

CASTLE SQUARE TENANTS ORGANIZATION, INC.
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013

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
Boston, Massachusetts

We have audited the accompanying consolidated financial statements of Castle Square Tenants Organization, Inc. and Subsidiaries (a nonprofit organization) which comprise the consolidated statement of financial position of as of December 31, 2013, and the related consolidated statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

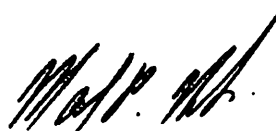
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Castle Square Tenants Organization, Inc. and Subsidiaries as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on pages 12 through 14 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
July 8, 2014

CASTLE SQUARE TENANTS ORGANIZATION, INC.
AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

<u>ASSETS</u>	
Cash and Cash Equivalents	519,913
Investment Securities	3,632,019
Fixed Assets	26,524
Accounts Receivable	2,688
Notes Receivable	4,460,000
Investment In CSTO Winn Developer LLC	<u>14,307</u>
<u>TOTAL ASSETS</u>	<u>8,655,451</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>	
Accrued Expenses	28,416
Investment in CSTO Winn Manager LLC	<u>104,661</u>
<u>TOTAL LIABILITIES</u>	<u>133,077</u>
<u>NET ASSETS</u>	
Unrestricted	7,826,934
Temporarily Restricted	<u>695,440</u>
<u>TOTAL NET ASSETS</u>	<u>8,522,374</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>8,655,451</u>

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, 2013

UNRESTRICTED NET ASSETS

Support and Revenue	
Contribution	15,771
Grant	15,341
Membership Dues	565
Program User Fees	61,171
Investment Return	164,691
Gain (Loss) from Partnerships	446,551
Parking Fees	64,500
Expense Reimbursement	<u>166,334</u>

TOTAL SUPPORT AND REVENUE 934,924

Expenses	
Program Services	781,662
Management and General	<u>105,127</u>

TOTAL EXPENSES 886,789

INCREASE IN UNRESTRICTED NET ASSETS 48,135

TEMPORARILY RESTRICTED NET ASSETS

Support and Revenue	
Investment Return	<u>20,932</u>

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS 20,932

TOTAL INCREASE IN NET ASSETS 69,067

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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>BALANCE: BEGINNING OF YEAR</u>	7,778,799	674,508	8,453,307
<u>INCREASE (DECREASE) FOR THE YEAR</u>	<u>48,135</u>	<u>20,932</u>	<u>69,067</u>
<u>BALANCE: END OF YEAR</u>	<u>7,826,934</u>	<u>695,440</u>	<u>8,522,374</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, 2013

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	354,576	----	354,576
Payroll Taxes	34,739	----	34,739
Fringe Benefits	<u>31,154</u>	<u>----</u>	<u>31,154</u>
<u>TOTAL SALARIES AND RELATED EXPENSES</u>	<u>420,469</u>	<u>----</u>	<u>420,469</u>
Insurance	7,579	----	7,579
General Programs	82,864	----	82,864
Advertising	415	----	415
Professional Fees	219,613	102,241	321,854
Office Expense	25,542	1,680	27,222
Development Expenses	3,355	----	3,355
Filing Fees and Taxes	2,186	1,206	3,392
Equipment and Supplies	13,621	----	13,621
Depreciation	<u>6,018</u>	<u>----</u>	<u>6,018</u>
<u>TOTAL EXPENSE</u>	<u>361,193</u>	<u>105,127</u>	<u>466,320</u>
<u>TOTAL FUNCTIONAL EXPENSES</u>	<u>781,662</u>	<u>105,127</u>	<u>886,789</u>

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in Net Assets	69,067
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:	
Partnership Gain/Loss in Excess of Distribution	69,693
Unrealized Gain on Investments	(146,910)
(Increase) Decrease in:	
Accounts Receivable	(2,662)
Increase (Decrease) in:	
Accrued Expenses	<u>1,866</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES (8,946)

CASH FLOWS FROM INVESTING ACTIVITIES:

Net (Purchase) Sale of Investments Securities	(2,828,047)
Acquisition of Fixed Assets	(<u>5,081</u>)

NET CASH USED IN INVESTING ACTIVITIES (2,833,128)

NET DECREASE IN CASH (2,842,074)

CASH – BEGINNING 3,361,987

CASH - ENDING 519,913

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, 2013

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.

CASTLE SQUARE TENANTS ORGANIZATION, INC.
AND SUBSIDIARIES

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2013

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 July 8, 2014, 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, 2013

NOTE B – PARTNERSHIPS

Castle Square Tenants Organization, Inc. is a partner in CSTO Winn Developer LLC. CSTO Subsidiary LLC is a 51% general partner in CSTO Winn Manager LLC. These partnerships are record at book value. Book value is increased by income reported by the Partnership and reduced by distributions and losses reported by the Partnership.

NOTE C – NOTES RECEIVABLE

CSTO has loaned CSTO Winn Owner, LLC (the owner of the project) \$4,400,000. The proceeds are to be used for energy efficient improvements to the project. 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	\$ 17,420	\$ 17,420	\$ ----
Mutual Funds and Publicly Traded Securities	<u>3,434,508</u>	<u>3,632,019</u>	<u>197,511</u>
	<u>\$3,451,928</u>	<u>\$3,649,439</u>	<u>\$197,511</u>

The following schedule summarized the investment return and its classification in the Statement of Activities for the year ended December 31, 2013.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and Dividends (Net of Fees of \$23,455)	\$ 24,762	\$12,150	\$ 36,912
Net Unrealized Gain	140,588	6,322	146,910
Realized Gain(Loss)	(659)	<u>2,460</u>	<u>1,801</u>
	<u>\$164,691</u>	<u>\$20,932</u>	<u>\$185,623</u>

CASTLE SQUARE TENANTS ORGANIZATION, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

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.

NOTE F – FIXED ASSETS

Office Equipment of \$43,393 is shown net of accumulated depreciated of \$16,869.

CASTLE SQUARE TENANTS ORGANIZATION, INC.
AND SUBSIDIARIES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

	<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	280,650	----	280,650	7,631	17,420	214,212	----	519,913
Investment Securities	2,953,999	----	2,953,999	----	678,020	----	----	3,632,019
Investment in Affiliate	1	----	1	----	----	----	(1)	----
Fixed Assets	26,524	----	26,524	----	----	----	----	26,524
Accounts Receivable	216,451	----	216,451	----	----	----	(213,763)	2,688
Notes Receivable	4,460,000	----	4,460,000	----	----	----	----	4,460,000
Other Investments	14,307	----	14,307	----	----	----	----	14,307
Due from CSTO Company, Inc.	<u>5,200</u>	<u>----</u>	<u>5,200</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>(5,200)</u>	<u>----</u>
<u>TOTAL ASSETS</u>	<u>7,957,132</u>	<u>----</u>	<u>7,957,132</u>	<u>7,631</u>	<u>695,440</u>	<u>214,212</u>	<u>(218,964)</u>	<u>8,655,451</u>
<u>LIABILITIES</u>								
Accrued Expenses	25,905	----	25,905	2,512	----	213,763	(213,763)	28,416
Investments in Partnership	----	----	----	----	----	104,661	----	104,661
Due to CSTO, Inc.	<u>----</u>	<u>----</u>	<u>----</u>	<u>5,200</u>	<u>----</u>	<u>----</u>	<u>(5,200)</u>	<u>----</u>
<u>TOTAL LIABILITIES</u>	<u>25,905</u>	<u>----</u>	<u>25,905</u>	<u>7,712</u>	<u>----</u>	<u>318,424</u>	<u>(218,963)</u>	<u>133,077</u>
<u>NET ASSETS</u>								
Unrestricted	7,931,227	----	7,931,227	(81)	----	(104,212)	----	7,826,934
Temporarily Restricted	<u>----</u>	<u>----</u>	<u>----</u>	<u>----</u>	<u>695,440</u>	<u>----</u>	<u>----</u>	<u>695,440</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>7,957,132</u>	<u>----</u>	<u>7,957,132</u>	<u>7,631</u>	<u>695,440</u>	<u>214,212</u>	<u>(218,964)</u>	<u>8,655,451</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, 2013

	<u>Unrestricted</u>	<u>CSSTO, Inc. Temporarily Restricted</u>	<u>Total</u>	<u>CSSTO Company, Inc.</u>	<u>Castle Square Charitable Trust</u>	<u>CSSTO Subsidiary LLC</u>	<u>Elimination</u>	<u>Consolidated Totals</u>
<u>SUPPORT AND REVENUE</u>								
Management Service Fee	211,631	----	211,631	----	----	----	(211,631)	----
Contributions	15,771	----	15,771	----	----	----	----	15,771
Grants	15,341	----	15,341	----	----	----	----	15,341
Membership Dues	565	----	565	----	----	----	----	565
Program User Fees	61,171	----	61,171	----	----	----	----	61,171
Investment Return (Loss)	164,154	----	164,154	3	20,932	534	----	185,623
Partnership Income (Loss)	318,870	----	318,870	----	----	127,681	----	446,551
Parking Fees	64,500	----	64,500	----	----	----	----	64,500
Expense Reimbursement	<u>166,334</u>	----	<u>166,334</u>	----	----	----	----	<u>166,334</u>
<u>TOTAL SUPPORT AND REVENUE</u>	<u>1,018,337</u>	----	<u>1,018,337</u>	<u>3</u>	<u>20,932</u>	<u>128,215</u>	<u>(211,631)</u>	<u>955,856</u>
<u>NET SUPPORT AND REVENUE</u>								
	<u>1,018,337</u>	----	<u>1,018,337</u>	<u>3</u>	<u>20,932</u>	<u>128,215</u>	<u>(211,631)</u>	<u>955,856</u>
Program Services	781,662	----	781,662	----	----	211,631	(211,631)	781,662
Management and General	<u>103,921</u>	----	<u>103,921</u>	<u>84</u>	----	<u>1,122</u>	----	<u>105,127</u>
<u>TOTAL EXPENSES</u>	<u>885,583</u>	----	<u>885,583</u>	<u>84</u>	----	<u>212,753</u>	<u>(211,631)</u>	<u>886,789</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>								
Unrestricted	132,754	----	132,754	(81)	----	(84,538)	----	48,135
Temporarily Restricted	----	----	----	----	<u>20,932</u>	----	----	<u>20,932</u>
<u>TOTAL INCREASE (DECREASE IN NET ASSETS)</u>	<u>132,754</u>	----	<u>132,754</u>	<u>(81)</u>	<u>20,932</u>	<u>(84,538)</u>	----	<u>69,067</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, 2013

	<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>	7,798,473	----	7,798,473	----	674,508	(19,674)	(1)	8,453,306
<u>INCREASE (DECREASE) IN NET ASSETS</u>								
Unrestricted	132,754	----	132,754	(81)	----	(84,538)	----	48,135
Temporarily Restricted	----	----	----	----	<u>20,932</u>	----	----	<u>20,932</u>
<u>NET ASSETS - END OF YEAR</u>	<u>7,931,227</u>	<u>----</u>	<u>7,931,227</u>	<u>(81)</u>	<u>695,440</u>	<u>(104,212)</u>	<u>(1)</u>	<u>8,522,374</u>

SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION