

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015 and 2014

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

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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, 2015 and 2014, 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, 2015 and 2014, 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.

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 31 to 40 is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 April 1, 2016 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

April 1, 2016
South Portland, Maine
Employer Identification No: 20-3690847
Engagement Partner: Bridget Sylvester

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

ASSETS

	2015	2014
Current Assets		
Cash - Unrestricted (Note 13)	\$ 664,644	\$ 743,148
Cash - Reserves and Mortgage Escrows (Notes 6 and 13)	6,053,311	3,585,131
Tenant Security Deposits (Note 13)	108,461	103,161
Accounts Receivable - Tenants	5,457	4,591
Accounts Receivable - Related Party (Note 8)	7,730	8,143
Accounts Receivable - Other (Note 8)	46,139	84,304
Prepaid Expenses	102,247	72,084
Notes Receivable, Current Maturities (Note 2)	35,782	38,553
Total Current Assets	7,023,771	4,639,115
Property and Equipment (Note 4)		
Land and Site Improvements	4,073,485	3,981,474
Buildings Held for Rent	29,760,606	30,349,819
Furniture and Equipment	646,114	805,812
Motor Vehicles	60,815	60,815
Construction in Progress	1,764,926	281,982
Total	36,305,946	35,479,902
Less Accumulated Depreciation	3,046,244	3,976,240
Total Property and Equipment	33,259,702	31,503,662
Other Assets		
Deferred Financing Fees (net of Accumulated Amortization of \$100,242 and \$75,645 in 2015 and 2014, respectively)	686,183	632,122
Notes Receivable, Less Current Maturities (Note 2)	82,367	118,149
Total Other Assets	768,550	750,271
TOTAL ASSETS	\$ 41,052,023	\$ 36,893,048

See accompanying notes to the financial statements.

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

December 31, 2015 and 2014

LIABILITIES AND NET ASSETS

	2015	2014
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 8)	\$ 416,814	\$ 332,208
Accounts Payable - Construction	300,633	99,250
Accrued Expenses	144,039	117,784
Accrued Interest	146,887	158,981
Tenant Security Deposits	95,185	94,448
Prepaid Rent	299	4,601
Current Portion of Long-Term Debt	321,420	280,259
Total Current Liabilities	1,425,277	1,087,531
Long-term Liabilities (Note 4)		
Long-term Debt	30,311,623	27,234,217
Deferred Interest	40,841	1,127,370
Development Advance	75,000	75,000
Total Long-term Liabilities	30,427,464	28,436,587
TOTAL LIABILITIES	31,852,741	29,524,118
NET ASSETS		
Unrestricted - Controlling	4,197,885	2,611,855
Unrestricted - Noncontrolling (Note 1)	4,902,754	4,657,470
Temporarily Restricted (Note 3)	98,643	99,605
Total Net Assets	9,199,282	7,368,930
TOTAL LIABILITIES AND NET ASSETS	\$ 41,052,023	\$ 36,893,048

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Housing Management Revenue	\$ 273,921	\$ -	\$ 273,921
Housing Operations Revenue	4,235,753	-	4,235,753
Social Service Revenue	20,590	-	20,590
Fundraising Revenue	634,939	-	634,939
Development Income	199,250	-	199,250
Interest Income	37,875	-	37,875
Forgiveness of Debt (Note 15)	1,208,674	-	1,208,674
Gain on Sale of HLH LP (Note 15)	614,285	-	614,285
Other Income	536	-	536
	<u>7,225,823</u>	<u>-</u>	<u>7,225,823</u>
Expenses			
Administrative Expenses	253,076	-	253,076
Housing Operations and Development Expenses	5,408,770	-	5,408,770
Social Service Expenses	89,076	-	89,076
Fundraising Expenses	205,666	-	205,666
	<u>5,956,588</u>	<u>-</u>	<u>5,956,588</u>
Change in Net Assets - Controlling	<u>1,585,069</u>	<u>-</u>	<u>1,585,069</u>
Change in Net Assets - Non-Controlling	(315,834)	-	(315,834)
Capital Contributions to LLC	<u>561,117</u>	<u>-</u>	<u>561,117</u>
Total Change in Net Assets - Non-Controlling	<u>245,283</u>	<u>-</u>	<u>245,283</u>
Total Change in Net Assets	1,830,352	-	1,830,352
Net Assets Released from Donor Restrictions	962	(962)	-
Net Assets, Beginning of Year	<u>7,269,325</u>	<u>99,605</u>	<u>7,368,930</u>
Net Assets, End of Year	<u>\$ 9,100,639</u>	<u>\$ 98,643</u>	<u>\$ 9,199,282</u>

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>Restated 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
	<u>6,188,163</u>	<u>-</u>	<u>6,188,163</u>
Total Revenue			
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
	<u>5,959,696</u>	<u>-</u>	<u>5,959,696</u>
Total Expenses			
Change in Net Assets - Controlling	<u>363,436</u>	<u>-</u>	<u>363,436</u>
Change in Net Assets - Non-Controlling (Note 1)	(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 CASH FLOWS

For the Years Ended December 31, 2015 and 2014

	2015	2014
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 1,269,235	\$ 228,467
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	928,335	926,264
Deferred Interest Expense	72,145	96,131
Gain on Sale	(614,285)	-
Forgiveness of Long-Term Debt	(1,208,674)	-
Merger with Marblehead Community Housing Corporation	-	(3,940)
Changes in Assets and Liabilities:		
Accounts Receivable - Tenants	(866)	4,672
Accounts Receivable - Related Party	413	2,626
Other Receivables	38,165	128,704
Prepaid Expenses	(30,163)	74,583
Accounts Payable	84,606	(38,194)
Accounts Payable - Related Party	-	-
Accrued Expenses	26,255	(4,482)
Accrued Interest	(12,094)	90,746
Tenant Security Deposits and Accrued Interest	(4,563)	(3,033)
Prepaid Rent	(4,302)	1,292
Net Cash Provided by Operating Activities	544,207	1,503,836
Cash Flows from Investing Activities:		
Net Withdrawals from (Deposits to) Restricted Cash	(2,468,180)	10,616,323
Purchases of Property and Equipment	(1,844,110)	(4,814,332)
Payments from Note Receivables	38,553	36,462
Net Cash Provided (Used) by Investing Activities	(4,273,737)	5,838,453
Cash Flows From Financing Activities:		
Long-term Debt Proceeds	4,151,328	599,370
Principal Payments on Long-term Debt	(982,761)	(11,661,180)
Capital Contributions to LLC	561,117	3,864,366
Payments of Financing Fees	(78,658)	(112,153)
Development Advance	-	75,000
Net Cash Provided (Used) by Financing Activities	3,651,026	(7,234,597)
Net Increase (Decrease) in Cash	(78,504)	107,692
Cash at Beginning of Year	743,148	635,456
Cash at End of Year	\$ 664,644	\$ 743,148
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	\$ 792,336	\$ 666,753

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 418 residential units which are home to over 500 working families, fixed income elders and those with disabilities. They also manage one commercial space for Acord Food Pantry, a local food pantry, and provide financial accounting services to Women's Institute for Housing and Economic Development, an affordable housing development consultant.

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 managing member in Turtle Creek Housing LLC, which Harborlight Community Partners, Inc. has a controlling interest. Harborlight House MM LLC is the managing member in Harborlight House LLC, which Harborlight Community Partners, Inc. has a controlling interest. Harborlight Community Partners, Inc. is the sole member of Maple Woods Housing, LLC. 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 (see Note 15).

Non-Controlling Interest in Affiliates - The Non-Controlling Interest represents the 99.99% investor member interests in Turtle Creek Housing, LLC and Harborlight House, LLC which are included in the consolidated financials.

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, 2015 and 2014, 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, Whipple Annex Housing, LLC, Harborlight House, LLC and Maple Woods 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, Turtle Creek Housing, LLC and Harborlight House, 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 April 1, 2016, 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:

	2015	2014
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. The loan was paid in full during 2015.	\$ -	\$ 5,000
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). The loan was paid in full in March 2016.	118,149	151,702
	\$ 118,149	\$ 156,702

Aggregate maturities of notes receivable are as follows:

2016	\$ 35,782
2017	38,160
2018	40,695
2019	3,512
2020	-
Thereafter	-
	\$ 118,149

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, 2013	Released During 2014	Released During 2015	Temporarily Restricted at December 31, 2015
Moving Partners Fund	\$ 5,384	\$ -	\$ -	\$ 5,384
Harborlight House	94,571	350	962	93,259
Properties in Development	16,947	16,947	-	-
	\$ 116,902	\$ 17,297	\$ 962	\$ 98,643

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

NOTE 4 - LONG-TERM DEBT

Long-term debt consisted of the following:

	2015	2014
<u>Harborlight Community Partners, Inc. - 9 Beckford Street</u> Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in December 2023. This note is secured by property.	\$ 25,000	\$ 25,000
<u>Harborlight Community Partners, Inc. - 5 Chase Street</u> Promissory Note Payable - Home Improvement Deferred Loan Program (HIDL), non-interest bearing, deferred declining balance loan, with the unpaid balance forgiven in September 2019. The loan shall be due in full in the event of a default or breach on the note conditions. This note is secured by the property.	60,000	60,000
Promissory Note Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in December 2040. This note is secured by property.	78,100	78,100
<u>Harborlight Community Partners, Inc. - 8-10 Dodge Street</u> Promissory Note Payable - People's United Bank, with interest at 4.1%, principal and interest due in monthly payments of \$896 until September 2022, when all unpaid principal is due. The loan is secured by property.	63,378	71,350
Promissory Note Payable - Community Economic Development Assistance Corp. (CEDAC), non-interest bearing, the entire unpaid balance shall be due and payable in full in June 2032, as long as the property remains affordable to low income tenants. Principal payments in excess of 115% of Gross Cash Expenditures are payable within 45 days of the calendar year end.	238,026	238,026
Promissory Note Payable - Community Development Block Grant Loan Program, non-interest bearing, repayment of principal is forgiven unless property does not remain affordable low income housing.	100,000	100,000
Promissory Notes Payable - NSHC, non-interest bearing, the entire unpaid balance shall be due and payable in full in August 2039. This note is secured by the property.	150,000	150,000
<u>Harborlight Community Partners, Inc. - 24 Home Street</u> Promissory Note Payable - North Shore Home Consortium (NSHC), non-interest bearing, the entire unpaid balance shall be due and payable in full in July 2023. This note is secured by the property.	140,000	140,000

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	<u>2015</u>	<u>2014</u>
<u>Harborlight Community Partners, Inc. - 7 Pleasant Street</u> 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.	61,242	62,195
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.	90,000	90,000
<u>Harborlight Community Partners, Inc. - 21 River Street</u> Promissory Note Payable - NSHC, non-interest bearing. Payments are due upon default. This note is secured by the property.	65,000	65,000
<u>Harborlight Community Partners, Inc. - 11 Union Street</u> 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.	101,000	101,000
<u>Harborlight Community Partners, Inc. - Operations</u> 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.	6,802	14,965
Promissory Note Payable - Housing Ministries of New England, Inc., with interest at 4.5%, principal and accrued interest due on June 25, 2016. The loan is unsecured.	50,000	-
<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.	2,344,586	2,366,286

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	<u>2015</u>	<u>2014</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	1,169,258	1,180,080
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	122,239	123,370
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 (HOME Loan), 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)

	2015	2014
<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. During 2015, the remaining balance of the loan was paid off during the sale (see Note 15).	-	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. During 2015, \$400,000 of the loan was transferred to Harborlight House LLC and the remaining balance was paid in full during the sale (see Note 15).	-	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. During 2015, the loan balance was transferred to Harborlight House LLC (see Note 15).	-	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. During 2015, the loan balance was transferred to Harborlight House LLC (see Note 15).	-	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. During 2015, the loan balance was transferred to Harborlight House LLC (see Note 15).	-	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.	418,415	448,621

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2015	2014
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, 2015 and 2014. 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.	57,296	61,307
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.	119,671	124,372
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)

	2015	2014
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.	862,510	868,809
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
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

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2015	2014
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.	193,656	196,900
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 \$500,000.	344,177	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.	10,074,781	10,196,897
Surplus Cash Note Payable (Seller Acquisition Loan) - The First Baptist Church in Beverly (formerly the 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.	2,693,982	2,704,613
Surplus Cash Note Payable - The First Baptist Church in Beverly (formerly the First Baptist Beverly Housing for the Elderly, Inc.), non-interest bearing, payments may be paid from excess surplus cash. The note is secured by real estate and personal property. 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	64,724

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2015	2014
<u>Marblehead Community Housing Corporation</u>		
Promissory Note Payable - Massachusetts Housing Partnership Fund Board, 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	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.	123,739	127,554
Promissory Note Payable - Federal Home Loan Bank of Boston, 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.	84,000	59,693
Promissory Note Payable - North Shore HOME Consortium, 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.	100,000	84,953
<u>Harborlight House LLC</u>		
Promissory Note Payable - payable to East Boston Savings Bank (Trustee). The note bears interest at 2.39%, payable in monthly interest only installments until August 31, 2017 when any unpaid principal and interest is due. Under the agreement, the Massachusetts Development Finance Agency has loaned the Trustee proceeds from the sale of \$4,000,000 Multifamily Housing Revenue Bonds, Series 2015. The note balance at December 31, 2015 was \$4,000,000. The note will be repaid in 2016 when construction is complete from proceeds from permanent financing and capital contributions.	4,000,000	-
Promissory Note Payable - payable to Massachusetts Housing Partnership Fund Board, as agent for the Commonwealth of Massachusetts, up to \$1,010,000, without interest. Any unpaid principal and interest are due in August 2066.	24,166	-

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

NOTE 4 - LONG-TERM DEBT (Continued)

	2015	2014
Promissory Note Payable - Commonwealth of Massachusetts, Department of Housing and Community Development, with interest at 2.74%. Payments of principal and interest are deferred until August 2046. The loan is secured by a mortgage deed on the property.	400,000	-
Promissory Note Payable - Community Economic Development Assistance Corporation. The notational note balance is \$250,000 with an interest rate of 2%. This note assumed upon acquisition of the property was adjusted to fair market value based on the Applicable Federal Rate of 2.8% at the acquisition date. Interest is being accrued at 2.8%. Payments of principal and interest are payable from available surplus cash as defined by the agreement. All unpaid principal and interest are due in full in August 2056. The loan is secured by a mortgage deed on the property.	180,795	-
Promissory Note Payable - North Shore Home Consortium, with interest at 6%. Payments of principal and interest are deferred until August 2045. The loan is secured by a mortgage deed on the property.	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	-
	\$29,054,130	\$25,899,882

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, 2015 and 2014 consisted of the following:

	2015	2014
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 (various HCP property locations). In addition, certain covenants are required to be met as defined in the Bond Purchase Agreement.	\$ 1,578,913	\$ 1,614,594

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, 2015. The loan is non-interest bearing and due in full on November 25, 2043.

Aggregate maturities of long-term debt are as follows:

2016	\$ 321,420
2017	4,276,289
2018	288,459
2019	361,188
2020	314,478
Thereafter	25,071,209
Total	<u>\$ 30,633,043</u>

Deferred interest payable of loans of HLH Affordable Housing, LP, Rockport Affordable Housing, Inc. and Harborlight House, LLC at December 31, 2015 and 2014 were as follows:

	<u>2015</u>	<u>2014</u>
Promissory Note Payable - DHCD	\$ 3,653	\$ 777,967
Promissory Note Payable - CEDAC	-	80,000
Promissory Note Payable - NSHC	-	225,693
Promissory Note Payable - City of Beverly	-	8,474
Promissory Note Payable - Town of Rockport	37,188	35,236
	<u>\$ 40,841</u>	<u>\$1,127,370</u>

Development Advance - During 2014, the Organization received an advance of \$75,000 from a local donor. The expectation is that these funds will be repaid at the completion of the Maple Woods project. At both December 31, 2015 and 2014, the advance remained outstanding.

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 2015 and 2014, rental subsidies totaled \$83,407 and \$86,190, respectively. The project may not increase rents charged to tenants without HUD approval.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 5 - RENTAL ASSISTANCE AGREEMENTS (Continued)

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 2015 and 2014, rental subsidies totaled \$37,363 and \$40,098, 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, 2015 annual contract rents equal \$1,810,800. 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.

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

Replacement Reserve (HLH LLC)	\$150,000 initial deposit (2015)
Replacement Reserve (Turtle Creek)	\$2,750 per month
Operating Reserve (Turtle Creek)	\$725,000 minimum balance
Operating Reserve (HLH LLC)	\$265,466 minimum balance

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

NOTE 6 - COMMITMENTS (Continued)

In addition, HLH Affordable Housing, LP was 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 (Turtle Creek, LLC), 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, 2015 and 2014, the balances were \$47,803 and \$47,787, 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.

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. The account was closed during 2014, when the construction was complete.

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 \$25,096)
Replacement Reserve - Rockport Affordable Housing	\$33,000 annually increasing by 1.9% per year (currently \$33,627)

Restricted Reserves and Mortgage Escrow Deposits were comprised of the following at December 31, 2015 and 2014:

	2015	2014
Bond Reserves	\$ 37,236	\$ 37,210
Replacement Reserves	1,274,640	1,105,296
Mortgage Escrow Accounts	101,646	104,266
Development Accounts	3,447,098	1,842,220
Operating Reserves	1,144,888	448,352
Residual Receipts	47,803	47,787
	\$6,053,311	\$3,585,131

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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 2015 and 2014, the Organization received the following from the affiliated parties:

	2015	2014
<u>Housing Management Revenue</u>		
Turtle Woods Corporation	\$ 50,938	\$ 50,617
First Baptist Church in Beverly	6,390	7,512
	<u>\$ 57,328</u>	<u>\$ 58,129</u>
<u>Housing Operations Revenue</u>		
Turtle Woods Corporation	\$ 175,009	\$ 168,450
First Baptist Church in Beverly	97,446	35,897
	<u>\$ 272,455</u>	<u>\$ 204,347</u>
<u>Social Service Revenue</u>		
Turtle Woods Corporation	\$ 23,326	\$ 350
	<u>\$ 23,326</u>	<u>\$ 350</u>
<u>Development Income</u>		
Turtle Creek, LLC	\$ 99,250	\$1,112,093
Harborlight House LLC	100,000	-
	<u>\$ 199,250</u>	<u>\$1,112,093</u>

Amounts due from Affiliates and included in Accounts Receivable - Other at December 31, 2015 and 2014 consisted of the following:

	2015	2014
First Baptist Church in Beverly	\$ 2,998	\$ 8,319
Non-Related Party	43,141	75,985
	<u>\$ 46,139</u>	<u>\$ 84,304</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 8 - RELATED PARTY TRANSACTIONS (Continued)

Amounts due to Affiliates and included in Accounts Payable at December 31, 2015 and 2014 consisted of the following:

	<u>2015</u>	<u>2014</u>
First Baptist Church in Beverly	\$ -	\$ 573
Non-Related Party	<u>416,814</u>	<u>331,635</u>
	<u>\$ 416,814</u>	<u>\$ 332,208</u>

At December 31, 2015 and 2014, Accounts Receivable - Related Party consisted of the following:

	<u>2015</u>	<u>2014</u>
Turtle Woods Corporation	<u>\$ 7,730</u>	<u>\$ 8,143</u>

The First Baptist Church in Beverly allocates investment income earned from an endowment fund held by the Church to support Harborlight House. The investment income received is included as an unrestricted contribution. During 2015 and 2014, \$19,805 and \$34,203, 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 \$36,549 and \$43,722 for the years ended December 31, 2015 and 2014, respectively.

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:

2016	\$ 8,375
2017	8,797
2018	9,230
2019	9,700
2020	10,182
Thereafter	<u>71,509</u>
	<u>\$ 117,793</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OPERATING LEASE (Continued)

During January 2012, the Organization entered into a lease agreement for office space. Monthly lease payments of \$2,583 are due through January 2017, with a two year option to renew available.

Future minimum lease payments are as follows:

2016	\$ 31,000
2017	<u>1,292</u>
	<u>\$ 32,292</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>2015</u>	<u>2014</u>
Program Services	\$ 5,497,846	\$ 5,586,905
General and Administrative	253,076	178,078
Fundraising	<u>205,666</u>	<u>194,713</u>
Total	<u>\$ 5,956,588</u>	<u>\$ 5,959,696</u>

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, 2015, the Organization had cash on deposit with banks of \$6,863,313. Of this amount, \$4,011,967 was uninsured by the FDIC.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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.

The Company had invested in a bond collateral account funds in financial instruments. These investments were available for sale. As such, unrealized gains and losses were recorded in other comprehensive income. During 2014, the bond account was closed. During 2014, interest income on the investments was \$7,328 and realized losses on the investments totaled \$10,276.

NOTE 15 - SALE OF HLH AFFORDABLE HOUSING, LP

During 2015, the assets of HLH Affordable Housing, Limited Partnership were sold to Harborlight House LLC for \$2,700,000. \$1,208,674 of the Partnership's debt was forgiven and \$850,000 was transferred to Harborlight House, LLC. A gain on sale of the assets of \$614,285 was recorded as a result of this transaction. Operations of the Partnership cease to exist at December 31, 2015, and all remaining assets and liabilities were transferred to HCP.



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, 2015, 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 April 1, 2016.

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 black ink that reads "Otis Atwell". The signature is written in a cursive, flowing style.

Certified Public Accountants

April 1, 2016
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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 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, 2015. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program for the year ended December 31, 2015.

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 of the major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

April 1, 2016
South Portland, Maine

SUPPLEMENTARY INFORMATION

HARBORLIGHT COMMUNITY PARTNERS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2015

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200:516? _____ 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: \$ 750,000

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, 2015

<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	\$ 3,636,083
Rural Rental Housing Subsidy	10.415	<u>56,720</u>
Total U.S. Department of Agriculture, Rural Development		<u>\$ 3,692,803</u>
Total Expenditures of Federal Awards		<u><u>\$ 3,692,803</u></u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2015

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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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	\$879,039

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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200:516. 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, 2015

	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.	Harborlight House LLC	Maple Woods Housing LLC	Eliminations	Totals
ASSETS												
Current Assets												
Cash - Unrestricted	\$ 371,343	\$ -	\$ -	\$ 4,591	\$ 9,583	\$ 5,182	\$ 244,967	\$ 20,091	8,887	\$ -	\$ -	\$ 664,644
Cash - Reserves and Mortgage Escrows	1,706,700	-	-	70,805	31,488	427,192	1,183,271	-	2,633,855	-	-	6,053,311
Tenant Security Deposits	32,277	-	-	6,453	1,681	16,619	48,116	3,315	-	-	-	108,461
Accounts Receivable - Tenants	2,319	-	-	-	-	1,037	131	1,970	-	-	-	5,457
Accounts Receivable - Related Party	60,975	-	-	-	-	427	-	-	-	-	(53,672)	7,730
Accounts Receivable - Other	42,523	-	-	-	-	1,377	2,239	-	-	-	-	46,139
Prepaid Expenses	42,261	-	-	1,574	1,812	10,671	40,286	1,250	4,393	-	-	102,247
Notes Receivable, Current Maturities	35,782	-	-	-	-	-	-	-	-	-	-	35,782
Total Current Assets	2,294,180	-	-	83,423	44,564	462,505	1,519,010	26,626	2,647,135	-	(53,672)	7,023,771
Property and Equipment												
Land and Site Improvements	1,950,458	-	-	-	135,000	-	1,385,775	252,252	350,000	-	-	4,073,485
Buildings Held for Rent	6,021,325	-	-	2,648,641	1,011,872	2,370,775	14,993,994	363,999	2,350,000	-	-	29,760,606
Furniture and Equipment	258,050	-	-	10,491	12,916	10,597	353,097	963	-	-	-	646,114
Motor Vehicles	60,815	-	-	-	-	-	-	-	-	-	-	60,815
Construction in Progress	106,502	-	-	660	-	-	-	-	1,180,055	477,709	-	1,764,926
Total	8,397,150	-	-	2,659,792	1,159,788	2,381,372	16,732,866	617,214	3,880,055	477,709	-	36,305,946
Accumulated Depreciation	1,285,607	-	-	586,542	100,827	93,238	850,541	109,906	19,583	-	-	3,046,244
Total Property and Equipment	7,111,543	-	-	2,073,250	1,058,961	2,288,134	15,882,325	507,308	3,860,472	477,709	-	33,259,702
Other Assets												
Deferred Financing Fees, Net	98,129	-	-	-	-	11,640	471,460	12,219	92,735	-	-	686,183
Notes Receivable, Less Current Maturities	1,749,305	-	-	-	-	-	-	-	-	-	(1,666,938)	82,367
Total Other Assets	1,847,434	-	-	-	-	11,640	471,460	12,219	92,735	-	(1,666,938)	768,550
TOTAL ASSETS	\$ 11,253,157	\$ -	\$ -	\$ 2,156,673	\$ 1,103,525	\$ 2,762,279	\$ 17,872,795	\$ 546,153	\$ 6,600,342	\$ 477,709	\$ (1,720,610)	\$ 41,052,023
LIABILITIES AND NET ASSETS												
Current Liabilities												
Accounts Payable	\$ 147,133	\$ -	\$ -	\$ 1,716	\$ 1,002	\$ 255,812	\$ 20,343	\$ 4,152	\$ 26,966	\$ -	\$ (40,310)	\$ 416,814
Accounts Payable - Related Party	-	-	-	3,509	-	-	-	-	9,853	-	(13,362)	-
Accounts Payable - Construction	-	-	-	-	-	-	-	-	300,633	-	-	300,633
Accrued Expenses	96,804	-	-	3,800	3,700	11,349	10,500	11,602	6,284	-	-	144,039
Accrued Interest	11,931	-	-	602	251	2,068	132,035	-	-	-	-	146,887
Tenant Security Deposits	26,794	-	-	4,584	1,289	16,617	42,586	3,315	-	-	-	95,185
Prepaid Rent	30	-	-	-	-	79	190	-	-	-	-	299
Current Portion of Long-term Debt	138,727	-	-	35,404	4,992	10,068	128,107	4,122	-	-	-	321,420
Total Current Liabilities	421,419	-	-	49,615	11,234	295,993	333,761	23,191	343,736	-	(53,672)	1,425,277
Long-term Liabilities												
Long-term Debt	6,527,581	-	-	2,132,300	907,399	2,480,675	13,145,090	563,617	5,737,818	477,709	(1,660,566)	30,311,623
Deferred Interest	-	-	-	-	-	37,188	-	-	10,025	-	(6,372)	40,841
Development Advance	75,000	-	-	-	-	-	-	-	-	-	-	75,000
Total Long-term Liabilities	6,602,581	-	-	2,132,300	907,399	2,517,863	13,145,090	563,617	5,747,843	477,709	(1,666,938)	30,427,464
TOTAL LIABILITIES	7,024,000	-	-	2,181,915	918,633	2,813,856	13,478,851	586,808	6,091,579	477,709	(1,720,610)	31,852,741
NET ASSETS												
Unrestricted - Controlling	4,130,514	-	-	(25,242)	184,892	(51,577)	(43)	(40,655)	(4)	-	-	4,197,885
Unrestricted - Noncontrolling	-	-	-	-	-	-	4,393,987	-	508,767	-	-	4,902,754
Temporarily Restricted	98,643	-	-	-	-	-	-	-	-	-	-	98,643
Total Net Assets	4,229,157	-	-	(25,242)	184,892	(51,577)	4,393,944	(40,655)	508,763	-	-	9,199,282
TOTAL LIABILITIES AND NET ASSETS	\$ 11,253,157	\$ -	\$ -	\$ 2,156,673	\$ 1,103,525	\$ 2,762,279	\$ 17,872,795	\$ 546,153	\$ 6,600,342	\$ 477,709	\$ (1,720,610)	\$ 41,052,023

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
ASSETS										
Current Assets										
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
Total Current Assets	1,521,061	-	325,020	85,789	49,509	547,390	2,149,290	22,431	(61,375)	4,639,115
Property and Equipment										
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
Total	8,491,007	-	4,124,215	2,659,132	1,159,788	1,955,952	16,692,927	594,784	(197,903)	35,479,902
Accumulated Depreciation	1,082,355	-	1,768,862	519,277	76,966	46,650	387,727	94,403	-	3,976,240
Total Property and Equipment	7,408,652	-	2,355,353	2,139,855	1,082,822	1,909,302	16,305,200	500,381	(197,903)	31,503,662
Other Assets										
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
Total Other Assets	1,471,934	(191)	15,170	-	-	12,057	486,700	12,886	(1,248,285)	750,271
TOTAL ASSETS	\$ 10,401,647	\$ (191)	\$ 2,695,543	\$ 2,225,644	\$ 1,132,331	\$ 2,468,749	\$ 18,941,190	\$ 535,698	\$ (1,507,563)	\$ 36,893,048
LIABILITIES AND NET ASSETS										
Current Liabilities										
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
Current Portion of Long-term Debt	87,011	-	18,667	34,276	4,702	9,673	122,115	3,815	-	280,259
Total Current Liabilities	353,049	-	179,510	48,446	7,495	76,869	462,613	20,924	(61,375)	1,087,531
Long-term Liabilities										
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
Development Advance	75,000	-	-	-	-	-	-	-	-	75,000
Total Long-term Liabilities	6,690,719	-	3,146,157	2,167,645	912,390	2,418,836	13,821,122	528,385	(1,248,667)	28,436,587
TOTAL LIABILITIES	7,043,768	-	3,325,667	2,216,091	919,885	2,495,705	14,283,735	549,309	(1,310,042)	29,524,118
NET ASSETS										
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
Total Net Assets	3,357,879	(191)	(630,124)	9,553	212,446	(26,956)	4,657,455	(13,611)	(197,521)	7,368,930
TOTAL LIABILITIES AND NET ASSETS	\$ 10,401,647	\$ (191)	\$ 2,695,543	\$ 2,225,644	\$ 1,132,331	\$ 2,468,749	\$ 18,941,190	\$ 535,698	\$ (1,507,563)	\$ 36,893,048

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2015

	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.	Harborlight House LLC	Maple Woods Housing LLC	Eliminations	Totals
REVENUE												
Housing Management Revenue	\$ 547,006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (273,085)	\$ 273,921
Housing Operations Revenue	1,518,439	-	541,104	141,286	63,586	324,161	1,780,382	54,464	148,063	-	(335,732)	4,235,753
Social Service Revenue	75,050	-	-	-	-	-	-	-	-	-	(54,460)	20,590
Fundraising Revenue	634,939	-	-	-	-	-	-	-	-	-	-	634,939
Development Income	199,250	-	-	-	-	-	-	-	-	-	-	199,250
Interest Income	43,622	-	-	141	22	2,593	7,523	-	-	-	(16,026)	37,875
Forgiveness of Debt	-	-	1,208,674	-	-	-	-	-	-	-	-	1,208,674
Gain on Sale of Assets	-	-	416,382	-	-	-	-	-	-	-	197,903	614,285
Other Income	536	-	-	-	-	-	-	-	-	-	-	536
TOTAL REVENUE	3,018,842	-	2,166,160	141,427	63,608	326,754	1,787,905	54,464	148,063	-	(481,400)	7,225,823
EXPENSES												
Administrative Expenses	253,076	-	-	-	-	-	-	-	-	-	-	253,076
Housing Operations and Development Expenses	2,381,031	-	754,942	176,222	91,162	351,375	2,061,237	81,508	190,596	-	(679,303)	5,408,770
Social Service Expenses	89,076	-	-	-	-	-	-	-	-	-	-	89,076
Fundraising Expenses	205,666	-	-	-	-	-	-	-	-	-	-	205,666
TOTAL EXPENSES	2,928,849	-	754,942	176,222	91,162	351,375	2,061,237	81,508	190,596	-	(679,303)	5,956,588
Loss on Investment in Affiliate	191	191	-	-	-	-	-	-	-	-	(382)	-
Increase (Decrease) in Net Assets - Controlling	90,184	191	1,411,218	(34,795)	(27,554)	(24,621)	(27)	(27,044)	(4)	-	197,521	1,585,069
Decrease in Net Assets - Non-Controlling	-	-	-	-	-	-	(273,305)	-	(42,529)	-	-	(315,834)
Capital Contributions to LLC	-	-	-	-	-	-	9,821	-	551,296	-	-	561,117
Total Increase in Net Assets - Non-Controlling	-	-	-	-	-	-	(263,484)	-	508,767	-	-	245,283
Total Increase (Decrease) in Net Assets	90,184	191	1,411,218	(34,795)	(27,554)	(24,621)	(263,511)	(27,044)	508,763	-	197,521	1,830,352
Net Assets (Deficit), Beginning of Year	3,357,879	(191)	(630,124)	9,553	212,446	(26,956)	4,657,455	(13,611)	-	-	(197,521)	7,368,930
Transfer of Net Assets	781,094	-	(781,094)	-	-	-	-	-	-	-	-	-
Net Assets (Deficit), End of Year	\$ 4,229,157	\$ -	\$ -	\$ (25,242)	\$ 184,892	\$ (51,577)	\$ 4,393,944	\$ (40,655)	\$ 508,763	\$ -	\$ -	\$ 9,199,282

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
REVENUE										
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
TOTAL REVENUE	3,636,274	-	949,515	140,346	65,890	334,223	1,849,806	45,740	(833,631)	6,188,163
EXPENSES										
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
TOTAL EXPENSES	2,984,075	-	1,148,639	183,069	78,329	366,932	1,984,788	55,411	(841,547)	5,959,696
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.

STATEMENTS OF FINANCIAL POSITION

December 31, 2015 and 2014

ASSETS

	<u>2015</u>	<u>2014</u>
Current Assets		
Cash - Unrestricted	\$ 371,343	\$ 231,547
Cash - Reserves and Mortgage Escrows	1,706,700	1,069,323
Tenant Security Deposits	32,277	32,213
Accounts Receivable - Tenants	2,319	3,745
Accounts Receivable - Related Party	60,975	69,518
Accounts Receivable - Other	42,523	53,440
Prepaid Expenses	42,261	22,722
Notes Receivable, Current Maturities	<u>35,782</u>	<u>38,553</u>
Total Current Assets	<u>2,294,180</u>	<u>1,521,061</u>
Property and Equipment		
Land and Site Improvements	1,950,458	1,950,458
Buildings Held for Rent	6,021,325	5,949,192
Furniture and Equipment	258,050	256,550
Motor Vehicles	60,815	60,815
Construction in Progress	<u>106,502</u>	<u>273,992</u>
Total	8,397,150	8,491,007
Less Accumulated Depreciation	<u>1,285,607</u>	<u>1,082,355</u>
Total Property and Equipment	<u>7,111,543</u>	<u>7,408,652</u>
Other Assets		
Investments in Affiliates	-	(191)
Deferred Financing Fees, Net	98,129	105,309
Development Fee Receivable	-	998,667
Notes Receivable, Less Current Maturities	<u>1,749,305</u>	<u>368,149</u>
Total Other Assets	<u>1,847,434</u>	<u>1,471,934</u>
TOTAL ASSETS	<u>\$ 11,253,157</u>	<u>\$ 10,401,647</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION
(Continued)

December 31, 2015 and 2014

LIABILITIES AND NET ASSETS

	<u>2015</u>	<u>2014</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 147,133	\$ 150,137
Accrued Expenses	96,804	77,393
Accrued Interest	11,931	10,995
Tenant Security Deposits	26,794	27,513
Prepaid Rent	30	-
Current Portion of Long-term Debt	<u>138,727</u>	<u>87,011</u>
Total Current Liabilities	<u>421,419</u>	<u>353,049</u>
Long-term Liabilities		
Long-term Debt	6,527,581	6,615,719
Development Advance	<u>75,000</u>	<u>75,000</u>
Total Long-term Liabilities	<u>6,602,581</u>	<u>6,690,719</u>
TOTAL LIABILITIES	<u>7,024,000</u>	<u>7,043,768</u>
NET ASSETS		
Unrestricted	4,130,514	3,258,274
Temporarily Restricted	<u>98,643</u>	<u>99,605</u>
Total Net Assets	<u>4,229,157</u>	<u>3,357,879</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 11,253,157</u>	<u>\$ 10,401,647</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Revenue		
Housing Management Revenue	\$ 547,006	\$ 471,365
Housing Operations Revenue	1,518,439	1,657,417
Social Service Revenue	75,050	83,205
Fundraising Revenue	634,939	268,337
Development Income	199,250	1,112,093
Interest Income	43,622	42,955
Other Income	536	902
Total Revenue	<u>3,018,842</u>	<u>3,636,274</u>
Expenses		
Administrative Expenses	253,076	178,078
Housing Operations and Development Expenses	2,381,031	2,530,589
Social Service Expenses	89,076	80,695
Fundraising Expenses	205,666	194,713
Total Expenses	<u>2,928,849</u>	<u>2,984,075</u>
Loss on Investment in Affiliate	<u>191</u>	<u>(20)</u>
Change in Net Assets	90,184	652,179
Transfer of Net Assets - HLH LP	781,094	-
Net Assets, Beginning of Year	<u>3,357,879</u>	<u>2,705,700</u>
Net Assets, End of Year	<u>\$ 4,229,157</u>	<u>\$ 3,357,879</u>