

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2011

Presented by:

BURKE & COMPANY LLC  
Certified Public Accountants  
Stoneham, Massachusetts 02180

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Castle Square Tenants Organization, Inc. and Subsidiaries

We have audited the accompanying consolidated statement of financial position of Castle Square Tenants Organization, Inc. and Subsidiaries (a nonprofit organization) as of December 31, 2011, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Castle Square Tenants Organization, Inc. and Subsidiaries as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 11 through 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Burke & Company LLC  
Certified Public Accountants

Stoneham, Massachusetts  
September 20, 2012

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

ASSETS

ASSETS

Cash and Cash Equivalents	142,830
Investments	621,799
Fixed Assets	5,094
Accounts Receivable	29,634
Notes Receivable	<u>4,020,000</u>
<u>TOTAL ASSETS</u>	<u>4,819,357</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accrued Expenses	25,196
Investment in Partnership	<u>1,219</u>
<u>TOTAL LIABILITIES</u>	<u>26,415</u>

NET ASSETS

Unrestricted	4,155,111
Temporarily Restricted	<u>637,831</u>
<u>TOTAL NET ASSETS</u>	<u>4,792,942</u>

<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>4,819,357</u>
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SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

UNRESTRICTED NET ASSETS

Support and Revenue	
Contribution	8,635
Disposition Fee Revenue	200,549
Grant	3,997,660
Membership Dues	405
Program User Fees	38,518
Investment Return	407
Gain (Loss) from Partnerships	128,714
Parking Fees	53,380
Expense Reimbursement	<u>152,412</u>

TOTAL SUPPORT AND REVENUE 4,580,680

Expenses	
Program Services	446,932
Management and General	<u>68,545</u>

TOTAL EXPENSES 515,477

TRANSFERS FROM TEMPORARILY RESTRICTED NET ASSETS 60,000

INCREASE IN UNRESTRICTED NET ASSETS 4,125,203

TEMPORARILY RESTRICTED NET ASSETS

Support and Revenue	
Investment Return	29,337
Transfers to Unrestricted Net Assets	<u>( 60,000)</u>

DECREASE IN TEMPORARILY RESTRICTED NET ASSETS ( 30,663)

TOTAL INCREASE IN NET ASSETS 4,094,540

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>BALANCE: BEGINNING OF YEAR</u>	29,908	668,494	698,402
<u>INCREASE (DECREASE) FOR THE YEAR</u>	4,125,203	( 30,663)	4,094,540
<u>BALANCE: END OF YEAR</u>	<u>4,155,111</u>	<u>637,831</u>	<u>4,792,942</u>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	245,162	----	245,162
Payroll Taxes	20,084	----	20,084
Fringe Benefits	<u>21,944</u>	<u>----</u>	<u>21,944</u>
<b><u>TOTAL SALARIES AND RELATED EXPENSES</u></b>	<b><u>287,190</u></b>	<b><u>----</u></b>	<b><u>287,190</u></b>
Insurance	4,890	----	4,890
General Programs	46,740	----	46,740
Advertising	370	----	370
Professional Fees	66,645	54,434	121,079
Office Expense	11,962	11,962	23,924
Development Expenses	19,415	----	19,415
Filing Fees	----	731	731
Depreciation	----	1,418	1,418
Equipment and Supplies	<u>9,720</u>	<u>----</u>	<u>9,720</u>
<b><u>TOTAL EXPENSE</u></b>	<b><u>159,742</u></b>	<b><u>68,545</u></b>	<b><u>228,287</u></b>
<b><u>TOTAL FUNCTIONAL EXPENSES</u></b>	<b><u>446,932</u></b>	<b><u>68,545</u></b>	<b><u>515,477</u></b>

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	4,094,540
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:	
Depreciation	1,418
Partnership Gain	( 128,714)
Unrealized Loss on Investments	2,730
(Increase) Decrease in:	
Accounts Receivable	( 29,634)
Deferred Expenses	251,092
Increase (Decrease) in:	
Accrued Expenses	( 12,069)
Accrued Interest	( 14,036)
 <u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	 <u>4,165,327</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Net (Purchase) Sale of Investments Securities	29,011
Acquisition of Fixed Assets	( 5,210)
Increase in Notes Receivable	(4,020,000)
 <u>NET CASH USED IN INVESTING ACTIVITIES</u>	 <u>(3,996,199)</u>

CASH FLOWS FROM FINANCING ACTIVITIES:

Repayment of Notes Payable	( 190,302)
 <u>NET CASH USED IN FINANCING ACTIVITIES</u>	 <u>( 190,302)</u>

NET DECREASE IN CASH ( 21,174)

CASH - BEGINNING 164,004

CASH - ENDING 142,830

SEE INDEPENDENT AUDITORS' REPORT AND NOTES TO THE FINANCIAL STATEMENTS



CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Castle Square Tenants Organization, Inc. ("CSTO") is a Massachusetts nonprofit corporation. It was organized on May 5, 1988 and subsequently granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. The tenants of the Castle Square Apartments (the "Project") organized CSTO to advance the mutual interests of the residents of the Project. These mutual interests are to: (1) improve the physical and social conditions of the Castle Square community; (2) to insure that the Project remains affordable to low and moderate income persons; (3) to raise funds for the improvement of the community; and (4) to provide the community with educational and informational services and opportunities.

CSTO's wholly owned subsidiary, CSTO Company, Inc. ("CSTO Company") was a general partner in a limited partnership called Trebhershaw Limited Partnership, a Massachusetts limited partnership ("Trebhershaw"), which owned Castle Square Apartments until November of 2010. In November of 2010, the ownership of the project was reorganized. CSTO Subsidiary, LLC is a wholly owned subsidiary of "CSTO." CSTO Subsidiary, LLC is the 51% managing member of CSTO Winn Manager, LLC. CSTO Winn Manager, LLC is the manager and .01% owner of CSTO Winn Owner, LLC (the owner of the project).

Castle Square Charitable Trust was established in 1997 to hold funds and assets transferred from CSTO. The trust was established as a Grantor Trust.

Summary of Significant Accounting Policies

CSTO prepares its financial statements on the accrual basis of accounting. Accordingly, revenues are recorded when earned and expenses are recorded when incurred.

Principles of Consolidation

CSTO conforms to the Statement of Position No. 94-3 of the American Institute of Certified Public Accounts. Accordingly, the accompanying consolidated financial statements include the financial statements of CSTO and its wholly-owned subsidiaries, CSTO Company, Inc. and Castle Square Charitable Trust, and CSTO Subsidiary, LLC, after elimination of all significant intercompany transaction and accounts.

Financial Statement Presentation

CSTO conforms to the Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS 117, CSTO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, CSTO is required to present a statement of cash flows. It is the policy of the Board to consider the assets of Charitable Trust as temporarily restricted until such time as they make transfers to the unrestricted accounts.

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. It is the Company's policy to consider the assets of Castle Square Charitable Trust as temporarily restricted.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, CSTO considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. From time to time during the year the Company maintains cash balances in excess of FDIC insured limits.

Use of Estimates

The preparation of consolidated financial statements in conformity with United States generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Investments

CSTO adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-For-Profit Organizations". Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets.

The funds are invested in accordance with the Escrow Agreement, under the direction of the Trustees of the Castle Square Charitable Trust and investment advisors.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any expenditure not directly chargeable are allocated to a program based on related salary expenses

Income Taxes

CSTO is a qualified tax-exempt organization under Internal Revenue Code Section 501(c)(3) and, accordingly, no income tax provision is required.

Subsequent Events

Management has evaluated subsequent events through September 20, 2012, the date of these financial statements.

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

NOTE B – DOER GRANT

CSTO was approved for a \$4,400,000 grant with the Massachusetts Department of Energy Resources (DOER). The grant agreement is governed by the provisions of the American Recovery and Reinvestment Act of 2009. The grant money will be loaned to Castle Square Winn Owner, LLC for energy related improvements to the project (roof and window replacement, heating system upgrade, sealing and ventilation work, and energy efficient appliances). As of December 31, 2011, \$3,960,000 of the grant has been received. The balance of \$540,000 is expected to be received in 2012.

NOTE C – NOTES RECEIVABLE

CSTO has committed to loan CSTO Winn Owner, LLC (the owner of the project) \$4,400,000. The proceeds of the DOER grant are to be used for energy efficient improvements to the project. As of December 31, 2011, CSTO has loaned the project \$3,960,000 and expects to loan an additional \$540,000 in 2012. The note is non-interest bearing and is due in its entirety at maturity (November 10, 2052). The note may be prepaid in whole or in part without permission or penalty.

In addition, CSTO has loaned CSTO Winn Owner, LLC an additional \$60,000. This note is non-interest bearing and is due in full on November 10, 2052.

NOTE D - INVESTMENT SECURITIES

Investments are stated at fair value and consist primarily of the mutual funds as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation</u>
Cash Equivalent	\$ 16,032	\$ 16,032	\$ ----
Mutual Funds	<u>597,376</u>	<u>621,799</u>	<u>24,423</u>
	<u>\$613,408</u>	<u>\$637,831</u>	<u>\$24,423</u>

The following schedule summarized the investment return and its classification in the Statement of Activities for the year ended December 31, 2011.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and Dividends (Net of Fees of \$6,088)	\$407	\$21,790	\$22,197
Net Unrealized Gain (Loss)	----	( 2,730)	( 2,730)
Realized Gain	<u>----</u>	<u>10,277</u>	<u>10,277</u>
	<u>\$407</u>	<u>\$29,337</u>	<u>\$29,744</u>

NOTE E – CONTINGENCIES

The Organization and its subsidiaries maintain cash accounts in F.D.I.C. insured banks. From time to time during the year, these balances may exceed F.D.I.C. insurance limits. In addition, the organization has a money market account and marketable securities which are not F.D.I.C. insured.

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>CSTO, Inc. Temporarily Restricted</u>	<u>Total</u>	<u>CSTO Company, Inc.</u>	<u>Castle Square Charitable Trust</u>	<u>CSTO Subsidiary LLC</u>	<u>Elimination</u>	<u>Consolidated Totals</u>
<u>ASSETS</u>								
Cash and Cash Equivalent	26,248	----	26,248	100,550	16,032	----	----	142,830
Investment Securities	----	----	----	----	621,799	----	----	621,799
Investment in Affiliate	1	----	1	----	----	----	( 1)	----
Fixed Assets	5,094	----	5,094	----	----	----	----	5,094
Accounts Receivable	130,184	----	130,184	----	----	----	(100,550)	29,634
Notes Receivable	<u>4,020,000</u>	----	<u>4,020,000</u>	----	----	----	----	<u>4,020,000</u>
<u>TOTAL ASSETS</u>	<u>4,181,527</u>	----	<u>4,181,527</u>	<u>100,550</u>	<u>637,831</u>	----	( 1)	<u>4,819,357</u>
<u>LIABILITIES</u>								
Accrued Expenses	25,196	----	25,196	110,550	----	----	(100,550)	25,196
Investments in Partnership	----	----	----	----	----	<u>1,219</u>	----	<u>1,219</u>
<u>TOTAL LIABILITIES</u>	<u>25,196</u>	----	<u>25,196</u>	<u>110,550</u>	----	<u>1,219</u>	----	<u>26,415</u>
<u>NET ASSETS</u>								
Unrestricted	4,156,331	----	4,156,331	----	----	(1,219)	----	4,155,111
Temporarily Restricted	----	----	----	----	<u>637,831</u>	----	----	<u>637,831</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>4,181,527</u>	----	<u>4,181,527</u>	----	<u>637,831</u>	----	( 1)	<u>4,819,357</u>

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>CSTO, Inc. Temporarily Restricted</u>	<u>Total</u>	<u>CSTO Company, Inc.</u>	<u>Castle Square Charitable Trust</u>	<u>CSTO Subsidiary LLC</u>	<u>Elimination</u>	<u>Consolidated Totals</u>
<u>SUPPORT AND REVENUE</u>								
Contributions	8,635	----	8,635	----	----	----	----	8,635
Disposition Fee	200,549	----	200,549	----	----	----	----	200,549
Grants	3,997,660	----	3,997,660	----	----	----	----	3,997,660
Membership Dues	405	----	405	----	----	----	----	405
Program User Fees	38,518	----	38,518	----	----	----	----	38,518
Investment Return (Loss)	407	----	407	----	29,337	----	----	29,744
Partnership Income (Loss)	----	----	----	129,933	----	(1,219)	----	128,714
Parking Fees	53,380	----	53,380	----	----	----	----	53,380
Expense Reimbursement	<u>152,412</u>	----	<u>152,412</u>	----	----	----	----	<u>152,412</u>
<u>TOTAL SUPPORT AND REVENUE</u>	4,451,966	----	4,451,966	129,933	29,337	(1,219)	----	4,610,017
<u>NET SUPPORT AND REVENUE</u>	<u>4,451,966</u>	----	<u>4,451,966</u>	<u>129,933</u>	<u>29,337</u>	<u>(1,219)</u>	----	<u>4,610,017</u>
Program Services	446,932	----	446,932	----	----	----	----	446,932
Management and General	<u>68,545</u>	----	<u>68,545</u>	----	----	----	----	<u>68,545</u>
<u>TOTAL EXPENSES</u>	<u>515,477</u>	----	<u>515,477</u>	----	----	----	----	<u>515,477</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>								
Unrestricted	3,936,489	----	3,936,489	129,933	----	(1,219)	----	4,065,203
Temporarily Restricted	----	----	----	----	29,337	----	----	29,337
Transfers	<u>60,000</u>	----	<u>60,000</u>	----	<u>( 60,000)</u>	----	----	----
<u>TOTAL INCREASE (DECREASE IN NET ASSETS)</u>	<u>3,996,489</u>	----	<u>3,996,489</u>	<u>129,933</u>	<u>( 30,663)</u>	<u>(1,219)</u>	----	<u>4,094,540</u>

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

CASTLE SQUARE TENANTS ORGANIZATION, INC.  
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted</u>	<u>CSTO, Inc. Temporarily Restricted</u>	<u>Total</u>	<u>CSTO Company, Inc.</u>	<u>Castle Square Charitable Trust</u>	<u>CSTO Subsidiary LLC</u>	<u>Elimination</u>	<u>Consolidated Totals</u>
<u>NET ASSETS - BEGINNING OF YEAR</u>	159,842	----	159,842	(129,933)	668,494	----	( 1)	698,402
<u>INCREASE (DECREASE) IN NET ASSETS</u>								
Unrestricted	3,936,489	----	3,936,489	129,933	----	(1,219)	----	4,065,203
Temporarily Restricted	----	----	----	----	29,337	----	----	29,337
Transfers	<u>60,000</u>	<u>----</u>	<u>60,000</u>	<u>----</u>	<u>( 60,000)</u>	<u>----</u>	<u>----</u>	<u>----</u>
<u>NET ASSETS - END OF YEAR</u>	<u>4,156,331</u>	<u>----</u>	<u>4,156,331</u>	<u>----</u>	<u>637,831</u>	<u>(1,219)</u>	<u>( 1)</u>	<u>4,792,942</u>

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION