Madison Park Development Corporation
and Affiliates

Consolidated Financial Statements
and Independent Auditor's Report

December 31, 2014 and 2013

Madison Park Development Corporation and Affiliates

Index

Independent Auditor's Report

To the Board of Directors
Madison Park Development Corporation and Affiliates

We have audited the accompanying consolidated financial statements of Madison Park Development Corporation and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Madison Park Development Corporation and Affiliates as of December 31, 2014 and 2013, and the results of their activities, functional expenses and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2015, on our consideration of Madison Park Development Corporation and Affiliates' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Madison Park Development Corporation and Affiliates' internal control over financial reporting and compliance.

CohnReznick LLP

Boston, Massachusetts
June 29, 2015

Madison Park Development Corporation and Affiliates

Consolidated Statement of Financial Position with Consolidating Information
December 31, 2014

	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Total
Current assets						
Cash and cash equivalents						
Operating cash	$ 1,907,950	$ 27,159	$ 3,571,163	$ 289,120	$ -	$ 5,795,392
Development cash	-	88,768	72,607	-	-	161,375
Total cash and cash equivalents	1,907,950	115,927	3,643,770	289,120	-	5,956,767
Restricted cash and reserves, current portion	39,673	-	1,924,553	109,705	-	2,073,931
Grants and contracts receivable	575,695	15,470	-	7,203	-	598,368
Development fee and interest receivable, current portion	697,388	-	-	-	(697,388)	-
Notes and interest receivable, current portion	490,510	1,526,158	-	-	(2,016,668)	-
Rent receivable	-	-	32,232	20,164	-	52,396
Due from affiliates, current portion	451,026	-	-	-	(451,026)	-
Other current assets	9,858	-	152,047	21,812	-	183,717
Net investment in sales type lease, current portion	-	1,149,173	-	-	-	1,149,173
Total current assets	4,172,100	2,806,728	5,752,602	448,004	(3,165,082)	10,014,352
Fixed assets						
Land and land improvements	22,219	-	14,440,198	1,531,177	-	15,993,594
Building and improvements	-	-	113,478,918	9,712,420	(31,222,302)	91,969,036
Furniture and equipment	522,775	-	5,514,347	331,859	-	6,368,981
Leasehold improvements	272,398	-	-	-	-	272,398
Total fixed assets	817,392	-	133,433,463	11,575,456	(31,222,302)	114,604,009
Less: Accumulated depreciation	(466,635)	-	(26,731,891)	(1,725,986)	3,116,376	(25,808,136)
Net fixed assets	350,757	-	106,701,572	9,849,470	(28,105,926)	88,795,873
Other assets						
Net investment in sales type lease, net of current portion	-	27,354,184	-	-	-	27,354,184
Property under development	1,058,914	6,066,276	-	-	(100,114)	7,025,076
Notes and interest receivable, net of current portion	5,409,381	22,974,685	-	-	(26,293,908)	2,090,158
Development fee and interest receivable, net of current portion	1,094,907	-	-	-	(1,094,907)	-
Due from affiliates, net of current portion	1,590,119	507,507	50,000	-	(2,100,284)	47,342
Restricted cash and reserves, net of current portion	798,583	-	3,601,276	153,278	-	4,553,137
Investments in partnerships and companies	2,772,930	-	-	-	(2,495,595)	277,335
Investments in fixed income securities	2,558,166	1,774,325	-	-	-	4,332,491
Finance and subsidy fees, net of amortization	5,059	34,761	1,513,089	209,926	(308,000)	1,454,835
Miscellaneous other assets	50,000	-	-	-	-	50,000
Total other assets	15,338,059	58,711,738	5,164,365	363,204	(32,392,808)	47,184,558
Total assets	$ 19,860,916	$ 61,518,466	$ 117,618,539	$ 10,660,678	$ (63,663,816)	$ 145,994,783

Madison Park Development Corporation and Affiliates

Consolidated Statement of Financial Position with Consolidating Information
December 31, 2014

	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Total
Current liabilities						
Long-term obligations, current portion	$ -	$ 1,149,173	$ 2,578,406	$ 45,934	$ (1,026,453)	$ 2,747,060
Accounts payable	274,245	1,000	89,491	18,667	-	383,403
Development costs payable	-	392,333	1,259,308	-	(697,388)	954,253
Accrued interest, current portion	-	-	1,132,387	28,068	(996,661)	163,794
Accrued expenses	233,278	70,137	877,386	52,402	-	1,233,203
Due to affiliates, current portion	-	-	451,026	-	(451,026)	-
Other current liabilities	74,673	-	163,155	15,521	-	253,349
Total current liabilities	582,196	1,612,643	6,551,159	160,592	(3,171,528)	5,735,062
Long-term liabilities						
Long-term obligations, net of current portion	1,000,000	33,738,903	78,083,879	10,700,160	(27,027,698)	96,495,244
Accrued interest, net of current portion	-	-	6,657,475	370,850	(142,573)	6,885,752
Due to affiliates, net of current portion	460,165	1,297,821	893,021	430,437	(2,992,045)	89,399
Other long-term liabilities	35,000	-	595,968	5,100	-	636,068
Total long-term liabilities	1,495,165	35,036,724	86,230,343	11,506,547	(30,162,316)	104,106,463
Total liabilities	2,077,361	36,649,367	92,781,502	11,667,139	(33,333,844)	109,841,525
Net assets						
Net assets, attributable to MPDC:						
Unrestricted net assets	15,835,651	24,869,099	2,528,398	(1,006,461)	(33,214,306)	9,012,381
Temporarily restricted net assets	228,227	-	-	-	-	228,227
Permanently restricted net assets	1,719,677	-	-	-	-	1,719,677
	17,783,555	24,869,099	2,528,398	(1,006,461)	(33,214,306)	10,960,285
Net assets, attributable to non-controlling interests in Residential and commercial properties:						
Unrestricted net assets	-	-	22,308,639	-	2,884,334	25,192,973
Total net assets	17,783,555	24,869,099	24,837,037	(1,006,461)	(30,329,972)	36,153,258
Total liabilities and net assets	$ 19,860,916	$ 61,518,466	$ 117,618,539	$ 10,660,678	$ (63,663,816)	$ 145,994,783

See Notes to Consolidated Financial Statements.

Madison Park Development Corporation and Affiliates

Consolidated Statement of Financial Position with Consolidating Information
December 31, 2013

	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Total
Current assets						
Cash and cash equivalents						
Operating cash	$ 2,744,231	$ 269,136	$ 1,544,111	$ 238,488	$ -	$ 4,795,967
Development cash	-	85,318	-	-	-	85,318
Total cash and cash equivalents	2,744,231	354,455	1,544,111	238,488	-	4,881,285
Restricted cash and reserves, current portion	50,074	-	2,041,869	109,705		2,201,648
Grants and contracts receivable	805,189	332,510	-	-		1,137,699
Development fee and interest receivable, current portion	794,137	-	-	-	(712,394)	81,743
Rent receivable	-	-	435,189	3,469		438,658
Due from affiliates, current portion	350,668	686,456	-	-	(1,015,479)	21,645
Other current assets	37,303	91,584	142,084	35,539		306,510
Net investment in sales type lease, current portion	-	1,094,112	-	-		1,094,112
Total current assets	4,781,602	2,559,117	4,163,253	387,201	(1,727,873)	10,163,300
Fixed assets						
Land and land improvements	22,219	-	13,385,325	1,554,129		14,961,673
Building and improvements	154,562	-	96,496,193	9,381,643	(28,674,802)	77,357,596
Furniture and equipment	463,952	-	5,202,894	257,441		5,924,287
Leasehold improvements	209,155	-	.	-		209,155
Total fixed assets	849,888	-	115,084,412	11,193,213	(28,674,802)	98,452,711
Less: Accumulated depreciation	(410,878)	-	(24,234,004)	(1,413,494)	2,381,434	(23,676,942)
Net fixed assets	439,010	-	90,850,408	9,779,719	(26,293,368)	74,775,769
Other assets						
Net investment in sales type lease, net of current portion	-	28,503,357	-			28,503,357
Property under development	368,315	12,014,761	-		(891,000)	11,492,077
Notes and interest receivable	5,600,122	23,529,983	-		(27,078,417)	2,051,688
Development fee and interest receivable, net of current portion	465,880	-	-		(440,581)	25,299
Due from affiliates, net of current portion	1,157,164	-	50,000		(1,207,164)	-
Restricted cash and reserves, net of current portion	859,224	-	3,152,436	405,315		4,416,975
Investments in partnerships and companies	2,772,930	-	-		(2,495,595)	277,335
Investments in fixed income securities	1,829,705	748,278				2,577,983
Finance and subsidy fees, net of amortization	7,574	-	1,049,407	179,227	(350,000)	886,208
Other long-term assets	50,000	-	60,764			110,764
Total other assets	13,110,916	64,796,379	4,312,607	584,542	(32,462,757)	50,341,687
Total assets	$ 18,331,528	$ 67,355,496	$ 99,326,268	$ 10,751,462	$ (60,483,998)	$ 135,280,756

Madison Park Development Corporation and Affiliates

Consolidated Statement of Financial Position with Consolidating Information
December 31, 2013

	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Total
Current liabilities						
Long-term obligations, current portion	$ -	$ 1,094,112	$ 1,855,491	$ 220,259	$ (686,456)	$ 2,483,406
Accounts payable	142,563	9,645	75,428	82,111		309,747
Development costs payable	-	1,954,767	-		(486,000)	1,468,767
Accrued interest, current portion	-	7,207	129,774	37,806		174,787
Accrued expenses	218,261	-	759,665	52,829		1,030,755
Due to affiliates, current portion	-	119,023	436,395		(555,418)	-
Other current liabilities	61,573	-	218,136	62,558		342,267
Total current liabilities	422,397	3,184,754	3,474,889	455,563	(1,727,874)	5,809,729
Long-term liabilities						
Long-term obligations, net of current portion	1,000,000	39,235,572	66,299,416	10,573,200	(27,808,756)	89,299,432
Accrued interest, net of current portion	-	-	6,348,623	324,184	(152,469)	6,520,338
Due to affiliates, net of current portion	-	1,111,653	249,296	125,250	(1,386,197)	100,002
Other long-term liabilities	-	-	596,522	5,462		601,984
Total long-term liabilities	1,000,000	40,347,225	73,493,857	11,028,096	(29,347,422)	96,521,756
Total liabilities	1,422,397	43,531,979	76,968,746	11,483,659	(31,075,296)	102,331,485
Commitments and contingencies	-	-	-	-	-	-
Net assets						
Net assets, attributable to MPDC:						
Unrestricted net assets	14,594,308	23,823,518	2,418,567	(732,198)	(31,237,416)	8,866,779
Temporarily restricted net assets	250,227					250,227
Permanently restricted net assets	2,064,596					2,064,596
	16,909,131	23,823,518	2,418,567	(732,198)	(31,237,416)	11,181,602
Net assets, attributable to non-controlling interests in residential and commercial properties:						
Unrestricted net assets	-	-	19,938,955		1,828,714	21,767,669
Total net assets	16,909,131	23,823,518	22,357,522	(732,198)	(29,408,702)	32,949,271
Total liabilities and net assets	$ 18,331,528	$ 67,355,496	$ 99,326,268	$ 10,751,462	$ (60,483,998)	$ 135,280,756

See Notes to Consolidated Financial Statements.

Madison Park Development Corporation and Affiliates

Consolidated Statement of Activities with Consolidating Information
Year Ended December 31, 2014

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Revenues						
Development fees	$ 1,756,614	$ 44,417	$ -	$ -	$ (1,756,614)	$ 44,417
Rental revenue	48,527	240,000	14,029,825	1,702,331	(201,398)	15,819,285
Interest subsidy, rental	-	-	570,180	-	-	570,180
Grants received	678,569	-	-	-	-	678,569
Capital grants	85,000	-	-	-	-	85,000
Partnership distributions	619,906	-	-	-	(495,589)	124,317
Management fees	362,049	-	-	-	(167,809)	194,240
Program and contract revenue	82,479	-	-	179,496	(179,496)	82,479
Contributions and gifts	232,340	-	-	-	-	232,340
Interest revenue	123,462	1,063,489	4,707	340	(1,134,182)	57,816
Investment Income	68,674	40,961	-	-	-	109,635
Miscellaneous revenue	4,429	555	80,634	14,752	-	100,370
Total Revenues	4,062,049	1,389,422	14,685,346	1,896,919	(3,935,088)	18,098,648
Expenses						
Program expenses						
Real estate operations	1,555,495	-	-	-	(108,356)	1,447,139
Community action	731,038	-	-	-	(28,692)	702,346
Arts ventures and programming	635,242	-	-	-	(65,292)	569,950
Real estate development , financing and leasing	-	336,115	-	-	(16,625)	319,490
Residential	-	-	10,596,451	-	(1,253,679)	9,342,772
Commercial	-	-	-	1,627,181	(88,000)	1,539,181
Total program expenses	2,921,775	336,115	10,596,451	1,627,181	(1,560,644)	13,920,878
Supporting services						
Management and general	645,310	-	-	-	(47,630)	597,680
Fundraising	215,093	-	-	-	(9,828)	205,265
Total supporting services	860,403	-	-	-	(57,458)	802,945
Total operating expenses	3,782,178	336,115	10,596,451	1,627,181	(1,618,102)	14,723,823
Operating income (loss)	279,871	1,053,307	4,088,895	269,738	(2,316,986)	3,374,825

Madison Park Development Corporation and Affiliates

Consolidated Statement of Activities with Consolidating Information
Year Ended December 31, 2014

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Other revenue (expenses)						
Gain (loss) from sale of assets	-	-	(100,544)	-	-	(100,544)
Intercompany distributions made/received	75,000	-	-	(75,000)	-	-
Interest income - sales type lease	-	1,533,166	-	-	-	1,533,166
Interest expense - sales type lease	-	(1,533,166)	-	-	-	(1,533,166)
Writeoff predevelopment costs	-	(253,622)	-	-	-	(253,622)
Unrealized gain (loss) on investments	(2,243)	(11,872)	-	-	-	(14,115)
Grants received (distributed) for real estate development	460,519	275,149	-	-	-	735,668
Entity expense	-	-	(234,005)	-	132,188	(101,817)
Total other revenue (expenses)	533,276	9,655	(334,549)	(75,000)	132,188	265,570
Change in net assets before depreciation and amortization	813,147	1,062,962	3,754,346	194,738	(2,184,798)	3,640,395
Depreciation and amortization	(65,143)	(17,381)	(3,528,846)	(342,581)	776,940	(3,177,011)
Change in net assets	748,004	1,045,581	225,500	(147,843)	(1,407,858)	463,384
Net assets, beginning of year	16,909,131	23,823,518	22,357,522	(732,198)	(29,408,702)	32,949,271
Reclassification of net assets	126,420	-	-	(126,420)	-	-
Capital contributions	-	-	2,744,716		-	2,744,716
Capital distributions	-	-	(490,701)	-	486,588	(4,113)
Net assets, end of year	$ 17,783,555	$ 24,869,099	$ 24,837,037	$ (1,006,461)	$ (30,329,972)	$ 36,153,258

Madison Park Development Corporation and Affiliates

Consolidated Statement of Activities with Consolidating Information
Year Ended December 31, 2014

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Changes in net assets, attributable to MPDC						
Changes in unrestricted net assets						
Unrestricted net assets, beginning of year	$ 14,594,308	$ 23,823,518	$ 2,418,567	$ (732,198)	$ (31,237,417)	$ 8,866,778
Operating (loss) income	(483,698)	1,053,307	4,459,814	269,738	(2,316,986)	2,982,175
Depreciation and amortization	(65,143)	(17,381)	(3,528,846)	(342,581)	776,940	(3,177,011)
Non-operating income(expense)	533,276	9,655	(334,549)	(75,000)	(923,431)	(790,049)
Reclassification of net assets	126,420	-	-	(126,420)	-	-
Capital distributions	-	-	(486,588)	-	486,588	-
Net assets released from restrictions	1,130,488	-	-	-	-	1,130,488
Unrestricted net assets, end of year	15,835,651	24,869,099	2,528,398	(1,006,461)	(33,214,306)	9,012,381
Changes in temporarily restricted net assets						
Temporarily restricted net assets, beginning of year	250,227	-	-	-	-	250,227
Temporarily restricted grants	678,569	-	-	-	-	678,569
Net assets released from restrictions	(700,569)	-	-	-	-	(700,569)
Temporarily restricted net assets, end of year	228,227	-	-	-	-	228,227
Changes in permanently restricted net assets						
Permanently restricted net assets, beginning of year	2,064,596	-	-	-	-	2,064,596
Permanently restricted grants	85,000	-	-	-	-	85,000
Net assets released from restrictions	(429,919)	-	-	-	-	(429,919)
Permanently restricted net assets, end of year	1,719,677	-	-	-	-	1,719,677
Changes in net assets attributable to MPDC, end of year	17,783,555	24,869,099	2,528,398	(1,006,461)	(33,214,306)	10,960,285
Changes in net assets attributable to non-controlling interests in residential and commercial properties:						
Unrestricted net assets, beginning of year	-	-	19,938,955	-	1,828,714	21,767,669
Non-controlling interest in income (losses) of consolidated affiliates	-	-	(370,919)	-	1,055,620	684,701
Capital contributions	-	-	2,744,716	-	-	2,744,716
Capital distributions	-	-	(4,113)	-	-	(4,113)
Unrestricted net assets of non-controlling interests in residential and commercial properties, end of year	-	-	22,308,639	-	2,884,334	25,192,973
Total net assets	$ 17,783,555	$ 24,869,099	$ 24,837,037	$ (1,006,461)	$ (30,329,972)	$ 36,153,258

See Notes to Consolidated Financial Statements.

Madison Park Development Corporation and Affiliates

Consolidated Statement of Activities with Consolidating Information
Year Ended December 31, 2013

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Revenues						
Development fees	$ 917,743	$ -	$ -	$ -	$ (836,000)	$ 81,743
Rental revenue	117,713	-	11,793,239	1,534,555	(164,772)	13,280,735
Interest subsidy, rental	-	-	697,432	-	-	697,432
Grants received	498,936	-	-	-	-	498,936
Capital grants	100,000	-	-	-	-	100,000
Partnership distributions	350,149	-	-	3	(177,246)	172,906
Management fees	487,589	-	-	-	(164,741)	322,848
Program and contract revenue	65,589	-	-	179,493	(179,493)	65,589
Contributions and gifts	287,061	-	-	-	-	287,061
Interest revenue	143,704	948,204	3,413	642	(1,077,433)	18,530
Miscellaneous revenue	6,989	-	60,658	4,630	-	72,277
Total revenues	2,975,471	948,204	12,554,742	1,719,323	(2,599,685)	15,598,055
Expenses						
Program expenses						
Real estate operations	1,336,412	-	-	-	(42,660)	1,293,752
Community action	580,621	-	-	-	(24,402)	556,219
Arts ventures	694,340	-	-	-	(74,748)	619,592
Real estate development, financing and leasing	-	72,845	-	-	(8,500)	64,345
Residential	-	-	9,853,052	-	(1,256,928)	8,596,124
Commercial	-	-	-	1,598,143	(67,330)	1,530,813
Total program expenses	2,611,373	72,845	9,853,052	1,598,143	(1,474,568)	12,660,845
Supporting services						
Management and general	522,931	-	-	-	(14,366)	508,565
Fundraising	179,204	-	-	-	(8,616)	170,588
Total supporting services	702,135	-	-	-	(22,982)	679,153
Total operating expenses	3,313,508	72,845	9,853,052	1,598,143	(1,497,550)	13,339,998
Operating income (loss)	(338,037)	875,359	2,701,690	121,180	(1,102,135)	2,258,057

Madison Park Development Corporation and Affiliates

Consolidated Statement of Activities with Consolidating Information
Year Ended December 31, 2013

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Other revenue (expenses)						
Gain (loss) from sale of assets	5,450,000	-	-	(294,872)	-	5,155,128
Gain (loss) from debt forgiveness	-	-	-	-	-	-
Gain (loss) from impairment	-	-	-	(2,870,481)	-	(2,870,481)
Intercompany distributions made/received	(5,300,000)	5,300,000	-	-	-	-
Interest income - sales type lease	-	1,588,307	-	-	-	1,588,307
Interest expense - sales type lease	-	(1,588,307)	-	-	-	(1,588,307)
Writeoff intercompany balances	-	-	-	-	-	-
Writeoff investments in commercial properties	-	-	-	-	-	-
Reserve on sponsor loans and advances	-	-	-	-	-	-
Grants received (distributed) for real estate development	2,387,880	(55,305)	-	-	-	2,332,575
Entity expense	-	-	(162,310)	-	88,910	(73,400)
Other non-operating expense	-	(94,103)	-	-	-	(94,103)
Total other revenue (expenses)	2,537,880	5,150,593	(162,310)	(3,165,353)	88,910	4,449,719
Change in net assets before depreciation and amortization	2,199,843	6,025,951	2,539,380	(3,044,173)	(1,013,225)	6,707,777
Depreciation and amortization	(79,282)	-	(3,004,967)	(304,452)	390,745	(2,997,956)
Change in net assets	2,120,561	6,025,951	(465,587)	(3,348,625)	(622,480)	3,709,821
Net assets, beginning of year	14,788,570	17,797,567	13,034,770	2,616,427	(27,690,528)	20,546,806
Assignment of LP interest from non-controlling interests to MPDC	-	-	-	-	(1,272,938)	(1,272,938)
Capital contributions	-	-	9,969,634	-	-	9,969,634
Capital distributions	-	-	(181,295)	-	177,243	(4,052)
Net assets, end of year	$ 16,909,131	$ 23,823,518	$ 22,357,522	$ (732,198)	$ (29,408,702)	$ 32,949,271

Madison Park Development Corporation and Affiliates

Consolidated Statement of Activities with Consolidating Information
Year Ended December 31, 2013

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Changes in net assets, attributable to MPDC						
Changes in unrestricted net assets						
Unrestricted net assets, beginning of year	$ 11,950,747	$ 17,797,567	$ 2,577,970	$ 2,616,427	$ (28,472,297)	$ 6,470,414
Operating (loss) income	(936,973)	875,359	3,185,117	121,180	(1,102,135)	2,142,548
Depreciation and amortization	(79,282)	-	(3,004,967)	(304,452)	390,745	(2,997,956)
Non-operating income(expense)	2,537,880	5,150,593	(162,310)	(3,165,353)	(958,035)	3,402,774
Capital contributions	-	-	-	-	-	-
Capital distributions	-	-	(177,243)	-	177,243	-
Assignment of LP interest from non-controlling interests to MPDC	-	-	-	-	(1,272,938)	(1,272,938)
Net assets released from restrictions	1,121,936	-	-	-	-	1,121,936
Unrestricted net assets, end of year	14,594,308	23,823,518	2,418,567	(732,198)	(31,237,417)	8,866,779
Changes in temporarily restricted net assets						
Temporarily restricted net asets, beginning of year	473,227	-	-	-	-	473,227
Temporarily restricted grants	498,936	-	-	-	-	498,936
Net assets released from restrictions	(721,936)	-	-	-	-	(721,936)
Temporarily restricted net assets, end of year	250,227	-	-	-	-	250,227
Changes in permanently restricted net assets						
Permanently restricted net assets, beginning of year	2,364,596	-	-	-	-	2,364,596
Permanently restricted grants	100,000	-	-	-	-	100,000
Net assets released from restrictions	(400,000)	-	-	-	-	(400,000)
Permanently restricted net assets, end of year	2,064,596	-	-	-	-	2,064,596
Changes in net assets, attributable to MPDC, end of year	16,909,131	23,823,518	2,418,567	(732,198)	(31,237,417)	11,181,602
Changes in net assets attributable to non-controlling interests in residential and commercial properties:						
Unrestricted net assets, beginning of year	-	-	10,456,800	-	781,769	11,238,569
Non-controlling interest in income (losses) of consolidated affiliates	-	-	(483,427)	-	1,046,945	563,518
Capital contributions	-	-	9,969,634	-		9,969,634
Capital distributions	-	-	(4,052)	-		(4,052)
Unrestricted net assets of non-controlling interests in residential and commercial properties, end of year	-	-	19,938,955	-	1,828,714	21,767,669
Total net assets	$ 16,909,131	$ 23,823,518	$ 22,357,522	$ (732,198)	$ (29,408,702)	$ 32,949,271

See Notes to Consolidated Financial Statements.

Madison Park Development Corporation and Affiliates

Consolidated Statement of Functional Expenses with Consolidating Information
Year Ended December 31, 2014

	Programs										
	MPDC				Rental Properties						
	Real Estate Operations	Community Action	Hibernian Hall	Real Estate Development and Leasing	Residential	Commercial	Total Program Expenses	Management and General	Fundraising	Eliminations	Total
Operating expenses											
Salaries	$ 854,066	$ 383,406	$ 279,995	$ -	$ 1,217,979	$ 103,316	$ 2,838,762	$ 359,027	$ 146,685	$ -	$ 3,344,474
Payroll taxes and benefits	198,046	102,993	83,829	-	276,204	5,957	667,029	95,953	41,121	-	804,103
Total salaries, payroll taxes and benefits	1,052,112	486,399	363,824	-	1,494,183	109,273	3,505,791	454,980	187,806	-	4,148,577
Consultants	120,764	-	6,700	-	-	-	127,464	24,443	-	-	151,907
Rent and building	97,903	31,536	90,970	59,119	2,809,802	428,433	3,517,763	49,924	10,809	(201,398)	3,377,098
Program supplies	31,921	165,783	148,765	-	-	76,271	422,740	17,591	900	-	441,231
Professional fees	45,826	6,636	3,295	4,963	264,115	32,110	356,945	21,264	1,366	-	379,575
Real estate taxes and excise taxes	1,429	-	-	4,148	1,014,106	205,423	1,225,106	-	-	-	1,225,106
Office expenses	53,460	27,371	14,644	5,241	288,957	37,441	427,114	59,427	9,767	-	496,308
Management fees	-	-	-	16,625	540,024	108,641	665,290	-	-	(44,625)	620,665
Professional development	20,913	11,309	560	-	-	-	32,782	13,124	3,761	-	49,667
Resident services	-	-	-	-	263,186	-	263,186	-	-	(179,496)	83,690
Interest - operations	53,379	-	-	206,326	3,542,980	592,181	4,394,866	-	-	(1,134,183)	3,260,683
Insurance, corporate taxes and fees	19,388	2,004	6,484	39,693	379,098	37,408	484,075	4,557	684	-	489,316
Other expense	58,400	-	-	-	-	-	58,400	-	-	(58,400)	-
Total operating expenses	$ 1,555,495	$ 731,038	$ 635,242	$ 336,115	$10,596,451	$ 1,627,181	$15,481,522	$ 645,310	$ 215,093	$ (1,618,102)	$14,723,823

Madison Park Development Corporation and Affiliates

Consolidated Statement of Functional Expenses with Consolidating Information
Year Ended December 31, 2013

	Programs										
	MPDC				Rental Properties						
	Real Estate Operations	Community Action	Hibernian Hall	Real Estate Development and Leasing	Residential	Commercial	Total Program Expenses	Management and General	Fundraising	Eliminations	Total
Operating expenses											
Salaries	$ 654,217	$ 278,965	$ 341,255	$ -	$ 1,094,926	$ 109,660	$ 2,479,023	$ 312,344	$ 119,889	$ -	$ 2,911,256
Payroll taxes and benefits	155,840	79,318	93,113	-	275,554	5,096	608,920	72,248	35,815	-	716,983
Total salaries, payroll taxes and benefits	810,056	358,283	434,367	-	1,370,480	114,756	3,087,943	384,592	155,704	-	3,628,239
Consultants	23,549	-	20,915	8,119	-	-	52,583	9,857	-	-	62,440
Rent and building	81,483	27,189	108,527	11,078	2,659,996	391,100	3,279,373	15,717	9,600	(22,982)	3,281,708
Program supplies	34,587	146,879	80,291	-	-	50,534	312,291	19,256	1,455	-	333,002
Professional fees	221,379	6,900	6,708	735	336,972	34,346	607,040	52,763	2,448	-	662,251
Real estate taxes and excise taxes	11,811	-	-	5,284	969,190	215,701	1,201,987	-	-	-	1,201,987
Office expenses	51,400	28,083	34,739	90	239,399	36,162	389,872	23,969	7,854	-	421,695
Management fees	-	-	-	8,500	517,904	144,416	670,820	-	-	(75,830)	594,990
Professional development	17,556	8,878	4,075	-	-	-	30,509	11,740	1,519	-	43,768
Resident services	-	-	-	-	293,253	-	293,253	-	-	(179,496)	113,757
Interest - operations	53,229	-	-	-	3,201,286	569,747	3,824,262	-	-	(1,219,242)	2,605,020
Insurance, corporate taxes and fees	18,862	4,410	4,718	1,539	264,572	41,379	335,480	3,479	624	-	339,583
Other expense	12,500	-	-	37,500	-	-	50,000	1,557	-	-	51,557
Total operating expenses	$ 1,336,412	$ 580,621	$ 694,340	$ 72,845	$ 9,853,052	$ 1,598,143	$ 14,135,413	$ 522,931	$ 179,204	$ (1,497,550)	$ 13,339,998

See Notes to Consolidated Financial Statements.

Madison Park Development Corporation and Affiliates

Consolidated Statement of Cash Flows with Consolidating Information
Year Ended December 31, 2014

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Operating Activities Cash Flows						
Change in net assets	$ 748,004	$ 1,045,581	$ 225,500	$ (147,843)	$ (1,407,858)	$ 463,384
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
(Gain) loss on sale of assets	-	-	-	-	-	-
(Receipt) donation of sponsor loan	-	-	-	-	-	-
Loss on impairment of fixed assets	-	-	-		-	-
Depreciation and amortization of fixed assets	62,626	-	3,317,525	342,581	(776,940)	2,945,792
Writeoff of development costs	-	253,622	-	-	-	253,622
Amortization of financing and tax credit fees	2,517	17,380	211,321	-	-	231,218
Subsidy applied to mortgage principal	-	-	(321,835)	-	-	(321,835)
Interest on soft debt	-	-	403,381	-	-	403,381
Non Cash fees charged to affiliates	-	-	-	-	-	-
Other non-cash items	56,500	-	-	-	-	56,500
Changes in operating assets and liabilities:						
(Increase)/decrease in grants and contracts receivable	(86,279)	317,040	-	-	-	230,761
(Increase)/decrease in development fee and interest receivable	(532,278)	-	-	-	639,320	107,042
Decrease/(increase) in rent receivable	-	-	390,727	(15,638)	-	375,089
Decrease/(increase) in other current assets	27,445	-	73,293	13,727	-	114,465
Decrease/(increase) in notes and interest receivable	(48,769)	(866,335)	-	-	987,011	71,907
Decrease/(increase) in other long term assets	-	-	(20,001)	-	-	(20,001)
(Decrease)/increase in accounts payable	131,693	(8,644)	(25,397)	(63,457)	-	34,195
(Decrease)/increase in accrued interest	-	(38,470)	778,576	36,928	(986,767)	(209,733)
(Decrease)/increase in accrued expenses	20,232	-	50,630	(5,642)	-	65,220
(Decrease)/increase in due to/from affiliates	257,066	-	(173,017)	-	227,086	311,135
(Decrease)/increase in other current liabilities	19,100	-	16,782	(53,037)	-	(17,155)
(Decrease)/increase in other long term liabilities	-	-	3,241	(362)	-	2,879
Net cash provided by (used in) operating activities	657,857	720,174	4,930,726	107,257	(1,318,148)	5,097,866

Madison Park Development Corporation and Affiliates

Consolidated Statement of Cash Flows with Consolidating Information
Year Ended December 31, 2014

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Investing Activities Cash Flows						
Purchases of fixed assets	(151,451)	-	(532,747)	(198,296)	-	(882,494)
Sales of fixed assets	-	-	-	-	-	-
Costs incurred for property under development	(712,097)	(10,633,658)	(16,735,413)	-	832,500	(27,248,668)
Net (deposits) withdrawals from replacement reserves	-	-	(390,803)	252,037	-	(138,766)
Net (deposits) withdrawals from operating reserve & other escrows	-	-	29,993	-	-	29,993
Net (deposits) withdrawals from other restricted cash reserves	71,042	-	-	-	-	71,042
Cash paid for tax credit monitoring	-	-	(9,876)	-	-	(9,876)
Cash paid (returned) from investments in affordable housing properties	-	-	-	-	-	-
Cash paid for leasing	-	-	-	(67,657)	-	(67,657)
Deposits returned for real estate acquisition & development	-	91,584	-	-	-	91,584
Investment in fixed income securities	(728,461)	(1,026,047)	-	-	-	(1,754,508)
Net cash provided by (used in) investing activities	(1,520,967)	(11,568,121)	(17,638,846)	(13,916)	832,500	(29,909,350)
Financing Activities Cash Flows						
Proceeds from debt obligations	-	10,481,522	27,667,008	-	-	38,148,530
Repayments of debt obligations	-	-	(15,258,166)	(47,365)	441,061	(14,864,470)
Payment of financing fees	-	(52,141)	(588,549)	-	-	(640,690)
Funds disbursed for real estate development	56,513	-	-	-	251,000	307,513
Funds received from affiliates	579,188	806,568	949,866	-	(2,199,820)	135,802
Funds disbursed to affiliates	(596,204)	(626,530)	(216,395)	(8,012)	1,506,819	59,678
Capital contributions	-	-	2,744,716	-	-	2,744,716
Capital distributions	-	-	(490,701)	-	486,588	(4,113)
Net cash provided by (used in) financing activities	39,497	10,609,419	14,807,779	(55,377)	485,648	25,886,966
Net Increase (Decrease) in Cash	(823,613)	(238,528)	2,099,659	37,964	-	1,075,482
Cash and Cash Equivalents, Beginning of Year	2,731,563	354,455	1,544,111	251,156	-	4,881,285
Cash and Cash Equivalents, End of Year	$ 1,907,950	$ 115,927	$ 3,643,770	$ 289,120	$ -	$ 5,956,767
Supplement Disclosure of Cash Flow Information						
Cash paid during the year for interest	$ 53,229	$ -	$ 2,056,862	$ 615,253	$ -	$ 2,725,344

Madison Park Development Corporation and Affiliates

Consolidated Statement of Cash Flows with Consolidating Information
Year Ended December 31, 2013

	Consolidating Information					
	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Operating Activities Cash Flows						
Change in net assets	$ 2,120,561	$ 6,025,951	$ (465,587)	$ (3,348,625)	$ (622,479)	$ 3,709,821
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:						
(Gain) loss on sale of assets	(5,450,000)	-	-	294,872		(5,155,128)
(Receipt) donation of sponsor loan	5,450,000	(5,450,000)	-	-	-	-
Loss on impairment of fixed assets	-			2,870,481	-	2,870,481
Depreciation and amortization of fixed assets	65,285	-	2,906,441	283,303	(390,745)	2,864,284
Writeoff of development costs	(374,364)	212,944	-	-	-	(161,420)
Amortization of financing and tax credit fees	13,997	-	98,526	21,149	-	133,672
Subsidy applied to mortgage principal	-	-	(376,170)	-	-	(376,170)
Interest on soft debt	-	-	422,406	-	-	422,406
Non Cash fees charged to affiliates	(802,394)	-	-	-	802,394	-
Changes in operating assets and liabilities:						-
(Increase)/decrease in grants and contracts receivable	(332,103)	-	-	-	-	(332,103)
(Increase)/decrease in development fee and interest receivable	2,099,070	-	-	-	(2,180,813)	(81,743)
Decrease/(increase) in rent receivable	-	-	(360,140)	17,943	-	(342,197)
Decrease/(increase) in other current assets	(31,116)	-	(43,955)	(12,590)	-	(87,661)
Decrease/(increase) in notes and interest receivable	-	-	-	-	-	-
Decrease/(increase) in other long term assets	-	-	62,147	-	-	62,147
(Decrease)/increase in accounts payable	15,882	9,646	(51,700)	36,275	13,333	23,436
(Decrease)/increase in development costs payable	-	-	-	-	-	-
(Decrease)/increase in accrued interest	-	6,317	(54,114)	89,096	17,194	58,493
(Decrease)/increase in accrued expenses	29,394	(8,325)	189,312	28,861		239,242
(Decrease)/increase in due to/from affiliates	44,462	(66,456)	192,947	-	(170,953)	-
(Decrease)/increase in other current liabilities	(2,793)	-	(5,980)	8,097	-	(676)
(Decrease)/increase in other long term liabilities	-	-	(9,188)	40	-	(9,148)
Net cash provided by (used in) operating activities	2,845,881	730,077	2,504,945	288,903	(2,532,069)	3,837,736

Madison Park Development Corporation and Affiliates

Consolidated Statement of Cash Flows with Consolidating Information
Year Ended December 31, 2013

	MPDC		Rental Properties			
	Operations	Development, Financing and Leasing	Residential	Commercial	Eliminations	Consolidated Total
Investing Activities Cash Flows						
Purchases of fixed assets	(22,613)	-	(19,390,500)	(117,269)	708,420	(18,821,962)
Costs incurred for property under development	(476,040)	(6,861,556)	(2,920,633)	-	2,115,000	(8,143,229)
Net (deposits) withdrawals from replacement reserves	-	-	(499,015)	(19,768)	-	(518,783)
Net (deposits) withdrawals from operating reserve & other escrows	-	-	(1,387,134)	-	-	(1,387,134)
Net (deposits) withdrawals from other restricted cash reserves	110,045	-	-	-	-	110,045
Cash paid for tax credit monitoring	-	-	(65,256)	-	-	(65,256)
Repayments of notes receivable	-	295,955	-	-	-	295,955
Funds disbursed for real estate development	(307,513)	(2,273,399)	-	-	35,599	(2,545,313)
Cash returned from investments in affordable housing properties	160,685	-	-	-	-	160,685
Deposits paid for real estate acquisition & development	-	(91,584)	-	-	-	(91,584)
Redemption of certificates of deposit	999,996	-	-	-	-	999,996
Investment in fixed income securities	(1,829,705)	(748,278)	-	-	-	(2,577,983)
Investment in property renovations	(211,101)	-	-	-	-	(211,101)
Net cash provided by (used in) investing activities	(1,576,246)	(9,678,862)	(24,262,538)	(137,037)	2,859,019	(32,795,664)
Financing Activities Cash Flows						
Proceeds from sale of net assets	-	-	-	-		-
Proceeds from debt obligations	-	8,363,793	20,650,000	-	(2,597,400)	26,416,393
Repayments of debt obligations	(1,200,000)	-	(9,221,317)	(44,028)	-	(10,465,345)
Payment of financing fees	-	-	(297,079)	-	(123,605)	(420,684)
Funds received from affiliates	766,781	843,641	-		(1,610,422)	-
Funds disbursed to affiliates	(3,274,616)	-	(719,861)	(10,000)	4,004,477	-
Capital contributions	-	-	9,969,634	-	-	9,969,634
Capital distributions	-	-	(181,295)	-	-	(181,295)
Net cash provided by (used in) financing activities	(3,707,835)	9,207,434	20,200,082	(54,028)	(326,950)	25,318,703
Net increase (decrease) in cash and cash equivalents	(2,438,200)	258,649	(1,557,511)	97,838	-	(3,639,224)
Cash and Cash Equivalents, Beginning of Year	5,182,431	95,806	3,101,622	140,650	-	8,520,509
Cash and Cash Equivalents, End of Year	$ 2,744,231	$ 354,455	$ 1,544,111	$ 238,488	$ -	$ 4,881,285
Supplement Disclosure of Cash Flow Information						
Cash paid during the year for interest	$ 53,229	$ -	$ 1,210,560	$ 508,759	$ -	$ 1,772,548

Summary of significant non-cash investing and financing activity:

For the years ended December 31, 2014 and 2013, certain residential properties received mortgage subsidies totaling $570,180 and $387,726, respectively. The subsidies were applied directly to principal payments of $321,835 and $237,917 and interest payments of $248,345 and $149,809, respectively, on outstanding mortgage debt.

As of December 31, 2014, building and improvement additions of $1,310,000 were included in development costs payable of $655,674 and due to affiliate of $654,326 on the consolidated balance sheet. In addition, property under development additions of $100,114 was included in development costs payable totaling $41,714 and due to affiliates totaling $58,400 on the consolidated balance sheet.

As of December 31, 2013, fixed asset additions of $49,250 were included in accounts payable, and fixed asset additions of $1,468,767 were included in development costs payable on the consolidated balance sheet.

See Notes to Consolidated Financial Statements.

Note 1 - Nature of operations

The following is a description of the nature of operations of Madison Park Development Corporation ("MPDC") and Affiliates (the "Company").

MPDC is a Massachusetts not-for-profit organization located in Roxbury, MA, that is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code ("IRC"). MPDC's overall mission is to foster the social, physical, economic and cultural renaissance of the Roxbury community by promoting the economic self-sufficiency and social well-being of low and moderate-income residents and advocating for an equitable share of private and public resources. MPDC also takes a leadership role in community based initiatives that strive to promote cultural economic development in Roxbury.

Since 1966, the Company has created what has been hailed as a model for resident-led community development. MPDC has developed over 1,200 units of affordable rental housing and 457 affordable homeownership units, with approximately 457 additional rental units under development. MPDC also owns four commercial properties with over 83,000 square feet with another 60,600 square feet building under development. MPDC's program efforts have resulted in increased job opportunities in the area, the development of a capacity for successful non-partisan voter engagement, the implementation of youth programs that have allowed young people to develop leadership skills and attend college and the development of community arts programs that celebrate Roxbury's diverse culture.

The Company is organized into the following programs:

MPDC - operations

Real estate operations

The Real Estate Operations Program includes the Company's asset management business which oversees the operations of all residential and commercial rental properties, as well as its early stage development activities. The Real Estate Program accounted for approximately 10% of total program expenditures for the years ended December 31, 2014 and 2013, respectively. Exclusive of rental property operations, the Real Estate Program accounted for approximately 48% and 49% of MPDC - Operations for the years ended December 31, 2014 and 2013, respectively.

Community action

The Community Action Program, through its community organizing activities, seeks to build and sustain an active and committed leadership core for the residents of its residential properties, with a focus on local youth and other stakeholders in the community. The Community Action Program accounted for approximately 5% and 4% of total program expenditures for the years ended December 31, 2014 and 2013, respectively. Exclusive of rental property operations, the Community Action Program accounted for approximately 22% of MPDC - Operations for the years ended December 31, 2014 and 2013, respectively.

Note 1 - Nature of operations - continued

Arts Ventures

The Arts Ventures Program promotes, produces and presents performing arts programs that celebrate the multi-cultural heritage of Roxbury in our grand ballroom and theatre at Hibernian Hall. In addition, Hibernian Hall is rented for various celebratory and cultural functions. Arts Ventures' programming accounted for approximately 4% and 5% of total program expenditures for the years ended December 31, 2014 and 2013, respectively. Exclusive of rental property operations, Arts Ventures accounted for 19% and 26% of MPDC - Operations for the years ended December 31, 2014 and 2013, respectively.

Real estate development, financing and leasing

The Real Estate Development, Financing and Leasing Program accounted for approximately 2% and 1% of total program expenditures for the years ended December 31, 2014 and 2013, respectively. Exclusive of rental property operations, the Real Estate Development and Leasing Program accounted for approximately 10% and 3% of MPDC - Operations for the years ended December 31, 2014 and 2013, respectively. The Company accomplishes its real estate development, financing, and leasing objectives through several wholly owned subsidiaries within this program.

Development

MPDC has a number of active and planned real estate development projects. These projects include the construction of new affordable units whose buildings also contain retail space, the construction of commercial facilities, and the undertaking of major renovation projects at certain of the Company's fully operational rental properties. See Note 8.

Financing

MPDC holds two sponsor notes due from two of its residential properties that earn interest on a monthly basis and are paid from net surplus cash on an annual basis. The income earned on these notes is held in both cash and highly liquid fixed income securities. See footnotes 4 and 6.

Leasing

MPDC leases two student dormitories containing 125 student apartments to Northeastern University ("NU") pursuant to a 30-year sales type lease agreement. Lease payments are structured to provide funds equal to the amounts required to amortize two mortgages payable to MassHousing (see Note 10) and accordingly are paid by NU directly to MassHousing. At the end of the lease term, NU has the option to purchase the property for $1 plus transaction costs incurred. See Note 10.

Note 1 - Nature of operations - continued

Rental properties

The Rental Properties Operations Program accounted for approximately 79% and 81% of total program expenditures for the years ended December 31, 2014 and 2013, respectively, and consists of the following:

Residential properties

Madison Park Village, MPDC's largest multi-family housing development, includes five properties; Smith House, Haynes House, Madison Park III Townhomes, Madison Park IV Townhomes and Beryl Gardens that together provide 546 units of affordable rental housing in Roxbury. The Ruggles Shawmut property supports another 43 units of multi-family housing located in Roxbury. During 2013, MPDC purchased St. Botolph Terrace, a 52 unit fully operational affordable rental housing complex located in South Boston. Dudley Greenville commenced construction in December of 2012 and was completed in the summer of 2014. The property is located in Roxbury and is comprised of 12 townhouses and 31 apartments that were fully occupied by the end of August of 2014. MPDC or one of its consolidated affiliates serves as the general partner, managing member and/or limited partner of each of the entities that own these residential properties.

MPDC has interests in several other housing properties in partnership with unrelated non-profit and for profit developers. Interfaith Apartments, a 69-unit apartment complex, was acquired and renovated in partnership with Haley House in the South End of Boston. Orchard Gardens was developed in partnership with Trinity Financial and provides 331 units of multi-family housing in Roxbury. The School House properties were acquired and rehabilitated in partnership with EA Fish Associates and consist of four buildings that contain 128 units of rental housing located in Roxbury and Dorchester, which are owned by two separate limited partnerships. Interfaith Apartments, Orchard Gardens and the School House properties are not included in these consolidated financial statements because MPDC is not deemed to have a controlling interest over these properties. See Note 7.

Commercial properties

MPDC owns and oversees the operations of 2201 Washington Street, a former retail and textile factory building located in Roxbury's Dudley Square business district. The three story structure contains 52,000 gross square feet of commercial space.

MPDC renovated the historic Hibernian Hall in Roxbury and oversees the operations of the building. This four-story building, located at 184 Dudley Street, features a two story grand ballroom, office and retail space totaling 27,000 gross square feet of commercial space.

MPDC also owns a small community building with 2,700 gross square feet in Roxbury that serves as home to our public internet center and after school and summer care programs. Dudley Greenville's residential buildings include an additional 2,715 square feet of commercial space.

Note 2 - Summary of significant accounting policies

Basis of consolidation

It is the Company's policy to consolidate all of its wholly owned subsidiaries as well as those entities that are controlled by the Company.

The accompanying consolidated financial statements of the Company include the accounts of the following entities:

MPDC

MPDC includes its wholly owned subsidiaries comprised of not-for-profit organizations, corporations and limited liability companies. These entities together are responsible for carrying out the Company's real estate development and asset management mission as well as the Community Action and Arts Ventures Programs.

Residential properties

MPDC operates multifamily housing developments through eight limited liability companies or limited partnerships that are controlled by MPDC or one of its affiliates through its role as general partner, managing member and/or limited partner. The entities that hold and operate these residential properties are Ruggles Shawmut Housing LLC, Smith House II Limited Partnership, Madison Park III Associates Limited Partnership, Beryl Gardens Limited Partnership, Haynes House Associates II Limited Partnership, Madison Park IV 2011 Limited Partnership, Madison Botolph Limited Partnership (MBPL), Madison Botolph II Limited Partnership (MBII LP) and Dudley Greenville LLC. MBLP sold its land and buildings to MBII LP in 2014 and was liquidated at the end of 2014. Dudley Greenville LLC commenced operations during 2014.

Commercial properties

The Company wholly owns three commercial properties. The first is Hibernian Hall, which has commercial office space and is home to a number of small businesses. In addition, it holds MPDC's two story grand ballroom used principally by its Art Ventures Program. The second is a commercial property located at 2201 Washington Street. MPDC also owns a community building located at 40 Raynor Street and controls, through its .01% general partner interest, commercial space located on the first floor of one of Dudley Greenville's residential buildings.

The consolidated financial statements include the assets, liabilities, net assets and financial activities of the entities described above. The interest owned by the unaffiliated members or limited partners is referred to in the accompanying consolidated financial statements as the non-controlling interests and represents various investor limited partners' and members' proportionate share of equity and net results from operations. Except as otherwise specified in the partnership and operating agreements, all items of income, expense, gain, loss, tax credits, tax preferences and cash are allocated to the partners based upon their ownership percentage.

All material intercompany transactions and accounts have been eliminated in consolidation.

Note 2 - Summary of significant accounting policies - continued

The consolidated statements of activities report all changes in net assets, including changes in unrestricted net assets from operating and non-operating activities. Operating revenues consist of those monies received and other contributions attributable to the Company's ongoing efforts. Grants received for housing development projects are reported as non-operating revenue because the related assets are managed for the long-term purpose of the Company's activities. Non-operating revenue (expenses) relate primarily to housing development projects which are classified as other revenue (expenses) as the housing development projects are managed for the long-term purpose of the Company's activities.

Method of accounting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP").

Use of estimates

In preparing the Company's consolidated financial statements in conformity with GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Company considers all unrestricted highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company maintains its cash and cash equivalents in financial institutions located in Massachusetts.

Investments

Investments are comprised of mutual funds and corporate bonds which are recorded at fair value.

Revenue recognition

The Company recognizes revenue as follows:

Contributions - Contributions are recognized when the donor makes a promise to give, that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met and the promises become unconditional. Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants - Grants, including capital grants, are recorded as revenue in the period to which the grant relates as specified by the grantor.

Note 2 - Summary of significant accounting policies - continued

Rental income and interest subsidy, rental - Rental income is recognized as rents are earned. Rental payments received in advance are deferred. MPDC and its affiliates derive substantially all of its revenues from its rental activity in Boston, Massachusetts.

Development fees - The Company recognizes development fee revenue as earned and as defined by contract.

Property held for development and/or sale - The Company recognizes revenue from property held for development and/or sale as the properties are sold.

Partnership distributions and management fees - The Company recognizes partnership distributions when received. Asset and incentive management fees and property management fee revenue are recognized as earned or as services are performed.

Program and contract revenue - Program and contract revenue is earned and recognized by the Company when services are provided and billed.

Interest income sales type lease - The Company recognized revenue from interest on sales type lease when earned in accordance with the agreement.

Accounts, fees and notes receivable

The Company carries all of its accounts and fees receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its accounts and fees receivable and establishes an allowance for doubtful accounts based on a history of past write-offs, collections and current credit conditions. Accounts and fees receivable are written off upon notification by the governmental and/or non-profit entity, tenant move-out or eviction, or when otherwise deemed uncollectible. MPDC affiliates who own residential or commercial property have a policy to collect security deposits of up to one month's rent from tenants. The security deposits can be used to pay for damages caused by the tenant or used against unpaid receivables.

Notes receivable and accrued interest are recorded at their estimated net realizable value. On a periodic basis, the Company evaluates its notes receivable and estimates collectability based on a history of past write-offs and collections, cash flow analysis and current credit conditions. Interest accrues in accordance with the agreements. The Company has no policies requiring collateral or other security.

The Company does not have a policy to accrue interest on accounts and fees receivable or to require collateral for accounts receivable.

Fixed assets and depreciation

Land, land improvements, buildings, building improvements, furniture and equipment and leasehold improvements are stated at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities, are capitalized while

Note 2 - Summary of significant accounting policies - continued

expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statements of activities.

The Company computes depreciation using the straight-line method over the following estimated lives:

Land improvements	40 years
Buildings	10 - 40 years
Building improvements	40 years
Furniture and equipment	5 - 10 years
Leasehold improvements	5 years

The Company reviews its investments 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 (Note 7).

Property under development and/or held for sale

Property under development and/or held for sale is recorded on the cost method. Costs associated with the acquisition, development and construction of property including property taxes, interest and insurance, are capitalized as a cost of the property. Property under development and/or held for sale consists of costs to develop affordable home-ownership or rental units in buildings that may also include retail or commercial space located in Massachusetts. Property under development and/or for sale is written off when deemed uncollectible.

Financing and subsidy fees and amortization

Financing and subsidy fees are amortized over the terms of each loan using the straight-line method which approximates the effective interest method. Amortization expense was $227,733 and $164,420 and accumulated amortization was $372,047 and $456,703 for the years ended December 31, 2014 and 2013, respectively.

Note 2 - Summary of significant accounting policies - continued

Estimated future amortization expense for intangible assets owned at December 31, 2014 is as follows:

December 31,	2015	$	172,301
	2016		148,941
	2017		91,057
	2018		81,043
	2019		81,541

The Company reviews its unamortized costs for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by using a variety of methodologies to determine the fair value of intangible assets including undiscounted cash flow models. No impairment losses were recognized in 2014 or 2013.

Fair value measurements

GAAP defines fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Additionally, the inputs used to measure fair value are prioritized based on a three-level hierarchy. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels used to measure fair value are as follows:

Level 1: Quoted prices for identical instruments traded in active markets.

Level 2: Observable inputs other than quoted prices included in Level 1. Assets and liabilities included in this level are valued using quoted prices for similar assets and liabilities in active markets or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Recurring measurements

In accordance with GAAP, certain assets and liabilities are required to be recorded at fair value on a recurring basis. The Company's assets that are adjusted to fair value on a recurring basis are investments in marketable money market funds classified as trading. The Company currently has no liabilities that are adjusted to fair value on a recurring basis.

Note 2 - Summary of significant accounting policies - continued

The fair value of the investment in corporate bonds using quoted market prices from daily exchange traded markets were based on the closing price as of the statement of financial position date and were classified as Level 1.

The following table presents the fair value hierarchy for financial and non-financial assets (corporate bonds & mutual funds) measured at fair value on a recurring basis as of December 31, 2014 and 2013:

	Level 1	Level 2	Level 3	Total
2014	$ 4,146,142	$ -	$ -	$ 4,146,142
2013	2,577,983	-	-	2,577,983

Nonrecurring measurements

The Company determines the fair values of its financial assets and liabilities, as well as nonfinancial assets and liabilities that are recognized or disclosed at fair value on a nonrecurring basis, based on the fair value hierarchy established in accordance with GAAP. There were no nonrecurring measurements during 2014. The following table presents the acquisition of St. Botolph Terrace, which was measured at fair value during the year ended December 31, 2013:

	Level 1	Level 2	Level 3	Total
Land	$ -	$ -	$ 4,712,500	$ 4,712,500
Buildings	-	-	14,137,500	14,137,500

The acquisition of St. Botolph Terrace by MBLP is classified within level 3 of the fair value hierarchy. The land and building are measured at fair value as of May 15, 2013 based upon a third party appraisal. The appraisal valued land using comparable land sale and valued the building using a reconciled value of the sales approach and the income approach. The Company had no assets or liabilities that were recognized or disclosed at fair value on a recurring basis under the above fair value hierarchy as of December 31, 2014. The Company's policy is to recognize transfers in and out of levels as of the actual date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the years ended December 31, 2014 and 2013.

Investments in partnerships and companies

Investments in partnerships and companies with unrelated third parties are accounted for under the equity method. The Company does not have a controlling interest in these investments. Accordingly, investments are recorded at acquisition costs plus the Company's equity in the undistributed earnings of income and losses of the entities.

Note 2 - Summary of significant accounting policies - continued

Net assets

The Company's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated statements of financial position present three classes of net assets (unrestricted, temporarily restricted and permanently restricted) and the consolidated statements of activities display the amounts of change in each of those classes of net assets.

Unrestricted net assets attributable to MPDC - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets attributable to MPDC consist of assets and contributions available for the support of operations that are attributable to the Company.

Unrestricted net assets attributable to non-controlling interests - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets attributable to non-controlling interests consist of assets and contributions available for the support of operations of residential properties that are attributable to the ownership interests of third party investors in those properties.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Company and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions. Restricted contributions and investment income whose restrictions are met in the same reporting period are recorded as temporarily restricted income and as net assets released from restrictions.

Permanently restricted net assets - Net assets that are subject to donor-imposed restrictions that require that they be maintained permanently. Generally, the donors of these assets permit the Company to use all or part of the income earned on any related investments for general or specific purposes.

Income taxes

MPDC and certain subsidiaries; Madison Park Economic Development Corporation, Madison Park Housing Corporation and Lower Roxbury Community Corporation ("LRCC") qualify as organizations formed for charitable purposes under Section 501(c)(3) of the IRC and therefore are not subject to income tax and are not private foundations under Section 509(a)(1). Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the years ended December 31, 2014 and 2013, there was no unrelated business income.

Additional subsidiaries or affiliates of MPDC, namely, Madison Davenport, Inc., Lower Roxbury Management Corporation, Madison Botolph GP LLC, Madison Park IV GP LLC, Haynes II, Inc., Beryl Gardens, Inc., Beryl Gardens Cooperative Corporation, Smith II, Inc.,

Note 2 - Summary of significant accounting policies - continued

Dudley Greenville MM LLC, and Madison Ruggles Shawmut, Inc., are Subchapter C corporations or LLCs that have elected to be taxed as a corporation, that are subject to taxation at the federal and state levels. Deferred taxes are computed based on the difference between the financial statements and income tax bases of assets and liabilities using enacted marginal tax rates. As of December 31, 2014 and 2013, the tax expense, deferred taxes and valuation allowances were immaterial.

Beryl Gardens Limited Partnership, Haynes House Associates II Limited Partnership, Madison Park III Associates Limited Partnership, MPIV 2011 Limited Partnership, MBLP, MBII LP and Smith House II Limited Partnership are partnerships and all taxable income and losses are allocated to the partners. Dudley Greenville LLC and Ruggles Shawmut Housing LLC are limited liability companies and all taxable income and losses are allocated to the members. Madison Bard LLC, School House LLC, Madison Tropical LLC, Madison Tropical Market LLC, Madison Williams LLC, Madison Gateway LLC, P10 Development Services LLC and 2451 Washington LLC are limited liability companies and all taxable income and losses are allocated to MPDC as the sole member. Madison Washington II LLC is a limited liability company and all taxable income and losses are allocated to Lower Roxbury Community Corporation as the sole member. Madison Hibernian Hall LLC is a limited liability company and all taxable income and losses are allocated to Madison Park Economic Development Corporation as the sole member. No provision or benefit for income taxes has been included in these financial statements for any of these entities since the limited liability companies' net taxable profit or loss is passed through to the individual members and the partnerships' income or the loss is passed through to its partners.

The provisions of GAAP require that a tax position be recognized or derecognized based upon a more likely than not threshold. This applies to tax positions taken or expected to be taken in the tax returns of all entities included in the Company's consolidated group. The Company regularly assesses the potential settlement outcomes resulting from income tax examinations. The implementation of these provisions has no impact on the Company's consolidated financial statements as the Company believes that its consolidated financial statements do not include any uncertain tax positions.

Generally, the above information or tax returns remain open for federal income tax examination for three years from the filing date. No notices have been received from either the Internal Revenue Service or Commonwealth of Massachusetts addressing any subsequent year.

Functional expenses

The cost of the Company's programs and other activities are summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Directly identifiable expenses are charged to programs and supporting services or to the operations of the housing or commercial properties to which they relate.

Note 2 - Summary of significant accounting policies - continued

Expenses related to more than one function are allocated to programs and supporting services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Company.

Payroll and related expenses are allocated to functions based on actual time charges. Occupancy costs are allocated to each functional area based upon payroll dollars incurred.

Distributions

The payment of any compensation or distributions of income or other assets to any of the officers, directors or partners of each of the Company's residential or commercial partnerships must generally be approved by the properties' lenders and be in accordance with the entities' regulatory agreements. Distributions may be made from funds available for distributions, as defined by the regulations and the properties' operating agreements. During the years ended December 31, 2014 and 2013, distributions of $4,113 and $4,052, respectively, were made to the investor limited partners of one of the residential properties.

Reclassification

Certain amounts in the prior year's consolidated financial statements have been reclassified to conform to the current year's presentation.

Note 3 - Cash and restricted cash

Cash

The Company and its subsidiaries maintain its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. Management believes it is not exposed to any significant credit risk on its cash, cash equivalents and other deposits at December 31, 2014 and 2013.

Note 3 - Cash and restricted cash - continued

Restricted cash

The Company and its subsidiaries maintain specific escrow and reserve accounts as follows:

	December 31, 2014				
Description	MPDC-Operations	Development	Residential	Commercial	Total
Current					
Scholarship funds	$ 24,000	$ -	$ -	$ -	$ 24,000
Property operating reserve	-	-	1,924,553	109,705	2,034,258
Other current restricted	15,673	-	-	-	15,673
Total current restricted cash	$ 39,673	$ -	$ 1,924,553	$ 109,705	$ 2,073,931
Long-term					
Scholarship funds	$ 224,336	$ -	$ -	$ -	$ 224,336
Notes payable cash	228,048	-	-	-	228,048
Mortgage cash collateral	346,199	-	-	-	346,199
Tenant security deposit	-	-	267,613	5,882	273,495
Property reserves	-	-	3,333,663	147,396	3,481,059
Total long-term restricted cash	$ 798,583	$ -	$ 3,601,276	$ 153,278	$ 4,553,137

	December 31, 2013				
Description	MPDC-Operations	Development	Residential	Commercial	Total
Current					
Scholarship funds	$ 24,000	$ -	$ -	$ -	$ 24,000
Property operating reserve	-	-	2,041,869	109,705	2,151,574
Other current restricted	26,074	-	-	-	26,074
Total current restricted cash	$ 50,074	$ -	$ 2,041,869	$ 109,705	$ 2,201,648
Long-term					
Scholarship funds	$ 248,946	$ -	$ -	$ -	$ 248,946
Notes payable cash	229,253	-	-	-	229,253
Mortgage cash collateral	346,025	-	-	-	346,025
Tenant security deposit	-	-	250,964	5,913	256,877
Property reserves	-	-	2,901,472	399,402	3,300,874
Other reserves	35,000	-	-	-	35,000
Total long-term restricted cash	$ 859,224	$ -	$ 3,152,436	$ 405,315	$ 4,416,975

Scholarship Funds - Scholarship Funds provided by the Ralph Smith and Danette Jones scholarship programs are restricted for students attending college. The Ralph Smith fund which totaled $248,336 and $272,946 at December 31, 2014 and 2013, respectively, may distribute only 5% of the scholarship fund per year.

Note 3 - Cash and restricted cash - continued

Cash Collateral Accounts - Cash collateral accounts are maintained as required under specific loan agreements and are to be used to secure repayment of outstanding loan balances. Funds can only be withdrawn with approval from the appropriate lender.

Property Reserves - In accordance with various loan covenants, the entities operating the commercial buildings and residential complexes have specific escrow and reserve accounts. Periodic payments are required to be made to these accounts. The funds are generally held by financial institutions and can only be drawn upon with permission of, or in accordance with, the terms of the lenders and regulatory agencies.

Note 4 - Investments

During the years ended December 31, 2014 and 2013, the Company provided funds to a third party investment manager to invest in highly conservative fixed income securities. Of the total funds provided as of December 31, 2014, $2,854,854 was invested in corporate bonds, $1,291,288 was invested in mutual funds and $186,349 was held in a cash accounts awaiting investment. Of the total funds provided as of December 31, 2013, $2,247,175 was invested in corporate bonds and $330,808 was invested in mutual funds. The investments earn interest at rates ranging from 1.00% to 5.25% and have maturity dates ranging from June 15, 2015 through September 9, 2024. Fixed income securities are stated at fair value using quoted prices in active markets for identical assets (Level 1 measurements). Fair value approximates the purchase price as of December 31, 2014 and 2013.

Note 5 - Development fees

In consideration for services provided by MPDC with respect to various real estate entities, MPDC receives development fees. As of December 31, 2014 and 2013, MPDC earned $44,417 and $81,743, respectively, in development fees from an unrelated third party but had no development fees receivable from non-consolidated projects. During 2014, MPDC earned $1,756,614 in fees from consolidated projects and had $1,792,295 in development fees receivable, net of a reserve of $58,400, all of which was eliminated in consolidation. During 2013, MPDC earned $836,000 in fees from consolidated projects and had $1,178,274 in development fees receivable, both of which were eliminated in consolidation.

Note 6 - Notes receivable

During 2013, MPDC received grant funding from the federal office of Health and Human Services (HHS), MassDevelopment and MassWorks totaling $788,673, $270,090 and $992,925, respectively. As stipulated in each grant agreement, the funds were loaned to Tropical Foods International, through its New Markets Tax Credit structure, to fund pre-development costs of a new grocery store and site infrastructure costs (Note 8).

The notes receivable are repayable beginning in January 2021 in monthly installments based on a 285 month amortization schedule. The notes mature in full no later than September of 2044. The MassDevelopment funds and the MassWorks funds were loaned under one note agreement. The notes bear interest at 3.818% but are payable in monthly installments of only $883.37 per month which commenced in January of 2014. The balance

Note 6 - Notes receivable - continued

of the interest due shall accrue and be added to principal. Monthly payments of principal and interest based on a 285 month amortization schedule will commence in January of 2021. The note matures in full no later than September of 2044. Accrued interest totaled $38,471 at December 31, 2014. The Loan made with funds from Health and Human Services bears no interest.

Note 7 - Investments in partnerships and companies

Investments in residential properties

MPDC has general partnership interests in all of its residential properties as well as the limited partnership interests in the five out of eight of the residential properties that are controlled and therefore consolidated.

Madison Park IV Townhomes

On April 4, 2012, all of the real property owned by New Madison Park IV, LP was sold to a newly formed limited partnership affiliated with MPDC, MPIV 2011 Limited Partnership (MPIV 2011), for $32,575,000. The newly formed Limited Partnership's .01% GP interest is owned by a subsidiary of MPDC and the 99.99% limited partnership interest was acquired by an unaffiliated investor. In connection with this transaction, total equity contributions of approximately $13,838,000 were received to fund both the acquisition and subsequent renovation of the property. New Madison Park IV, LP provided a seller note from MPIV 2011 totaling $16,944,250 for a portion of the sales price, incurred closing costs of approximately $816,000 and received cash of approximately $1,797,000 at closing. The proceeds of the loan were used to satisfy the property's existing first mortgage note and a gain of approximately $21,234,000 was recorded on the sale. The sponsor loan and gain have been eliminated in consolidation.

Following the sale of the property, MPIV 2011 undertook a major renovation project, incurring additional renovation costs of $19,205,000. The project was funded with construction debt of $26,500,000, $6,131,151 of equity from the sale of low income housing tax credits to the third party investor, and operating funds of $2,121,000 which funded interest payments.

The construction debt was converted to an $18,500,000 permanent first mortgage financing during 2013 and equity proceeds were used to repay the remaining balance on the construction loan.

St. Botolph Terrace Apartments

On September 28, 2012, MPDC entered into a purchase and sale agreement to acquire St. Botolph Terrace Apartments containing 52 units of affordable rental housing located in the South End of Boston. The property had an existing Section 8 Housing Assistance Payment contract with HUD. MPDC had been designated by Mass Department of Housing and Community Development (DHCD) to purchase the building under MGL Chapter 40T, an act preserving publicly assisted affordable housing. During 2013, MPDC sold its rights to acquire the building to a newly formed subsidiary, MBLP,

Note 7 - Investments in partnerships and companies - continued

for $5,450,000 and executed a note payable to MPDC for payment of the amount due. The note and interest income and expense are eliminated in consolidation.

On May 15, 2013, MBLP acquired all of the real estate, personal property and related assets of St. Botolph Terrace for $13,400,000. The acquisition was financed with a $10,600,000 first mortgage from Eastern Bank and a $3,000,000 second mortgage from CEDAC (see Note 11). In addition, debt financing costs of $117,419 were incurred, the replacement reserve was funded with an initial deposit of $46,800 and $31,312 in remaining cash was deposited into the Company's operating account. MPDC agreed to guarantee repayment of up to $1,000,000 of the first mortgage loan due and the repayment of the second mortgage loan.

During 2014, MBII LP was formed, admitting a .01% general partner that is affiliated with MPDC and an unrelated limited partner with a 99.99% interest. On December 24, 2014, MBII LP acquired the rental property owned by MBLP for a purchase price of $22,049,000. An appraisal was completed and used to determine the purchase price.

The acquisition and planned moderate renovation (Note 8) is financed as follows:

- $14,500,000 Construction Loan from the proceeds of the sale of tax exempt bonds by MassDevelopment to a third party lender

- $6,943,000 in equity from the sale of 4% tax credits to be issued by the Massachusetts Department of Housing and Community Development

- $4,600,000 in Bridge Loan financing from a third party lender, repayable from the equity proceeds to be received

- Seller financing provided by MPDC totaling $8,404,400, $5,450,000 of which is recorded in conjunction with the original acquisition from a third party and a second sponsor loan totaling $2,954,400 which is acknowledged for tax purposes but not for GAAP

Note 7 - Investments in partnerships and companies - continued

A summary of the flow of funds at acquisition closing in 2014 is as follows:

Sources of Financing:	
Construction loan - tax exempt bond proceeds	$ 13,231,425
Bridge loan proceeds	1,149,280
Equity	694,316
	$ 15,075,021
Uses of Financing:	
Repayment of MBLP 1st mortgage loan - Eastern	$ (10,600,000)
Repayment of MBLP 2nd mortgage loan - CEDAC	(3,000,000)
Payment of debt financing fees and other costs	(536,136)
Payment of renovation costs incurred on MBII LP's behalf	(733,547)
Funding of replacement reserves	(130,000)
Cash payment to buyer, MBII LP	(30,738)
Cash payment to seller, MBLP	(44,600)
	$ (15,075,021)

MPDC will provide a construction completion guarantee until the project achieves stabilized operations, as defined and an operating deficit guarantee which may be release after 48 months of 1.15 debt service coverage. MPDC will earn a development fee of approximately $1,500,000 for its planning and oversight of the project.

Both the selling and acquiring entities are consolidated by MPDC and as a result the sale of rental property from MPLP to MBII LP is considered to be a transaction between entities under common control. The acquired assets are therefore recorded at their respective net book values at the date of acquisition as reflected on the seller's books. The purchase price in excess of the net book value of the acquired assets is reflected as net assets transferred as a component of unrestricted net assets on the consolidated statement of changes of net assets.

Note 7 - Investments in partnerships and companies - continued

The acquisition was recorded by MBII LP as follows:

Purchase price	$ 22,049,000
Less: Related party loan recognized for tax but not GAAP	(2,954,400)
Less: The net liabilities assumed in excess of the net book value of the property acquired	(909,575)
Value of land and building recorded	$ 18,185,025

MBLP recorded a gain on the sale equal to the value of the net liabilities given up in excess of the assets transferred totaling $909,575. This transaction eliminates in consolidation.

Investments in commercial property

Real estate impairment - Hibernian Hall

Management undertook a review of the carrying value of Hibernian Hall following the third party appraisal received when the building was sold in 2013. As a result of the review, management determined that the carrying value of the building has been impaired and accordingly wrote the value of the building down and recorded an impairment loss of $2,870,481 during 2013.

Investments accounted for under the equity method

The Company has several investments in real estate affiliates with other non-profit organizations and for-profit developers which has allowed the Company to expand its investments in affordable housing. These investments are accounted for under the equity method. The following is a summary of the Company's investments:

School House Brookledge Cummins, LP and School House Kenilworth Williams, LP

School House Brookledge Cummins, LP and School House Kenilworth Williams, LP were formed with an unaffiliated for-profit real estate developer, to acquire 128 units of low income housing contained in four buildings in Boston, Massachusetts.

MPDC has loaned state historic tax credit proceeds and grant funds from the BRA to these partnerships which were used to fund rehabilitation costs at all four buildings (note 9). MPDC has made no other financial investment in these entities and MPDC's share of these entities' profits and losses is immaterial.

Interfaith Housing Developers LLC, Madison Trinity Limited Partnership and Adams Orchard Limited Partnership

The Company has a non-controlling interest in three other partnerships that collectively own and operate 400 residential units of low income housing and ground floor commercial or program spaces in Roxbury, Massachusetts. These partnerships are Interfaith Housing Developers LLC, Madison Trinity Limited Partnership and Adams Orchard Limited Partnership.

Note 7 - Investments in partnerships and companies - continued

These partnerships are accounted for on the equity method because control of the partnerships is shared. MPDC has made no financial investment in these entities and the Company's share of these entities' profits and losses is immaterial.

The following summarizes the financial condition of each entity at December 31, 2014:

	School House Kenilworth Williams LP	School House Brookledge Cummins LP	Interfaith Housing Developers, Inc	Madison Trinity LP	Adams Orchard LP
Total assets	$ 10,098,868	$ 14,569,644	$ 14,814,026	$ 14,105,792	$ 18,867,710
Total liabilities	$ 5,211,965	$ 9,995,932	$ 9,418,176	$ 32,081,431	$ 20,605,831
Equity	4,886,903	4,573,812	5,395,850	(17,975,639)	(1,738,121)
Total liabilities and equity	$ 10,098,868	$ 14,569,744	$ 14,814,026	$ 14,105,792	$ 18,867,710
Revenue	$ 924,024	$ 2,102,992	$ 2,272,894	$ 1,885,570	$ 964,136
Expense	(734,441)	(1,353,163)	(1,570,995)	(3,051,098)	(1,778,002)
Depreciation and amortization	(283,796)	(418,249)	(484,934)	(1,240,313)	(570,495)
Net income (loss)	$ (94,213)	$ 331,580	$ 216,965	$ (2,405,841)	$ (1,384,361)
MPDC's ownership %	0.015%	0.005%	0.01%	0.005%	51.00%

The following summarizes the financial condition of each entity at December 31, 2013:

	School House Kenilworth Williams LP	School House Brookledge Cummins LP	Interfaith Housing Developers, Inc	Madison Trinity LP	Adams Orchard LP
Total assets	$ 10,136,465	$ 14,261,974	$ 15,222,280	$ 15,360,470	$ 19,529,623
Total liabilities	$ 5,155,349	$ 10,019,742	$ 9,588,446	$ 30,930,268	$ 19,883,383
Equity	4,981,116	4,242,232	5,633,834	(15,569,798)	(353,760)
Total liabilities and equity	$ 10,136,465	$ 14,261,974	$ 15,222,280	$ 15,360,470	$ 19,529,623
Revenue	$ 671,728	$ 1,257,013	$ 2,239,726	$ 1,933,984	$ 966,572
Expense	(682,589)	(1,197,635)	(1,742,863)	(3,310,328)	(1,682,972)
Depreciation and amortization	(283,794)	(418,249)	(491,937)	(1,234,063)	(566,754)
Net loss	$ (294,655)	$ (358,871)	$ 4,926	$ (2,610,407)	$ (1,283,154)
MPDC's ownership %	0.015%	0.005%	0.01%	0.005%	51.00%

Note 8 - Property under development

Dudley Greenville

MPDC had a development project for the construction and rental of 43 apartments to mixed income individuals and families in Roxbury. The buildings also include 2700 square feet of commercial space. Predevelopment activities commenced in 2010, construction began in late 2012, was completed during 2014 and all units were fully occupied by the end of August, 2014. Development costs incurred totaled approximately $17,856,000 and $9,564,600 as of December 31, 2014 and 2013, respectively. The project was financed with $9,000,000 in first mortgage debt from the sale of tax exempt bonds issued by MassDevelopment, $5,904,000 in loans from state and city sources, and both state and federal low income housing tax credit proceeds totaling $8,628,000. MPDC earned a development fee of $2,120,000, $654,000 of which has been deferred and is payable from surplus operating cash, as defined. All fees are eliminated in consolidation.

Parcel 10

MPDC and Tropical Foods International, an unrelated for-profit entity, have been collaboratively designated by the Boston Redevelopment Authority ("BRA") to develop Parcel 10, a 90,000 square foot vacant site at the corner of Melnea Cass Boulevard and Washington Street in the Dudley Square area of Roxbury. The project includes the rehabilitation of the existing grocery store currently occupying an adjacent historic building into 30 residential apartments and retail space, the construction of a new grocery store to be occupied by the existing Tropical Foods super market, and a newly constructed 14,500 square foot commercial building.

The project commenced during 2011 and is expected to be completed in 2018. The original grocery store was acquired from Tropical Foods in January of 2014 with the proceeds of a first mortgage note payable to NeighborWorks Capital in the amount of $3,700,000 and $54,567 provided by MPDC, used to pay for legal and closing costs associated with the sale. The loan bears interest at 5.5% per annum and is payable in interest only payments until maturity on December 31, 2016 at which time all principal and any outstanding interest is due. Repayment of the loan is guaranteed by MPDC. The grocery store will be rented by Tropical Foods International for $20,000 per month plus payment of all operating and holding costs until their new grocery store property is ready for occupancy. The new grocery store, which was developed and is owned by an unrelated third party was completed and commenced operations in February of 2015. Project development costs for the remainder of the project totaled approximately $589,200 as of December 31, 2014 and 2013.

St. Botolph Terrace

MBII LP has commenced an $8,988,000 interior/exterior renovation of its St Botolph Terrace property. Total development costs incurred through December 31, 2014 and 2013 totaled $1,443,277 and $21,500, respectively. MPDC earned $427,500 in development fees during the year ended December 31, 2014 of the $1,710,000 in fees which are expected to be earned. All fees will eliminate in consolidation. The renovation is expected to be completed in the fall of 2015.

Note 8 - Property under development - continued

Madison Park Village - Phase 3

MPDC is planning for a substantial renovation and re-syndication of the townhomes located in the third phase of Madison Park Village. Funding is currently being procured but the project is expected to be funded with convertible construction financing from the sale of tax exempt bonds and equity coming from the sale of an allocation of low income housing tax credits. Total development costs incurred totaled $824,632 and $309,537 at December 31, 2014 and 2013, respectively.

2451 Washington Street

MPDC owns approximately 13,884 square feet of private land at 2451 Washington Street which will be the site of a newly constructed, mid-rise, mixed-income condominium building containing 37 units to be sold upon completion. During 2014, a review of project carrying costs was undertaken and management determined that of the total costs incurred, approximately $254,000 were not likely to be recovered. Predevelopment costs, including the land acquisition cost totaled $687,951 and $941,573 at December 31, 2014 and 2013, respectively.

Note 9 - Related party disclosures

As of December 31, 2014 and 2013, MPDC had certain notes and accounts receivable from affiliates and payables due to affiliates as follows:

Brookledge Cummins, LP and Kenilworth Williams, LP

In connection with the rehabilitation of 128 units of low income housing by the Schoolhouse Partnerships (see Note 7), MPDC was awarded a $1,823,593 grant from the BRA and received an allocation of State Historic Tax Credits which were sold for $450,000 in a prior year. The proceeds of these awards were loaned to the School House Partnerships as follows:

MPDC has loaned $1,367,695 of its BRA grant award to Brookledge Cummins, LP. The loan bears interest at .01%, and is secured by a mortgage on the property. The loan matures in 2048, at which time all principal and accrued interest are due. Due to the uncertainty of collection, MPDC has fully reserved the principal balance of this loan and will record the interest only if and when received.

MPDC has loaned $455,898 of its BRA grant award to Kenilworth Williams, LP. The loan bears interest at .01%, and is secured by a mortgage on the property. The loan matures in 2049, at which time all principal and accrued interest are due. Due to the uncertainty of collection, MPDC has fully reserved the principal balance of this loan and will record the interest only if and when received.

MPDC has loaned $450,000 from the proceeds of the sale of State Historic Tax Credits to Kenilworth Williams, LP. The loan bears interest at 4%, and is secured by a mortgage on the property. The loan matures in 2049, at which time all principal and accrued interest are due. Due to the uncertainty of collection, MPDC has fully reserved the principal balance of this loan and will record the interest only if and when received.

Note 9 - Related party disclosures - continued

MPDC has loaned $222,656 to Kenilworth Williams, LP. The loan bears interest at .01%, and is secured by a shared second mortgage on the property. The loan matures in June 1, 2049, at which time all principal and accrued interest are due. Due to the uncertainty of collection, MPDC has fully reserved the principal balance of this loan and will record the interest only if and when received.

Incentive and Asset Management Fees

In connection with the management of the residential and commercial properties, the limited partners are entitled to cumulative and non-cumulative asset and incentive management fees, some of which are to be paid only from available cash flows. For the years ended December 31, 2014 and 2013, $17,222 and $13,219 in fees were incurred, $16,913 and $15,719 were paid and $10,609 and $-0- remained payable, respectively, which are included in amounts due to affiliates on the consolidated statements of financial position.

Note 10 - Net investment in sales type lease and mortgage on student apartment facility

MPDC leases a student apartment facility to Northeastern University under a sales type lease with a term of thirty years. The lease provides for minimum rents in an amount sufficient to amortize the two permanent mortgages to MassHousing which total $28,503,357 and $29,597,469 as of December 31, 2014 and 2013, respectively.

Minimum future lease payments and the related debt service are as follows:

December 31,	2015	$ 1,149,173
	2016	1,207,005
	2017	1,267,747
	2018	1,331,546
	2019	1,398,556
	Thereafter	22,149,330
		$ 28,503,357

Note 11 - Debt

The following tables document the debt obligations of the Company by line of business.

	2014			2013		
Operations	Principal balance	Accrued Interest	Interest Expense	Principal balance	Accrued Interest	Interest Expense
Organizational note payable used to refinance a second mortgage note on one of the commercial properties. Cash collateral accounts totaling $273,000 secure the note. Interest only payments at 5.5% due and the note matures in May of 2016.	$ 1,000,000	$ -	$ 53,228	$ 1,000,000	$ -	$ 53,229
Total Operations	$ 1,000,000	$ -	$ 53,228	$ 1,000,000	$ -	$ 53,229
Development, Financing & Leasing						
Interim acquisition financing, bearing interest at 5.5%, maturing December of 2016. Will be repaid from the proceeds of construction financing.	$ 3,700,000	$ -	$ 206,326	$ -	$ -	$ -
Construction loans, bearing interest at Libor plus 2.75%, with interest-only payments due monthly, to be repaid with equity, permanent financing . Interest capitalized in 2013 totaled $69,865.	$ -	$ -	$ -	$ 7,798,997	$ 7,207	$ -
Permanent loans, bearing interest & fees at 5.22%, with princiapl and interest due monthly, to be repaid in full in June of 2031. Proceeds used to construct dormitories that are leased to Northeastern University who make the payments to the lender directly. MPDC has recorded a sales type lease receivable from Northeastern University that is co-terminous with the mortgage note payable.	$ 28,503,357	$ -	$ 1,533,166	$ 29,597,469	$ -	$ 1,588,307
Total Development, Financing & Leasing	$32,203,357	$ -	$1,739,492	$37,396,466	$ 7,207	$1,588,307

Note 11 - Debt - continued

	2014			2013		
Residential	Principal balance	Accrued Interest	Interest Expense	Principal balance	Accrued Interest	Interest Expense
Interim financing, bearing interest rates of between Libor+2.3% to 4.9% with principal and interest paid monthly, to be repaid in full or converted to permanent loans at various dates through 2016.	$ 15,980,705	$ -	$ 484,134	$ 15,200,000	$ 17,778	$ 257,356
Construction loans, bearing interest ranging from 0% to Libor plus 2.75%, with interest-only payments due monthly, to be repaid in full from equity totaling $5,907,966 and the remainder to be converted to permanent financing which occurred in 2015. Interest capitalized in 2013 and 2014 totaled $69,865 and $248,860, respectively.	$ 13,249,036	$ 17,150	$ 81,684	$ -	$ -	$ -
Permanent conventional loans, bearing compound interest from 1.94% to 12.6%, generally with principal and interest due monthly, to be repaid in full at various dates through 2044.	$ 24,534,356	$ 3,481,896	$ 1,542,601	$ 25,810,535	$ 3,252,287	$ 1,472,355
City agency loans, bearing interest from 1% to 7.52% generally payable annually from property net cash flow, if any, to be repaid in full at various dates through 2036.	$ 2,336,930	$ 2,160,751	$ 248,595	$ 2,427,819	$ 2,225,329	$ 248,384
State agency loans, bearing interest from 1% to 6.8%, generally payable annually from property net cash flow, if any, to be repaid in full at various dates through 2036.	$ 1,010,527	$ 1,054,938	$ 112,232	$ 973,259	$ 932,449	$ 117,693
Total Residential	$ 57,111,554	$ 6,714,735	$ 2,469,246	$ 44,411,613	$ 6,427,843	$ 2,095,788
Commercial						
Permanent conventional loans, bearing compound interest from 1.94% to 12.6%, generally with principal and interest due monthly, to be repaid in full at various dates through 2044.	$ 8,627,393	$ 178,960	$ 500,813	$ 8,674,759	$ 141,652	$ 433,545
City agency loans, bearing interest from 1% to 7.52% generally payable annually from property net cash flow, if any, to be repaid in full at various dates through 2036.	$ 300,000	$ 155,849	$ 31,817	$ 300,000	$ 118,423	$ 22,458
Total Commercial	$ 8,927,393	$ 334,809	$ 532,630	$ 8,974,759	$ 260,075	$ 456,003

	Principal balance	Accrued Interest	Interest Expense	Principal balance	Accrued Interest	Interest Expense
Total debt	$ 99,242,304	$ 7,049,546	$ 4,794,596	$ 91,782,838	$ 6,695,125	$ 4,193,327
Current portion of debt	2,747,060	163,794		2,483,406	174,787	
Long-term portion of debt	$ 96,495,244	$ 6,885,752		$ 89,299,432	$ 6,520,338	

Note 11 - Debt - continued

The following shows the maturities of debt for five years following the balance sheet date.

	2015	2016	2017	2018	2019	Thereafter	Total
Operations							
Organizational capital	$ -	$ 1,000,000	$ -	$ -	$ -	$ -	$ 1,000,000
Development, financing and leasing							
Construction	-	3,700,000	-	-	-	-	3,700,000
Permanent financing	1,149,173	1,207,005	1,267,747	1,331,546	1,398,556	22,149,330	28,503,357
Total development, financing and leasing	1,149,173	4,907,005	1,267,747	1,331,546	1,398,556	22,149,330	32,203,357
Residential properties							
Predevelopment and interim	-	1,600,000	-	-	-	14,380,705	15,980,705
Construction	-	-	-	-	-	13,249,036	13,249,036
Permanent	1,514,685	1,609,166	1,922,091	1,274,565	1,348,269	16,865,580	24,534,356
City	-	997,701	-	-	-	1,339,229	2,336,930
State	37,268	-	-	-	-	973,259	1,010,527
Total residential	1,551,953	4,206,867	1,922,091	1,274,565	1,348,269	46,807,809	57,111,554
Commercial properties							
Permanent	45,934	48,164	50,503	52,954	55,525	8,374,313	8,627,393
City	-	-	-	-	-	300,000	300,000
Total commercial	45,934	48,164	50,503	52,954	55,525	8,674,313	8,927,393
Total	$ 2,747,060	$ 10,162,036	$ 3,240,341	$ 2,659,065	$ 2,802,350	$ 77,631,452	$ 99,242,304

Residential and commercial properties

The debt obligations of the residential and commercial properties provide long term financing for each project. The assets of each property are pledged as security for their respective loans. In 2012, Madison Hibernian Hall received a $300,000 note payable to the City of Boston in exchange for a note of equal amount due to MHIC in conjunction with the unwind of a New Markets Tax Credit structure. The original note with MHIC required payments from excess cash flows only. The note payable to the City requires monthly payments of principal and interest, commencing in January of 2013. The property did not make those payments and is in technical default of the note terms. The lender has issued a waiver of the requirement to make monthly payments of interest on the note through December 31, 2014 and has begun to work with the Company to amend the terms of the note so that interest is again, only due from available cash flows, as defined.

Note 12 - Restricted net assets

The two classes of restricted net assets as disclosed in Note 2 are as follows:

Temporarily restricted net assets

Temporarily restricted net assets consist of resources available to meet future obligations, in compliance with the restrictions specified by donors. Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by the donor. During December 31, 2014 and 2013, MPDC received $2,240,046 and $498,227 in new funding and released $2,262,046 and $721,936 in temporarily restricted net assets, respectively. Temporarily restricted net assets held as of December 31, 2014 and 2013 are as follows:

Note 12 - Restricted net assets - continued

	2014	2013
Ralph D. Smith Scholarship Fund	$ 228,227	$ 250,227

Permanently restricted net assets

Permanently restricted net assets include resources invested in perpetuity with stipulations imposed by NeighborWorks America (NW). NW funds are invested in real estate development to support neighborhood revitalization. The corpus of the fund must be maintained, unless released from restriction by NW. Interest and loan service fee income is expendable to support operations. During the years ended December 31, 2014 and 2013, MPDC received $85,000 and $100,000 in new funding and released $429,919 and $400,000 in permanently restricted net assets, leaving $1,719,677 and $2,064,596 in permanently restricted net assets, respectively. As of December 31, 2014 and 2013, $-0- and $405,000 in permanently restricted assets were comprised of Capital Funding for Rehabilitation of Affordable Housing funds received from NW.

The corresponding assets for the permanently restricted net assets are:

	2014	2013
Sponsor loans and advances receivable	$ 1,697,459	$ 2,042,378
Equity investments	22,218	22,218
	$ 1,719,677	$ 2,064,596

Note 13 - Operating lease obligations

Residential properties - rental income

MPDC's affiliates own residential properties that receive assistance in the form of tenant rent subsidies from the Massachusetts Rental Voucher Program ("MRVP") and indirect federal assistance in the form of tenant rent subsidies from the U.S. Department of Housing and Urban Development ("HUD") under various programs including Section 8 of the Housing Assistance Program of the United States Housing Act, 42 U.S.C. §§ 1437 et seq. (1994 & Supp. I 1995). These programs provide housing assistance to persons with low income. The subsidies are obtained through local contract administrators including MassHousing. The rent subsidy is based upon the difference between market rents, as defined in the contract, and the amounts paid by tenants. Tenants must recertify bi-annually to determine eligibility requirements and under the Section 8 program and pay 30% of their adjusted income for rent. All leases between the affiliates and their tenants are operating leases. Contract rent increases are prohibited without prior approval of HUD and/or the contract administrator. During the year ended December 31, 2014, the affiliates derived approximately 67% of their total rental revenue from such rental assistance and

Note 13 - Operating lease obligations - continued

33% from tenant rents. During the year ended December 31, 2013, the affiliates derived approximately 66% of their total rental revenue from such rental assistance and 34% from tenant rents.

Three of MPDC's residential properties receive federal assistance from HUD under their Section 236 interest reduction subsidy program through MassHousing or from MassHousing directly under its Section 13A program. The assistance is received in the form of direct reductions of the interest and principal on the MassHousing mortgages and is passed on to the tenants in the form of reduced rents. The assistance from these programs for the years ended December 31, 2014 and 2013 was $570,180 and $697,432, respectively.

Commercial properties - lease income

The commercial properties have three to five year operating leases with their tenants. Future minimum receipts under these operating leases are as follows:

2015	$	1,506,973
2016		1,217,294
2017		28,083
2018		28,083

Note 14 - Excise taxes

Under 121A tax agreements with the Commonwealth of Massachusetts and 6A agreements with the City of Boston, two of eight residential properties that are consolidated herein are subject to an excise tax in lieu of a property tax based upon a percentage of gross income, exclusive of interest subsidies. Annual taxes are payable by March 15 of the following year to the Commonwealth of Massachusetts and April 1 to the City of Boston.

Excise tax expense totaled $713,347 and $516,851 for the years ended December 31, 2014 and 2013, respectively.

Note 15 - Commitments and contingencies

In 2009, one of the residential properties voluntarily began an asbestos abatement program to replace all of the unit's ceilings within the building. It is management's intent to abate units as they are vacated. A long-term liability of $519,180 to complete all necessary work within the building was recorded. The abatement balance remaining at December 31, 2014 and December 31, 2013 was $363,270 and $379,397, respectively.

The Company has committed to guarantee repayment of the mortgage debt due by Interfaith Housing Developers, LLC. Interfaith Housing LLC is not consolidated as MPDC does not control operations. See Note 7 for a summary financial statement. The Company has guaranteed mortgage debt of approximately $7,826,765 and $8,014,949 in 2014 and 2013, respectively. In the opinion of management, such guarantees will not have a material effect upon the financial positions of the Company.

Note 15 - Commitments and contingencies - continued

The Company has commitments to fund potential operating deficits, development deficits, replacement reserve deposits, certain incentive and other fees and tenant lease receipts. These commitments will be recorded if and when incurred by the Company.

Certain residential properties have been allocated low-income housing tax credits ("LIHTC"), which are contingent on their ability to maintain compliance with applicable sections of Section 42 of the IRC. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. The Company guarantees the delivery of such tax credits.

Through its involvement with the development of real estate in an urban setting, the properties that MPDC develops are often acquired or received with pre-existing ground soil contamination that must be remediated as a part of the normal development process. However, MPDC has historically procured funding for such cleanup costs through Mass Development, an agency that provides grant funding for brownfields remediation. One of MPDC's current residential development projects have identified ground soil contamination issues which have been studied by environmental engineers. It is estimated that it will cost approximately $500,000 to remediate. MPDC has not accrued a liability for these costs as there is no loss expected to be incurred. MPDC has received a commitment from Mass Development to fund the costs expected to be incurred.

Note 16 - Schedule of federal awards

Determination of the federal major program was made using a risk based approach. The major program tested is disclosed as such in the schedule of findings and questioned costs.

Note 17 - Current vulnerability due to certain concentrations

Certain of MPDC's affiliates' primary revenue generating assets are commercial and residential real estate located in Boston, Massachusetts. Their operations are concentrated in the multifamily housing real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD, IRS, DND and MassHousing. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by or passed through the HUD, IRS, Commonwealth of Massachusetts or the City of Boston. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Note 18 - Subsequent events

The Company has performed an evaluation of subsequent events through June 29, 2015, which is the date the Company's consolidated financial statements were available to be issued. No material subsequent events have occurred since December 31, 2014 that required recognition or disclosure in these consolidated financial statements, with the exception as follows:

On March 12, 2015, Dudley Greenville repaid the Series A bond proceeds used for construction totaling $5,907,966. The loan was repaid from equity and mortgage proceeds received. The flow of funds at closing was as follows:

Sources:	
Limited Partner Equity Proceeds	$ 4,312,367
Third Priority Mortgage Loans	
DHCD HSF	355,691
DHCD CATNHP	65,488
Fourth Priority Mortgage Loan - BCLF	1,727,310
Operations	10,962
Total Sources	$ 6,471,818
Uses:	
Series A Construction Debt	$ 5,907,966
Interest due on Series A Debt	10,962
Operating Reserves	111,647
Construction Costs	429,754
Closing Costs	11,489
Total Uses	$ 6,471,818

In April of 2015, the project received the final funds due from DHCD Home totaling $55,006. Additional equity of $431,405 due from the limited partners and third priority mortgage debt of $87,500 remained outstanding.

In connection with this closing, MPDC provided an irrevocable standby letter of credit totaling $305,000 against its investment portfolio, in favor of an affiliate of the syndicator for Dudley Greenville, on behalf of its investor. The letter of credit was provided in lieu of funding certain property operating reserves. The letter is not expected to be drawn upon and expires on April 1, 2016.

On June 26, 2015, Madison Hibernian Hall repaid its mortgage note payable to the City of Boston for $300,000 for full satisfaction of the note. The principal balance due on the note was $300,000 with accrued interest of $131,226 at December 31, 2014. The accrued interest has been recognized as debt forgiveness in 2015.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Madison Park Development Corporation and Affiliates

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Madison Park Development Corporation and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Madison Park Development Corporation and Affiliates' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Madison Park Development Corporation and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of the Madison Park Development Corporation and Affiliates' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

CohnReznick LLP

Boston, Massachusetts
June 29, 2015

Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance

To the Board of Directors
Madison Park Development Corporation and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Madison Park Development Corporation and Affiliates' compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Madison Park Development Corporation and Affiliates' major Federal programs for the year ended December 31, 2014. Madison Park Development Corporation and Affiliates' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Madison Park Development Corporation and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, Madison Park Development Corporation and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2014.

Report on Internal Control over Compliance

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

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

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

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

CohnReznick LLP

Boston, Massachusetts
June 29, 2015

Madison Park Development Corporation and Affiliates

Schedule of Findings and Questioned Costs
December 31, 2014

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Madison Park Development Corporation and Affiliates.

2. No significant deficiencies related to the audit of the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses were reported.

3. No instances of noncompliance material to the financial statements of Madison Park Development Corporation and Affiliates were disclosed during the audit.

4. No significant deficiencies related to the audit of the major federal award programs were disclosed in the Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on its Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133. No material weaknesses were reported.

5. The auditor's report on compliance for the major federal award programs for Madison Park Development Corporation and Affiliates expresses an unmodified opinion.

6. There are no audit findings relative to the major federal award program for Madison Park Development Corporation and Affiliates.

7. The program tested as a major program was NeighborWorks America (CFDA # 21.000)

8. The threshold for distinguishing Type A and B programs was $300,000.

9. Madison Park Development Corporation and Affiliates does qualify as a low-risk auditee.

B. Findings - Financial Statements Audit

None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None

Madison Park Development Corporation and Affiliates

Schedule of Expenditures of Federal Awards
Year Ended December 31, 2014

Federal Grantor	CFDA #	Federal Expenditures
Major programs:		
US Department of Treasury:		
Granted by NeighborWorks America		
NeighborWorks America	21.000	$ 1,846,007
Total major programs		1,846,007
Non-major programs:		
City of Boston, Department of Neighborhood Development	14.239	7,201
Boston Public Health		
Violence Intervention & Prevention	93.136	42,150
Racial and Ethnic Approaches to Community Health $60K 5/31/2013 - 8/15/2015	93.743	23,491
Total non-major programs		72,842
Total federal expenditures		$ 1,918,849

Note: The accompanying schedule of expenditures of federal awards includes the federal grant activity of Madison Park Development Corporation and Affiliates and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic consolidated financial statements.