HEARTH, INC. AND AFFILIATES

CONSOLIDATING FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

HEARTH, INC. AND AFFILIATES

Contents
December 31, 2016 and 2015

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Independent Auditor's Report

To the Board of Directors of
Hearth, Inc. and Affiliates:

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Hearth, Inc. (a Massachusetts corporation, not for profit) and Affiliates (collectively, the Agency), which comprise the consolidating statements of financial position as of December 31, 2016 and 2015, and the related consolidating statements of activities, changes in entities' equity, cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating Financial Statements

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Hearth, Inc. and Affiliates as of December 31, 2016 and 2015, and the changes in their entities' equity and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

During 2016, the Agency adopted Accounting Standards Update No. 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs,* which modifies the classification of debt issuance costs on the consolidating statements of financial position. Our opinion is not modified with respect to this matter.

Effective August 1, 2016, Hearth, Inc. purchased the remaining 50% interest in New Communities Services, Inc., which is the general partner of Ruggles Assisted Living Limited Partnership (Ruggles). Accordingly, Ruggles has been consolidated in the Agency's consolidating financial statements effective August 1, 2016.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying supplementary information shown on pages 33 through 38 is presented for purposes of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 consolidating financial statements as a whole.

Alexander, Aronson, Finning & Co., P.C.

Boston, Massachusetts
April 26, 2017

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Financial Position
December 31, 2016
(With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016									2015
	Hearth, Inc.									
Assets	**Operating**	**Real Estate Development**	**Property Management**	**Non-Syndicated Rental Properties (Exhibit A)**	**Eliminations**	**Sub-Total**	**Syndicated Rental Properties (Exhibit E)**	**Eliminations**	**Total**	**Total**
Current Assets:										
Cash and cash equivalents	$ 578,889	$ -	$ -	$ 1,297,569	$ -	$ 1,876,458	$ 149,253	$ -	$ 2,025,711	$ 1,802,070
Funds held in trust	73,718	-	-	20,867	-	94,585	22,741	-	117,326	126,238
Current portion of accounts and pledges receivable, net	651,218	-	-	6,799	-	658,017	12,234	-	670,251	471,603
Prepaid expenses and deposits	89,435	-	-	36,897	-	126,332	44,327	-	170,659	112,486
Current portion of due (to) from affiliates, net	26,821	-	-	4,492	(24,822)	6,491	(6,491)	-	-	41,591
Current portion of reserves and deposits	-	-	-	297,537	-	297,537	49,168	-	346,705	50,901
Total current assets	1,420,081	-	-	1,664,161	(24,822)	3,059,420	271,232	-	3,330,652	2,604,889
Property and Equipment:										
Land	-	-	-	542,600	-	542,600	1,184,806	-	1,727,406	1,683,406
Buildings and improvements	190,756	-	-	9,420,754	(566,701)	9,044,809	18,975,913	(2,195,094)	25,825,628	19,916,287
Furniture and equipment	658,057	-	-	319,439	-	977,496	467,178	-	1,444,674	1,163,088
Project under development	-	264,914	-	-	-	264,914	-	-	264,914	-
	848,813	264,914	-	10,282,793	(566,701)	10,829,819	20,627,897	(2,195,094)	29,262,622	22,762,781
Less - accumulated depreciation	728,371	-	-	4,756,722	(470,850)	5,014,243	4,168,895	(324,752)	8,858,386	5,684,209
Net property and equipment	120,442	264,914	-	5,526,071	(95,851)	5,815,576	16,459,002	(1,870,342)	20,404,236	17,078,572
Other Assets:										
Accounts and pledges receivable, net of current portion	-	-	-	-	-	-	-	-	-	133,333
Reserves and deposits, net of current portion	1,688,720	-	-	930,977	-	2,619,697	910,561	-	3,530,258	1,395,536
Investments	2,037,500	-	-	-	-	2,037,500	-	-	2,037,500	789,209
Due (to) from affiliates, net of current portion	298,383	46,555	-	(344,938)	-	-	(764,025)	764,025	-	460,678
Investments in affiliates	-	291,942	-	-	(240,000)	51,942	-	(51,942)	-	-
Financing fees	-	-	-	-	-	-	-	-	-	29,000
Capitalized costs, net	-	-	-	-	-	-	24,960	-	24,960	29,640
Total other assets	4,024,603	338,497	-	586,039	(240,000)	4,709,139	171,496	712,083	5,592,718	2,837,396
Total assets	$ 5,565,126	$ 603,411	$ -	$ 7,776,271	$ (360,673)	$ 13,584,135	$ 16,901,730	$ (1,158,259)	$ 29,327,606	$ 22,520,857
Liabilities and Entities' Equity (Deficit)										
Current Liabilities:										
Current portion of long-term and contingent debt	$ -	$ -	$ -	$ 73,439	$ -	$ 73,439	$ 159,550	$ -	$ 232,989	$ 680,679
Accounts payable and accrued expenses	444,717	57,347	-	48,190	-	550,254	94,447	-	644,701	479,132
Current portion of due to affiliate	-	-	-	24,822	(24,822)	-	-	-	-	-
Funds held in trust	73,718	-	-	20,867	-	94,585	22,741	-	117,326	126,238
Total current liabilities	518,435	57,347	-	167,318	(24,822)	718,278	276,738	-	995,016	1,286,049
Other Liabilities:										
Long-term debt and unamortized debt issuance costs, net of current portion	-	-	-	4,706,171	-	4,706,171	509,822	-	5,215,993	626,486
Contingent debt and unamortized debt issuance costs, net of current portion	-	-	-	2,105,615	-	2,105,615	10,092,534	-	12,198,149	8,491,247
Notes payable and deferred interest - affiliates	-	-	-	-	-	-	2,135,150	(2,135,150)	-	-
Developer and overhead fees payable and deferred interest	-	-	-	462,829	(462,829)	-	-	-	-	-
Total other liabilities	-	-	-	7,274,615	(462,829)	6,811,786	12,737,506	(2,135,150)	17,414,142	9,117,733
Total liabilities	518,435	57,347	-	7,441,933	(487,651)	7,530,064	13,014,244	(2,135,150)	18,409,158	10,403,782
Entities' Equity (Deficit):										
Unrestricted:										
Operating	2,603,936	(4,847)	-	939,780	-	3,538,869	106,865	979,415	4,625,149	2,506,032
Board designated	2,107,351	-	-	-	-	2,107,351	-	-	2,107,351	107,351
Property and equipment	120,442	-	-	(605,442)	366,978	(118,022)	3,780,621	(3,780,621)	(118,022)	3,114,579
Real estate development	-	515,534	-	-	(240,000)	275,534	-	(63,120)	212,414	-
Total unrestricted	4,831,729	510,687	-	334,338	126,978	5,803,732	3,887,486	(2,864,326)	6,826,892	5,727,962
Temporarily restricted	214,962	35,377	-	-	-	250,339	-	-	250,339	496,448
Total Hearth entities' equity (deficit)	5,046,691	546,064	-	334,338	126,978	6,054,071	3,887,486	(2,864,326)	7,077,231	6,224,410
Non-controlling interest	-	-	-	-	-	-	-	3,841,217	3,841,217	5,892,665
Total entities' equity (deficit)	5,046,691	546,064	-	334,338	126,978	6,054,071	3,887,486	976,891	10,918,448	12,117,075
Total liabilities and entities' equity (deficit)	$ 5,565,126	$ 603,411	$ -	$ 7,776,271	$ (360,673)	$ 13,584,135	$ 16,901,730	$ (1,158,259)	$ 29,327,606	$ 22,520,857

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Financial Position
December 31, 2015

	Hearth, Inc.								
Assets	**Operating**	**Real Estate Development**	**Property Management**	**Non-Syndicated Rental Properties (Exhibit B)**	**Eliminations**	**Sub-Total**	**HOLP**	**Eliminations**	**Total**
Current Assets:									
Cash and cash equivalents	$ 1,189,123	$ -	$ -	$ 503,580	$ -	$ 1,692,703	$ 109,367	$ -	$ 1,802,070
Funds held in trust	94,496	-	-	18,331	-	112,827	13,411	-	126,238
Current portion of accounts and pledges receivable, net	461,204	-	-	9,235	-	470,439	1,164	-	471,603
Prepaid expenses and deposits	55,876	-	1,415	27,918	-	85,209	27,277	-	112,486
Current portion of due (to) from affiliates, net	38,637	-	-	2,954	-	41,591	13,944	(13,944)	41,591
Current portion of reserves and deposits	-	-	-	-	-	-	50,901	-	50,901
Total current assets	1,839,336	-	1,415	562,018	-	2,402,769	216,064	(13,944)	2,604,889
Property and Equipment:									
Land	-	-	-	542,600	-	542,600	1,140,806	-	1,683,406
Buildings and improvements	190,756	-	-	9,345,611	(1,321,174)	8,215,193	13,896,188	(2,195,094)	19,916,287
Furniture and equipment	602,515	-	-	319,439	-	921,954	241,134	-	1,163,088
	793,271	-	-	10,207,650	(1,321,174)	9,679,747	15,278,128	(2,195,094)	22,762,781
Less - accumulated depreciation	696,404	-	-	4,495,768	(815,626)	4,376,546	1,560,248	(252,585)	5,684,209
Net property and equipment	96,867	-	-	5,711,882	(505,548)	5,303,201	13,717,880	(1,942,509)	17,078,572
Other Assets:									
Accounts and pledges receivable, net of current portion	133,333	-	-	-	-	133,333	-	-	133,333
Reserves and deposits, net of current portion	-	-	-	559,276	-	559,276	836,260	-	1,395,536
Investments	789,209	-	-	-	-	789,209	-	-	789,209
Due (to) from affiliates, net of current portion	9,069	308,275	516,184	(386,794)	-	446,734	-	13,944	460,678
Investments in affiliates	-	291,942	-	-	(240,000)	51,942	-	(51,942)	-
Financing fees	-	-	-	29,000	-	29,000	-	-	29,000
Capitalized costs, net	-	-	-	-	-	-	29,640	-	29,640
Total other assets	931,611	600,217	516,184	201,482	(240,000)	2,009,494	865,900	(37,998)	2,837,396
Total assets	$ 2,867,814	$ 600,217	$ 517,599	$ 6,475,382	$ (745,548)	$ 9,715,464	$ 14,799,844	$ (1,994,451)	$ 22,520,857
Liabilities and Entities' Equity (Deficit)									
Current Liabilities:									
Current portion of long-term and contingent debt	$ -	$ -	$ -	$ 563,610	$ -	$ 563,610	$ 117,069	$ -	$ 680,679
Accounts payable and accrued expenses	377,709	9,703	787	50,621	-	438,820	40,312	-	479,132
Funds held in trust	94,496	-	-	18,331	-	112,827	13,411	-	126,238
Total current liabilities	472,205	9,703	787	632,562	-	1,115,257	170,792	-	1,286,049
Other Liabilities:									
Long-term debt, net of current portion	-	-	-	72,731	-	72,731	553,755	-	626,486
Contingent debt and unamortized debt issuance costs, net of current portion	-	-	-	2,140,557	-	2,140,557	6,350,690	-	8,491,247
Notes payable and deferred interest - affiliates	-	-	-	2,742,147	(2,742,147)	-	1,780,136	(1,780,136)	-
Developer and overhead fees payable and deferred interest	-	-	-	436,631	(436,631)	-	-	-	-
Total other liabilities	-	-	-	5,392,066	(3,178,778)	2,213,288	8,684,581	(1,780,136)	9,117,733
Total liabilities	472,205	9,703	787	6,024,628	(3,178,778)	3,328,545	8,855,373	(1,780,136)	10,403,782
Entities' Equity (Deficit):									
Unrestricted:									
Operating	1,730,320	(9,703)	516,812	106,272	-	2,343,701	873,375	(711,044)	2,506,032
Board designated	107,351	-	-	-	-	107,351	-	-	107,351
Property and equipment	96,867	-	-	344,482	2,673,230	3,114,579	5,071,096	(5,071,096)	3,114,579
Real estate development	-	564,840	-	-	(240,000)	324,840	-	(324,840)	-
Total unrestricted	1,934,538	555,137	516,812	450,754	2,433,230	5,890,471	5,944,471	(6,106,980)	5,727,962
Temporarily restricted	461,071	35,377	-	-	-	496,448	-	-	496,448
Total Hearth entities' equity (deficit)	2,395,609	590,514	516,812	450,754	2,433,230	6,386,919	5,944,471	(6,106,980)	6,224,410
Non-controlling interest	-	-	-	-	-	-	-	5,892,665	5,892,665
Total entities' equity (deficit)	2,395,609	590,514	516,812	450,754	2,433,230	6,386,919	5,944,471	(214,315)	12,117,075
Total liabilities and entities' equity (deficit)	$ 2,867,814	$ 600,217	$ 517,599	$ 6,475,382	$ (745,548)	$ 9,715,464	$ 14,799,844	$ (1,994,451)	$ 22,520,857

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Activities
For the Year Ended December 31, 2016
(With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016									2015
	Hearth, Inc.									
	Operating	Real Estate Development	Property Management	Non-Syndicated Rental Properties (Exhibit C)	Eliminations	Sub-Total	Syndicated Rental Properties (Exhibit F)	Eliminations	Total	Total
Changes in Unrestricted Net Assets:										
Operating revenues:										
Fee income and other revenue:										
Rental fees, net	$ -	$ -	$ -	$ 1,223,136	$ (36,214)	$ 1,186,922	$ 1,184,260	$ -	$ 2,371,182	$ 2,060,233
Program revenues	1,538,414	-	-	-	-	1,538,414	-	-	1,538,414	1,507,152
Government grants and other contracts	1,045,002	-	-	-	-	1,045,002	-	-	1,045,002	983,173
Investment income	17,519	-	-	8,896	-	26,415	6,532	-	32,947	29,273
Management and service fees	49,148	-	114,957	-	(114,957)	49,148	-	(16,219)	32,929	49,137
Other	33,589	-	-	-	-	33,589	-	(11,632)	21,957	37,849
Incentive management and tax credit compliance fees	43,388	-	-	-	-	43,388	-	(43,388)	-	-
Total fee income and other revenue	2,727,060	-	114,957	1,232,032	(151,171)	3,922,878	1,190,792	(71,239)	5,042,431	4,666,817
Support:										
Private grants, contributions and special events, net	528,632	-	-	-	-	528,632	-	-	528,632	596,960
Net assets released from time restrictions	133,333	-	-	-	-	133,333	-	-	133,333	-
Net assets released from purpose restrictions	85,827	-	-	-	-	85,827	-	-	85,827	154,570
Donated services	6,000	-	-	-	-	6,000	-	-	6,000	9,000
Total support	753,792	-	-	-	-	753,792	-	-	753,792	760,530
Total operating revenues	3,480,852	-	114,957	1,232,032	(151,171)	4,676,670	1,190,792	(71,239)	5,796,223	5,427,347
Operating expenses:										
Outreach	549,598	-	-	-	-	549,598	-	-	549,598	486,757
Housing and supportive services	2,146,037	42,309	-	952,320	(151,171)	2,989,495	1,089,883	(71,239)	4,008,139	3,543,409
Property management	-	-	3,833	-	-	3,833	-	-	3,833	3,649
General and administration	535,475	7,755	703	-	-	543,933	-	-	543,933	599,019
Institutional advancement	307,127	-	-	-	-	307,127	-	-	307,127	278,908
Total operating expenses before depreciation and amortization	3,538,237	50,064	4,536	952,320	(151,171)	4,393,986	1,089,883	(71,239)	5,412,630	4,911,742
Depreciation and amortization	31,967	-	-	260,954	(23,030)	269,891	490,198	(72,167)	687,922	617,582
Total operating expenses	3,570,204	50,064	4,536	1,213,274	(174,201)	4,663,877	1,580,081	(143,406)	6,100,552	5,529,324
Changes in unrestricted net assets from operations	(89,352)	(50,064)	110,421	18,758	23,030	12,793	(389,289)	72,167	(304,329)	(101,977)
Other revenues (expenses):										
Net assets released from capital restrictions	77,905	-	-	-	-	77,905	-	-	77,905	8,170
Forgiveness of debt	557,439	-		69,919	(627,358)	-	53,912	-	53,912	-
Realized and unrealized gain (loss) on investments	23,021	-	-	-	-	23,021	-	-	23,021	(35,418)
Predevelopment and capital grants	-	-	-	-	-	-	-	-	-	5,865
Change in discount of affiliate advances	-	-	-	-	-	-	-	-	-	(6,619)
Reserve of related party advances	(503,950)	-	(627,936)	-	627,358	(504,528)	-	504,528	-	-
Recovery of notes payable and deferred interest - related party	2,921,042	-	-	-	(2,921,042)	-	-	-	-	-
General partner operating expenses	-	(2,597)	-	-	-	(2,597)	-	-	(2,597)	(2,106)
Interest on deferred debt	-	-	-	(205,093)	205,093	-	(68,612)	-	(68,612)	-
Purchase of common stock of NCS Ruggles, Inc.	(80,000)	-	-	-	-	(80,000)	-	-	(80,000)	-
Total other revenues (expenses)	2,995,457	(2,597)	(627,936)	(135,174)	(2,715,949)	(486,199)	(14,700)	504,528	3,629	(30,108)
Changes in unrestricted net assets	2,906,105	(52,661)	(517,515)	(116,416)	(2,692,919)	(473,406)	(403,989)	576,695	(300,700)	(132,085)
Changes in Temporarily Restricted Net Assets:										
Grants	50,956	-	-	-	-	50,956	-	-	50,956	430,609
Net assets released from restrictions	(297,065)		-	-	-	(297,065)	-	-	(297,065)	(162,740)
Changes in temporarily restricted net assets	(246,109)	-	-	-	-	(246,109)	-	-	(246,109)	267,869
Changes in net assets	2,659,996	(52,661)	(517,515)	(116,416)	(2,692,919)	(719,515)	(403,989)	576,695	(546,809)	135,784
Changes in Net Assets Attributable to Non-Controlling Interest	-	-	-	-	-	-	403,866	-	403,866	302,935
Changes in net assets attributable to Hearth	$ 2,659,996	$ (52,661)	$ (517,515)	$ (116,416)	$ (2,692,919)	$ (719,515)	$ (123)	$ 576,695	$ (142,943)	$ 438,719

The accompanying notes are an integral part of these consolidating statements.

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Activities
For the Year Ended December 31, 2015

	Hearth, Inc.								
	Operating	Real Estate Development	Property Management	Non-Syndicated Rental Properties (Exhibit D)	Eliminations	Sub-Total	HOLP	Eliminations	Total
Changes in Unrestricted Net Assets:									
Operating revenues:									
Fee income and other revenue:									
Rental fees, net	$ -	$ -	$ -	$ 1,209,599	$ (35,160)	$ 1,174,439	$ 885,794	$ -	$ 2,060,233
Program revenues	1,507,152	-	-	-	-	1,507,152	-	-	1,507,152
Government grants and other contracts	983,173	-	-	-	-	983,173	-	-	983,173
Investment income	15,423	-	-	6,292	-	21,715	7,558	-	29,273
Management and service fees	49,137	-	111,596	-	(111,596)	49,137	-	-	49,137
Other	37,837	-	12	-	-	37,849	-	-	37,849
Incentive management and tax credit compliance fees	43,130	-	-	-	-	43,130	-	(43,130)	-
Total fee income and other revenue	2,635,852	-	111,608	1,215,891	(146,756)	3,816,595	893,352	(43,130)	4,666,817
Support:									
Private grants, contributions and special events, net	596,960	-	-	-	-	596,960	-	-	596,960
Net assets released from purpose restrictions	154,570	-	-	-	-	154,570	-	-	154,570
Donated services	9,000	-	-	-	-	9,000	-	-	9,000
Total support	760,530	-	-	-	-	760,530	-	-	760,530
Total operating revenues	3,396,382	-	111,608	1,215,891	(146,756)	4,577,125	893,352	(43,130)	5,427,347
Operating expenses:									
Outreach	486,757	-	-	-	-	486,757	-	-	486,757
Housing and supportive services	2,043,206	46,156	-	877,818	(146,756)	2,820,424	766,115	(43,130)	3,543,409
Property management	-	-	3,649	-	-	3,649	-	-	3,649
General and administration	588,270	9,961	788	-	-	599,019	-	-	599,019
Institutional advancement	278,908	-	-	-	-	278,908	-	-	278,908
Total operating expenses before depreciation and amortization	3,397,141	56,117	4,437	877,818	(146,756)	4,188,757	766,115	(43,130)	4,911,742
Depreciation and amortization	26,102	-	-	256,475	(23,030)	259,547	430,202	(72,167)	617,582
Total operating expenses	3,423,243	56,117	4,437	1,134,293	(169,786)	4,448,304	1,196,317	(115,297)	5,529,324
Changes in unrestricted net assets from operations	(26,861)	(56,117)	107,171	81,598	23,030	128,821	(302,965)	72,167	(101,977)
Other revenues (expenses):									
Net assets released from capital restrictions	3,445	4,725	-	-	-	8,170	-	-	8,170
Realized and unrealized gain (loss) on investments	(35,418)	-	-	-	-	(35,418)	-	-	(35,418)
Predevelopment and capital grants	5,865	-	-	-	-	5,865	-	-	5,865
Change in discount of affiliate advances	(6,619)	-	-	-	-	(6,619)	-	-	(6,619)
General partner operating expenses	-	(2,106)	-	-	-	(2,106)	-	-	(2,106)
Interest on deferred debt	-	-	-	(197,905)	197,905	-	-	-	-
Total other revenues (expenses)	(32,727)	2,619	-	(197,905)	197,905	(30,108)	-	-	(30,108)
Changes in unrestricted net assets	(59,588)	(53,498)	107,171	(116,307)	220,935	98,713	(302,965)	72,167	(132,085)
Changes in Temporarily Restricted Net Assets:									
Grants	430,609	-	-	-	-	430,609	-	-	430,609
Net assets released from restrictions	(158,015)	(4,725)	-	-	-	(162,740)	-	-	(162,740)
Changes in temporarily restricted net assets	272,594	(4,725)	-	-	-	267,869	-	-	267,869
Changes in net assets	213,006	(58,223)	107,171	(116,307)	220,935	366,582	(302,965)	72,167	135,784
Changes in Net Assets Attributable to Non-Controlling Interest	-	-	-	-	-	-	302,935	-	302,935
Changes in net assets attributable to Hearth	$ 213,006	$ (58,223)	$ 107,171	$ (116,307)	$ 220,935	$ 366,582	$ (30)	$ 72,167	$ 438,719

The accompanying notes are an integral part of these consolidating statements.

Consolidating Statements of Changes in Entities' Equity
For the Years Ended December 31, 2016 and 2015

	Hearth, Inc.										
	Operating	Real Estate Development	Property Management	Non-Syndicated Rental Properties	Eliminations	Sub-Total	Syndicated Rental Properties	Eliminations	Total	Non-Controlling Interest	Total
Entities' Equity, December 31, 2014	$ 2,187,793	$ 644,335	$ 408,853	$ 567,061	$ 2,212,295	$ 6,020,337	$ 6,247,436	$ (6,482,082)	$ 5,785,691	$ 6,195,600	$ 11,981,291
Changes in net assets	213,006	(58,223)	107,171	(116,307)	220,935	366,582	(302,965)	375,102	438,719	(302,935)	135,784
Transfers	(5,190)	4,402	788	-	-	-	-	-	-	-	-
Entities' Equity, December 31, 2015	2,395,609	590,514	516,812	450,754	2,433,230	6,386,919	5,944,471	(6,106,980)	6,224,410	5,892,665	12,117,075
Changes in net assets	2,659,996	(52,661)	(517,515)	(116,416)	(2,692,919)	(719,515)	(403,989)	980,561	(142,943)	(403,866)	(546,809)
Transfers	(8,914)	8,211	703	-	386,667	386,667	-	-	386,667	-	386,667
Consolidation of Ruggles	-	-	-	-	-	-	(1,652,996)	2,262,093	609,097	(1,647,582)	(1,038,485)
Entities' Equity, December 31, 2016	$ 5,046,691	$ 546,064	$ -	$ 334,338	$ 126,978	$ 6,054,071	$ 3,887,486	$ (2,864,326)	$ 7,077,231	$ 3,841,217	$ 10,918,448

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2016

	Hearth	Syndicated Rental Properties	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets	$ (719,515)	$ (403,989)	$ 576,695	$ (546,809)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	269,891	490,198	(72,167)	687,922
Deferred interest on contingent debt	-	68,612	-	68,612
Interest - amortization of debt issuance costs	1,448	3,371	-	4,819
Forgiveness of debt	-	53,912	-	53,912
Realized and unrealized gain on investments	(23,021)	-	-	(23,021)
Reserve on related party advances and bad debt	517,784	358	(504,528)	13,614
Changes in operating assets and liabilities:				
Accounts and pledges receivable	(67,501)	(6,353)	-	(73,854)
Prepaid expenses and deposits	(41,123)	(4,848)	-	(45,971)
Reserves and deposits	-	1,733	-	1,733
Due from affiliates, net	(22,694)	(88,389)	-	(111,083)
Accounts payable and accrued expenses	75,444	(26,120)	-	49,324
Net cash provided by (used in) operating activities	(9,287)	88,485	-	79,198
Cash Flows from Investing Activities:				
Deposits to and interest earned on reserves and deposits	(2,357,958)	(29,399)	-	(2,387,357)
Acquisition of property and equipment	(359,609)	(14,160)	-	(373,769)
Sales of investments	869,169	-	-	869,169
Purchases of investments	(2,094,439)	-	-	(2,094,439)
Net cash used in investing activities	(3,942,837)	(43,559)	-	(3,986,396)
Cash Flows from Financing Activities:				
Cash assumed from consolidation	-	40,169	-	40,169
Principal payments of long-term debt	-	(45,209)	-	(45,209)
Proceeds from long-term debt	4,968,300	-	-	4,968,300
Financing fees payment	(232,421)	-	-	(232,421)
Principal payments of contingent debt	(600,000)	-	-	(600,000)
Net cash provided by (used in) financing activities	4,135,879	(5,040)	-	4,130,839
Net Change in Cash and Cash Equivalents	183,755	39,886	-	223,641
Cash and Cash Equivalents:				
Beginning of year	1,692,703	109,367	-	1,802,070
End of year	$ 1,876,458	$ 149,253	$ -	$ 2,025,711
Supplemental Disclosure of Non-Cash Transactions:				
Cash paid for interest	$ 5,526	$ 42,158	$ (11,632)	$ 36,052
Project under development included in accounts payable and accrued expenses	$ 52,500	$ -	$ -	$ 52,500

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Cash Flows
For the Year Ended December 31, 2015

	Hearth	HOLP	Eliminations	Total
Cash Flows from Operating Activities:				
Changes in net assets	$ 366,582	$ (302,965)	$ 72,167	$ 135,784
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization	259,547	430,202	(72,167)	617,582
Interest - amortization of debt issuance costs	1,448	3,371	-	4,819
Predevelopment and capital grants	(110,500)	-	-	(110,500)
Change in discount of affiliate advances	6,619	-	-	6,619
Unrealized loss on investments	35,418	-	-	35,418
Bad debt	3,392	860	-	4,252
Changes in operating assets and liabilities:				
Accounts and pledges receivable	(269,075)	(670)	-	(269,745)
Prepaid expenses and deposits	(18,153)	5,538	-	(12,615)
Reserves and deposits	-	9,694	-	9,694
Due from affiliates, net	35,126	(1,007)	-	34,119
Accounts payable and accrued expenses	22,146	1,731	-	23,877
Net cash provided by operating activities	332,550	146,754	-	479,304
Cash Flows from Investing Activities:				
Deposits to and interest earned on reserves and deposits	(103,895)	(68,646)	-	(172,541)
Acquisition of property and equipment	(26,758)	-	-	(26,758)
Purchases of investments	(74,465)	-	-	(74,465)
Net cash used in investing activities	(205,118)	(68,646)	-	(273,764)
Cash Flows from Financing Activities:				
Financing fees payment	(29,000)	-	-	(29,000)
Principal payments of long-term debt	-	(47,036)	-	(47,036)
Predevelopment and capital grants received	110,500	-	-	110,500
Net cash provided by (used in) financing activities	81,500	(47,036)	-	34,464
Net Change in Cash and Cash Equivalents	208,932	31,072	-	240,004
Cash and Cash Equivalents:				
Beginning of year	1,483,771	78,295	-	1,562,066
End of year	$ 1,692,703	$ 109,367	$ -	$ 1,802,070
Supplemental Disclosure of Non-Cash Transactions:				
Cash paid for interest	$ -	$ 35,310	$ -	$ 35,310
Property and equipment additions included in accounts payable and accrued expenses	$ 16,510	$ -	$ -	$ 16,510

HEARTH, INC. AND AFFILIATES

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2016

	Program Services							Support Services							
		Housing and Supportive Services													
	Outreach	Hearth	Real Estate Development	Non-Syndicated Rental Properties	Total	Property Management	Total Program Services	General and Admins-tration	Institutional Advancement	Total Support Services	Eliminations	Sub-Total	Syndicated Rental Properties	Eliminations	Total
Expenses:															
Personnel and related:															
Salaries	$ 349,839	$ 1,604,012	$ 25,906	$ 247,791	$ 1,877,709	$ -	$ 2,227,548	$ 339,377	$ 187,798	$ 527,175	$ -	$ 2,754,723	$ 285,491	$ -	$ 3,040,214
Fringe benefits	33,114	146,442	3,294	37,663	187,399	-	220,513	26,979	18,587	45,566	-	266,079	31,321	-	297,400
Payroll taxes	25,267	140,758	1,171	21,008	162,937	-	188,204	26,909	13,323	40,232	-	228,436	23,204	-	251,640
Consultants and contracted services	8,910	42,028	-	-	42,028	-	50,938	10,728	6,665	17,393	-	68,331	-	-	68,331
Total personnel and related	417,130	1,933,240	30,371	306,462	2,270,073	-	2,687,203	403,993	226,373	630,366	-	3,317,569	340,016	-	3,657,585
Occupancy:															
Utilities	-	-	-	190,653	190,653	-	190,653	-	-	-	-	190,653	157,301	-	347,954
Repairs and maintenance	91	570	-	172,939	173,509	-	173,600	1,255	52	1,307	-	174,907	166,256	-	341,163
Real estate taxes	-	-	-	54,599	54,599	-	54,599	-	-	-	-	54,599	45,985	-	100,584
Insurance	1,501	7,115	-	27,008	34,123	1,666	37,290	-	1,501	1,501	-	38,791	43,350	-	82,141
Mortgage interest	-	-	-	5,526	5,526	-	5,526	-	-	-	-	5,526	30,526	-	36,052
Rent	13,342	-	-	-	-	-	13,342	17,154	5,718	22,872	(36,214)	-	-	-	-
Total occupancy	14,934	7,685	-	450,725	458,410	1,666	475,010	18,409	7,271	25,680	(36,214)	464,476	443,418	-	907,894
Other:															
Professional fees	-	4,379	11,797	25,978	42,154	821	42,975	69,382	8,025	77,407	-	120,382	44,319	-	164,701
Management and administrative fees	20,780	-	-	145,481	145,481	-	166,261	1,390	-	1,390	(114,957)	52,694	128,904	(59,607)	121,991
Food and household supplies	-	99,119	-	-	99,119	-	99,119	-	87	87	-	99,206	-	-	99,206
Resident services	-	-	-	-	-	-	-	-	-	-	-	-	89,610	-	89,610
Program supplies and client expenses	60,478	13,980	-	-	13,980	-	74,458	320	-	320	-	74,778	-	-	74,778
Office	2,732	13,671	103	16,520	30,294	302	33,328	6,890	7,359	14,249	-	47,577	16,804	-	64,381
Telephone	5,908	30,082	-	1,282	31,364	361	37,633	8,767	1,321	10,088	-	47,721	3,337	-	51,058
Printing and copying	2,322	6,406	-	183	6,589	301	9,212	4,973	20,365	25,338	-	34,550	-	-	34,550
Miscellaneous	1,178	12,713	-	4,220	16,933	5	18,116	7,191	452	7,643	-	25,759	8,114	-	33,873
Insurance	-	14,963	-	-	14,963	-	14,963	11,427	-	11,427	-	26,390	-	-	26,390
Recruitment	-	-	-	-	-	-	-	976	16,000	16,976	-	16,976	-	-	16,976
Travel and training	7,550	3,411	-	-	3,411	-	10,961	3,256	380	3,636	-	14,597	-	-	14,597
Bad debt	13,235	-	-	21	21	-	13,256	-	-	-	-	13,256	358	-	13,614
Advertising	-	-	-	-	-	-	-	-	10,610	10,610	-	10,610	-	-	10,610
Licenses and dues	-	6,060	-	-	6,060	89	6,149	4,104	-	4,104	-	10,253	-	-	10,253
Meetings and events	2,197	53	38	-	91	-	2,288	1,288	6,045	7,333	-	9,621	-	-	9,621
Postage	1,154	275	-	-	275	288	1,717	1,567	2,839	4,406	-	6,123	-	-	6,123
Interest - amortization of debt issuance costs	-	-	-	1,448	1,448	-	1,448	-	-	-	-	1,448	3,371	-	4,819
Interest	-	-	-	-	-	-	-	-	-	-	-	-	11,632	(11,632)	-
Total other	117,534	205,112	11,938	195,133	412,183	2,167	531,884	121,531	73,483	195,014	(114,957)	611,941	306,449	(71,239)	847,151
Total expenses before allocations	549,598	2,146,037	42,309	952,320	3,140,666	3,833	3,694,097	543,933	307,127	851,060	(151,171)	4,393,986	1,089,883	(71,239)	5,412,630
General and Administration Allocation	100,980	395,746	7,755	-	403,501	703	505,184	(561,477)	56,293	(505,184)	-	-	-	-	-
Total expenses before depreciation	650,578	2,541,783	50,064	952,320	3,544,167	4,536	4,199,281	(17,544)	363,420	345,876	(151,171)	4,393,986	1,089,883	(71,239)	5,412,630
Depreciation and Amortization	1,331	13,092	-	260,954	274,046	-	275,377	17,544	-	17,544	(23,030)	269,891	490,198	(72,167)	687,922
Total expenses	$ 651,909	$ 2,554,875	$ 50,064	$ 1,213,274	$ 3,818,213	$ 4,536	$ 4,474,658	$ -	$ 363,420	$ 363,420	$ (174,201)	$ 4,663,877	$ 1,580,081	$ (143,406)	$ 6,100,552

Consolidating Statement of Functional Expenses
For the Year Ended December 31, 2015

	Program Services							Support Services							
		Housing and Supportive Services													
	Outreach	Hearth	Real Estate Development	Non-Syndicated Rental Properties	Total	Property Management	Total Program Services	General and Adminis-tration	Institutional Advancement	Total Support Services	Eliminations	Sub-Total	HOLP	Eliminations	Total
Expenses:															
Personnel and related:															
Salaries	$ 307,633	$ 1,512,439	$ 15,606	$ 228,637	$ 1,756,682	$ -	$ 2,064,315	$ 361,475	$ 181,572	$ 543,047	$ -	$ 2,607,362	$ 180,376	$ -	$ 2,787,738
Fringe benefits	28,888	135,000	3,036	34,940	172,976	-	201,864	32,522	14,916	47,438	-	249,302	32,613	-	281,915
Payroll taxes	23,126	142,643	1,162	19,836	163,641	-	186,767	28,432	14,192	42,624	-	229,391	16,236	-	245,627
Consultants and contracted services	9,585	40,372	-	2,747	43,119	-	52,704	12,609	8,916	21,525	-	74,229	-	-	74,229
Total personnel and related	369,232	1,830,454	19,804	286,160	2,136,418	-	2,505,650	435,038	219,596	654,634	-	3,160,284	229,225	-	3,389,509
Occupancy:															
Utilities	-	84	-	191,295	191,379	-	191,379	-	-	-	-	191,379	107,688	-	299,067
Repairs and maintenance	-	5,315	-	124,918	130,233	-	130,233	3,690	-	3,690	-	133,923	84,350	-	218,273
Real estate taxes	-	-	-	55,206	55,206	-	55,206	-	-	-	-	55,206	37,313	-	92,519
Insurance	1,501	7,117	-	26,916	34,033	1,667	37,201	-	1,501	1,501	-	38,702	32,603	-	71,305
Mortgage interest	-	-	-	-	-	-	-	-	-	-	-	-	32,558	-	32,558
Rent	12,954	-	-	-	-	-	12,954	16,654	5,552	22,206	(35,160)	-	-	-	-
Total occupancy	14,455	12,516	-	398,335	410,851	1,667	426,973	20,344	7,053	27,397	(35,160)	419,210	294,512	-	713,722
Other:															
Professional fees	-	719	26,352	25,687	52,758	724	53,482	56,369	6,791	63,160	-	116,642	26,480	-	143,122
Management and administrative fees	130	-	-	136,513	136,513	-	136,643	-	-	-	(111,596)	25,047	103,426	(43,130)	85,343
Food and household supplies	792	82,130	-	-	82,130	-	82,922	680	-	680	-	83,602	-	-	83,602
Resident services	-	-	-	-	-	-	-	-	-	-	-	-	87,000	-	87,000
Program supplies and client expenses	74,966	22,971	-	-	22,971	-	97,937	-	8	8	-	97,945	-	-	97,945
Office	5,551	10,942	-	22,061	33,003	227	38,781	13,479	2,499	15,978	-	54,759	13,846	-	68,605
Telephone	5,294	39,524	-	877	40,401	358	46,053	8,742	216	8,958	-	55,011	1,749	-	56,760
Printing and copying	2,172	6,876	-	154	7,030	291	9,493	7,574	15,635	23,209	-	32,702	-	-	32,702
Miscellaneous	875	8,873	-	3,191	12,064	19	12,958	26,942	614	27,556	-	40,514	5,646	-	46,160
Insurance	-	14,964	-	-	14,964	-	14,964	11,249	-	11,249	-	26,213	-	-	26,213
Recruitment	25	4,144	-	-	4,144	-	4,169	-	20,530	20,530	-	24,699	-	-	24,699
Travel and training	6,871	3,553	-	-	3,553	-	10,424	10,379	154	10,533	-	20,957	-	-	20,957
Bad debt	-	-	-	3,392	3,392	-	3,392	-	-	-	-	3,392	860	-	4,252
Licenses and dues	75	5,260	-	-	5,260	70	5,405	4,617	58	4,675	-	10,080	-	-	10,080
Meetings and events	5,301	-	-	-	-	-	5,301	1,539	601	2,140	-	7,441	-	-	7,441
Postage	1,018	280	-	-	280	293	1,591	2,067	5,153	7,220	-	8,811	-	-	8,811
Interest - amortization of debt issuance costs	-	-	-	1,448	1,448	-	1,448	-	-	-	-	1,448	3,371	-	4,819
Total other	103,070	200,236	26,352	193,323	419,911	1,982	524,963	143,637	52,259	195,896	(111,596)	609,263	242,378	(43,130)	808,511
Total expenses before allocations	486,757	2,043,206	46,156	877,818	2,967,180	3,649	3,457,586	599,019	278,908	877,927	(146,756)	4,188,757	766,115	(43,130)	4,911,742
General and Administration Allocation	105,339	442,124	9,961	-	452,085	788	558,212	(618,406)	60,194	(558,212)	-	-	-	-	-
Total expenses before depreciation	592,096	2,485,330	56,117	877,818	3,419,265	4,437	4,015,798	(19,387)	339,102	319,715	(146,756)	4,188,757	766,115	(43,130)	4,911,742
Depreciation and Amortization	1,331	5,384	-	256,475	261,859	-	263,190	19,387	-	19,387	(23,030)	259,547	430,202	(72,167)	617,582
Total expenses	$ 593,427	$ 2,490,714	$ 56,117	$ 1,134,293	$ 3,681,124	$ 4,437	$ 4,278,988	$ -	$ 339,102	$ 339,102	$ (169,786)	$ 4,448,304	$ 1,196,317	$ (115,297)	$ 5,529,324

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Hearth, Inc. is a nonprofit organization which was formed in 1991 to eliminate elder homelessness in Boston, Massachusetts. Hearth, Inc. works with other agencies and Boston's homeless shelters to provide outreach, housing, and supportive services to homeless elders or elders at risk of becoming homeless.

Hearth, Inc. is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Hearth, Inc. is also exempt from state income taxes. Contributions made to Hearth, Inc. are deductible within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

Hearth, Inc. prepares its consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Accounting Principle Adoption

During 2016, the Agency (see below) adopted the FASB's Accounting Standards Update (ASU) 2015-03, *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be presented on the consolidating statements of financial position as a direct reduction from the carrying balance of the related long-term and contingent debts. Previously, the Agency reflected unamortized debt issuance costs as financing fees in the accompanying 2015 consolidating statement of financial position, and has retroactively reclassified 2015 amounts in accordance with this ASU. The reclassification reduced total assets and long-term and contingent debt at December 31, 2015, by $134,600.

In addition, amortization of debt issuance costs is required to be included with interest expense in the accompanying consolidating statements of activities. Accordingly, amortization expense totaling $4,819 for the year ended December 31, 2015, has been reclassified to interest – amortization of debt issuance costs.

The adoption of this ASU did not impact the Agency's entities' equity (deficit) balance, change in entities' equity, or cash flows for the years ended December 31, 2016 and 2015.

Principles of Consolidation

The consolidating financial statements include the accounts of Hearth, Inc., its wholly-owned and majority-owned subsidiaries: Hearth Management, Inc., Hearth Beacon, Inc., 4 Bishop Street, Inc., Hearth at Burroughs, LLC, East Concord Street Limited Partnership, HOLP, Ruggles (see page 19) and the General Partners (see Note 2) (collectively, the Agency).

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Consolidation (Continued)

Hearth, Inc. owns controlling interests in CEEH East Concord, Inc., Hearth Olmsted Manager, LLC and, effective August 1, 2016, NCS Ruggles, Inc. (collectively, the General Partners). Hearth, Inc. became the sole owner of the outstanding shares of the common stock of NCS Ruggles, Inc. by purchasing the shares from New Communities Services, Inc. As such, the activity of NCS Ruggles, Inc. for the period August 1, 2016 through December 31, 2016, has been reflected in the accompanying consolidating financial statements along with the activity of CEEH East Concord, Inc. and Hearth Olmsted Manager, LLC. The accompanying consolidating financial statements do not reflect the non-controlling interest in the General Partners, since the amount is not material to the accompanying consolidating financial statements. HOLP and Ruggles (see page 19) are consolidated with their general partners (see Note 2) and included in the accompanying consolidating financial statements of Hearth, Inc.

All significant balances between classes of net assets, intercompany balances and transactions have been eliminated in the accompanying consolidating financial statements.

Low-Income Housing Tax Credits

HOLP has been awarded low-income housing tax credits (LIHTCs) under IRC Section 42. As a condition of receiving these tax credits, HOLP must operate its property in the manner prescribed by this Code Section and by the Tax Regulatory Agreement for a minimum of fifteen years, expiring in June 2027.

Estimates

The preparation of consolidating financial statements in accordance with U.S. GAAP 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 consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts and Pledges Receivable

Accounts and pledges receivable are recorded at their net present value when unconditionally committed.

Reserve for Uncollectible Accounts and Pledges

The reserve for uncollectible accounts and pledges is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible, if any. Accounts are written off against the allowance when they are determined to be uncollectible. As of December 31, 2016 and 2015, there was an allowance of $5,850 and $5,550, respectively.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of the donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance costs are expensed as incurred. Costs of locating and analyzing potential development sites are expensed as incurred. If a site is located and eventually developed, recoverable costs are capitalized.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation (Continued)

Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	5 – 40 years
Furniture and equipment	3 – 10 years

Buildings and improvements in the accompanying consolidating statements of financial position include leasehold improvements of approximately $191,000 at December 31, 2016 and 2015. Depreciation expense, net of eliminations, during 2016 and 2015 was $683,242 and $612,902, respectively

The Agency reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2016 and 2015.

All project-related costs incurred during construction are capitalized for real estate developments currently owned by the Agency. Costs considered to be recoverable are capitalized. Recoverable costs expected to be realized within one year from the consolidating statements of financial position date, are classified as current. Other recoverable costs are classified as non-current.

Capitalized Costs and Amortization

Capitalized costs consist of low income housing tax credit application fees which have been capitalized and amortized on the straight-line basis. Capitalized costs have a cost of $46,800 as of December 31, 2016 and 2015. Accumulated amortization of capitalized costs was $21,840 and $17,160 as of December 31, 2016 and 2015, respectively. Amortization during 2016 and 2015 was $4,680. Amortization expense for the next five years is $4,680 per year.

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method.

Contingent Debt

The Agency has contingent loans from various organizations to assist in the development of its housing and other projects. These loans generally are not required to be repaid unless the project fails to maintain its status as low-income housing or the Agency fails to comply with other conditions. It is the intention of the Board of Directors and management of the Agency to maintain these properties as low-income housing and to meet other conditions; therefore, these loans have been classified as contingent debt in the accompanying consolidating statements of financial position (see Note 7).

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Rental fees, program revenues, and management and service fees are recorded as services are provided and costs are incurred. Rental fees are recorded net of vacancies of $67,212 and $51,141 for 2016 and 2015, respectively. Government grants and other contracts are recorded over the period covered by the grant or contract as services are provided and costs are incurred. Unrestricted grants and contributions are recorded when received or unconditionally committed. Special event revenue is recorded at the time of the event. Interest and dividends are recognized when earned. Gains and losses are recognized as incurred upon sale or maturity of investments or based on market value changes during the period. Donor restricted grants and contributions designated for a specific time period or specific purpose are recognized as temporarily restricted revenue and net assets when received or unconditionally committed. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidating statements of activities as net assets released from restrictions. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets. All other revenue is recognized when earned.

Donated Services

The Agency receives services from various donating organizations for use in its programs. The Agency received $6,000 and $9,000 of donated legal and investment management services for 2016 and 2015, respectively. These services are reflected in donated services and professional fees in the accompanying consolidating financial statements at fair market value.

The Agency receives services of volunteers in various aspects of its programs. The value of these services is not reflected in the accompanying consolidating financial statements, since the value assigned to these services by the donating volunteers is not ascertainable and does not meet the criteria for recognition of U.S. GAAP.

Allocation Method

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management’s estimate of the percentage attributable to each function.

Income Taxes

As described on page 11, Hearth, Inc. and its not-for-profit affiliates, Hearth Management, Inc., Hearth Beacon, Inc., and 4 Bishop Street, Inc. (see Note 2), are exempt from income taxes under Section 501(c)(3) of the IRC. Hearth, Inc. has for-profit corporate affiliates, the General Partners (see Note 2). At December 31, 2016 and 2015, the General Partners have, for Federal income tax purposes, net operating loss carryforwards of approximately $848,000 and $839,000, respectively, available to offset future taxable income. Also, at December 31, 2016 and 2015, the General Partners have, for state income tax purposes, net operating loss carryforwards of approximately $567,000 and $558,000, respectively, to offset future taxable income. These carryforwards expire at various dates through 2036. The tax benefit of the net operating loss carryforwards has been fully reserved as of December 31, 2016 and 2015, due to the uncertainty of realization.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at December 31, 2016 and 2015. The Agency's information and income tax returns are subject to examination by the Federal and state jurisdictions.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Cash Equivalents

For the purpose of the statements of cash flows, management considers all short-term, highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash equivalents are considered Level 1 in the fair value hierarchy.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

Investments

Investments are recorded in the consolidating financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in common stocks, exchange traded funds, and fixed income mutual funds are based on share prices reported by the funds as of the last business day of the year. Investments are valued using Level 1 inputs as of December 31, 2016 and 2015 (see Note 5).

All Other Assets and Liabilities

The carrying value of all other assets and liabilities, including long-term debt and contingent debt, does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Subsequent Events

Subsequent events have been evaluated through April 26, 2017, which is the date the consolidating financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the consolidating financial statements.

Consolidating Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenue and support and operating expenses in the accompanying consolidating statements of activities. Peripheral or incidental transactions are reported as other revenues (expenses). Other revenues (expenses), consistent with industry practice, includes predevelopment and capital grants for long-lived assets, interest on deferred debt (see Notes 2 and 7), forgiveness of debt (see Notes 2 and 7), general partner operating expenses, change in discount of affiliate advances (see Note 2), investment activity (see Note 5), reserve of related party advances (see Note 2), recovery of notes payable and deferred interest – related party (see Notes 2 and 7), and purchase of common stock of NCS Ruggles, Inc. (see Note 2).

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classification

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

- **Operating** represents undesignated net assets relating to program services and other operating activities that the Agency is engaged in.

- **Board Designated:**

  The Agency's Board of Directors has designated unrestricted net assets for the following purposes:

  Opportunity reserve is intended to provide funds to meet special targets of opportunity or need that relate to the Agency's mission, which may or may not have specific expectation of incremental or long-term increased income. The opportunity reserve is intended to be used as a source of internal funds for organizational capacity building such as staff development, research and development, or investment in infrastructure that will build long-term capacity.

  Working capital reserve is intended to provide an internal source of funds for situations such as unforeseen expenses, one-time unbudgeted expenses, unanticipated loss in funding, and other losses.

  Other represents funds designated by the Board of Directors for specific operating and development purposes.

  Board Designated net assets consist of the following as of December 31:

	2016	2015
Opportunity reserve	$ 1,000,000	$ -
Working capital reserve	1,000,000	-
Other	107,351	107,351
	$ 2,107,351	$ 107,351

- **Development** represents those assets and liabilities related to the Agency's project developments, completed and uncompleted, which are long-term in nature and are not expected to be available for operations for at least one year from the consolidating statement of financial position date.

- **Property and equipment** represent that portion of net assets invested into property and equipment, net of related liabilities.

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Temporarily restricted net assets include grants and contributions which are designated by donors for specific purposes and designated time periods. These grants and contributions are recorded as temporarily restricted net assets until they are expended for their designated purposes or when the designated time periods expire. Temporarily restricted net assets consist of the following at December 31:

	2016	2015
Time restricted	$ 158,334	$ 266,667
Restricted for equipment and maintenance	45,554	106,635
Restricted for real estate development activities	35,376	35,377
Restricted for programs	11,075	87,769
Total temporarily restricted net assets	$ 250,339	$ 496,448

Non-controlling interest represents the interest of the investor limited partners in HOLP and Ruggles.

2. AFFILIATES AND RELATED PARTY TRANSACTIONS

AFFILIATES

The Agency's consolidating financial statements include the following entities:

General Partners

CEEH East Concord, Inc. (CEC) is a Massachusetts corporation and has a 1% interest in the capital, income, losses, and cash flow of East Concord Street Limited Partnership, as its general partner. Hearth, Inc. owns 79% of the outstanding shares of the common stock of CEC.

Hearth Olmsted Manager, LLC (HOM) is a Massachusetts limited liability company and has a 0.01% interest in the capital, income, losses, and cash flow of HOLP, as its general partner. Hearth, Inc. is the sole member of HOM.

NCS Ruggles, Inc. (NCS) is a Massachusetts corporation and has a 0.1% interest in the capital, income, losses, and cash flow of Ruggles (see page 19), as its general partner. As of December 31, 2015, Hearth, Inc. owned 50% of the outstanding shares of the common stock of NCS. Effective August 1, 2016, Hearth, Inc. became the sole owner of the outstanding shares of the common stock of NCS by purchasing the remaining shares from New Communities Services, Inc. for $80,000. Hearth, Inc. paid $40,000 as of December 31, 2016, and the remaining balance of $40,000 is included in accounts payable and accrued expenses in the accompanying 2016 consolidating statement of financial position.

2. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

AFFILIATES (Continued)

Property Management

Hearth Management, Inc. (Hearth Mgmt.) is a Massachusetts not-for-profit corporation. Hearth, Inc. appoints all of Hearth Mgmt.'s Board of Directors. Hearth Mgmt. provides property management services to the Non-Syndicated Rental Properties and Ruggles.

During 2017, Hearth, Inc. intends to wind down the operations of Hearth, Mgmt. During 2016, Hearth Mgmt. wrote off all amounts due from related parties of $627,936, which is included as reserve of related party advances in the accompanying 2016 consolidating statement of activities. Correspondingly, Hearth, Inc. and the Non-Syndicated Properties recorded forgiveness of debt of $557,439 and $69,919, respectively.

Non-Syndicated Rental Properties

4 Bishop Street, Inc. (Bishop) is a Massachusetts not-for-profit corporation, affiliated with Hearth, Inc. through common Board of Director membership, formed to operate nine units of housing for formerly homeless women.

Hearth Beacon, Inc. (Beacon) is a Massachusetts not-for-profit corporation, affiliated with Hearth, Inc. through common Board of Director membership, formed to operate nine units of housing for formerly homeless elders.

Hearth at Burroughs, LLC (Burroughs) is a Massachusetts limited liability company, with Hearth, Inc. as its sole member, formed to operate fourteen units of housing for formerly homeless elders.

East Concord Street Limited Partnership (ECLP) is a Massachusetts limited partnership formed in September 1995. ECLP operates forty-one low-income housing units located in the South End neighborhood of Boston, Massachusetts. Hearth, Inc. holds a 99% interest in the capital, income, losses, and cash flow of ECLP.

Syndicated Rental Properties

Hearth Olmsted Limited Partnership (HOLP) is a Massachusetts limited partnership formed in March 2011. HOLP operates fifty-nine low-income housing units located in Mattapan, Massachusetts.

Ruggles Assisted Living Limited Partnership (Ruggles) is a Massachusetts limited partnership formed in June 2000. Ruggles operates forty-three assisted living and low-income housing units located in Roxbury, Massachusetts.

2. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS

Developer Fees

Hearth, Inc. has a $166,700 developer fee note receivable from Beacon for services provided during the development of the project. The note accrues interest at 6%, compounded annually. Principal and interest payments are due annually if a certain cash flow level, as defined in the agreement, is achieved. Deferred interest expense on the developer fee payable was $26,198 and $24,715 for 2016 and 2015, respectively. Beacon has not made any payments on the note since the cash flow level has not been achieved. In addition, Beacon does not expect to generate the level of cash flow to make future payments on this note and, accordingly, Hearth, Inc. has reserved the entire balance of principal and accrued interest.

Developer fees receivable consist of the following as of December 31:

	2016	2015
Beacon - developer fee	$ 166,700	$ 166,700
Accrued interest	296,129	269,931
	462,829	436,631
Less - reserve	462,829	436,631
	$ -	$ -

Notes

During the development of ECLP's property, Hearth, Inc. provided loans to ECLP to fund development costs and also sold the building to ECLP in exchange for notes receivable. These notes were secured by shared third mortgages on the land and building. Payment of these notes were to be applied to accrued interest and then to principal from available cash flow. Interest on these notes compounded annually, and on one note semi-annually, at rates ranging from 6.26% to 7%. Interest expense on these notes was $178,895 and $173,190 for 2016 and 2015, respectively. During 2016, ECLP repaid Hearth, Inc. all principal and accrued interest through October 2016 from ECLP as part of ECLP's property refinance (see Notes 6 and 7) which Hearth, Inc. recorded as recovery of notes payable and deferred interest – related party during 2016. The remaining accrued interest of $24,822 is expected to be repaid during 2017.

During 2016, Hearth, Inc. became the sole owner of NCS (see page 18) and, upon buyout, the existing $250,000 Ruggles note payable to New Communities Services, Inc. was assigned to Hearth, Inc. All unpaid principal and deferred interest are due in full on June 29, 2031. This note accrued interest at 6%, compounded annually, through December 31, 2007. This agreement was amended on January 1, 2008, and the interest rate was reduced to zero. As of December 31, 2016 and 2015, deferred interest totaled $105,014. This note is secured by a shared second mortgage on Ruggles' property, which has been assigned to the Federal Home Loan Bank of Boston. All unpaid principal and accrued interest due to Hearth, Inc. has been fully reserved.

2. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS (Continued)

Sponsor Notes

Hearth, Inc. provided two non-interest bearing sponsor notes. The first sponsor note has an outstanding balance of $1,380,136 and matures in March 2042. The second sponsor note has an outstanding balance of $400,000 and matures in March 2027. These notes are secured by shared third mortgages on HOLP's property located in Mattapan, Massachusetts. Hearth, Inc. does not expect to receive any payments under these agreements. Accordingly, these notes and accrued interest are fully reserved.

The notes receivable and accrued interest that have been fully reserved in the accompanying consolidating financial statements consist of the following at December 31:

	2016		2015	
	Principal	Accrued Interest	Principal	Accrued Interest
ECLP - Linkage (see Note 9)	$ -	$ 11,760	$ 335,213	$ 916,150
ECLP - Acquisition	-	9,387	320,000	779,757
ECLP - Foundations	-	3,675	99,260	291,767
HOLP - Sponsor notes	1,780,136	-	1,780,136	-
Ruggles - NCS loan	250,000	105,014	-	-
	2,030,136	129,836	2,534,609	1,987,674
Less - reserve	2,030,136	105,014	2,534,609	1,987,674
Total	$ -	$ 24,822	$ -	$ -

Rental Fees

ECLP rents office space to Hearth, Inc. at an annual rent under a tenant-at-will agreement.

Personnel, Management and Service Fees

Hearth, Inc. has an agreement with Ruggles to provide management and administrative services. Hearth, Inc. is reimbursed for expenses and overhead applicable to Ruggles, as approved by Ruggles in the annual operating budget.

Hearth, Inc. has an agreement with Ruggles to provide supportive services to the tenants of Ruggles. Hearth, Inc. is entitled to a service provider fee for its services at Ruggles, subject to an annual cash flow review. This agreement expired on June 30, 2016, and is in the process of being retroactively renewed effective July 1, 2016.

Ruggles has incurred recurring deficits from operations and owed Hearth, Inc. $764,025 and $762,552 as of December 31, 2016 and 2015, respectively, for operating support. In 2015, Hearth, Inc. discounted the receivable by $260,283. During 2016, Hearth, Inc. fully reserved the net amount due from Ruggles of $503,950, which is recorded as reserve on related party advances in the accompanying 2016 consolidating statement of activities.

Hearth, Inc. has an agreement with the Non-Syndicated Properties to provide management and administrative services. Hearth, Inc. is reimbursed for expenses and overhead applicable to the Non-Syndicated Properties. Management and administrative fees are paid based upon available cash flow. Management fees have a first priority in payment from available cash flow.

2. AFFILIATES AND RELATED PARTY TRANSACTIONS (Continued)

RELATED PARTY TRANSACTIONS (Continued)

Personnel, Management and Service Fees (Continued)

HOM entered into an incentive management fee and a tax credit compliance fee agreement with HOLP. The fees for each of these agreements are based on a calculation as defined in HOLP's partnership agreement.

Guaranties and Obligations

HOM is obligated to lend HOLP approximately twelve months of operating expenses, not to exceed $728,692, to fund any operating deficits upon commencement of operations and achievement of three consecutive months of minimum debt service coverage, as defined in the partnership agreement. Repayment of the loan will be calculated based on net operating income. No amounts have been advanced as of December 31, 2016 and 2015.

Purchase Option

HOLP has granted Hearth, Inc. an option to purchase the limited partner's interest in HOLP at the end of the LIHTC compliance period (June 2027). The purchase price will be the greater of the fair market value, based on an appraisal, negotiation or a formula defined in HOLP's partnership agreement.

Investments in Affiliates

Investments in affiliates are recorded at cost and consist of CEC's investment in ECLP and HOM's investment in HOLP.

Donated Services

A member of the Board of Directors was also a Director of a law firm who provided donated legal services to Hearth, Inc. totaling approximately $1,000 and $5,000 in 2016 and 2015, respectively (see page 14).

A member of the Board of Directors was also provided donated investment services to Hearth, Inc. totaling approximately $5,000 and $4,000 in 2016 and 2015, respectively (see page 14).

3. RESERVES AND DEPOSITS

During 2016, Hearth, Inc. was required to establish and maintain a replacement reserve account to fund future operations and related reserves. As of December 31, 2016, the balance of the replacement reserve was $1,688,720. Withdrawals can be made from the account with the approval of Community Economic Development Assistance Corporation (CEDAC) and the City of Boston Department of Neighborhood Development.

Operating and investor service reserves and other reserve consist of funds to be escrowed under the terms of certain mortgage, partnership and operating agreements. These funds are restricted for operating cash flow deficiencies and to fund non-critical repairs. Approval is required of the mortgagor or investor partner to withdraw funds from the above accounts.

Insurance and real estate tax escrow consist of deposits in escrow accounts, which are restricted for real estate taxes and property insurance.

3. RESERVES AND DEPOSITS (Continued)

Restricted deposits consist of the following at December 31:

	2016			
	Hearth, Inc.	Non-Syndicated Rental Properties	Syndicated Rental Properties	Total
Replacement reserves	$ 1,688,720	$ 790,083	$ 193,715	$ 2,672,518
Operating and investor services reserves	-	285,564	716,846	1,002,410
Other reserve	-	140,894	-	140,894
Insurance and real estate tax escrow	-	11,973	49,168	61,141
	1,688,720	1,228,514	959,679	3,876,963
Less - current portion	-	297,537	49,168	346,705
	$ 1,688,720	$ 930,977	$ 910,561	$ 3,530,258

	2015		
	Non-Syndicated Rental Properties	HOLP	Total
Operating and investor services reserves	$ -	$ 711,034	$ 711,034
Replacement reserves	559,276	125,226	684,502
Insurance and real estate tax escrow	-	50,901	50,901
	559,276	887,161	1,446,437
Less - current portion	-	50,901	50,901
	$ 559,276	$ 836,260	$ 1,395,536

4. ACCOUNTS AND PLEDGES RECEIVABLE

Included in accounts and pledges receivable are the following pledges at December 31, 2016 and 2015, which are expected to be collected as follows:

	2016	2015
Less than one year	$ 158,339	$ 195,472
One to two years	-	133,333
	158,339	328,805
Less - current portion	158,339	195,472
Accounts and pledges receivable, net of current portion	$ -	$ 133,333

There was no discount rate applied to accounts and pledges receivable, net of current portion as of December 31, 2015, as the effect on the consolidating financial statements is immaterial.

5. INVESTMENTS

Investments consist of the following at December 31:

	2016	2015
Stocks	$ 973,980	$ -
Exchange traded funds	396,907	652,651
Cash and cash equivalents	353,082	136,558
Fixed income mutual funds:		
Corporate bonds	165,377	-
Treasury bills	148,154	-
	$ 2,037,500	$ 789,209

Investments are reported in the accompanying consolidating statements of financial position as long-term assets based on management's intent with respect to the use of investments. Investments, excluding the insured deposit account, are not insured and are subject to ongoing market fluctuations (see Note 1).

6. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

Non-Syndicated Rental Properties	2016	2015
Bishop		
1% note payable to the City of Boston, which had a balloon payment due in June 2007. In lieu of the balloon payment, the lender proposed and the borrower is considering a modification to extend the term of the note and to modify the interest rate and repayment terms in exchange for an extension on the affordability restriction on the property. During the negotiation period, payments on the note were suspended. The note is secured by a mortgage on land and a building.	$ 72,731	$ 72,731
ECLP		
3.08% first mortgage note payable to Red Mortgage Capital, LLC, due in monthly installments of principal and interest of $19,343 payable on the first day of each month, beginning on February 1, 2017, through January 1, 2052. Pursuant to the terms of the note agreement, the note may be prepaid after February 1, 2017, in whole or in part on the last business day of any month, with the payment of a prepayment premium as outlined in the note agreement. Subsequent to February 1, 2027, the note may be prepaid without premium or penalty.	4,968,300	-
Plus - current portion of contingent debt due - ECLP (see Note 7)	-	563,610
Less - unamortized debt issuance costs	261,421	-
Total Non-Syndicated Rental Properties	4,779,610	636,341

6. LONG-TERM DEBT (Continued)

Syndicated Rental Properties	**2016**	**2015**
HOLP		
4.5% note payable to Eastern Bank, due in monthly principal and interest installments of $6,311, through September 2027. This note is secured by a first mortgage on the property, a security interest in all furnishings and equipment, and an assignment of leases and rents.	642,924	688,133
Plus - current portion of contingent debt due - HOLP (see Note 7)	111,844	71,458
Less - unamortized debt issuance costs	85,396	88,767
Total Syndicated Rental Properties	669,372	670,824
Total long-term debt, net of unamortized debt issuance costs	5,448,982	1,307,165
Less - total current portion	232,989	680,679
	$ 5,215,993	$ 626,486

Current portion of long-term debt consists of the following at December 31:

	2016	**2015**
Red Capital Mortgage, LLC - ECLP	$ 73,439	$ -
CEDAC - 2015 cash flow payment - HOLP	71,458	71,458
Eastern Bank - HOLP	47,706	45,611
CEDAC - 2016 cash flow payment - HOLP	40,386	-
CEDAC - 2014 cash flow payment - ECLP	-	337,177
CEDAC - 2015 cash flow payment - ECLP	-	126,433
City of Boston - ECLP (see page 26)	-	100,000
	$ 232,989	$ 680,679

The current portion of the amounts due on the CEDAC notes payable as of December 31, 2016 and 2015, has not been paid. Based on a capital needs assessment prepared in January 2015, there is a projected shortfall in the replacement reserve in the future. As such, HOLP requested to suspend making the cash flow payments on the CEDAC debt and deposit those funds into the replacement reserve. HOLP will request approval from CEDAC and HOLP's Special Limited Partner, to deposit the 2016 and 2015 cash flow payments in the replacement reserve.

6. LONG-TERM DEBT (Continued)

Aggregate maturities of long-term debt and amortization of debt issuance costs relating to long-term debt over the next five years are as follows:

	Principal Payments	Amortization of Debt Issuance Costs
2017	$ 232,989	$ 14,913
2018	$ 132,410	$ 15,764
2019	$ 137,280	$ 15,551
2020	$ 142,336	$ 15,330
2021	$ 147,585	$ 15,103

7. CONTINGENT DEBT

Contingent debt consists of the following at December 31:

Non-Syndicated Rental Properties	2016	2015
Beacon		
Non-interest bearing note payable to CEDAC. All unpaid principal is due in June 2029. This note is secured by a second mortgage on land and a building. Payments are due annually from surplus cash as defined in the agreement. There were no payments due from surplus cash as of December 31, 2016 and 2015. CEDAC may extend the maturity date of this note for one or more additional periods up to ten years provided that the property continues to be used for low-income housing.	$ 426,000	$ 426,000
Non-interest bearing note payable to the Town of Brookline. This note is due in June 2039, and is secured by a first mortgage on land and a building.	349,000	349,000
Subtotal Beacon	775,000	775,000
Burroughs		
Non-interest bearing note payable to CEDAC. All unpaid principal is due in August 2038. This note is secured by a shared second mortgage on land and a building. Payments are due annually from surplus cash as defined in the agreement. There were no payments due from surplus cash as of December 31, 2016 and 2015. CEDAC may extend the maturity date of this note for one or more additional periods up to ten years provided that the property continues to be used for low-income housing.	750,000	750,000

7. CONTINGENT DEBT (Continued)

Non-Syndicated Rental Properties (Continued)	**2016**	**2015**
Burroughs (Continued)		
Non-interest bearing note payable to the City of Boston. This note is due in February 2038. This note is secured by a shared second mortgage on land and a building, an assignment in leases and rents, and interest in all assets related to the land and building.	625,000	625,000
Less - unamortized debt issuance costs	44,385	45,833
Subtotal Burroughs	1,330,615	1,329,167
ECLP		
0% note payable to CEDAC which was originally due in July 2026. The note was paid in full in 2016 as a result of the refinance (see Note 2).	-	500,000
Non-interest bearing note payable to the City of Boston which was originally due in March 2016. The note was paid in full in 2016 as a result of the refinance (see Note 2 and page 24).	-	100,000
Subtotal ECLP	-	600,000
Less - current portion included with long-term debt - ECLP	-	563,610
Total contingent debt - ECLP, net of current portion	-	36,390
Total Non-Syndicated Rental Properties	2,105,615	2,140,557
Syndicated Rental Properties		
HOLP		
Non-interest bearing note payable to CEDAC, with unpaid principal due in March 2042. Payments are due annually from surplus cash as defined in the agreement. CEDAC may extend the maturity date of this note until March 2061, provided that the property continues to be used for low-income housing. This note is secured by a shared second mortgage on the property. As of December 31, 2016 and 2015, payments totaling \$20,193 and \$35,729 are due to CEDAC in 2017 and 2016, respectively, based on 2016 and prior years' cash flows (see page 25).	1,992,793	1,992,793

7. CONTINGENT DEBT (Continued)

Syndicated Rental Properties (Continued)	**2016**	**2015**
HOLP (Continued)		
Non-interest bearing note payable to the Commonwealth of Massachusetts through the Department of Housing and Community Development's (DHCD) Affordable Housing Trust (AHT) program, due upon maturity in March 2042. DHCD may extend the maturity date of this note until March 2061, provided that the property continues to be used for low-income housing. This note is secured by a shared second mortgage on the property.	1,000,000	1,000,000
Non-interest bearing note payable to the City of Boston (the City) through the Department of Neighborhood Development's (DND) HOME program. This note is due in March 2042. DND may extend the maturity date of this note until March 2061, provided that the property continues to be used for low-income housing. This note is secured by a shared second mortgage on the property.	976,293	976,293
Non-interest bearing note payable to the Commonwealth of Massachusetts through DHCD's HOME program. This note is due in March 2042. DHCD may extend the maturity date of this note until March 2061, provided that the property continues to be used for low-income housing. This note is secured by a shared second mortgage on the property.	958,989	958,989
Non-interest bearing note payable to the City through its Neighborhood Housing Trust program (NHT), with principal due in full on the maturity date of March 2042. This note is secured by a shared second mortgage on the property.	750,000	750,000
Non-interest bearing note payable to CEDAC, with unpaid principal due in March 2042. Payments are due annually from surplus cash as defined in the agreement. CEDAC may extend the maturity date of this note until March 2061, provided that the property continues to be used for low-income housing. This note is secured by a shared second mortgage on the property. As of December 31, 2016 and 2015, payments totaling $20,193 and $35,729 are due to CEDAC in 2017 and 2016, respectively, based on 2016 and prior years' cash flows (see page 25).	500,000	500,000

7. CONTINGENT DEBT (Continued)

Syndicated Rental Properties (Continued)	**2016**	**2015**
HOLP (Continued)		
Non-interest bearing note payable to the City through DND's Leading the Way (LTW) program. Unpaid principal is due upon maturity in March 2042. DND may extend the maturity date of this note until March 2061, provided that the property continues to be used for low-income housing. This note is secured by a shared second mortgage on the property.	244,073	244,073
Subtotal HOLP	6,422,148	6,422,148
Less - current portion included with long-term debt - HOLP (see Note 6)	111,844	71,458
Total contingent debt - HOLP, net of current portion	6,310,304	6,350,690
Ruggles		
6.49% note payable to the City, interest compounded annually. Principal and interest are due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due as of December 31, 2016. All unpaid principal and deferred interest are due in full on December 31, 2030. As of December 31, 2016, deferred interest totaled $1,193,370. This note is secured by a shared first mortgage on the Project.	707,458	-
6.49% note payable to the Commonwealth of Massachusetts, DHCD. DHCD is providing mortgage financing through the HOME investment program. No payments for principal and interest are due until June 2032 (maturity date), as long as the property remains affordable to low-income tenants. During the year prior to the maturity date, Ruggles may request an extension of the maturity date for a period up to the original term of the loan, in order to maintain the affordability of the housing. As of December 31, 2016, deferred interest totaled $608,358. This note is secured by a shared first mortgage on the Project.	600,000	-

7. CONTINGENT DEBT (Continued)

Syndicated Rental Properties (Continued)	**2016**	**2015**
Ruggles (Continued)		
Note payable to CEDAC. This note bore interest at 5% simple interest through December 31, 2007. This agreement was amended on January 1, 2008, and the interest rate was reduced to zero. Principal and deferred interest are due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due for 2016. All unpaid principal and deferred interest are due in full on November 30, 2030. As of December 31, 2016, deferred interest totaled $173,044. This note is secured by a shared second mortgage on the Project.	500,000	-
Plus - deferred interest	1,974,772	-
Total contingent debt and deferred interest - Ruggles	3,782,230	-
Total Syndicated Rental Properties	10,092,534	6,350,690
Total Non-Syndicated and Syndicated Rental Properties (collectively, the Properties)	$ 12,198,149	$ 8,491,247

Debt issuance costs related to the various long-term and contingent debt totaling $420,441 and $188,020 as of December 31, 2016 and 2015, respectively, are shown net of accumulated imputed interest of $29,239 and $24,420 as of December 31, 2016 and 2015, respectively. Net debt issuance costs are reported in the accompanying consolidating statements of financial position as a direct reduction of the face amount of the related long-term and contingent debt.

The Agency's debt agreements contain covenants that require certain financial ratios be maintained and the consolidating financial statements be issued within a certain time period after year-end. The Agency was in compliance with these covenants as of December 31, 2016 and 2015.

8. NOTE PAYABLE TO A BANK

Hearth, Inc. has a $500,000 line of credit agreement with a bank, which is renewable annually in October. Borrowings under the agreement are due on demand, and interest is payable monthly at the bank's prime rate (3.75% and 3.5% at December 31, 2016 and 2015, respectively). The line of credit is secured by substantially all assets of Hearth, Inc. There was no balance outstanding as of December 31, 2016 and 2015.

9. CONTINGENCIES

During 1995, Hearth, Inc. received $335,213 in Linkage funds from the City. Hearth, Inc. loaned the Linkage funds to ECLP (see page 18). Hearth, Inc. has not recorded a liability to the City in the accompanying consolidating financial statements and is working with the City regarding resolution of the Linkage funds.

9. CONTINGENCIES (Continued)

In the ordinary course of the Agency's business, the Agency is, from time-to-time, involved in disputes concerning individuals' employment and other matters with the Agency. The Agency denies any wrongdoing in these cases and takes the appropriate legal steps in defense of any disputes. It is management's opinion that any potential settlement would not be material to the accompanying consolidating financial statements as of December 31, 2016 and 2015.

10. CONCENTRATIONS

Funding

The following table reflects the largest funding sources related to total operating revenues and accounts and pledges receivable for Hearth, Inc. as of and for the years ended December 31:

	2016		2015	
Funding Source	Operating Revenues	Accounts and Pledges Receivable	Operating Revenues	Accounts and Pledges Receivable
A	37%	15%	36%	20%
B	21%	10%	22%	13%
C	3%	15%	3%	43%

These reimbursements are subject to audit by government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidating financial position of the Agency as of December 31, 2016 and 2015, or on the changes in entities' equity for the years then ended.

Cash and Cash Equivalents

The Agency maintains its cash and cash equivalents balances in Massachusetts banks and is insured with the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, cash and cash equivalents balances exceed the insured amounts. The Agency has not experienced any losses in such accounts. The Agency's management believes it is not exposed to any significant credit risk on cash and cash equivalents

11. FUNDS HELD IN TRUST

Hearth, Inc. acts as a representative/payee for certain clients. The funds and corresponding liabilities related to these clients are included in funds held in trust in the accompanying consolidating statements of financial position.

12. PENSION PLAN

Hearth, Inc. operates a voluntary defined contribution retirement plan in accordance within IRC Section 403(b). Employees may withhold contributions from their salaries on a tax-deferred basis within IRC limits. All employees that work at least twenty hours per week are eligible for the plan. Hearth, Inc. does not make contributions to the plan.

13. MANAGEMENT AND OTHER FEES

Management Fee

Effective January 1, 2015, the Properties entered into three-year agreements with Peabody Properties, Inc. (the Company) to carry out the day-to-day operations of the Properties. In addition, the Company also provides bookkeeping, accounting and rental management services. The Properties pay the Company 2.5%, with the exception of HOLP whom pays 5%, of gross collected revenues for these services and the agreement can be terminated by either party with thirty days written notice.

In addition, the Company was entitled to accounting fees for the Properties of $2 per unit per month beginning January 1, 2016, with the exception of HOLP whom pays $6 per unit per month. Effective January 1, 2017, accounting fees for the Properties, with the exception of HOLP, increased to $3 per unit per month. The Company billed the Properties $88,893 and $84,170 for these services during 2016 and 2015, respectively, which is included in management and service fees in the accompanying consolidating statements of activities.

Asset Management Fee

HOLP has entered into an asset management services agreement with its limited partner. The fee is $10,000 per year, increasing by 3% each year commencing in 2013. The fee is cumulative and is payable in accordance with the agreement set forth. HOLP incurred $10,927 and $10,609 during 2016 and 2015, respectively.

New Atlantic Development Corporation had an agreement with Ruggles to provide asset management services. This agreement was terminated in 2016 and there was no property management fee during 2016.

The outstanding property and asset management fees pertaining to Ruggles as of December 31, 2015, were forgiven during 2016 and recorded as forgiveness of debt in the accompanying consolidating statement of activities.

14. PROJECT UNDER DEVELOPMENT

During 2016, the Agency began predevelopment on a project in Dorchester, Massachusetts. The Agency incurred $264,914 of predevelopment costs during 2016. Once the project is complete, it will be placed in service and will become a rental property of the Agency, at which time capitalized costs will begin depreciating. There were no projects under development at December 31, 2015.

15. RECLASSIFICATION

Certain amounts in the 2015 consolidating financial statements have been reclassified to conform to the 2016 presentation.

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Financial Position - Non-Syndicated Rental Properties
December 31, 2016
(With Summarized Comparative Totals as of December 31, 2015)

	2016					2015
Assets	**Bishop**	**Beacon**	**Burroughs**	**ECLP**	**Total Non-Syndicated Rental Properties**	**Total Non-Syndicated Rental Properties**
Current Assets:						
Cash and cash equivalents	$ 10,214	$ 9,404	$ 7,621	$ 1,270,330	$ 1,297,569	$ 503,580
Funds held in trust	2,126	1,857	3,042	13,842	20,867	18,331
Current portion of accounts and pledges receivable, net	1,526	-	1,552	3,721	6,799	9,235
Prepaid expenses and deposits	2,460	2,863	3,655	27,919	36,897	27,918
Current portion of due from affiliates	-	-	-	4,492	4,492	2,954
Current portion of reserves and deposits	-	-	-	297,537	297,537	-
Total current assets	16,326	14,124	15,870	1,617,841	1,664,161	562,018
Property and Equipment:						
Land	25,600	67,500	297,500	152,000	542,600	542,600
Buildings and improvements	709,523	1,376,070	1,299,942	6,035,219	9,420,754	9,345,611
Furniture and equipment	67,682	39,769	68,061	143,927	319,439	319,439
	802,805	1,483,339	1,665,503	6,331,146	10,282,793	10,207,650
Less - accumulated depreciation	551,990	606,357	462,357	3,136,018	4,756,722	4,495,768
Net property and equipment	250,815	876,982	1,203,146	3,195,128	5,526,071	5,711,882
Other Assets:						
Reserves and deposits, net of current portion	18,998	67,131	78,954	765,894	930,977	559,276
Due to affiliates, net of current portion	(55,343)	(75,500)	(214,095)	-	(344,938)	(386,794)
Financing fees	-	-	-	-	-	29,000
Total other assets	(36,345)	(8,369)	(135,141)	765,894	586,039	201,482
Total assets	$ 230,796	$ 882,737	$ 1,083,875	$ 5,578,863	$ 7,776,271	$ 6,475,382
Liabilities and Entities' Equity (Deficit)						
Current Liabilities:						
Current portion of long-term and contingent debt	$ -	$ -	$ -	$ 73,439	$ 73,439	$ 563,610
Accounts payable and accrued expenses	4,105	6,444	3,898	33,743	48,190	50,621
Current portion of due to affiliate	-	-	-	24,822	24,822	-
Funds held in trust	2,126	1,857	3,042	13,842	20,867	18,331
Total current liabilities	6,231	8,301	6,940	145,846	167,318	632,562
Other Liabilities:						
Long-term debt and unamortized debt issuance costs, net of current portion	72,731	-	-	4,633,440	4,706,171	72,731
Contingent debt and unamortized debt issuance costs, net of current portion	-	775,000	1,330,615	-	2,105,615	2,140,557
Notes payable and deferred interest - affiliates	-	-	-	-	-	2,742,147
Developer and overhead fees payable and deferred interest	-	462,829	-	-	462,829	436,631
Total other liabilities	72,731	1,237,829	1,330,615	4,633,440	7,274,615	5,392,066
Total liabilities	78,962	1,246,130	1,337,555	4,779,286	7,441,933	6,024,628
Entities' Equity (Deficit):						
Operating	(45,248)	(69,677)	(205,165)	1,259,870	939,780	106,272
Property and equipment	197,082	(293,716)	(48,515)	(460,293)	(605,442)	344,482
Total entities' equity (deficit)	151,834	(363,393)	(253,680)	799,577	334,338	450,754
Total liabilities and entities' equity (deficit)	$ 230,796	$ 882,737	$ 1,083,875	$ 5,578,863	$ 7,776,271	$ 6,475,382

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Financial Position - Non-Syndicated Rental Properties
December 31, 2015

Assets	Bishop	Beacon	Burroughs	ECLP	Total Non-Syndicated Rental Properties
Current Assets:					
Cash and cash equivalents	$ 11,161	$ 1,930	$ 2,746	$ 487,743	$ 503,580
Funds held in trust	1,650	2,121	2,884	11,676	18,331
Current portion of accounts and pledges receivable, net	326	8	1,558	7,343	9,235
Prepaid expenses and deposits	2,536	3,409	3,729	18,244	27,918
Current portion of due from affiliates	-	-	-	2,954	2,954
Total current assets	15,673	7,468	10,917	527,960	562,018
Property and Equipment:					
Land	25,600	67,500	297,500	152,000	542,600
Buildings and improvements	709,523	1,376,070	1,277,537	5,982,481	9,345,611
Furniture and equipment	67,682	39,769	68,061	143,927	319,439
	802,805	1,483,339	1,643,098	6,278,408	10,207,650
Less - accumulated depreciation	527,499	570,876	416,272	2,981,121	4,495,768
Net property and equipment	275,306	912,463	1,226,826	3,297,287	5,711,882
Other Assets:					
Reserves and deposits	3,994	45,681	74,060	435,541	559,276
Due to affiliates, net of current portion	(55,544)	(139,022)	(192,228)	-	(386,794)
Financing fees	-	-	-	29,000	29,000
Total other assets	(51,550)	(93,341)	(118,168)	464,541	201,482
Total assets	$ 239,429	$ 826,590	$ 1,119,575	$ 4,289,788	$ 6,475,382
Liabilities and Entities' Equity (Deficit)					
Current Liabilities:					
Current portion of long-term and contingent debt	$ -	$ -	$ -	$ 563,610	$ 563,610
Accounts payable and accrued expenses	3,468	2,890	3,473	40,790	50,621
Funds held in trust	1,650	2,121	2,884	11,676	18,331
Total current liabilities	5,118	5,011	6,357	616,076	632,562
Other Liabilities:					
Long-term debt, net of current portion	72,731	-	-	-	72,731
Contingent debt and unamortized debt issuance costs, net of current portion	-	775,000	1,329,167	36,390	2,140,557
Notes payable and deferred interest - affiliates	-	-	-	2,742,147	2,742,147
Developer and overhead fees payable and deferred interest	-	436,631	-	-	436,631
Total other liabilities	72,731	1,211,631	1,329,167	2,778,537	5,392,066
Total liabilities	77,849	1,216,642	1,335,524	3,394,613	6,024,628
Entities' Equity (Deficit):					
Operating	(44,989)	(136,565)	(187,668)	475,494	106,272
Property and equipment	206,569	(253,487)	(28,281)	419,681	344,482
Total entities' equity (deficit)	161,580	(390,052)	(215,949)	895,175	450,754
Total liabilities and entities' equity (deficit)	$ 239,429	$ 826,590	$ 1,119,575	$ 4,289,788	$ 6,475,382

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Activities - Non-Syndicated Rental Properties
For the Year Ended December 31, 2016
(With Summarized Comparative Totals for the Year Ended December 31, 2015)

	2016					2015
	Bishop	Beacon	Burroughs	ECLP	Total Non-Syndicated Rental Properties	Total Non-Syndicated Rental Properties
Changes in Unrestricted Net Assets:						
Operating revenues:						
Fee income and other revenue:						
Rental fees, net	$ 92,174	$ 113,286	$ 137,820	$ 879,856	$ 1,223,136	$ 1,209,599
Investment income	4	299	544	8,049	8,896	6,292
Total operating revenues	92,178	113,585	138,364	887,905	1,232,032	1,215,891
Operating expenses:						
Housing and supportive services	79,119	90,933	132,557	649,711	952,320	877,818
Depreciation and amortization	24,491	35,481	46,085	154,897	260,954	256,475
Total operating expenses	103,610	126,414	178,642	804,608	1,213,274	1,134,293
Changes in unrestricted net assets from operations	(11,432)	(12,829)	(40,278)	83,297	18,758	81,598
Other revenues (expenses):						
Forgiveness of debt	1,686	65,686	2,547	-	69,919	-
Interest on deferred debt	-	(26,198)	-	(178,895)	(205,093)	(197,905)
Total other revenues (expenses)	1,686	39,488	2,547	(178,895)	(135,174)	(197,905)
Changes in unrestricted net assets	$ (9,746)	$ 26,659	$ (37,731)	$ (95,598)	$ (116,416)	$ (116,307)

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Activities - Non-Syndicated Rental Properties
For the Year Ended December 31, 2015

	Bishop	Beacon	Burroughs	ECLP	Total Non-Syndicated Rental Properties
Changes in Unrestricted Net Assets:					
Operating revenues:					
Fee income and other revenue:					
Rental fees, net	$ 93,350	$ 113,088	$ 137,812	$ 865,349	$ 1,209,599
Interest and other	2	199	544	5,547	6,292
Total operating revenues	93,352	113,287	138,356	870,896	1,215,891
Operating expenses:					
Housing and supportive services	73,402	81,154	109,608	613,654	877,818
Depreciation and amortization	24,491	36,426	45,082	150,476	256,475
Total operating expenses	97,893	117,580	154,690	764,130	1,134,293
Changes in unrestricted net assets from operations	(4,541)	(4,293)	(16,334)	106,766	81,598
Other expenses:					
Interest on deferred debt	-	(24,715)	-	(173,190)	(197,905)
Changes in unrestricted net assets	$ (4,541)	$ (29,008)	$ (16,334)	$ (66,424)	$ (116,307)

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Financial Position - Syndicated Rental Properties
December 31, 2016

Assets	HOLP	Ruggles	Total Syndicated Rental Properties
Current Assets:			
Cash and cash equivalents	$ 143,306	$ 5,947	$ 149,253
Funds held in trust	13,618	9,123	22,741
Current portion of accounts and pledges receivable, net	7,489	4,745	12,234
Prepaid expenses and deposits	27,155	17,172	44,327
Current portion of due (to) from affiliates, net	16,591	(23,082)	(6,491)
Current portion of reserves and deposits	49,168	-	49,168
Total current assets	257,327	13,905	271,232
Property and Equipment:			
Land	1,140,806	44,000	1,184,806
Buildings and improvements	13,896,188	5,079,725	18,975,913
Furniture and equipment	251,994	215,184	467,178
	15,288,988	5,338,909	20,627,897
Less - accumulated depreciation	1,987,101	2,181,794	4,168,895
Net property and equipment	13,301,887	3,157,115	16,459,002
Other Assets:			
Reserves and deposits, net of current portion	865,441	45,120	910,561
Due to affiliates, net of current portion	-	(764,025)	(764,025)
Capitalized costs, net	24,960	-	24,960
Total other assets	890,401	(718,905)	171,496
Total assets	$ 14,449,615	$ 2,452,115	$ 16,901,730
Liabilities and Entities' Equity (Deficit)			
Current Liabilities:			
Current portion of long-term and contingent debt	$ 159,550	$ -	$ 159,550
Accounts payable and accrued expenses	45,313	49,134	94,447
Funds held in trust	13,618	9,123	22,741
Total current liabilities	218,481	58,257	276,738
Other Liabilities:			
Long-term debt and unamortized debt issuance costs, net of current portion	509,822	-	509,822
Contingent debt and unamortized debt issuance costs, net of current portion	6,310,304	3,782,230	10,092,534
Notes payable and deferred interest - affiliates	1,780,136	355,014	2,135,150
Total other liabilities	8,600,262	4,137,244	12,737,506
Total liabilities	8,818,743	4,195,501	13,014,244
Entities' Equity (Deficit):			
Operating	915,242	(808,377)	106,865
Property and equipment	4,715,630	(935,009)	3,780,621
Total entities' equity (deficit)	5,630,872	(1,743,386)	3,887,486
Total liabilities and entities' equity (deficit)	$ 14,449,615	$ 2,452,115	$ 16,901,730

HEARTH, INC. AND AFFILIATES

Supplementary Consolidating Statement of Activities - Syndicated Rental Properties
For the Year Ended December 31, 2016 for HOLP and for the period from August 1, 2016 to December 31, 2016 for Ruggles

	HOLP	Ruggles	Total Non-Syndicated Rental Properties
Changes in Unrestricted Net Assets:			
Operating revenues:			
Fee income and other revenue:			
Rental fees, net	$ 940,123	$ 244,137	$ 1,184,260
Investment income	6,299	233	6,532
Total operating revenues	946,422	244,370	1,190,792
Operating expenses:			
Housing and supportive services	828,488	261,395	1,089,883
Depreciation and amortization	431,533	58,665	490,198
Total operating expenses	1,260,021	320,060	1,580,081
Changes in unrestricted net assets from operations	(313,599)	(75,690)	(389,289)
Other revenues (expenses):			
Forgiveness of debt	-	53,912	53,912
Interest on deferred debt	-	(68,612)	(68,612)
Total other revenues (expenses)	-	(14,700)	(14,700)
Changes in unrestricted net assets	(313,599)	(90,390)	(403,989)
Changes in Net Assets Attributable to Non-Controlling Interest	313,567	90,300	403,866
Changes in net assets attributable to Hearth	$ (32)	$ (90)	$ (123)