SUPPORTIVE LIVING, INC.
(A Non-Profit Organization)

REPORT ON REVIEW OF FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2013

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(A Non-Profit Organization)

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YEAR ENDED DECEMBER 31, 2013

CONTENTS

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors of
Supportive Living, Inc.
Woburn, Massachusetts

We have reviewed the accompanying statement of financial position of Supportive Living, Inc. (a Massachusetts non-profit organization) as of December 31, 2013, and the related statements of activities, changes in net assets, and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of Company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

CohnReznick LLP

Boston, Massachusetts
November 10, 2014

SUPPORTIVE LIVING, INC.

(A Non-Profit Organization)

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

ASSETS

Current assets:		
Cash and cash equivalents	$	90,647
Accounts receivable - operations		2,268
Accounts receivable - affiliates		69,523
Prepaid expenses and deposits		3,808
Total current assets		166,246
Property and equipment:		
Land (Note 7)		1,112,982
Building and building improvements		161,942
Furniture, fixtures and equipment		29,716
Motor vehicles		35,404
Total property and equipment		1,340,044
Less - accumulated depreciation		(86,602)
Net property and equipment		1,253,442
Other assets:		
Due from SLI Douglas House - construction completion		423,494
Developer fee due from SLI Douglas House		124,897
Due from SLI Douglas House - operating deficit note		22,250
Note receivable - Capital Advance due from SLI Douglas House		1,157,600
Accrued interest receivable - Capital Advance due from SLI Douglas House		306,204
Total other assets		2,034,445
Total assets	$	3,454,133

SUPPORTIVE LIVING, INC.
(A Non-Profit Organization)

STATEMENT OF FINANCIAL POSITION - CONTINUED

DECEMBER 31, 2013

LIABILITIES

Current liabilities:		
Mortgage payable, current maturities	$	8,557
Accounts payable		210
Accrued interest payable		6,932
Notes payable		85,585
Total current liabilities		101,284
Long-term liabilities:		
Mortgage payable - Brookline Bank		674,750
Total long-term liabilities		674,750
Total liabilities		776,034

NET ASSETS

Net assets:		
Unrestricted net assets		2,641,163
Temporarily restricted net assets		36,936
Total net assets		2,678,099
Total liabilities and net assets	$	3,454,133

SUPPORTIVE LIVING, INC.
(A Non-Profit Organization)

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2013

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
REVENUES:			
Contributions and support:			
General public support	$ 91,672	$ -	$ 91,672
Contributions and grants	110,840	-	110,840
Contributions - Wellness Centers	-	28,190	28,190
Special event revenue	79,643	-	79,643
Douglas Stephens Memorial	-	8,470	8,470
	282,155	36,660	318,815
Other income (expense):			
Lease rentals	4,950	-	4,950
Ground lease revenue	55,041	-	55,041
Management fees	23,279	-	23,279
Interest, net of fees	54,640	4	54,644
Other revenue	3,199	-	3,199
	141,109	4	141,113
Net assets released from restrictions:			
Satisfaction of time and purpose restrictions (Note 6)	33,445	(33,445)	-
Total revenues	456,709	3,219	459,928
EXPENSES:			
Special events	46,853	-	46,853
Marketing and advertising	5,913	-	5,913
Office expenses	5,945	-	5,945
Rent and related expenses	11,463	-	11,463
Telecommunications	2,667	-	2,667
Payroll and related expenses	74,056	-	74,056
Bookkeeping	14,400	-	14,400
Audit and review services	17,156	-	17,156
Other general and administrative expenses	20,382	-	20,382
Maintenance and repairs	4,783	-	4,783
Insurance	9,520	-	9,520
Other program costs	26,955	-	26,955
Interest and financial charges	49,396	-	49,396
Depreciation and amortization	16,924	-	16,924
Bad debts	82,012	-	82,012
Fundraising	44,581	-	44,581
Total expenses	433,006	-	433,006
INCREASE IN NET ASSETS	$ 23,703	$ 3,219	$ 26,922

SUPPORTIVE LIVING, INC.
(A Non-Profit Organization)

STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2013

		Restricted		
	Unrestricted	**Temporarily**	**Permanently**	**Total**
Net assets, beginning of year, as preiously stated	$ 4,194,454	$ 33,717	$ -	$ 4,228,171
Restatement (Note 14)	(1,543,277)	-	-	(1,543,277)
Net assets, beginning of year, as restated	2,617,460	33,717	-	2,651,177
Increase in net assets	23,703	3,219	-	26,922
Net assets, end of year	$ 2,641,163	$ 36,936	$ -	$ 2,678,099

SUPPORTIVE LIVING, INC.

(A Non-Profit Organization)

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:		
Change in net assets	$	26,922
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation		16,924
Allowance for doubtful accounts		82,012
Donated securities - unrestricted		(2,109)
Realized (gains) losses on sale of securities		217
Contributions restricted for long-term purposes		(28,190)
Non-cash contribution through reduction of note payable		(2,000)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable - tenant rents		(2,268)
Accounts receivable - affiliates		276
Prepaid expenses		(252)
Increase (decrease) in liabilities:		
Accounts payable		(3,716)
Accrued interest payable		(12,535)
Net cash provided by (used in) operating activities		75,281
Cash flows from investing activities:		
Proceeds from sale of donated securities - unrestricted		3,942
Purchases of property and equipment		(2,960)
Advances to affiliate		(71,389)
Net cash provided by (used in) investing activities		(70,407)
Cash flows from financing activities:		
Principal payments on mortgage note payable - Brookline Bank		(8,043)
Principal payments on a note payable		(1,265)
Proceeds from contributions restricted for long-term purposes		28,190
Net cash provided by (used in) financing activities		18,882
Net increase (decrease) in cash and cash equivalents		23,756
Cash and cash equivalents, beginning of year		66,891
Cash and cash equivalents, end of year	$	90,647

SUPPORTIVE LIVING, INC.
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STATEMENT OF CASH FLOWS - CONTINUED

YEAR ENDED DECEMBER 31, 2013

Supplemental disclosure of cash flow information:

Cash paid during the year for interest	$	61,931
Donations received on behalf of and transferred to Old Farm Inn, Inc.	$	45,100

1. Organization

Supportive Living, Inc. (the "Corporation") was formed in 1991 as a 501(c)(3) corporation under Chapter 180 of the laws of the Commonwealth of Massachusetts for the purpose of investigating, funding initial studies, developing, sponsoring, and managing alternative affordable life-long residential housing projects to survivors of brain injury. The Corporation is the sponsor and property manager of three residential housing entities, SLI Warren House, Inc., located in Woburn, Massachusetts, SLI McLaughlin House, Inc., located in North Reading, Massachusetts, and SLI Douglas House Limited Partnership ("SLI Douglas House"), located in Lexington, Massachusetts, which collectively provide thirty-four units of housing.

In addition, the Corporation is the sponsor and developer of Old Farm Inn, Inc., a related party entity which was formed in February, 2011 to acquire property and thereafter, hold, own, develop, construct, operate, manage, and engage in other such activities incidental to the foregoing an 8 unit affordable residential assisted living center located in Rockport, Massachusetts for physically disabled individuals particularly those who have suffered head injury. The project, to be known as Old Farm Rockport, was completed in March, 2014 and is further discussed in Note 7.

2. Summary of significant accounting policies

The following significant accounting policies have been followed in the preparation of the accompanying financial statements.

Basis of presentation

The financial statements of the Corporation are presented in accordance with guidance issued by the FASB for the presentation of financial statements of not-for-profit entities. Under this guidance, the Corporation 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. Unrestricted net assets, including Board-designated net assets, are net assets that are neither permanently nor temporarily restricted by donor-imposed restrictions. Temporarily restricted net assets have explicit or implicit donor-imposed restrictions that require the Corporation to use the assets pursuant to those restrictions or that expire by the passage of time. Permanently restricted net assets are subject to donor-imposed restrictions that are required to be maintained permanently by the Corporation. Currently, the Corporation has no permanently restricted net assets.

Method of accounting

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of significant accounting policies – continued

Risks and uncertainties

The Corporation provides real estate management and housing development related services for the three residential housing entities. The residential housing entities operate in a housing segment of the real estate market which is a subject to regulation by various federal, state, local, and lending agencies. Revenues may be subject to limitation and the administrative directives, rules, and regulations of these agencies and may result in limited or inadequate funding being allocated to the projects. Due to the level of risk associated with these projects, it is at least reasonably possible that changes in revenues realized from management fees earned and the determination of the collectability of these fees, in addition to, the collectability of operational reimbursements and development fees due to the Corporation will occur in the near term and such changes could materially affect the Corporation's results of operations, financial position or cash flows.

Cash and cash equivalents

For purposes of the statement of cash flow, the Corporation considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. As of December 31, 2013, the Corporation had cash equivalents in the approximate amount of $27,000 (Note 9).

Cash and cash equivalents designated for long-term purposes or received with donor-imposed restrictions limiting their use to long-term purposes are classified as cash and cash equivalents due to the absence of any donor requirement to restrict cash.

Receivables

Accounts receivable

Accounts receivable are stated at the amount management expects to collect on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year-end, all balances that it deems uncollectible based upon such factors as a review of outstanding receivables, historical collection experience, and existing economic conditions. Accounts receivable are deemed to be fully collectible by management at December 31, 2013.

Accounts receivable - affiliates

Accounts receivable - affiliates consist of management fees and reimbursable operating expenses due from SLI Douglas House, SLI McLaughlin House, Inc. and SLI Warren House, Inc., and reimbursable costs incurred by Old Farm Inn, Inc., and are stated at the amount management expects to collect on balances outstanding at year end. Accounts receivables - affiliates are deemed by management to be fully collectible based on its historical collection experience. No allowance for doubtful accounts has been made at December 31, 2013 as management considers all amounts fully collectible.

2. Summary of significant accounting policies – continued

Due from affiliates

Due from affiliates consists of temporary working capital advances which were provided over the years to SLI Douglas House, SLI McLaughlin House, Inc. and SLI Warren House, Inc. The advances are unsecured, non-interest bearing, and have no specific repayment terms. The advances are stated at the unpaid balance net of allowance for uncollectibility, if any. Management bases its estimates for uncollectibility on several factors including historical experience and the operating performance of each affiliate. An allowance for doubtful accounts has been made at December 31, 2013 as management does not consider all amounts fully collectible (Note 7).

The Corporation's evaluation of the credit quality indicators of these financing receivables is discussed in Note 10.

Land

Land is recorded at cost. Costs include those costs directly attributable to the land including the purchase price of the land and related acquisition costs. Interest incurred on the land purchase loan has been previously expensed as the costs were not deemed recoverable. No depreciation is recognized on this asset.

Property and equipment

The Corporation records property and equipment purchased at cost. Donated property and equipment are recorded at estimated fair market value. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method.

The Corporation follows the general practice of capitalizing all expenditures for significant renewals and betterments in excess of $2,500 and $1,000, respectively. The cost of maintenance and repairs is expensed as incurred. Costs incurred relating to improvements are capitalized when incurred and depreciated upon completion of the improvements.

Useful lives are estimated as follows:

	Years
Land improvements	15
Building and building improvements	7 – 40
Furniture, fixtures and equipment	5 – 10
Motor vehicle	5
Office equipment	3

2. Summary of significant accounting policies - continued

Impairment of long-lived assets

The Corporation's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that such assets may be impaired. An evaluation is performed by measuring the estimated future undiscounted cash flows (without interest charges) associated with the asset to the asset's carrying amount to determine if a write-down to fair value is required. If an impairment is present, the assets are reported at the lower of carrying value or fair value. No events or circumstances occurred or existed in 2013 which indicated that the Corporation's long-lived assets might be impaired; accordingly, there is no such provision included in the accompanying financial statements.

Revenue recognition

Lease rentals and management fees of the Corporation are recognized as rents become due and fees are earned. Rental payments received in advance are deferred until earned. All leases between the Corporation and the lessees are operating leases.

Contributions and grants

Contributions and grants 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 and grants received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and / or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires (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.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Corporation. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Conditional promises to give are disclosed as future commitments. Contributions of non-monetary assets are recorded at their fair value on the date or period received.

Donated services and facilities

The Corporation employs several compensated individuals. Additionally, various organizational functions are performed under the direction of a volunteer Board of Directors. In accordance with the FASB, donated services that create or enhance a non-financial asset or require specialized skills are recognized as revenue at estimated fair value when the service is rendered. During the year ended December 31, 2013, the value of contributed services meeting the requirements under the FASB was not material and has not been reflected in the accompanying financial statements.

2. Summary of significant accounting policies - continued

Donated services and facilities - continued

In addition, individuals volunteer their time and perform a variety of tasks that assist the Corporation with specific programs and various committee assignments, but these services do not meet the criteria for recognition as contributed services under FASB.

In connection with the renting of its office facilities (Note 8), the Corporation recognizes the use of the contributed facilities at fair value.

Compensated absences

Employees of the Corporation are entitled to paid time off. Management believes that these unrecorded costs are not material to the financial statements and, accordingly, no liability has been reflected in the accompanying financial statements at year end.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Advertising and marketing costs incurred by the Corporation in 2013 totaled $5,913.

Income taxes

The Internal Revenue Service has determined that Corporation qualifies as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on related income. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Corporation may be subject to federal taxation in future periods to the extent of its unrelated business income tax (UBIT). During the year ended December 31, 2013, the Corporation's revenues were realized from exempt activities.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of December 31, 2013. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Corporation's income tax returns are subject to examination by taxing authorities generally for three years preceding the year ended December 31, 2013.

The Corporation recognizes interest and penalties imposed by taxing authorities in operating expenses. For the year ended December 31, 2013, the Corporation recognized no interest or penalties in the accompanying financial statements.

Subsequent events

The Corporation has evaluated subsequent events through November 10, 2014, which is the date these financial statements were available to be issued.

3. Mortgages and notes payable

Mortgage note payable - Brookline Bank

The Corporation executed a mortgage note dated December 14, 2007 in the principal amount of $600,000 for the purpose of permanently financing the SLI Douglas House property acquisition. Commencing in February, 2008, terms provided for monthly installments of interest and principal at an interest rate of 6.84% per annum based upon an amortization period of thirty years. In 2011, the Corporation entered into a Loan Modification Agreement which (i) increased the principal loan balance from the then outstanding balance of $573,873 to $700,000, (ii) decreased the interest rate to 6.73% per annum, and (iii) reset the thirty year amortization period commencing effective November 14, 2011. Current monthly installments of interest and principal increased are $4,527. The note matures on December 14, 2027 at which date all unpaid principal, including a balloon payment in the approximate amount of $491,000 (as modified), and accrued and unpaid interest is due and payable. The note is secured by a Mortgage, Security Agreement and Assignment of Leases and Rents (and Rider thereto), which collateralizes all real and personal property of SLI Douglas House and the Ground Lease (Note 7). The note is subordinate to the HUD Regulatory Agreement and HUD Use Agreement (Note 7). The mortgage note may be prepaid at any time, accompanied by a prepayment fee as more fully described in the loan agreement. In the event of default, as more fully described in the loan documents, interest shall accrue at 5% per annum in excess of the 6.73% (as modified) interest rate. As of December 31, 2013, the outstanding principal balance amounted to $683,307. Interest expense incurred and paid in 2013 totaled $46,281.

Promissory note payable - Brookline Bank

In 2007, the Corporation received a $300,000 conditional direct subsidy under the Affordable Housing Program (AHP) of the Federal Home Loan Bank of Boston (FHLBB) for the purpose of permanently financing the acquisition cost of SLI Douglas House. In consideration, the Corporation executed a $300,000 promissory note with Brookline Bank which requires SLI Douglas House to be owned and operated with the approved level of performance committed to in the Affordable Housing Program Agreement dated August 30, 2007 between the Corporation, SLI Douglas House, Brookline Bank, and the FHLBB.

The note is secured by all real and personal property of SLI Douglas House as evidenced by a Mortgage and Security Agreement (and Rider thereto). The mortgage is subject to and subordinate to the HUD Capital Advance Mortgage Note (Note 7). These agreements impose income eligibility and affordability restrictions upon SLI Douglas House, and place certain covenants governing the use, transfer, sale, rental, and refinancing of SLI Douglas House for a period of fifteen years through August 12, 2023 (the Retention Period), upon which, the note shall be deemed satisfied and released. In the event of noncompliance, other default, or the sale or refinancing of SLI Douglas House prior to the expiration of the Retention Period, the amount of the loan to be repaid, including interest, will be determined by the FHLBB, and shall be due and payable by the Corporation, or SLI Douglas House subject to terms and conditions more fully described in these agreements.

The proceeds of the loan have been accounted for as net assets in the accompanying financial statements since SLI Douglas House's intention is to make housing available to income qualified and eligible individuals in accordance with these agreements. However, the loan is a contingent liability until discharged by Brookline Bank.

3. Mortgages and notes payable - continued

Mortgage note payable - Town of Lexington

In 2007, the Corporation received a $300,000 conditional appropriation in Community Housing Reserve of the Community Preservation Funds from the Town of Lexington for the purpose of funding development costs of SLI Douglas House. The funding is memorialized by a Community Preservation Act (CPA) mortgage note and Grant Agreement which place certain income and affordable housing restrictions on SLI Douglas House for a period of fifty years. The note is secured by all real and personal property of SLI Douglas House as evidenced by a Mortgage, Security Agreement, and Conditional Assignment of Leases and Rents (and Rider thereto). The mortgage is subject to and subordinate to the HUD Capital Advance Mortgage Note (Note 7). In the event of noncompliance or other default as more fully described in these agreements, the entire loan received and interest shall be due and payable. In such event, terms provide that interest, at the default rate as defined therein, shall compound annually from the date funding is first received (the Disbursement Date) and, thereafter, for a period of five years, upon which, interest ceases to accrue. So long as these repayment requirements have not been triggered, and the affordability housing restriction granted by the Town of Lexington is in effect and enforceable, the Corporation's obligation to pay principal and interest terminates on the tenth anniversary of the Disbursement Date. No principal or interest shall be due or payable without the approval of HUD.

The proceeds of the loan have been accounted for as net assets in the accompanying financial statements since SLI Douglas House's intention is to make housing available to income qualified and eligible individuals in accordance with these agreements. However, the loan is a contingent liability until discharged by the Town of Lexington.

As of December 31, 2013, the Corporation's aggregate principal maturities (such obligations consisting only of the long-term debt related to the Brookline Bank mortgage note payable) for each of the next five years and thereafter, are as follows:

Year	Amount
2014	$ 8,557
2015	9,151
2016	9,787
2017	10,466
2018	11,192
Thereafter	634,154
	$ 683,307

4. Promises to give

As of December 31, 2013, there were no material promises to give to the Corporation meeting the accounting criteria for revenue recognition.

5. Unrestricted net assets

The Corporation has no Board-designated unrestricted net assets at December 31, 2013.

6. Temporarily restricted net assets

As of December 31, 2013, temporarily restricted net assets of the Corporation are restricted for the Douglas Stephens Memorial Fund. The Douglas Stephens Memorial Fund provides resources to enhance the quality of life for the residents at the houses. Net assets were released from donor restrictions by incurring expenses satisfying the purpose and / or time restrictions specified by the donors.

Temporarily restricted net assets activity for 2013 is summarized as follows:

	Douglas Stephens Memorial Fund	Wellness Centers	Total
Balance, January 1, 2013	$ 33,717	$ -	$ 33,717
Contributions	8,470	28,190	36,660
Purpose releases	(5,255)	(28,190)	(33,445)
Interest earned, net of bank service charges	4	-	4
Balance, December 31, 2013	$ 36,936	$ -	$ 36,936

7. Related party transactions

Capital Advance - HUD

The Corporation executed a Capital Advance Mortgage Note with HUD dated December 14, 2007 under the Supportive Housing for Persons with Disabilities Program to provide substantial construction financing for 9 of the rental units at SLI Douglas House under Section 811 of the National Affordable Housing Act of 1990, as amended, in the maximum revised amount of $1,157,600. The advance provides permanent financing in the form of a 40 year mortgage note that bears no interest and need not be repaid as long as housing remains available to income qualified and eligible disabled individuals through August 1, 2048, the maturity date, upon which, the advance shall be deemed to be paid and discharged. The note may not be prepaid prior to maturity without the approval of HUD. In connection with securing the proceeds of the Capital Advance, SLI Douglas House and the Corporation entered into a Regulatory Agreement and Use Agreement with HUD which place certain regulatory and restrictive covenants upon the use, occupancy, transfer, operations and maintenance of the Project and the nine (9) Section 811 rental units in accordance with the applicable HUD regulations for a minimum of 40 years. In the event of default, as defined under the terms of the Capital Advance Mortgage Note and Regulatory Agreement, the entire principal sum shall become due and payable at once to HUD, and interest at a rate of 5.25% compounded per annum shall be payable on demand with respect to the repayment of principal.

Under certain agreements including the Capital Advance Agreement dated November 2, 2007 between the Corporation, SLI Douglas House, and HUD, the Corporation has loaned the proceeds of the Capital Advance to SLI Douglas House under terms which provide for repayment of principal and interest on August 1, 2048, the maturity date, as long as the low-income restriction on the 9 units remains in place and no default exists under the related note or Regulatory Agreement. SLI Douglas House's obligation is evidenced by a Section 811 Leasehold Mortgage Note dated December 14, 2007 which provides for interest at the rate of 4.72% interest per annum. The Corporation's security interest - the building and improvements upon the leased premises - as more fully described in the Leasehold Mortgage, Deed of Trust, or Security Deed, and the Security Agreement, has

7. Related party transactions - continued

Capital Advance – HUD - continued

been granted and collaterally assigned to HUD pursuant to the Collateral Assignment of Leasehold Mortgage and 811 Loan Documents dated December 14, 2007.

The proceeds of the loan have been accounted for as net assets in the accompanying financial statements since SLI Douglas House's intention is to make housing available to income qualified and eligible individuals in accordance with all applicable HUD regulations. However, the loan is a contingent liability until discharged by HUD.

As of December 31, 2013, the intercompany mortgage note receivable amounted to $1,157,600, with accrued interest thereon in the amount of $306,204, including $54,639 in 2013 interest income to the Corporation.

Accounts receivable - affiliates

The Corporation, the management agent, provides property management services to its affiliated organizations, SLI Douglas House, SLI McLaughlin House, Inc. and SLI Warren House, Inc. Management fees earned are based on a percentage of the residential income collected by each organization. In addition, the Corporation is reimbursed by each organization for payroll and payroll related expenses and certain reimbursable operating expenses incurred by the organizations, including bookkeeping charges.

In 2013, the Corporation earned management fees in the amount of $23,279 from these organizations, and received management fees in the amount of $21,930. In 2013, reimbursable expenses totaled $66,332. Reimbursable expenses collected by the Corporation in 2013 totaled $75,981. As of December 31, 2013, receivables due from these organizations totaled $51,586, including $7,657 in management fees receivable.

The Corporation may periodically advance funds to the affordable housing projects for payment of project operating expense obligations as the obligations become due. As of December 31, 2013, the balance of unreimbursed advances made to the affordable housing projects and due to the Corporation amounted to $11,390, including $10,500 advanced in 2013.

The Corporation is the sponsor and developer of Old Farm Inn, Inc. (a Massachusetts non-profit organization), and is a related party by virtue of sharing a director common to both Board of Directors. Development activities have been overseen by the Corporation and have consisted primarily of assembling a development team; coordinating and supervising aspects of pre-development, including preliminary activities relating to zoning, plan design, pre-construction; coordinating and supervising other professionals involved in the development and substantial renovation of the project; and obtaining construction financing proposals and permanent funding offers and commitments from the private and public sectors, among other commitments necessary for the project. The Corporation is reimbursed for its development overhead.

For consideration of its services provided to Old Farm Inn, Inc., no provision for a development fee has currently been formalized, with said fee, if any, expected to be determined in fiscal 2015.

7. Related party transactions - continued

Accounts receivable – affiliates - continued

In 2013, reimbursable development overhead incurred totaled approximately $800. As of December 31, 2013, the balance of development overhead due from Old Farm Inn, Inc. amounted to $4,148. No development overhead was collected by the Corporation in 2013. In addition, during 2013, the Corporation received donations in the amount of $45,100 on behalf of Old Farm Inn, Inc. These donations were transferred to Old Farm Inn, Inc.

The Corporation incurs reimbursable operational expenses on behalf of 291 Granite Street, LLC, a nonprofit corporation which owns property that adjoins the property of Old Farm Inn, Inc. In 2013, reimbursable operational expenses incurred totaled $1,276. As of December 31, 2013, the balance of reimbursable operating expenses due from 291 Granite Street, LLC amounted to $2,399. No reimbursable operating expenses were collected by the Corporation in 2013.

Due from affiliates

The Corporation has provided SLI McLaughlin House, Inc. and SLI Warren House, Inc. with working capital advance support over the years to fund certain construction and development costs, the purchase of furniture and fixtures, and operating costs. These advances are unsecured, non-interest bearing and have no specific repayment terms. The Corporation expects to seek reimbursement as an affiliate accumulates Residual Receipts; however, collection of any funds advanced is contingent upon the economic conditions and the financial condition and results of operations of these debtors among other inherent uncertainties, including HUD's approval (in accordance with agreements which those organizations have entered into with HUD). Accordingly, it is reasonably possible that the Corporation may not recover some or all of the support provided to the organizations. As of December 31, 2013, neither affiliate had accumulated any Residual Receipts. As of December 31, 2013, cumulative balances due from the affiliates amounted to $82,012. As of December 31, 2013, an allowance for doubtful accounts was made in the amount of $82,012 as management does not consider all amounts fully collectible. No repayments have been made to the Corporation on these working capital advances.

Due from SLI Douglas House - construction completion

As of December 31, 2011, construction and development costs incurred by SLI Douglas House are due to the Corporation in the amount of $421,494. These advances, net of any new sources of funding or refinancing proceeds which may be subsequently secured by SLI Douglas House, are evidenced by a Completion Note which was executed in June, 2010. As of December 31, 2013, unreimbursed project construction and development costs due to the Corporation totaled $423,494.

A summary of the activity for 2013 is as follows:

Balance at December 31, 2012	$ 421,494
Advances from Supportive Living, Inc.	2,000
Balance at December 31, 2013	$ 423,494

7. Related party transactions – continued

Due from SLI Douglas House - construction completion - continued

In 2013, the Corporation advanced funds to SLI Douglas House in the amount of $2,000 to make payments on the outstanding balance of its construction / development costs.

The existing Completion Note is expected to be amended to reflect the revised balance.

Development fee

Pursuant to the Development Services Agreement, for its performance of services in connection with undertaking the development of SLI Douglas House, coordinating, supervising and overseeing the rehabilitation and construction of SLI Douglas House, the Corporation (the developer) earned a development overhead and a development fee in the amount of $323,862. Terms of payment provide that the Development Fee was payable in the amount of $80,966 from the proceeds of the 1st Installment of the Investor Limited Partner capital contributions, and thereafter, in the amount of $6,747 monthly during a consecutive twelve month period. The balance was payable from the proceeds of the 5th Installment of the Investor Limited Partner capital contributions to the extent the proceeds of the installment were not required to pay other costs relating to the development of SLI Douglas House, including funding of the Operating Deficit Escrows or the replacement reserves as more fully described in SLI Douglas House's Partnership Agreement. During 2013, the Corporation advanced funds totaling $14,750 to SLI Douglas House to fund operating deficits. As of December 31, 2013, the balance of operating deficit funds advanced to SLI Douglas House and due to the Corporation amounted to $22,250

To the extent that funds are not available to pay the entire Development Fee on or before thirty days after the payment of the 5th Installment of the Investor Limited Partner capital contributions (said installment being received in 2011), any unpaid portion would be evidenced by a Development Fee Note and is payable from Available Cash, as defined, in the priority set forth in the definition of Priority Payments, as defined, or refinancing proceeds or sale proceeds, as more fully described in SLI Douglas House's Partnership Agreement, provided that the Development Fee Note is unconditionally due and payable no later than the tenth anniversary of the "Completion Date". The Development Fee Note is non-interest bearing. In the event that the Development Fee Note has not been fully paid by the tenth anniversary of the "Completion Date", the General Partner of SLI Douglas House shall make a capital contribution to SLI Douglas House in the amount necessary to pay the balance of the Development Fee Note.

As of December 31, 2013, development fees receivable totaled $124,897. No development fees were received in 2013. As of December 31, 2013, cumulative development overhead and development fees received by the Corporation total $198,965. The balance of the development fees receivable are expected to be converted to a Development Fee Note.

Notes payable

Since 2004, the Corporation has accepted promissory notes from various Board officers and members for the purpose of funding development costs of SLI Douglas House. The notes matured at various dates ranging from January 31, 2008 to March 8, 2010, or otherwise have no specified due date and have not been formally extended. As of December 31, 2013, total principal due on the promissory notes totaled $85,585, and in accordance with the terms of the promissory notes, is classified as current in the accompanying statement of financial position. The notes are unsecured and bear simple interest at rates ranging from 0% - 8% per annum.

7. Related party transactions - continued

Notes payable - continued

Terms of certain notes provide for a 3% late charge on the unpaid principal and interest commencing fifteen days after the due date. Interest has not been imputed on the non-interest bearing loans as required under U.S. generally accepted accounting principles because the amount is not material to the accompanying financial statements.

In 2013, the Corporation repaid principal on a note in the amount of $1,265. In 2013, a Board member converted $2,000 in principal due to an unrestricted contribution. Interest expense incurred in 2013 totaled $1,200. As of December 31, 2013, accrued interest payable totaled $6,932. Interest in the amount of $13,735 was paid in 2013.

Ground lease

The Corporation (as Landlord) is leasing the land upon which SLI Douglas House is located to SLI Douglas House pursuant to a 99 year Ground Lease and Conveyance of Fee to Improvements entered into during August, 2007. In connection therewith, a Deed of Improvements was executed granting all right, title and interest in the buildings and improvements thereto, as currently existing and as rehabilitated, to SLI Douglas House. The Corporation is accounting for the lease as an operating lease and recognizing lease rents on the straight-line basis over the term of the lease. The cost of the property that is leased to SLI Douglas House and the accumulated depreciation amounts to $5,655,248 and $881,304, respectively, at December 31, 2013.

Ground lease - affiliate

The lease requires a fixed annual base rent of $55,041 commencing on and first becoming payable, in monthly installments of $4,587, on the Ground Lease Fee Commencement Date, which occurred on April 1, 2010. Monthly payments are due through expiration of the original 99 year lease term. For the year ended December 31, 2013, lease revenue to the Corporation totaled $55,041.

The lease provides that SLI Douglas House shall be subject to terms of the financing agreements entered into with the Permitted Mortgagees, as defined, and may mortgage its interest in the leased premises and improvements thereon to other mortgagees under conditions provided therein. In addition, SLI Douglas House is responsible for the payment of all costs associated with the operation and maintenance of the leased property. The lease provides for a 99 year renewal option.

7. Related party transactions - continued

Ground lease - affiliate - continued

Future minimum rental payments under this operating lease for each of the next five years ending December 31 and thereafter are as follows:

Year	Amount
2014	$ 55,041
2015	55,041
2016	55,041
2017	55,041
2018	55,041
Thereafter	4,824,117
	$ 5,099,322

8. Leasing arrangements

The Corporation is a tenant-at-will at its Woburn, Massachusetts office and is renting the facilities on a monthly basis. The fair value of the rent expense for the facilities amounted to $10,840 in 2013.

Effective August 1, 2007, the Corporation entered into a rental agreement with the on-site health service and supportive care provider to the residents of SLI Warren House, Inc. and SLI McLaughlin House, Inc., which provides for the use of the Corporation's handicap accessible van and office equipment. Collectively, rent was $950 a month. Effective January 1, 2012, the portion of rent related to the office equipment is no longer assessed and rent is solely for the handicap accessible van in the amount of $450 a month. Rental income recognized in connection with this agreement amounted to $4,950 in 2013.

No formal lease agreement has been executed subsequent to expiration of the agreement in 2012 and the Corporation continues to rent the use of the office equipment on a monthly basis under pre-existing terms.

9. Concentration of credit risk and funded reserves

The Corporation maintains its cash and cash equivalents' balances at various financial institutions with operating locations in Massachusetts. The cash balances for each organization are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000.

The Corporation's cash balances fluctuate throughout the year and may exceed the FDIC insurance limits from time to time. The Corporation has not experienced any losses on its accounts, and monitors the credit-worthiness of the financial institutions with which it conducts business. At December 31, 2013, the uninsured cash and cash equivalents' balance of the Corporation, which consisted of funds held on account at Merrill Lynch, was approximately $27,000. Management does not believe that the Corporation is exposed to any substantial credit risk with respect to its cash and cash equivalents' balances.

10. Financing receivables, credit quality

In accordance with FASB guidance, the Corporation has evaluated the credit quality indicators of financing receivables held at December 31, 2013 as follows:

	SLI Douglas House		SLI McLaughlin House, Inc.	SLI Warren House, Inc.	
	Developer fee and operating deficit note	Completion note and Capital Advance note	Advances	Advances	Total
Performing	$ 147,147	$ 1,887,298	$ -	$ -	$ 2,034,445
Nonperforming	-	-	44,448	37,564	82,012
	$ 147,147	$ 1,887,298	$ 44,448	$ 37,564	$ 2,116,457

All financing receivables are due from the affordable housing projects. These projects operate in a housing segment of the real estate market which is subject to regulation by various federal, state or lending agencies. Payment is generally subject to limitation and the administrative directives, rules and regulations of these agencies and may result in limited or inadequate funding being allocated to the projects. Management determines the past due or delinquency status based on terms of the underlying loan, a review and assessment of estimated funding sources, and an assessment of the current economic conditions and the financial condition and results of operations of these debtors. As of December 31, 2013, no amounts were determined to be past due or delinquent. An allowance for doubtful accounts was made as of December 31, 2013 for the advances to affiliates as management does not consider all amounts fully collectible (Note 7).

11. Commitments

Unconditional guaranty

The Corporation unconditionally and irrevocably guarantees due payment, performance and fulfillment of all liabilities, obligations and undertakings of the General Partner of SLI Douglas House under certain agreements executed by the partners and / or SLI Douglas House as more fully described in the Unconditional Guaranty of the Corporation; provided, however, that the liability of the Corporation with respect to the obligations arising under the Operating Deficit Guaranty Agreement and the Partnership Agreement of SLI Douglas House, and amended by that certain Operating Deficit General Partner Obligation Agreement dated February 1, 2011, is limited to the amount of $195,000.

In conjunction with cumulative operating deficit advances in the amount of $7,500 made by the Corporation to SLI Douglas House as of December 31, 2013, the balance of this guaranty is $172,750 in the aggregate as of December 31, 2013.

11. Commitments - continued

Matching grant

In January, 2011, the Corporation received a matching five year pledge commitment (fiscal period June 30, 2011 through June 30, 2015) from a foundation in the amount of $100,000 annually. The pledge is conditioned upon the Corporation raising matching gifts by the end of the annual pledge fiscal year end of June 30. Support received from the foundation is unrestricted. For the pledge year ended June 30, 2013, the Corporation successfully matched the pledge and the $100,000 matching contribution was received in July, 2013. Subsequent to year end, the Corporation successfully matched the pledge for the fiscal 2014 pledge year (Note 15).

12. Major donors

In 2013, the Corporation's major donors, defined as contributed support from an individual or organization which is greater than ten percent of total contributed support, represented 36% of total contributions and support of the Corporation and consisted of one donor.

13. Fundraising

A summary of fundraising expenses incurred by the Corporation in 2013 is as follows:

Payroll and related expenses	$ 34,395
Office expenses	695
Consulting	8,164
Miscellaneous	1,327
Balance at December 31, 2013	$ 44,581

14. Restatement

Net assets as of January 1, 2013 have been restated to adjust prior years to correct the balances for unconsolidating a previously consolidated entity, SLI Douglas House, from the financial statements of the Corporation. The restatement had the effect of decreasing net assets by $1,543,277 at January 1, 2013. Had the correct accounting been reflected for the year ended December 31, 2012, the change in net assets would have been increased by $232,051.

15. Subsequent events

For the pledge year ended June 30, 2014, the Corporation successfully matched the pledge (Note 11 under matching grant). The Corporation received the $100,000 matching contribution in July, 2014.