The purchase price of the units as of a defined exercise date shall be the then current appraised value. The Company also granted DHCD Rights of First Refusal to match any bona fide offer the Company accepts.

Firehouse Place, Inc. granted DHCD an option to purchase the residential housing units. The purchase price of the units as of a defined exercise date shall be the then current appraised value. The Corporation also granted DHCD Rights of First Refusal to match any bona fide offer the Corporation desires to accept.

NOTE 8 - RELATED PARTY TRANSACTIONS

The Organization charges various affiliates for administrative, maintenance and development services. During 2014 and 2013, the Organization received the following from the affiliated parties:

	2014	2013
<u>Housing Management Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ -	\$ 23,613
Turtle Woods Corporation	125,425	118,960
First Baptist Church in Beverly	31,522	30,641
	<u>\$ 156,947</u>	<u>\$ 173,214</u>
<u>Housing Operations Revenue</u>		
First Baptist Beverly Housing for the Elderly, Inc.	\$ -	\$ 29,765
Turtle Woods Corporation	93,642	121,948
First Baptist Church in Beverly	11,887	20,461
	<u>\$ 105,529</u>	<u>\$ 172,174</u>
<u>Social Service Revenue</u>		
Turtle Woods Corporation	\$ 350	\$ 350
	<u>\$ 350</u>	<u>\$ 350</u>

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

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

	2014	2013
<u>Development Income</u>		
Turtle Creek, LLC	\$1,112,093	\$ 153,435
Rockport Affordable Housing, Inc.	-	152,424
	\$1,112,093	\$ 305,859

Amounts due from Affiliates and included in Accounts Receivable - Other at December 31, 2014 and 2013 consisted of the following:

	2014	2013
First Baptist Church in Beverly	\$ 8,319	\$ 4,573
Non-Related Party	75,985	208,435
	\$ 84,304	\$ 213,008

Amounts due to Affiliates and included in Accounts Payable at December 31, 2014 and 2013 consisted of the following:

	2014	2013
First Baptist Church of Beverly	\$ 573	\$ -
Non-Related Party	331,635	370,402
	\$ 332,208	\$ 370,402

At December 31, 2014 and 2013, Accounts Receivable - Related Party consisted of the following:

	2014	2013
Turtle Woods Corporation	\$ 8,143	\$ 10,769

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 2014 and 2013, \$34,203 and \$30,008, respectively, was received from the endowment fund.

The First Baptist Church in Beverly has provided financing to the Organization. See Note 4.

The Organization made a loan to a key employee (see Note 2).

NOTE 9 - 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 eligible employee's annual compensation, which accounts for retirement savings, life and disability insurance. Pension expense totaled \$43,722 and \$43,941 for the years ended December 31, 2014 and 2013, respectively.

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

NOTE 10 - 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:

2015	\$ 7,971
2016	8,375
2017	8,797
2018	9,230
2019	9,700
Thereafter	<u>81,691</u>
	<u>\$ 125,764</u>

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:

2015	\$ 31,000
2016	31,000
2017	<u>1,292</u>
	<u>\$ 63,292</u>

NOTE 11 - 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.

Rockport Affordable Housing, Inc. was assigned a land lease upon which the residential units are situated from the Town of Rockport, under a sixty-five year lease. The lease provides that the Organization 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 12 - FUNCTIONAL EXPENSES

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

	<u>2014</u>	<u>2013</u>
Program Services	\$ 5,586,905	\$ 4,016,233
General and Administrative	178,078	94,826
Fundraising	<u>194,713</u>	<u>193,586</u>
Total	<u>\$ 5,959,696</u>	<u>\$ 4,304,645</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
(Continued)

NOTE 13 - 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, 2014, the Organization had cash on deposit with banks of \$4,568,914. Of this amount, \$2,424,369 was uninsured by the FDIC.

NOTE 14 - INVESTMENTS MEASURED AT FAIR VALUE

During 2013, Turtle Creek Housing, LLC adopted FASB ASC 820-10-50, which requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1- Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 1 investments include mutual funds and U.S. Government bonds.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 investment inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in non-active markets. The Company does not have any Level 2 investments.

Level 3 - Unobservable inputs for the asset or liability. The Company does not have any Level 3 investments.

As of December 31, 2013, the Company had invested \$9,200,000 of bond collateral account funds in financial instruments. These investments are available for sale. As such, unrealized gains and losses are recorded in the change in net assets. Included in this amount is \$1,253,002 in cash; \$7,946,408 (level 1 Municipal Bonds); \$9,686 interest income and \$10,276 unrealized loss on Investments. During 2014, proceeds from the bond collateral account were used to repay the note. At December 31, 2014, a realized loss on the bond collateral account totaled \$10,276.

NOTE 15 - PRIOR PERIOD ADJUSTMENT

During 2014, Management changed their reporting for related party development fees that had previously been eliminated. Management has restated the 2013 balances as follows: Building costs have been increased by \$414,868, developer fee income has been increased by \$305,859 and net assets have been increased by \$414,868. The 2013 beginning net assets also increased by \$109,009.



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 consolidated statement of financial position as of December 31, 2014, and the related consolidated 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 May 19, 2015.

### **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.

A handwritten signature in cursive script, appearing to read "Otis Stowell".

Certified Public Accountants

May 19, 2015  
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 Harborlight Community Partners, Inc.'s major federal program for the year ended December 31, 2014. Harborlight Community Partners, Inc.'s major federal program is 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 Harborlight Community Partners, Inc.'s major federal program 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 its major federal program. However, our audit does not provide a legal determination of Harborlight Community Partners, Inc.'s compliance.

**Opinion on the 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 its major federal program for the year ended December 31, 2014.

## ***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 its 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

May 19, 2015  
South Portland, Maine

HARBORLIGHT COMMUNITY PARTNERS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2014

**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
10.415	Rural Rental Housing Subsidy

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

Auditee qualified as low-risk auditee?   X   yes      \_\_\_\_\_ 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, 2014

<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	\$ 3,669,736
Rural Rental Housing Subsidy	10.415	<u>56,720</u>
Total U.S. Department of Agriculture, Rural Development		<u>3,726,456</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,726,456</u></u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

NOTE 1 - GENERAL

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Harborlight Community Partners, Inc., including federal awards passed through other government agencies, except for federal awards expended by certain projects affiliated with the Corporation provided by the U.S. Department of Agriculture. These federal award programs have been audited and reported on, in accordance with the provisions of OMB Circular A-133, at the project level. Therefore, such federal award expenditures have not been included on this schedule. These project entities and the amounts included on their respective Schedules of Expenditures of Federal Awards are as follows:

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Agriculture: Rockport Affordable Housing, Inc.	10.415	\$885,140

NOTE 2 - BASIS OF ACCOUNTING

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

NOTE 3 - 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.

## SUPPLEMENTARY INFORMATION

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
December 31, 2014

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Rockport Affordable Housing, Inc.	Turtle Creek Housing, LLC	Marblehead Community Housing Corp.	Eliminations	Totals
<b>ASSETS</b>										
<b>Current Assets</b>										
Cash - Unrestricted	\$ 231,547	\$ -	\$ 79,233	\$ 7,331	\$ 18,085	\$ 33,692	\$ 355,313	\$ 17,947	\$ -	\$ 743,148
Cash - Reserves and Mortgage Escrows	1,069,323	-	215,921	70,664	28,972	490,088	1,710,163	-	-	3,585,131
Tenant Security Deposits	32,213	-	-	5,958	1,420	17,425	42,833	3,312	-	103,161
Accounts Receivable - Tenants	3,745	-	68	270	-	44	427	37	-	4,591
Accounts Receivable - Related Party	69,518	-	-	-	-	-	-	-	(61,375)	8,143
Accounts Receivable - Other	53,440	-	25,156	-	-	1,804	3,904	-	-	84,304
Prepaid Expenses	22,722	-	4,642	1,566	1,032	4,337	36,650	1,135	-	72,084
Notes Receivable, Current Maturities	38,553	-	-	-	-	-	-	-	-	38,553
<b>Total Current Assets</b>	<b>1,521,061</b>	<b>-</b>	<b>325,020</b>	<b>85,789</b>	<b>49,509</b>	<b>547,390</b>	<b>2,149,290</b>	<b>22,431</b>	<b>(61,375)</b>	<b>4,639,115</b>
<b>Property and Equipment</b>										
Land and Site Improvements	1,950,458	-	262,439	-	135,000	-	1,381,325	252,252	-	3,981,474
Buildings Held for Rent	5,949,192	-	3,693,443	2,648,641	1,011,872	1,937,365	14,965,640	341,569	(197,903)	30,349,819
Furniture and Equipment	256,550	-	168,333	10,491	12,916	10,597	345,962	963	-	805,812
Motor Vehicles	60,815	-	-	-	-	-	-	-	-	60,815
Construction in Progress	273,992	-	-	-	-	7,990	-	-	-	281,982
<b>Total</b>	<b>8,491,007</b>	<b>-</b>	<b>4,124,215</b>	<b>2,659,132</b>	<b>1,159,788</b>	<b>1,955,952</b>	<b>16,692,927</b>	<b>594,784</b>	<b>(197,903)</b>	<b>35,479,902</b>
Accumulated Depreciation	1,082,355	-	1,768,862	519,277	76,966	46,650	387,727	94,403	-	3,976,240
<b>Total Property and Equipment</b>	<b>7,408,652</b>	<b>-</b>	<b>2,355,353</b>	<b>2,139,855</b>	<b>1,082,822</b>	<b>1,909,302</b>	<b>16,305,200</b>	<b>500,381</b>	<b>(197,903)</b>	<b>31,503,662</b>
<b>Other Assets</b>										
Investments in Affiliates	(191)	(191)	-	-	-	-	-	-	382	-
Deferred Financing Fees, Net	105,309	-	15,170	-	-	12,057	486,700	12,886	-	632,122
Development Fee Receivable	998,667	-	-	-	-	-	-	-	(998,667)	-
Notes Receivable, Less Current Maturities	368,149	-	-	-	-	-	-	-	(250,000)	118,149
<b>Total Other Assets</b>	<b>1,471,934</b>	<b>(191)</b>	<b>15,170</b>	<b>-</b>	<b>-</b>	<b>12,057</b>	<b>486,700</b>	<b>12,886</b>	<b>(1,248,285)</b>	<b>750,271</b>
<b>TOTAL ASSETS</b>	<b>\$ 10,401,647</b>	<b>\$ (191)</b>	<b>\$ 2,695,543</b>	<b>\$ 2,225,644</b>	<b>\$ 1,132,331</b>	<b>\$ 2,468,749</b>	<b>\$ 18,941,190</b>	<b>\$ 535,698</b>	<b>\$ (1,507,563)</b>	<b>\$ 36,893,048</b>
<b>LIABILITIES AND NET ASSETS</b>										
<b>Current Liabilities</b>										
Accounts Payable	\$ 150,137	\$ -	\$ 152,332	\$ 4,731	\$ 1,112	\$ 36,476	\$ 42,871	\$ 5,924	\$ (61,375)	\$ 332,208
Accounts Payable - Construction	-	-	-	-	-	-	99,250	-	-	99,250
Accrued Expenses	77,393	-	6,300	4,200	-	12,941	10,194	6,756	-	117,784
Accrued Interest	10,995	-	2,204	645	261	2,101	142,775	-	-	158,981
Tenant Security Deposits	27,513	-	-	4,594	1,420	15,595	42,014	3,312	-	94,448
Prepaid Rent	-	-	7	-	-	83	3,394	1,117	-	4,601
Deferred Revenue	75,000	-	-	-	-	-	-	-	-	75,000
Current Portion of Long-term Debt	87,011	-	18,667	34,276	4,702	9,673	122,115	3,815	-	280,259
<b>Total Current Liabilities</b>	<b>428,049</b>	<b>-</b>	<b>179,510</b>	<b>48,446</b>	<b>7,495</b>	<b>76,869</b>	<b>462,613</b>	<b>20,924</b>	<b>(61,375)</b>	<b>1,162,531</b>
<b>Long-term Liabilities</b>										
Long-term Debt	6,615,719	-	1,592,649	2,167,645	912,390	2,383,600	13,283,829	528,385	(250,000)	27,234,217
Development Fee Payable	-	-	461,374	-	-	-	537,293	-	(998,667)	-
Deferred Interest	-	-	1,092,134	-	-	35,236	-	-	-	1,127,370
<b>Total Long-term Liabilities</b>	<b>6,615,719</b>	<b>-</b>	<b>3,146,157</b>	<b>2,167,645</b>	<b>912,390</b>	<b>2,418,836</b>	<b>13,821,122</b>	<b>528,385</b>	<b>(1,248,667)</b>	<b>28,361,587</b>
<b>TOTAL LIABILITIES</b>	<b>7,043,768</b>	<b>-</b>	<b>3,325,667</b>	<b>2,216,091</b>	<b>919,885</b>	<b>2,495,705</b>	<b>14,283,735</b>	<b>549,309</b>	<b>(1,310,042)</b>	<b>29,524,118</b>
<b>NET ASSETS</b>										
Unrestricted - Controlling	3,258,274	(191)	(630,124)	9,553	212,446	(26,956)	(15)	(13,611)	(197,521)	2,611,855
Unrestricted - Noncontrolling	-	-	-	-	-	-	4,657,470	-	-	4,657,470
Temporarily Restricted	99,605	-	-	-	-	-	-	-	-	99,605
<b>Total Net Assets</b>	<b>3,357,879</b>	<b>(191)</b>	<b>(630,124)</b>	<b>9,553</b>	<b>212,446</b>	<b>(26,956)</b>	<b>4,657,455</b>	<b>(13,611)</b>	<b>(197,521)</b>	<b>7,368,930</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 10,401,647</b>	<b>\$ (191)</b>	<b>\$ 2,695,543</b>	<b>\$ 2,225,644</b>	<b>\$ 1,132,331</b>	<b>\$ 2,468,749</b>	<b>\$ 18,941,190</b>	<b>\$ 535,698</b>	<b>\$ (1,507,563)</b>	<b>\$ 36,893,048</b>

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
December 31, 2013

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Rockport Affordable Housing, Inc.	Turtle Creek Housing, LLC	Eliminations	Totals
<b>ASSETS</b>									
<b>Current Assets</b>									
Cash - Unrestricted	\$ 421,214	\$ -	\$ 8,865	\$ 28,082	\$ 12,255	\$ 63,747	\$ 101,293	\$ -	\$ 635,456
Cash - Reserves and Mortgage Escrows	434,057	-	198,540	58,532	27,758	534,417	12,948,150	-	14,201,454
Tenant Security Deposits	31,398	-	-	5,802	2,375	15,235	40,961	-	95,771
Accounts Receivable - Tenants	4,827	-	636	1	-	3,452	347	-	9,263
Accounts Receivable - Related Party	122,954	-	-	-	-	5,000	-	(117,185)	10,769
Accounts Receivable - Other	188,599	-	709	-	-	-	24,409	(709)	213,008
Prepaid Expenses	47,638	-	4,575	1,695	1,215	-	91,544	-	146,667
Notes Receivable, Current Maturities	36,463	-	-	-	-	-	-	-	36,463
<b>Total Current Assets</b>	<b>1,287,150</b>	<b>-</b>	<b>213,325</b>	<b>94,112</b>	<b>43,603</b>	<b>621,851</b>	<b>13,206,704</b>	<b>(117,894)</b>	<b>15,348,851</b>
<b>Property and Equipment</b>									
Land and Site Improvements	1,932,248	-	262,439	-	135,000	-	1,100,000	-	3,429,687
Buildings Held for Rent	5,899,067	-	3,693,443	2,648,641	1,011,872	1,918,495	10,444,583	(205,819)	25,410,282
Furniture and Equipment	234,038	-	166,218	8,659	12,916	-	-	-	421,831
Motor Vehicles	62,215	-	-	-	-	-	-	-	62,215
Construction in Progress	80,797	-	-	-	-	-	1,161,875	-	1,242,672
<b>Total</b>	<b>8,208,365</b>	<b>-</b>	<b>4,122,100</b>	<b>2,657,300</b>	<b>1,159,788</b>	<b>1,918,495</b>	<b>12,706,458</b>	<b>(205,819)</b>	<b>30,566,687</b>
Accumulated Depreciation	877,784	-	1,668,546	452,095	53,103	2,292	21,440	-	3,075,260
<b>Total Property and Equipment</b>	<b>7,330,581</b>	<b>-</b>	<b>2,453,554</b>	<b>2,205,205</b>	<b>1,106,685</b>	<b>1,916,203</b>	<b>12,685,018</b>	<b>(205,819)</b>	<b>27,491,427</b>
<b>Other Assets</b>									
Investments in Affiliates	(171)	(171)	-	-	-	-	-	342	-
Deferred Financing Fees, Net	112,489	-	16,810	-	-	12,474	403,113	-	544,886
Development Fee Receivable	651,966	-	-	-	-	-	-	(651,966)	-
Notes Receivable, Less Current Maturities	406,701	-	-	-	-	-	-	(250,000)	156,701
<b>Total Other Assets</b>	<b>1,170,985</b>	<b>(171)</b>	<b>16,810</b>	<b>-</b>	<b>-</b>	<b>12,474</b>	<b>403,113</b>	<b>(901,624)</b>	<b>701,587</b>
<b>TOTAL ASSETS</b>	<b>\$ 9,788,716</b>	<b>\$ (171)</b>	<b>\$ 2,683,689</b>	<b>\$ 2,299,317</b>	<b>\$ 1,150,288</b>	<b>\$ 2,550,528</b>	<b>\$ 26,294,835</b>	<b>\$ (1,225,337)</b>	<b>\$ 43,541,865</b>
<b>LIABILITIES AND NET ASSETS</b>									
<b>Current Liabilities</b>									
Accounts Payable	\$ 140,223	\$ -	\$ 39,455	\$ 992	\$ 1,500	\$ 25,589	\$ 245,194	\$ (82,551)	\$ 370,402
Accounts Payable - Related Party	8,729	-	23,425	1,298	-	1,891	-	(35,343)	-
Accrued Expenses	106,606	-	6,100	4,880	230	-	4,450	-	122,266
Accrued Interest	11,226	-	2,204	687	270	2,107	51,741	-	68,235
Tenant Security Deposits	29,034	-	-	4,165	1,419	15,129	40,344	-	90,091
Prepaid Rent	825	-	-	3	463	39	1,979	-	3,309
Current Portion of Long-term Debt	83,099	-	-	33,153	4,427	9,293	11,528,401	-	11,658,373
<b>Total Current Liabilities</b>	<b>379,742</b>	<b>-</b>	<b>71,184</b>	<b>45,178</b>	<b>8,309</b>	<b>54,048</b>	<b>11,872,109</b>	<b>(117,894)</b>	<b>12,312,676</b>
<b>Long-term Liabilities</b>									
Long-term Debt	6,703,274	-	1,611,316	2,201,863	917,094	2,393,146	13,341,220	(250,000)	26,917,913
Development Fee Payable	-	-	434,234	-	-	64,297	153,435	(651,966)	-
Deferred Interest	-	-	997,955	-	-	33,284	-	-	1,031,239
<b>Total Long-term Liabilities</b>	<b>6,703,274</b>	<b>-</b>	<b>3,043,505</b>	<b>2,201,863</b>	<b>917,094</b>	<b>2,490,727</b>	<b>13,494,655</b>	<b>(901,966)</b>	<b>27,949,152</b>
<b>TOTAL LIABILITIES</b>	<b>7,083,016</b>	<b>-</b>	<b>3,114,689</b>	<b>2,247,041</b>	<b>925,403</b>	<b>2,544,775</b>	<b>25,366,764</b>	<b>(1,019,860)</b>	<b>40,261,828</b>
<b>NET ASSETS</b>									
Unrestricted - Controlling	2,588,798	(171)	(431,000)	52,276	224,885	5,753	(2)	(205,477)	2,235,062
Unrestricted - Noncontrolling	-	-	-	-	-	-	928,073	-	928,073
Temporarily Restricted	116,902	-	-	-	-	-	-	-	116,902
<b>Total Net Assets</b>	<b>2,705,700</b>	<b>(171)</b>	<b>(431,000)</b>	<b>52,276</b>	<b>224,885</b>	<b>5,753</b>	<b>928,071</b>	<b>(205,477)</b>	<b>3,280,037</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 9,788,716</b>	<b>\$ (171)</b>	<b>\$ 2,683,689</b>	<b>\$ 2,299,317</b>	<b>\$ 1,150,288</b>	<b>\$ 2,550,528</b>	<b>\$ 26,294,835</b>	<b>\$ (1,225,337)</b>	<b>\$ 43,541,865</b>

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
For the Year Ended December 31, 2014

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Rockport Affordable Housing, Inc.	Turtle Creek Housing, LLC	Marblehead Community Housing Corp.	Eliminations	Totals
<b>REVENUE</b>										
Housing Management Revenue	\$ 471,365	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (279,830)	\$ 191,535
Housing Operations Revenue	1,657,417	-	949,515	140,214	65,868	331,291	1,840,215	45,740	(473,662)	4,556,598
Social Service Revenue	83,205	-	-	-	-	-	-	-	(52,999)	30,206
Fundraising Revenue	268,337	-	-	-	-	-	-	-	-	268,337
Development Income	1,112,093	-	-	-	-	-	-	-	-	1,112,093
Interest Income	42,955	-	-	132	22	2,932	9,591	-	(27,140)	28,492
Other Income	902	-	-	-	-	-	-	-	-	902
<b>TOTAL REVENUE</b>	<b>3,636,274</b>	<b>-</b>	<b>949,515</b>	<b>140,346</b>	<b>65,890</b>	<b>334,223</b>	<b>1,849,806</b>	<b>45,740</b>	<b>(833,631)</b>	<b>6,188,163</b>
<b>EXPENSES</b>										
Administrative Expenses	178,078	-	-	-	-	-	-	-	-	178,078
Housing Operations and Development Expenses	2,530,589	-	1,148,639	183,069	78,329	366,932	1,984,788	55,411	(841,547)	5,506,210
Social Service Expenses	80,695	-	-	-	-	-	-	-	-	80,695
Fundraising Expenses	194,713	-	-	-	-	-	-	-	-	194,713
<b>TOTAL EXPENSES</b>	<b>2,984,075</b>	<b>-</b>	<b>1,148,639</b>	<b>183,069</b>	<b>78,329</b>	<b>366,932</b>	<b>1,984,788</b>	<b>55,411</b>	<b>(841,547)</b>	<b>5,959,696</b>
Loss on Investment in Affiliate	(20)	(20)	-	-	-	-	-	-	40	-
Increase (Decrease) in Net Assets - Controlling	652,179	(20)	(199,124)	(42,723)	(12,439)	(32,709)	(13)	(9,671)	7,956	363,436
Decrease in Net Assets - Non-Controlling	-	-	-	-	-	-	(134,969)	-	-	(134,969)
Capital Contributions to LLC	-	-	-	-	-	-	3,864,366	-	-	3,864,366
Total Increase in Net Assets - Non-Controlling	-	-	-	-	-	-	3,729,397	-	-	3,729,397
Total Increase (Decrease) in Net Assets	652,179	(20)	(199,124)	(42,723)	(12,439)	(32,709)	3,729,384	(9,671)	7,956	4,092,833
Transfer of Net Assets	-	-	-	-	-	-	-	(3,940)	-	(3,940)
Net Assets (Deficit), Beginning of Year	2,705,700	(171)	(431,000)	52,276	224,885	5,753	928,071	-	(205,477)	3,280,037
Net Assets (Deficit), End of Year	\$ 3,357,879	\$ (191)	\$ (630,124)	\$ 9,553	\$ 212,446	\$ (26,956)	\$ 4,657,455	\$ (13,611)	\$ (197,521)	\$ 7,368,930

HARBORLIGHT COMMUNITY PARTNERS, INC.  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
For the Year Ended December 31, 2013

	Harborlight Community Partners, Inc.	HLH Affordable Housing, Inc.	HLH Affordable Housing, LP	Whipple Annex Housing, LLC	Firehouse Place, Inc.	Rockport Affordable Housing, Inc.	Turtle Creek Housing, LLC	Eliminations	Totals
<b>REVENUE</b>									
Housing Management Revenue	\$ 376,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (81,761)	\$ 294,939
Housing Operations Revenue	1,912,231	-	385,343	141,411	59,363	26,390	202,346	(188,271)	2,538,813
Social Service Revenue	624,111	-	-	-	-	-	-	(6,285)	617,826
Fundraising Revenue	539,495	-	-	-	-	5,000	-	-	544,495
Development Income	305,859	-	-	-	-	-	-	-	305,859
Interest Income	41,068	-	-	109	28	130	9,810	(26,804)	24,341
Other Income	1,853	-	78	-	-	-	-	-	1,931
<b>TOTAL REVENUE</b>	<b>3,801,317</b>	<b>-</b>	<b>385,421</b>	<b>141,520</b>	<b>59,391</b>	<b>31,520</b>	<b>212,156</b>	<b>(303,121)</b>	<b>4,328,204</b>
<b>EXPENSES</b>									
Administrative Expenses	94,213	-	-	613	-	-	-	-	94,826
Housing Operations and Development Expenses	2,572,890	-	644,381	168,201	80,100	25,767	229,105	(311,037)	3,409,407
Social Service Expenses	606,826	-	-	-	-	-	-	-	606,826
Fundraising Expenses	193,586	-	-	-	-	-	-	-	193,586
<b>TOTAL EXPENSES</b>	<b>3,467,515</b>	<b>-</b>	<b>644,381</b>	<b>168,814</b>	<b>80,100</b>	<b>25,767</b>	<b>229,105</b>	<b>(311,037)</b>	<b>4,304,645</b>
Loss on Investment in Affiliate	(26)	(26)	-	-	-	-	-	52	-
Increase (Decrease) in Net Assets - Controlling	333,776	(26)	(258,960)	(27,294)	(20,709)	5,753	(2)	7,968	40,506
Decrease in Net Assets - Non-Controlling	-	-	-	-	-	-	(16,947)	-	(16,947)
Capital Contributions to LLC	-	-	-	-	-	-	945,020	-	945,020
Total Increase (Decrease) in Net Assets	333,776	(26)	(258,960)	(27,294)	(20,709)	5,753	928,071	7,968	968,579
Net Assets (Deficit), Beginning of Year	2,371,924	(145)	(172,040)	79,570	245,594	-	-	(322,454)	2,202,449
Prior Period Adjustment	-	-	-	-	-	-	-	109,009	109,009
Net Assets (Deficit), End of Year	\$ 2,705,700	\$ (171)	\$ (431,000)	\$ 52,276	\$ 224,885	\$ 5,753	\$ 928,071	\$ (205,477)	\$ 3,280,037

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Current Assets		
Cash - Unrestricted	\$ 231,547	\$ 421,214
Cash - Reserves and Mortgage Escrows	1,069,323	434,057
Tenant Security Deposits	32,213	31,398
Accounts Receivable - Tenants	3,745	4,827
Accounts Receivable - Related Party	69,518	122,954
Accounts Receivable - Other	53,440	188,599
Prepaid Expenses	22,722	47,638
Notes Receivable, Current Maturities	<u>38,553</u>	<u>36,463</u>
Total Current Assets	<u>1,521,061</u>	<u>1,287,150</u>
Property and Equipment		
Land and Site Improvements	1,950,458	1,932,248
Buildings Held for Rent	5,949,192	5,899,067
Furniture and Equipment	256,550	234,038
Motor Vehicles	60,815	62,215
Construction in Progress	<u>273,992</u>	<u>80,797</u>
Total	8,491,007	8,208,365
Less Accumulated Depreciation	<u>1,082,355</u>	<u>877,784</u>
Total Property and Equipment	<u>7,408,652</u>	<u>7,330,581</u>
Other Assets		
Investments in Affiliates	(191)	(171)
Deferred Financing Fees, Net	105,309	112,489
Development Fee Receivable	998,667	651,966
Notes Receivable, Less Current Maturities	<u>368,149</u>	<u>406,701</u>
Total Other Assets	<u>1,471,934</u>	<u>1,170,985</u>
TOTAL ASSETS	<u>\$ 10,401,647</u>	<u>\$ 9,788,716</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION  
(Continued)

December 31, 2014 and 2013

LIABILITIES AND NET ASSETS

	<u>2014</u>	<u>2013</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 150,137	\$ 140,223
Accounts Payable - Related Party	-	8,729
Accrued Expenses	77,393	106,606
Accrued Interest	10,995	11,226
Tenant Security Deposits	27,513	29,034
Prepaid Rent	-	825
Deferred Revenue	75,000	-
Current Portion of Long-term Debt	87,011	83,099
Total Current Liabilities	<u>428,049</u>	<u>379,742</u>
Long-term Liabilities		
Long-term Debt	<u>6,615,719</u>	<u>6,703,274</u>
Total Long-term Liabilities	<u>6,615,719</u>	<u>6,703,274</u>
TOTAL LIABILITIES	<u>7,043,768</u>	<u>7,083,016</u>
NET ASSETS		
Unrestricted	3,258,274	2,588,798
Temporarily Restricted	<u>99,605</u>	<u>116,902</u>
Total Net Assets	<u>3,357,879</u>	<u>2,705,700</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,401,647</u>	<u>\$ 9,788,716</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue		
Housing Management Revenue	\$ 471,365	\$ 376,700
Housing Operations Revenue	1,657,417	1,912,231
Social Service Revenue	83,205	624,111
Fundraising Revenue	268,337	539,495
Development Income	1,112,093	305,859
Interest Income	42,955	41,068
Other Income	902	1,853
Total Revenue	<u>3,636,274</u>	<u>3,801,317</u>
Expenses		
Administrative Expenses	178,078	94,213
Housing Operations and Development Expenses	2,530,589	2,572,890
Social Service Expenses	80,695	606,826
Fundraising Expenses	194,713	193,586
Total Expenses	<u>2,984,075</u>	<u>3,467,515</u>
Loss on Investment in Affiliate	<u>(20)</u>	<u>(26)</u>
Change in Net Assets	652,179	333,776
Net Assets, Beginning of Year	<u>2,705,700</u>	<u>2,371,924</u>
Net Assets, End of Year	<u><u>\$ 3,357,879</u></u>	<u><u>\$ 2,705,700</u></u>