

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2016 and 2015

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED FINANCIAL STATEMENTS

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CONTENTS

	PAGE
Independent Auditor's Report	1 and 2
FINANCIAL STATEMENTS	
Consolidated Statements of Financial Position	3 and 4
Consolidated Statements of Activities	5 and 6
Consolidated Statements of Cash Flows	7
Notes to the Consolidated Financial Statements	8 through 25
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 and 27
Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	28 and 29
SUPPLEMENTARY INFORMATION	
Schedule of Findings and Questioned Costs	30
Schedule of Expenditures of Federal Awards	31
Notes to the Schedule of Expenditures of Federal Awards	32
Consolidating Schedule of Financial Position	33 and 34
Consolidating Schedule of Activities	35 and 36
Harborlight Community Partners, Inc. Statements of Financial Position	37 and 38
Statements of Activities	39



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, 2016 and 2015, 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, 2016 and 2015, 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 30 to 39 is presented for purposes of additional analysis as required by the *Uniform Financial Reporting Standards* 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 12, 2017 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 12, 2017
South Portland, Maine
Employer Identification No: 20-3690847
Engagement Partner: Bridget Sylvester

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

ASSETS

	2016	2015
Current Assets		
Cash - Unrestricted (Note 12)	\$ 852,803	\$ 664,644
Cash - Reserves and Mortgage Escrows (Notes 6 and 12)	3,027,634	6,053,311
Unrestricted Investment (Note 16)	1,071,449	-
Tenant Security Deposits (Note 12)	112,697	108,461
Accounts Receivable - Tenants	25,560	5,457
Accounts Receivable - Related Party (Note 8)	32,481	7,730
Accounts Receivable - Other (Note 8)	115,688	46,139
Prepaid Expenses	98,474	102,247
Notes Receivable, Current Maturities (Note 2)	-	35,782
Total Current Assets	5,336,786	7,023,771
Property and Equipment (Note 4)		
Land and Site Improvements	4,096,420	4,073,485
Buildings Held for Rent	34,768,866	29,760,606
Furniture and Equipment	724,361	646,114
Motor Vehicles	60,815	60,815
Construction in Progress	1,393,741	1,764,926
Total	41,044,203	36,305,946
Less Accumulated Depreciation	3,965,803	3,046,244
Total Property and Equipment	37,078,400	33,259,702
Other Assets		
Tax Credit Fees (net of Accumulated Amortization of \$5,708 and \$3,044 in 2016 and 2015, respectively)	34,182	36,846
Notes Receivable, Less Current Maturities (Note 2)	-	82,367
Total Other Assets	34,182	119,213
TOTAL ASSETS	\$ 42,449,368	\$ 40,402,686

See accompanying notes to the financial statements.

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

December 31, 2016 and 2015

LIABILITIES AND NET ASSETS

	2016	2015
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 8)	\$ 127,533	\$ 416,814
Accounts Payable - Construction	211,844	300,633
Accrued Expenses	145,543	144,039
Accrued Interest	163,762	146,887
Tenant Security Deposits	100,039	95,185
Prepaid Rent	19,475	299
Current Portion of Long-Term Debt	595,354	321,420
Total Current Liabilities	1,363,550	1,425,277
Long-term Liabilities (Note 4)		
Long-term Debt	30,069,641	30,311,623
Deferred Interest	68,048	40,841
Development Advance	150,000	75,000
Less Debt Issuance Costs (Note 14)	(198,948)	(649,337)
Total Long-term Liabilities	30,088,741	29,778,127
TOTAL LIABILITIES	31,452,291	31,203,404
NET ASSETS		
Unrestricted - Controlling	5,575,000	4,197,885
Unrestricted - Noncontrolling (Note 1)	5,291,332	4,902,754
Temporarily Restricted (Note 3)	130,745	98,643
Total Net Assets	10,997,077	9,199,282
TOTAL LIABILITIES AND NET ASSETS	\$ 42,449,368	\$ 40,402,686

See accompanying notes to the financial statements.

HARBORLIGHT COMMUNITY PARTNERS, INC.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue			
Housing Management Revenue	\$ 267,040	\$ -	\$ 267,040
Housing Operations Revenue	3,979,878	-	3,979,878
Social Service Revenue	24,027	-	24,027
Fundraising Revenue	645,963	32,102	678,065
Development Income	1,394,699	-	1,394,699
Interest Income	140,043	-	140,043
	<u>6,451,650</u>	<u>32,102</u>	<u>6,483,752</u>
Total Revenue			
Expenses			
Administrative Expenses	236,702	-	236,702
Housing Operations and Development Expenses	5,460,678	-	5,460,678
Social Service Expenses	88,121	-	88,121
Fundraising Expenses	220,141	-	220,141
	<u>6,005,642</u>	<u>-</u>	<u>6,005,642</u>
Total Expenses			
Change in Net Assets - Controlling	<u>1,377,115</u>	<u>32,102</u>	<u>1,409,217</u>
Change in Net Assets - Non-Controlling	(931,107)	-	(931,107)
Distributions	(3,427)	-	(3,427)
Capital Contributions to LLC	<u>1,323,112</u>	<u>-</u>	<u>1,323,112</u>
Total Change in Net Assets - Non-Controlling	<u>388,578</u>	<u>-</u>	<u>388,578</u>
Total Change in Net Assets	1,765,693	32,102	1,797,795
Net Assets, Beginning of Year	<u>9,100,639</u>	<u>98,643</u>	<u>9,199,282</u>
Net Assets, End of Year	<u>\$ 10,866,332</u>	<u>\$ 130,745</u>	<u>\$ 10,997,077</u>

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>Restated 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 13)	1,208,674	-	1,208,674
Gain on Sale of HLH LP (Note 13)	614,285	-	614,285
Other Income	536	-	536
	<u>7,225,823</u>	<u>-</u>	<u>7,225,823</u>
Total Revenue			
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>
Total Expenses			
Change in Net Assets - Controlling	<u>1,585,069</u>	<u>-</u>	<u>1,585,069</u>
Change in Net Assets - Non-Controlling (Note 1)	(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 CASH FLOWS
For the Years Ended December 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities:		
Increase in Net Assets	\$ 478,110	\$ 1,269,235
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	922,223	906,356
Amortization of Debt Issuance Costs	538,398	21,979
Deferred Interest Expense	27,207	72,145
Gain on Sale	-	(614,285)
Forgiveness of Long-Term Debt	-	(1,208,674)
Changes in Assets and Liabilities:		
Accounts Receivable - Tenants	(20,103)	(866)
Accounts Receivable - Related Party	(24,751)	413
Other Receivables	(69,549)	38,165
Prepaid Expenses	3,773	(30,163)
Accounts Payable	(289,281)	84,606
Accrued Expenses	1,504	26,255
Accrued Interest	16,875	(12,094)
Tenant Security Deposits and Accrued Interest	618	(4,563)
Prepaid Rent	19,176	(4,302)
Net Cash Provided by Operating Activities	1,604,200	544,207
Cash Flows from Investing Activities:		
Net Withdrawals from (Deposits to) Restricted Cash	3,025,677	(2,468,180)
Purchases of Property and Equipment	(4,827,046)	(1,844,110)
Payments from Note Receivables	118,149	38,553
Investment Account Activity	(1,071,449)	-
Net Cash Used by Investing Activities	(2,754,669)	(4,273,737)
Cash Flows From Financing Activities:		
Long-term Debt Proceeds	14,169,607	4,151,328
Principal Payments on Long-term Debt	(14,137,655)	(982,761)
Capital Contributions to LLC	1,323,112	561,117
Distributions	(3,427)	-
Payments of Financing Fees	(88,009)	(78,658)
Development Advance	75,000	-
Net Cash Provided by Financing Activities	1,338,628	3,651,026
Net Increase (Decrease) in Cash	188,159	(78,504)
Cash at Beginning of Year	664,644	743,148
Cash at End of Year	\$ 852,803	\$ 664,644
Supplemental Disclosure of Cash Flows Information:		
Cash Paid During the Year for:		
Interest	\$ 725,907	\$ 792,336

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 425 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, Granite Street Crossing, LLC, and Boston Street Crossing, 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 13).

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.

Development Fee Income - Development fees are received at several stages during a project's completion, including construction loan closing, permanent loan closing, lease up, and stabilization. The developer fees at these milestones are generally funded by third-parties as investor equity or project debts, and as such, are recorded as Development Fee revenue and capitalized to Property and Equipment. To the extent the investor equity or project debt does not cover the full developer fee, the Organization records a deferred developer fee, which is expected to be paid from ongoing property operations, primarily in the form of surplus cash. Any such payment of deferred developer fee from owned and affiliated properties constitutes a related party transaction and is eliminated in consolidation.

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

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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.

HLH Affordable Housing Inc. is taxed as a C Corporation. At December 31, 2015, the Corporation had net operating losses, and was closed out after the sale of the real property owned by HLH Affordable Housing, LP.

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, Maple Woods Housing, LLC, Granite Street Crossing, LLC and Boston Street Crossing, 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 to 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.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Debt Issuance Costs - Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

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.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

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

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 12, 2017, the date the financial statements were available to be issued.

NOTE 2 - NOTES RECEIVABLE

Notes receivable consisted of the following:

	2016	2015
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
	\$ -	\$ 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, 2014	Released During 2015	Increase/ (Released) During 2016	Temporarily Restricted at December 31, 2016
Moving Partners Fund	\$ 5,384	\$ -	\$ -	\$ 5,384
Harborlight House	94,221	(962)	-	93,259
Properties in Development	-	-	16,352	16,352
Resident Fund	-	-	15,750	15,750
	\$ 99,605	\$ (962)	\$ 32,102	\$ 130,745

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

NOTE 4 - LONG-TERM DEBT

Long-term debt consisted of the following:

	2016	2015
<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.	55,073	63,378
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)

	2016	2015
<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.	60,239	61,242
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. - Boston St. Crossing</u> Promissory Note Payable - Community Economic Development Assistance Corporation, with simple interest at 7%, the unpaid balance shall be due and payable upon permanent financing, which is expected to be in 2017. The note is secured by property. The total amount available to be disbursed is \$200,000.	84,150	-
<u>Harborlight Community Partners, Inc. - Granite Street</u> Promissory Note Payable - Community Economic Development Assistance Corporation, with 6% interest, principal and accrued interest is due July 28, 2018. The loan is secured by a mortgage on the property. The total amount available to be disbursed is \$376,000.	319,352	-
Promissory Note Payable - Local Initiatives Support Corporation, with 4% interest, principal and accrued interest is due July 28, 2018. The loan is secured by a mortgage on the property. The total amount available to be disbursed is \$188,000.	188,000	-
<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 was due. The loan is secured by a motor vehicle.	-	6,802

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2016	2015
Promissory Note Payable - Housing Ministries of New England, Inc., with interest at 4.5%, principal and accrued interest was due on June 25, 2016. The loan is unsecured.	-	50,000
Promissory Note Payable - The Life Insurance Community Investment Initiative, LLC, with interest at 6%, payable in monthly interest only installments until June 1, 2019 when any unpaid principal and interest is due. The total amount available to be disbursed is \$500,000.	196,267	-
<u>Pigeon Cove</u>		
Mortgage Notes Payable (3) - 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 totaling \$4,727 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 notes are 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 totaling \$7,976 for the three notes reflect a 50-year amortization at 1%. The final installments are due January 2042. The note is secured by real estate and personal property.	3,601,318	3,636,083
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
<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.	387,313	418,415

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2016	2015
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, 2016 and 2015. 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.	52,762	57,296
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.	114,679	119,671
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)

	2016	2015
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.	855,971	862,510
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)

	2016	2015
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.	190,286	193,656
Promissory Note Payable - North Shore HOME Consortium (NSHC), without interest. Payments of principal are deferred until December 2043. The loan is secured by a mortgage deed on the property, and can be drawn up to \$500,000.	500,000	344,177
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.	35,300	-
<u>Turtle Creek Housing, LLC</u>		
Mortgage Note Payable - Red Mortgage Capital, LLC, which bore interest at 4.8% per annum, with monthly payments of principal and interest of \$50,742 until December 2048. During 2016, the note was refinanced and bears interest at 4.05% per annum, with monthly payments of principal and interest of \$45,975 until June 2051. 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.	10,245,729	10,074,781
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.	2,660,944	2,693,982
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

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	2016	2015
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
<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.	119,735	123,739
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	84,000
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	100,000
<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 will be repaid in 2017 when construction is complete from proceeds from permanent financing and capital contributions.	230,000	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.	901,626	24,166

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

	<u>2016</u>	<u>2015</u>
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	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	180,795
Promissory Note Payable - North Shore Home Consortium, with interest at 2.82%. Payments of principal and interest are deferred until August 2045. The loan is secured by a mortgage deed on the property.	150,000	150,000
Promissory Note Payable - City of Beverly, with interest at 2.82%. 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
Promissory Note Payable - Community Economic Development Assistance Corporation (CEDAC) HIF Loan, without interest. Payments of principal are due August 2046. The loan is secured by a mortgage deed on the property.	1,000,000	-
Promissory Note Payable - Community Economic Development Assistance Corporation (CEDAC) HPSTF Loan, without interest. Payments of principal are due August 2046. The loan is secured by a mortgage deed on the property.	1,000,000	-
	<u>\$29,122,976</u>	<u>\$29,054,130</u>

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

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 4 - LONG-TERM DEBT (Continued)

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, 2016 and 2015 consisted of the following:

	2016	2015
Bond Payable, with 3.75% interest. 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.		
	\$ 1,542,019	\$ 1,578,913

Aggregate maturities of long-term debt are as follows:

2017	\$ 595,354
2018	799,879
2019	560,590
2020	316,587
2021	1,712,040
Thereafter	26,680,545
Total	\$ 30,664,995

Deferred interest payable of loans of Rockport Affordable Housing, Inc. and Harborlight House, LLC at December 31, 2016 and 2015 were as follows:

	2016	2015
Promissory Note Payable - DHCD	\$ 14,613	\$ 3,653
Promissory Note Payable - CEDAC	6,775	-
Promissory Note Payable - NSHC	5,640	-
Promissory Note Payable - City of Beverly	1,880	-
Promissory Note Payable - Town of Rockport	39,140	37,188
	\$ 68,048	\$ 40,841

Development Advance - During both 2016 and 2014, the Organization received advances of \$75,000 from a local donor. During 2014, the funds were received to support the Maple Woods project. The funds received during 2016 were related to future predevelopment work. All funds will be repaid at a time that is mutually agreeable to both parties. At December 31, 2016 and 2015, \$150,000 and \$75,000 of the advance remained outstanding, respectively.

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 2016 and 2015, rental subsidies totaled \$94,990 and \$83,407, 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 2016 and 2015, rental subsidies totaled \$39,761 and \$37,363, 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, 2016 annual contract rents equal \$1,848,972. 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, 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)	\$2,889 per month
Operating Reserve (Turtle Creek)	\$725,000 minimum balance
Operating Reserve (HLH LLC)	\$265,466 minimum balance

In accordance with the 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, 2016 and 2015, the balances were \$47,818 and \$47,803, respectively.

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 \$25,596)
Replacement Reserve - Rockport Affordable Housing	\$33,000 annually increasing by 1.9% per year (currently \$34,296)

Restricted Reserves and Mortgage Escrow Deposits were comprised of the following at December 31, 2016 and 2015:

	2016	2015
Bond Reserves	\$ 37,255	\$ 37,236
Replacement Reserves	1,337,341	1,274,640
Mortgage Escrow Accounts	83,928	101,646
Development Accounts	464,670	3,447,098
Operating Reserves	1,024,377	1,144,888
Other Reserves	32,245	-
Residual Receipts	47,818	47,803
	<u>\$ 3,027,634</u>	<u>\$ 6,053,311</u>

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 2016 and 2015, the Organization received the following from the affiliated parties:

	2016	2015
<u>Housing Management Revenue</u>		
Turtle Woods Corporation	\$ 54,612	\$ 50,938
First Baptist Church in Beverly	6,435	6,390
	<u>\$ 61,047</u>	<u>\$ 57,328</u>
<u>Housing Operations Revenue</u>		
Turtle Woods Corporation	\$ 181,329	\$ 175,009
First Baptist Church in Beverly	57,257	97,446
	<u>\$ 238,586</u>	<u>\$ 272,455</u>
<u>Social Service Revenue</u>		
Turtle Woods Corporation	\$ 24,586	\$ 23,326
	<u>\$ 24,586</u>	<u>\$ 23,326</u>
<u>Development Income</u>		
Turtle Creek, LLC	\$ -	\$ 99,250
Harborlight House LLC	869,370	100,000
Rockport Affordable Housing, Inc.	25,329	-
	<u>\$ 894,699</u>	<u>\$ 199,250</u>

Amounts due from Affiliates and included in Accounts Receivable - Other at December 31, 2016 and 2015 consisted of the following:

	2016	2015
First Baptist Church in Beverly	\$ 5,926	\$ 2,998
Non-Related Party	109,762	43,141
	<u>\$ 115,688</u>	<u>\$ 46,139</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, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>
First Baptist Church in Beverly	\$ 1,145	\$ -
Non-Related Party	<u>126,433</u>	<u>416,814</u>
	<u>\$ 127,578</u>	<u>\$ 416,814</u>

At December 31, 2016 and 2015, Accounts Receivable - Related Party consisted of the following:

	<u>2016</u>	<u>2015</u>
Turtle Woods Corporation	<u>\$ 32,481</u>	<u>\$ 7,730</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, \$19,805 was received from the endowment fund. The income was discontinued in 2016 because Harborlight House started receiving other funding to support resident services.

The First Baptist Church in Beverly has provided financing to the Organization (see Note 4).

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 \$14,219 and \$36,549 for the years ended December 31, 2016 and 2015, 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:

2017	\$ 8,797
2018	9,230
2019	9,700
2020	10,182
2021	10,688
Thereafter	<u>60,821</u>
	<u>\$ 109,418</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 up to five one year options to renew available. The lease was renewed through January 18, 2018, with monthly payments of \$2,661.

Future minimum lease payments are as follows:

2017	\$	31,891
2018		1,330
Total	\$	<u>33,221</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 - 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, 2016, the Organization had cash on deposit with banks of \$4,153,695. Of this amount, \$1,299,930 was uninsured by the FDIC.

NOTE 13 - 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.

HARBORLIGHT COMMUNITY PARTNERS, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Continued)

NOTE 14 - CHANGE IN ACCOUNTING FOR DEBT ISSUANCE COSTS

During 2016, the Corporation adopted Accounting Standards Update (ASU) No. 2015-03: Interest - Imputation of Interest (Subtopic 835.30), Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires the Corporation change the presentation of debt issuance costs on the Corporation's financial statements. Under the new method, debt issuance costs are presented as a reduction of long-term debt instead of being presented as an asset on the Corporation's balance sheet. Annual amortization of debt issuance costs is considered a component of interest expense. The December 31, 2015 balance sheet has been restated to reclassify \$649,337 of debt issuance costs from other assets to a reduction of long-term debt.

NOTE 15 - INSURANCE CLAIM

During 2016, the property of Marblehead Community Housing Corporation experienced water damage from a broken sprinkler head. Total expenses incurred were \$52,686. The project received \$62,158 from the insurance company after the deductible, which includes coverage for loss of rents.

NOTE 16 - INVESTMENTS MEASURED AT FAIR VALUE

During 2016, Harborlight Community Partners, Inc. 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 Organization does not have any Level 2 investments.

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

The funds are being held in an investment account. The balance as of December 31, 2016 was \$1,071,449. The account was made up of \$64,910 in cash reserves, \$143,770 in mutual funds, \$358,810 in common stock, and \$498,569 in corporate bonds, along with \$5,390 of accrued interest. Unrealized gain on bonds of \$50,490 is included in interest income.



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, 2016, 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 12, 2017.

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 style with a large initial "O".

Certified Public Accountants

April 12, 2017
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, 2016. 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, 2016.

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 12, 2017
South Portland, Maine

SUPPLEMENTARY INFORMATION

HARBORLIGHT COMMUNITY PARTNERS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified
 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: Unmodified

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, 2016

<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, 2016

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.

NOTE 4 - MORTGAGE LOAN BALANCE

Federal expenditures for Program 10.415 represent the loan balance as of the beginning of the audit period. The balance at December 31, 2016 was \$3,601,318.

NOTE 5 - DE MINIMIS INDIRECT COST RATE

The corporation has not elected to use the 10% de minimis indirect cost rate per Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200.

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2016

	Harborlight Community Partners, Inc.	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	Granite Street Crossing LLC	Boston Street Crossing LLC	Eliminations	Totals
ASSETS												
Current Assets												
Cash - Unrestricted	\$ 307,583	\$ 21,699	\$ 18,288	\$ 20,594	\$ 435,072	\$ 23,743	\$ 25,824	\$ -	\$ -	\$ -	\$ -	\$ 852,803
Cash - Reserves and Mortgage Escrows	641,219	60,433	31,503	367,814	1,249,961	-	676,704	-	-	-	-	3,027,634
Unrestricted Investment	1,071,449	-	-	-	-	-	-	-	-	-	-	1,071,449
Tenant Security Deposits	35,825	6,457	1,682	17,795	48,284	2,654	-	-	-	-	-	112,697
Accounts Receivable - Tenants	1,077	188	9	1,629	606	2,207	19,844	-	-	-	-	25,560
Accounts Receivable - Related Party	128,934	-	-	455	-	-	-	-	-	-	(96,908)	32,481
Accounts Receivable - Other	75,975	-	-	1,377	5,521	32,815	-	1,377	-	-	-	115,688
Prepaid Expenses	30,780	1,535	1,144	10,442	49,675	1,353	3,545	-	-	-	-	98,474
Total Current Assets	2,292,842	90,312	52,626	420,106	1,789,119	62,772	725,917	-	-	-	(96,908)	5,336,786
Property and Equipment												
Land and Site Improvements	1,963,933	-	135,000	5,635	1,385,775	252,252	353,825	-	-	-	-	4,096,420
Buildings Held for Rent	6,174,459	2,648,641	1,011,872	2,396,994	14,993,994	378,443	7,164,463	-	-	-	-	34,768,866
Furniture and Equipment	262,750	10,491	12,916	20,646	366,133	2,717	48,708	-	-	-	-	724,361
Motor Vehicles	60,815	-	-	-	-	-	-	-	-	-	-	60,815
Construction in Progress	137,344	-	-	-	-	-	-	565,561	574,488	116,348	-	1,393,741
Total	8,599,301	2,659,132	1,159,788	2,423,275	16,745,902	633,412	7,566,996	565,561	574,488	116,348	-	41,044,203
Accumulated Depreciation	1,490,461	653,806	124,692	150,683	1,314,327	122,145	109,689	-	-	-	-	3,965,803
Total Property and Equipment	7,108,840	2,005,326	1,035,096	2,272,592	15,431,575	511,267	7,457,307	565,561	574,488	116,348	-	37,078,400
Other Assets												
Investments in Affiliates	3,825	-	-	-	-	-	-	-	-	-	(3,825)	-
Tax Credit Fees, Net	-	-	-	-	18,226	-	15,956	-	-	-	-	34,182
Notes Receivable, Less Current Maturities	3,874,682	-	-	-	-	-	-	-	-	-	(3,874,682)	-
Total Other Assets	3,878,507	-	-	-	18,226	-	15,956	-	-	-	(3,878,507)	34,182
TOTAL ASSETS	\$ 13,280,189	\$ 2,095,638	\$ 1,087,722	\$ 2,692,698	\$ 17,238,920	\$ 574,039	\$ 8,199,180	\$ 565,561	\$ 574,488	\$ 116,348	\$ (3,975,415)	\$ 42,449,368
LIABILITIES AND NET ASSETS												
Current Liabilities												
Accounts Payable	\$ 59,363	\$ 2,664	\$ 1,631	\$ 18,942	\$ 51,169	\$ 54,600	\$ 32,789	\$ -	\$ -	\$ -	\$ (95,319)	\$ 125,839
Accounts Payable - Related Party	1,694	1,634	-	-	-	-	-	-	-	-	(1,634)	1,694
Accounts Payable - Construction	-	-	-	-	-	-	465,717	-	-	-	(253,873)	211,844
Accrued Expenses	102,439	4,838	4,095	3,774	14,633	8,764	7,000	-	-	-	-	145,543
Accrued Interest	21,870	547	240	2,035	139,070	-	-	-	-	526	(526)	163,762
Tenant Security Deposits	28,679	4,587	1,290	17,792	45,037	2,654	-	-	-	-	-	100,039
Prepaid Rent	165	1	-	9	709	-	18,591	-	-	-	-	19,475
Current Portion of Long-term Debt	169,279	36,644	5,299	10,480	139,309	4,343	230,000	-	-	-	-	595,354
Total Current Liabilities	383,489	50,915	12,555	53,032	389,927	70,361	754,097	-	-	526	(351,352)	1,363,550
Long-term Liabilities												
Long-term Debt	7,147,029	2,095,424	902,100	2,661,477	13,271,798	579,392	5,135,278	565,561	574,488	116,348	(2,979,254)	30,069,641
Development Fee Payable	-	-	-	-	-	-	615,497	-	-	-	(615,497)	-
Deferred Interest	-	-	-	39,140	-	-	54,395	-	-	-	(25,487)	68,048
Development Advance	150,000	-	-	-	-	-	-	-	-	-	-	150,000
Debt Issuance Costs	(98,264)	-	-	(11,223)	(77,908)	(11,553)	-	-	-	-	-	(198,948)
Total Long-term Liabilities	7,198,765	2,095,424	902,100	2,689,394	13,193,890	567,839	5,805,170	565,561	574,488	116,348	(3,620,238)	30,088,741
TOTAL LIABILITIES	7,582,254	2,146,339	914,655	2,742,426	13,583,817	638,200	6,559,267	565,561	574,488	116,874	(3,971,590)	31,452,291
NET ASSETS												
Unrestricted - Controlling	5,567,190	(50,701)	173,067	(49,728)	(117)	(64,161)	3,801	-	-	(526)	(3,825)	5,575,000
Unrestricted - Noncontrolling	-	-	-	-	3,655,220	-	1,636,112	-	-	-	-	5,291,332
Temporarily Restricted	130,745	-	-	-	-	-	-	-	-	-	-	130,745
Total Net Assets	5,697,935	(50,701)	173,067	(49,728)	3,655,103	(64,161)	1,639,913	-	-	(526)	(3,825)	10,997,077
TOTAL LIABILITIES AND NET ASSETS	\$ 13,280,189	\$ 2,095,638	\$ 1,087,722	\$ 2,692,698	\$ 17,238,920	\$ 574,039	\$ 8,199,180	\$ 565,561	\$ 574,488	\$ 116,348	\$ (3,975,415)	\$ 42,449,368

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION
December 31, 2015

	Harborlight Community Partners, Inc.	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	-	-	-	-	-	7,730
Accounts Receivable - Other	42,523	-	-	1,377	2,239	-	-	-	(53,672)	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										
Tax Credit Fees, Net	-	-	-	-	19,750	-	17,096	-	-	36,846
Notes Receivable, Less Current Maturities	1,749,305	-	-	-	-	-	-	-	(1,666,938)	82,367
Total Other Assets	1,749,305	-	-	-	19,750	-	17,096	-	(1,666,938)	119,213
TOTAL ASSETS	\$ 11,155,028	\$ 2,156,673	\$ 1,103,525	\$ 2,750,639	\$ 17,421,085	\$ 533,934	\$ 6,524,703	\$ 477,709	\$ (1,720,610)	\$ 40,402,686
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
Debt Issuance Costs	(98,129)	-	-	(11,640)	(451,710)	(12,219)	(75,639)	-	-	(649,337)
Total Long-term Liabilities	6,504,452	2,132,300	907,399	2,506,223	12,693,380	551,398	5,672,204	477,709	(1,666,938)	29,778,127
TOTAL LIABILITIES	6,925,871	2,181,915	918,633	2,802,216	13,027,141	574,589	6,015,940	477,709	(1,720,610)	31,203,404
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	\$ 11,155,028	\$ 2,156,673	\$ 1,103,525	\$ 2,750,639	\$ 17,421,085	\$ 533,934	\$ 6,524,703	\$ 477,709	\$ (1,720,610)	\$ 40,402,686

HARBORLIGHT COMMUNITY PARTNERS, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
For the Year Ended December 31, 2016

	Harborlight Community Partners, Inc.	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	Granite Street Crossing LLC	Boston Street Crossing LLC	Eliminations	Totals
REVENUE												
Housing Management Revenue	\$ 531,763	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (264,723)	\$ 267,040
Housing Operations Revenue	1,644,562	153,632	66,117	326,120	1,799,687	55,726	346,716	-	-	-	(412,682)	3,979,878
Social Service Revenue	80,628	-	-	-	-	-	-	-	-	-	(56,601)	24,027
Fundraising Revenue	678,065	-	-	-	-	-	-	-	-	-	-	678,065
Development Income	1,394,699	-	-	-	-	-	-	-	-	-	-	1,394,699
Interest Income	128,009	128	24	1,926	10,482	-	-	-	-	-	(526)	140,043
TOTAL REVENUE	4,457,726	153,760	66,141	328,046	1,810,169	55,726	346,716	-	-	-	(734,532)	6,483,752
EXPENSES												
Administrative Expenses	236,702	-	-	-	-	-	-	-	-	-	-	236,702
Housing Operations and Development Expenses	2,443,984	179,219	77,966	326,197	2,545,583	79,232	542,503	-	-	526	(734,532)	5,460,678
Social Service Expenses	88,121	-	-	-	-	-	-	-	-	-	-	88,121
Fundraising Expenses	220,141	-	-	-	-	-	-	-	-	-	-	220,141
TOTAL EXPENSES	2,988,948	179,219	77,966	326,197	2,545,583	79,232	542,503	-	-	526	(734,532)	6,005,642
Unrealized Gain on Bonds	-	-	-	-	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Assets - Controlling	1,468,778	(25,459)	(11,825)	1,849	(74)	(23,506)	(20)	-	-	(526)	-	1,409,217
Decrease in Net Assets - Non-Controlling	-	-	-	-	(735,340)	-	(195,767)	-	-	-	-	(931,107)
Distributions	-	-	-	-	(3,427)	-	-	-	-	-	-	(3,427)
Capital Contributions to LLC	-	-	-	-	-	-	1,328,937	-	-	-	(3,825)	1,323,112
Total Increase in Net Assets - Non-Controlling	-	-	-	-	(738,767)	-	1,131,170	-	-	-	(3,825)	388,578
Total Increase (Decrease) in Net Assets	1,468,778	(25,459)	(11,825)	1,849	(738,841)	(23,506)	1,131,150	-	-	(526)	(3,825)	1,797,795
Net Assets (Deficit), Beginning of Year	4,229,157	(25,242)	184,892	(51,577)	4,393,944	(40,655)	508,763	-	-	-	-	9,199,282
Net Assets (Deficit), End of Year	\$ 5,697,935	\$ (50,701)	\$ 173,067	\$ (49,728)	\$ 3,655,103	\$ (64,161)	\$ 1,639,913	\$ -	\$ -	\$ (526)	\$ (3,825)	\$ 10,997,077

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.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

	ASSETS	
	<u>2016</u>	<u>2015</u>
Current Assets		
Cash - Unrestricted	\$ 307,583	\$ 371,343
Cash - Reserves and Mortgage Escrows	641,219	1,706,700
Unrestricted Investment	1,071,449	-
Tenant Security Deposits	35,825	32,277
Accounts Receivable - Tenants	1,077	2,319
Accounts Receivable - Related Party	128,934	60,975
Accounts Receivable - Other	75,975	42,523
Prepaid Expenses	30,780	42,261
Notes Receivable, Current Maturities	-	35,782
Total Current Assets	<u>2,292,842</u>	<u>2,294,180</u>
Property and Equipment		
Land and Site Improvements	1,963,933	1,950,458
Buildings Held for Rent	6,174,459	6,021,325
Furniture and Equipment	262,750	258,050
Motor Vehicles	60,815	60,815
Construction in Progress	137,344	106,502
Total	<u>8,599,301</u>	<u>8,397,150</u>
Less Accumulated Depreciation	<u>1,490,461</u>	<u>1,285,607</u>
Total Property and Equipment	<u>7,108,840</u>	<u>7,111,543</u>
Other Assets		
Investments in Affiliates	3,825	-
Notes Receivable, Less Current Maturities	<u>3,874,682</u>	<u>1,749,305</u>
Total Other Assets	<u>3,878,507</u>	<u>1,749,305</u>
TOTAL ASSETS	<u>\$ 13,280,189</u>	<u>\$ 11,155,028</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF FINANCIAL POSITION
(Continued)

December 31, 2016 and 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 59,363	\$ 147,133
Accounts Payable - Related Party	1,694	-
Accrued Expenses	102,439	96,804
Accrued Interest	21,870	11,931
Tenant Security Deposits	28,679	26,794
Prepaid Rent	165	30
Current Portion of Long-term Debt	<u>169,279</u>	<u>138,727</u>
Total Current Liabilities	<u>383,489</u>	<u>421,419</u>
Long-term Liabilities		
Long-term Debt	7,147,029	6,527,581
Development Advance	150,000	75,000
Less Debt Issuance Costs	<u>(98,264)</u>	<u>(98,129)</u>
Total Long-term Liabilities	<u>7,198,765</u>	<u>6,504,452</u>
TOTAL LIABILITIES	<u>7,582,254</u>	<u>6,925,871</u>
NET ASSETS		
Unrestricted	5,567,190	4,130,514
Temporarily Restricted	<u>130,745</u>	<u>98,643</u>
Total Net Assets	<u>5,697,935</u>	<u>4,229,157</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 13,280,189</u>	<u>\$ 11,155,028</u>

HARBORLIGHT COMMUNITY PARTNERS, INC.

STATEMENTS OF ACTIVITIES

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue		
Housing Management Revenue	\$ 531,763	\$ 547,006
Housing Operations Revenue	1,644,562	1,518,439
Social Service Revenue	80,628	75,050
Fundraising Revenue	678,065	634,939
Development Income	1,394,699	199,250
Interest Income	128,009	43,622
Other Income	-	536
Total Revenue	<u>4,457,726</u>	<u>3,018,842</u>
Expenses		
Administrative Expenses	236,702	253,076
Housing Operations and Development Expenses	2,443,984	2,381,031
Social Service Expenses	88,121	89,076
Fundraising Expenses	220,141	205,666
Total Expenses	<u>2,988,948</u>	<u>2,928,849</u>
Loss on Investment in Affiliate	-	191
Change in Net Assets	1,468,778	90,184
Transfer of Net Assets - HLH LP	-	781,094
Net Assets, Beginning of Year	<u>4,229,157</u>	<u>3,357,879</u>
Net Assets, End of Year	<u>\$ 5,697,935</u>	<u>\$ 4,229,157</u>