

**Codman Square Neighborhood Development
Corporation And Subsidiaries**

Consolidated Financial Statements

and

Independent Auditors' Report

December 31, 2015

**Codman Square Neighborhood Development Corporation
And Subsidiaries**

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Daniel Dennis & Company LLP

Certified Public Accountants

Independent Auditors' Report

The Board of Directors

Codman Square Neighborhood Development Corporation

We have audited the accompanying consolidated financial statements of Codman Square Neighborhood Development Corporation (a non-profit corporation) and subsidiaries (CSNDC), which comprise the consolidated statement of financial position as of December 31, 2015, 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.

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 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 consolidated 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 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 auditors' 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 CSNDC'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 CSNDC'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 Codman Square Neighborhood Development Corporation and subsidiaries as of December 31, 2015, and the changes their consolidated net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidating financial schedules as a whole. The *Schedule of Financial Position- Neighborhood Reinvestment Capital Fund, Schedule of Activities – Neighborhood Reinvestment Capital Fund, Consolidating Schedule of Financial Position and Consolidating Schedule of Revenues and Expenses* on pages 29 through 32 are presented for purposes of additional analysis and are 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 audit 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.

Daniel Dennis & Company LLP

May 31, 2016

Codman Square Neighborhood Development Corporation and Subsidiaries
Consolidated Statement of Financial Position
December 31, 2015

Assets

Current Assets

Cash and cash equivalents	\$	9,405,931
Funds held in trust		608,284
Accounts receivable:		
Grants and contracts		22,614
Other, net		254,854
Restricted cash		229,028
Short-term investments		262,032
Mortgage loans receivable, net		7,754
Prepaid expenses		<u>160,898</u>
Total current assets		<u>10,951,395</u>

Property and Equipment

Land		9,730,036
Buildings and improvements		136,352,521
Office equipment and furniture		<u>6,105,662</u>
		152,188,219
Less accumulated depreciation		(45,468,747)
Construction in progress		<u>2,657,191</u>
Net property and equipment		<u>109,376,663</u>

Noncurrent Assets

Restricted cash		8,594,305
Investments		246,912
Real estate held for future use		1,612,058
Due from related parties, net		631
Capitalized fees and other intangible assets, net		<u>7,226,288</u>
Total noncurrent assets		<u>17,680,194</u>
Total assets	\$	<u><u>138,008,252</u></u>

See accompanying notes to the consolidated financial statements.

Codman Square Neighborhood Development Corporation and Subsidiaries
 Consolidated Statement of Financial Position - *Continued*
 December 31, 2015

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	1,577,447
Current portion of notes payable		3,256,164
Current portion of deferred grant revenue		16,336
Accrued expenses		856,665
Accrued interest		159,682
Prepaid rent		130,130
Deferred taxes		15,177
Funds held in trust		<u>571,751</u>
Total current liabilities		<u>6,583,352</u>

Noncurrent Liabilities

Notes payable, net of current portion		69,126,368
Accrued interest		6,956,346
Deferred grant revenue		<u>555,439</u>
Total noncurrent liabilities		<u>76,638,153</u>
Total liabilities		<u>83,221,505</u>

Net Assets

Non-controlling interest		16,781,359
Unrestricted		35,636,718
Temporarily restricted		266,510
Permanently restricted		<u>2,102,160</u>
Total net assets		<u>54,786,747</u>
Total liabilities and net assets	\$	<u><u>138,008,252</u></u>

See accompanying notes to the consolidated financial statements.

Codman Square Neighborhood Development Corporation and Subsidiaries

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

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Total</i>
Revenue and Support				
Contributions:				
Neighborhood reinvestment	\$ 199,957	\$ -	\$ 100,000	\$ 299,957
Other	585,895	90,000	-	675,895
Government grants and contracts	483,146	-	-	483,146
Interest income	24,567	-	-	24,567
Gain on sale of real-estate	119,296	-	-	119,296
Rental income, net	12,737,905	-	-	12,737,905
Gain on insurance claims	34,770	-	-	34,770
Forgiveness of debt income	9,002,077	-	-	9,002,077
Other	36,791	-	-	36,791
Net assets released from restriction	<u>85,000</u>	<u>(85,000)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>23,309,404</u>	<u>5,000</u>	<u>100,000</u>	<u>23,414,404</u>
Expenses and Losses				
Program services				
Real estate development	1,002,832	-	-	1,002,832
Resident services	885,648	-	-	885,648
Neighborhood stabilization	365,792	-	-	365,792
Asset management	15,741,317	-	-	15,741,317
Economic development	<u>47,604</u>	<u>-</u>	<u>-</u>	<u>47,604</u>
Total program services	18,043,193	-	-	18,043,193
Supporting services				
General administrative	335,054	-	-	335,054
Fundraising	<u>28,025</u>	<u>-</u>	<u>-</u>	<u>28,025</u>
Total supporting services	<u>363,079</u>	<u>-</u>	<u>-</u>	<u>363,079</u>
Total expenses	<u>18,406,272</u>	<u>-</u>	<u>-</u>	<u>18,406,272</u>
Impairment loss	<u>3,405,424</u>	<u>-</u>	<u>-</u>	<u>3,405,424</u>
Total expenses and losses	<u>21,811,696</u>	<u>-</u>	<u>-</u>	<u>21,811,696</u>
Change in net assets	1,497,708	5,000	100,000	1,602,708
Less amounts attributed to non-controlling interest	<u>(2,316,049)</u>	<u>-</u>	<u>-</u>	<u>(2,316,049)</u>
Change in net assets, controlling interest	<u>\$ 3,813,757</u>	<u>\$ 5,000</u>	<u>\$ 100,000</u>	<u>\$ 3,918,757</u>

See accompanying notes to the consolidated financial statements.

Codman Square Neighborhood Development Corporation and Subsidiaries
 Consolidated Statement of Changes in Net Assets
 For the Year Ended December 31, 2015

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Permanently Restricted</i>	<i>Non-Controlling Interest</i>	<i>Total</i>
Net assets at beginning of year	\$ 26,886,841	\$ 261,510	\$ 2,002,160	\$ 14,790,010	\$ 43,940,521
Change in reporting entity	3,744,372	-	-	5,507,146	9,251,518
Transfer of rental property	1,191,748	-	-	(1,191,748)	-
Equity distribution	-	-	-	(8,000)	(8,000)
Change in net assets	<u>3,813,757</u>	<u>5,000</u>	<u>100,000</u>	<u>(2,316,049)</u>	<u>1,602,708</u>
Net assets at end of year	<u>\$ 35,636,718</u>	<u>\$ 266,510</u>	<u>\$ 2,102,160</u>	<u>\$ 16,781,359</u>	<u>\$ 54,786,747</u>

See accompanying notes to the consolidated financial statements.

Codman Square Neighborhood Development Corporation and Subsidiaries
Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2015

	<i>Real Estate Development</i>	<i>Resident Services</i>	<i>Neighborhood Stabilization</i>	<i>Asset Management</i>	<i>Economic Development</i>	<i>Total Programs</i>	<i>General Administrative</i>	<i>Fundraising</i>	<i>Total</i>
Salaries	\$ 356,991	\$ 529,244	\$ 246,268	\$ 1,471,699	\$ 33,999	\$ 2,638,201	\$ 224,700	\$ 18,259	\$ 2,881,160
Employee benefits	62,264	92,307	42,953	231,252	5,930	434,706	39,191	3,184	477,081
Payroll taxes	27,288	40,455	18,824	119,885	2,599	209,051	17,175	1,396	227,622
Total salaries and related expenses	<u>446,543</u>	<u>662,006</u>	<u>308,045</u>	<u>1,822,836</u>	<u>42,528</u>	<u>3,281,958</u>	<u>281,066</u>	<u>22,839</u>	<u>3,585,863</u>
Professional fees	23,275	15,233	13,588	306,666	979	359,741	6,467	526	366,734
Consulting fees	41,794	11,334	5,108	1,409	494	60,139	4,086	334	64,559
Program expenses	12,307	129,046	7,831	1,237	469	150,890	12,528	1,018	164,436
Rental expense	1,403	2,080	968	373	134	4,958	883	72	5,913
Travel, conferences and meetings	13,435	31,357	11,880	25,393	1,033	83,098	13,707	1,911	98,716
Telephone	4,880	6,036	3,320	85,765	271	100,272	2,384	194	102,850
Utilities	8,391	2,908	1,353	2,064,255	187	2,077,094	1,235	100	2,078,429
Office expense	13,524	16,714	8,334	84,506	1,001	124,079	7,839	636	132,554
Insurance	5,302	4,046	1,883	412,558	260	424,049	1,718	140	425,907
Temporary personnel	39	58	27	10	4	138	25	2	165
Interest expense	72,806	122	66	2,303,415	6	2,376,415	1,542	125	2,378,082
Contracted services	-	-	-	1,912,719	-	1,912,719	-	-	1,912,719
Repairs and maintenance	2,931	-	-	402,998	-	405,929	-	-	405,929
Real estate taxes	13,839	-	-	828,560	-	842,399	-	-	842,399
Bad debt	43,545	1,000	-	95,186	-	139,731	-	-	139,731
Depreciation and amortization	30,145	3,311	1,541	4,434,823	213	4,470,033	1,406	114	4,471,553
Loss on investment in real-estate	255,958	-	-	-	-	255,958	-	-	255,958
Management fees	-	-	-	667,350	-	667,350	-	-	667,350
Taxes and fees	1,180	397	641	163,755	25	165,998	168	14	166,180
Miscellaneous	11,535	-	1,207	127,503	-	140,245	-	-	140,245
Total expenses	<u>\$ 1,002,832</u>	<u>\$ 885,648</u>	<u>\$ 365,792</u>	<u>\$ 15,741,317</u>	<u>\$ 47,604</u>	<u>\$ 18,043,193</u>	<u>\$ 335,054</u>	<u>\$ 28,025</u>	<u>\$ 18,406,272</u>

See accompanying notes to the consolidated financial statements.

Codman Square Neighborhood Development Corporation and Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended December 31, 2015

<i>Cash Flows From Operating Activities:</i>	
Change in net assets	\$ 1,602,708
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	4,471,553
Loss on real-estate	255,958
Bad debt expense	139,731
Debt forgiveness income	(9,002,077)
Impairment loss	3,405,424
(Increase)/decrease in operating assets:	
Accounts receivable	(58,169)
Grant and contracts receivable	45,109
Mortgage loans receivable	(3,079)
Funds held in trust	(6,949)
Prepaid expenses	(31,545)
Increase/(decrease) in operating liabilities:	
Accounts payable	1,186,816
Accrued expenses	303,075
Deferred revenue	(16,336)
Accrued interest	521,106
Prepaid rent	(14,518)
Funds held in trust	4,601
Net cash provided by operating activities	<u>2,803,408</u>
<i>Cash flows From Investing Activities:</i>	
Decrease in restricted cash	65,581
Purchase of investments, net	(209,053)
Increase in amounts due from related parties, net	(1,464,700)
Payments for capitalized costs	(1,304,474)
Payments for land, property and equipment	<u>(2,830,626)</u>
Net cash used in investing activities	<u>(5,743,272)</u>
<i>Cash flows From Financing Activities:</i>	
Proceeds from notes payable	9,155,665
Payment of distribution	(8,000)
Repayment of notes payable	<u>(3,370,792)</u>
Net cash provided by financing activities	<u>5,776,873</u>
Net change in cash	<u>2,837,009</u>
Cash, beginning of year	<u>6,568,922</u>
Cash, at end of year	<u>\$ 9,405,931</u>
<i>Supplementary Disclosure of Cash Flow Information</i>	
Cash paid during the year for interest	<u>\$ 2,311,792</u>
Cash paid during the year for income taxes	<u>\$ 8,664</u>

See accompanying notes to the consolidated financial statements.

Codman Square Neighborhood Development Corporation and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2015

1. *The Organization*

Codman Square Neighborhood Development Corporation (CSNDC), a not-for-profit corporation, is committed to maintaining and increasing the availability of affordable housing, promoting and assisting with commercial revitalization and economic development and providing services that enhance the sense of community and quality of life to residents in the Codman Square area of Dorchester, Massachusetts.

Program services rendered by CSNDC are as follows:

Real Estate Development

Development includes CSNDC's and its subsidiaries' efforts to rehabilitate residential and commercial properties in the Codman Square neighborhood. This activity includes efforts conducted through On The Square, Inc. to revitalize Codman Square's commercial district by acquiring, rehabilitating and leasing a key block in the neighborhood.

Resident Services

Resident Services provides social services for residents of the properties which CSNDC has developed as well as providing for the involvement of these residents in various community development and youth programs.

Neighborhood Stabilization

Neighborhood Stabilization includes programs that provide loans and technical assistance to allow first-time homebuyers and existing homeowners of low to moderate income the opportunity to purchase or rehabilitate properties in the Codman Square area. Neighborhood Stabilization includes participation in the City of Boston's One-to-Four program. Under this program, Codman Square Rehab, Inc. acquires and rehabilitates one-to-four family residential properties, which are sold to first time homebuyers of low to moderate income.

Asset Management

Asset Management is the ownership and management of properties CSNDC has developed in the past. These efforts are aimed at ensuring that the properties meet the needs of their low to moderate income residents as well as maintaining the financial viability of these properties in the future.

Economic Development

The program's goal is to contribute to neighborhood stabilization by developing, growing and preserving community assets. While the focus is on financial assets, the goal is to strengthen people's confidence in their futures and in their neighborhood's future.

This program helps people build personal savings, achieve homeownership and succeed as homeowners, develop and grow small business and helping owner occupants of 1 to 4 family homes plan for equipment replacements and handle emergency repairs. Collectively, the strength of these assets helps to stabilize neighborhoods.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies*

Reporting Entity

During 2015, a change in reporting entity was made to include the financial results of Olmstead Green II LLC in which CSNDC has a non-controlling interest. The change in reporting entity is reflected in the accompanying Consolidated Statement of Changes in Net Assets and resulted in an increase to the consolidated net assets at January 1, 2015 of \$9,251,518.

CSNDC and its subsidiaries are related by common control to three other nonprofit organizations, Talbot Bernard Senior Housing, Inc., 538 Talbot Avenue, Inc., and 526 Park Street, Inc. The financial statements do not include the financial position and activities of those organizations.

Principles of Consolidation

The consolidated financial statements include the accounts of CSNDC and its forty-three subsidiaries. These subsidiaries are:

<i>Subsidiary</i>	<i>Purpose</i>
157 Washington Street AB&W LLC	Organized to develop and operate residential and commercial property
241 Talbot LLC	Organized to develop and operate residential and commercial property
Erie Ellington LP	Organized to develop and operate residential property
Girls Latin Academy II LLC	Organized to develop and operate residential property
New Codman Square Apartments LLC	Organized to acquire and develop residential and commercial property
New Lithgow Residential LLC	Organized to develop and operate residential property
Norfolk Terrace LP	Organized to develop and operate residential property
Olmsted Green Rental I LLC	Organized to develop and operate residential property
Talbot Bernard Housing LLC	Organized to develop and operate residential property
Lithgow Commercial Limited Partnership (LCLP)	Organized to lease commercial property
Washington Columbia Apartments Limited Partnership (WCALP)	Organized to develop and operate residential property
Washington Columbia Apartments II Limited Partnership (WCAIILP)	Organized to develop and operate residential property
On the Square, Inc. (OTS)	Organized to lease commercial property
Codman Square Limited Partnership (CSLP)	Organized to support New Codman Square Apartments LLC
Girls Latin Academy, LLC (GLA)	Organized to purchase, rehabilitate and rent residential real estate
Olmsted Green Rental II LLC	Organized to develop and operate residential property
Lithgow Residential Limited Partnership (LRLP)	Organized to support New Lithgow Residential LLC
Talbot Station LLC (TSLLC)	Organized to acquire and develop residential and commercial property
Whittier Place LLC (WPLLC)	Organized to acquire and develop residential property
Codman Square Rehab, Inc. (CSR)	Organized to purchase, rehabilitate, and resell one-to four unit residential properties
Codman Square Housing Services, Inc. (CSHS)	Organized to provide various housing related services to area residents

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies – Continued*

Principals of Consolidation – Continued

<i>Subsidiary</i>	<i>Purpose</i>
Four Corners Plaza, LLC (FCP)	Organized to purchase and rehabilitate commercial property
NDC Holding Company, Inc. (NDCH)	Holds property held for future use
157 Washington Rental Commercial LLC (157WRCLLC)	Organized to lease commercial property
Girls Latin Academy Corporation (GLAC)	Non-managing member of Girls Latin Academy, LLC
157 Washington Rental LLC (157RLLC)	Organized to lease residential property
CSNDC Holding LLC (CHLLC)	Organized to acquire and develop residential property
Girls Latin II Lessor LLC (GLIILLC)	Organized to lease residential property
Talbot Commons II LLC (TCIILLC)	Organized to acquire and develop residential property
Codman Community Development, Inc. (CCDI)	Organized to support the charitable purposes of CSNDC and owns 99% of Codman Square Limited Partnership
157 Washington Street Managing Member (157WS)	Owns .01% of 157 Washington Street AB&W LLC
241 Talbot Corporation (241Corp)	Owns .01% of 241 Talbot LLC
Codman Square Apartments, Inc. (CSA)	Owns 1% of Codman Square Limited Partnership
Erie Ellington Homes, Inc. (EEH)	Owns 0.01% of Erie Ellington Limited Partnership
Lithgow Apartments, Inc. (LAI)	Owns 1% of Lithgow Residential Limited Partnership and .01% of New Lithgow Residential LLC
Lithgow Commercial, Inc. (LCI)	Owns 1% of Lithgow Commercial Limited Partnership
Lithgow Inc. (LI)	Owns 1% of Lithgow Commercial LLC
New CSA Manager LLC (NCSA)	Owns .01% of New Codman Square Apartments LLC
New Lithgow Holdings LLC (LHLLC)	Owns 1% of New Lithgow Residential LLC
Norfolk Terrace Corporation (NTC)	Owns 1% of Norfolk Terrace Limited Partnership;
Talbot Bernard Corporation (TBC)	Owns 0.01% of Talbot Bernard Housing, LLC
Washington Columbia Apartments, Inc. (WCA)	Owns 1% of Washington Columbia Limited Partnership
Washington Columbia II Apartments, Inc. (WC2A)	Owns 1% of Washington Columbia II Limited Partnership

All forty-three subsidiaries are for-profit corporations, limited liability companies (LLCs) or limited partnerships (LPs) except for CCDI, which is a nonprofit organization.

For financial reporting purposes, the financial position and activities of CSNDC and the forty-three subsidiaries listed above have been consolidated and all significant intercompany accounts and transactions have been eliminated.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies – Continued*

Net Asset Classification

Net assets of CSNDC are classified into three categories based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations. The Board of Directors has discretionary control over all of these assets and may elect to designate such resources for specific purposes. This designation may be removed at the board's direction.

Temporarily Restricted Net Assets

Temporarily restricted net assets represent net assets subject to donor-imposed or grant stipulations for specific operating or capital purposes. These assets will become unrestricted when the requirements of the donor or grantor have been satisfied either by the expenditure for the specified purpose or program or through the passage of time.

Permanently Restricted Net Assets

Permanently restricted net assets represent net assets subject to donor-imposed stipulations required to be maintained permanently by CSNDC. Investment income may be either an unrestricted or temporarily restricted resource when earned, determined according to the gift instruments. Contributions from the Neighborhood Reinvestment Corporation (NRC) Revolving Loan and Capital Projects Fund fall within this class of net assets. NRC makes grants for purposes that will build assets of an organization and for the community in which it operates.

Revenue and Expenses

The financial statements of CSNDC have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and an expense is recorded when goods are received or services are rendered.

CSNDC recognizes revenue earned from construction or rehabilitation and sales of single and multi-family housing units when units are sold.

Residential rental income, principally from short-term leases on apartment units, is recognized on a monthly basis as the rents become due. Residential rental payments received in advance are deferred until earned. All leases between CSNDC, its subsidiaries, and controlled entities and its tenants are operating leases.

Commercial rental income, principally from long-term operating leases for commercial space, is recognized on a monthly basis as the rents are due. Commercial rents consist of fixed monthly amounts plus reimbursements for each commercial tenant's proportionate share of certain operating expenses. Prepaid rent is treated as a liability until earned.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies – Continued*

Contributions, Gifts and Grants

Contributions are recorded as receivables and revenue when unconditional pledges are received. CSNDC distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Contributions may include gifts of cash, collection items, other assets or promises to give. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at fair value on the date of the gift. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, CSNDC reports the support as unrestricted.

Cash and Cash Equivalents

For purposes of these financial statements, CSNDC considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Funds held in trust and restricted reserves are not considered cash or cash equivalents for financial statement purposes. At December 31, 2015, CSNDC did not hold any cash equivalents.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. CSNDC capitalizes all expenditures for furniture, equipment, and leasehold improvements with a useful life of more than one year and a cost of over \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are as follows:

Building	20 – 40 years
Improvements	5 – 40 years
Furniture & equipment	3 – 10 years

Depreciation expense totaled \$4,359,843 for the year ended December 31, 2015.

Long lived assets, such as buildings are reviewed on an ongoing basis for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated by the asset including any estimated proceeds from the eventual disposition of the asset. If the asset is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds its fair value. As of December 31, 2015, management has determined that there has been no impairment of the long lived assets except for Girls Latin Academy, which is described in Note 20.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies – Continued*

Property and Equipment – Continued

Major improvements and betterments to existing property are capitalized. Expenditures for maintenance and repairs which do not increase the value or extend the lives of the applicable assets are charged to expense as incurred. CSNDC uses the direct expensing method to account for planned major maintenance activities, such as exterior painting, under which actual costs incurred are expensed directly when maintenance is performed.

Capitalized Fees

Capitalized fees are recorded at cost and amortized over the lives of the related loans or tax credit compliance periods.

Construction in Process

In connection with its real-estate development activities, CSNDC capitalizes all pre-acquisition, acquisition, development and construction costs as construction in process.

CSNDC follows the policy of capitalizing interest on notes financing the construction of projects to be sold as a component of construction in process.

Accounts Receivable

Accounts receivable are presented net of allowance for doubtful accounts. CSNDC's periodic evaluation of the adequacy of the allowance is based on past experience and current economic conditions. Accounts receivable are charged off when deemed uncollectible.

Mortgage Loans Receivable

Loans are stated at unpaid principal balances, less the allowance for loan losses and net of deferred loan fees and unearned discounts.

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, economic conditions and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries.

Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies – Continued*

Fair Value Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1- Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 - Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Expenses

The costs of providing the various programs and the administration of CSNDC have been summarized on a functional basis in the Consolidated Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

2. *Summary of Significant Account Policies – Continued*

Income Taxes

CSNDC is exempt from income taxes as a non-profit corporation under Section 501(c)(3) of the U.S. Internal Revenue Code and is also exempt from state income taxes, except for income taxes on unrelated business income, if any. For the year ended December 31, 2015, CSNDC had no unrelated business income subject to income taxes. Accordingly, no provision for income taxes has been included in these financial statements. CSNDC's for-profit subsidiaries file separate income tax returns.

CSNDC's for-profit corporate subsidiaries account for income taxes, whereby deferred taxes are recognized using the liability method. This method calculates deferred tax assets and liabilities based on tax rates that are expected to apply when temporary differences reverse.

Regarding CSNDC's partnership and LLC subsidiaries, no provision has been made for Federal or state income taxes since each partner or member includes its pro-rata share of net income or loss in its return.

CSNDC evaluates tax positions taken or expected to be taken in its tax returns and in its subsidiaries' tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained by the applicable tax authority. At December 31, 2015, CSNDC believes that it has no uncertain tax positions within its open tax returns and within any of its subsidiaries' open tax returns. The 2012 through 2014 tax years remain subject to examination by Federal and state authorities.

Below Market Loans

Section 42 of the Internal Revenue Code governs the administration of the Low Income Housing Tax Credit (LIHTC), a tax incentive created to foster a legislated public policy directive of the United States of America to create affordable low income housing. Several of CSNDC's subsidiary partnerships and LLC's were formed in order to create low income housing in order to generate LIHTC.

Other governmental entities having a similar policy have lent money to CSNDC's subsidiary partnerships and LLCs at advantageous terms. These subsidiaries have not discounted their below market interest rate loans as they were made at arm's length and to preserve the integrity of costs eligible for the LIHTC.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

3. *Related Party Transactions*

The following are the amounts due from affiliates at December 31, 2015:

Talbot Bernard Senior Housing, Inc.	\$	342
538 Talbot Avenue, Inc.		126
526 Park Street, Inc.		163
Total	\$	<u>631</u>

Additionally, CSNDC has a non interest bearing note receivable from 526 Park Street, Inc. in the amount of \$53,073, which was fully reserved at December 31, 2015.

4. *Restricted Cash*

As of December 31, 2015, CSNDC has \$235,678 of cash restricted for development.

As the general partners of limited partnerships, WCA and WC2A are required by the limited partnership agreements to maintain a minimum net worth on deposit. Additionally, the subsidiaries who operate residential and commercial property are required to maintain separate accounts for escrows and reserves per mortgage notes. The non-current restricted cash includes those combined net worth accounts, escrows, and reserves.

5. *Investments*

Fair Value Method Investments

Certificate of Deposit

CSNDC's investments consist of certificates of deposit (CD's) with original maturities greater than three months. The fair value of the CD's, measured on a recurring basis, at December 31, 2015 was \$506,444 (Level 2).

The CD's have been valued using the income approach. The income approach to fair value measurement estimates the fair value by calculating the present value of future cash flows that the asset is expected to generate over its lifetime. The cash flows are discounted to the measurement date at the rate of return that is required to compensate for the risk associated with the receipt of the future cash flows. There were no changes in the valuation technique for the year ended December 31, 2015.

Investment in Cooperative

During 2015, CSNDC purchased 100 shares of preferred stock for \$2,500 in a community funded cooperative located in Dorchester, MA. The investment is valued at cost due to the lack of information that can be used to approximate the fair value. Management annually performs an assessment of any possible impairment. The value of the investment at December 31, 2015 was \$2,500 and management has determined that no such impairment exists.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

6. *Mortgage Loans Receivable*

CSHS maintains a homeowner loan program. Under this program, CSHS uses the capital grants from Neighborhood Reinvestment Corporation, passed through CSNDC, to make loans to qualified homeowners at below market interest rates. The current loan periods range from seven to fifteen years, and interest rates range from 3.0% to 6.5%.

7. *Construction in Process*

Costs incurred for the acquisition and development of active properties are capitalized as construction in progress. These costs are expected to be fully recovered when the properties are sold or syndicated.

The balance at December 31, 2015 consists of the following:

<i>Subsidiary</i>	<i>Amount</i>
WPLLC	<u>\$ 2,657,191</u>

8. *Notes Payable*

Notes payable consist of the following:

CSNDC

A loan from Community Economic Development Assistance Corporation (CEDAC) passed through to FCP. The note bears interest at 7% per annum. Repayment is due upon the closing of permanent financing for the related property. As of December 31, 2015 accrued interest was \$5,554. \$ 133,378

A predevelopment loan from CEDAC passed through to TSLLC. The loan bears interest at 7% per annum. Repayment is due upon the earlier of closing and initial funding date of any construction financing or the second anniversary of the first full month after the closing date. As of December 31, 2015 accrued interest was \$66,626. 284,761

A loan from Massachusetts Development Finance Agency (MDFA) in the amount of \$27,000, passed through to FCP. Repayment is due in full within thirty days of a triggering event if it occurs within five years of December 19, 2005. If the funds are not repaid within 30 days of the triggering event the funds shall bear interest at 8% per annum from the date of the triggering event for a period not to exceed three years. 24,161

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

8. Notes Payable - Continued

CSNDC acquired a predevelopment note payable from CEDAC, providing for a maximum loan amount of \$200,000. The note bears interest at 7% per annum and is secured by the Franklin Field South III Project. Repayment is due upon securing construction financing. Interest accrued and capitalized as of December 31, 2015 was \$78,002.

130,733

A loan from MDFA in the amount of \$100,000 for the church lots project. Repayment is due in full within thirty days of a triggering event as described in the note agreement. If the funds are not repaid within 30 days of the triggering event the funds shall bear interest at 3% per annum.

40,401

Codman Square Rehab, Inc.

CSR has a note payable to City of Boston through the Department of Neighborhood Development (DND) in the amount of \$25,500. The loan is interest free and is secured by the 15 Mallard Street property. Repayment is due in full on October 28, 2016.

25,500

CSR has a note payable to East Boston Savings Bank, providing for a maximum loan amount of \$166,500. The interest rate is 5.5% per annum and the loan is secured by the 15 Mallard Street property. The loan requires monthly payments of principal and interest in the amount of \$953 and repayment is due in full on June 14, 2042.

158,861

CSR has a note payable to East Boston Savings Bank, providing for a maximum loan amount of \$122,200. The interest rate is 4.25% per annum and the loan is secured by the 241 Norfolk Street property. The loan requires monthly payments of interest only and repayment is due in full on April 9, 2016, however subsequent to year end the note was extended until July 9, 2016. The note is guaranteed by CSDNC.

122,200

CSR has a note payable to MHIC, providing for a maximum loan amount of \$495,901. The loan is interest free and is secured by the 15 Mallard Street property. Repayment is due in full on November 30, 2026.

495,901

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

8. Notes Payable- Continued

Talbot Station I LLC

TS LLC has a note payable to Local Initiatives Support Corporation (LISC), providing for a maximum loan amount of \$1,440,986. The note has an interest rate of 5% per annum. Repayment is due on the earlier of the date of closing on any portion of the construction financing or December 31, 2016. As of December 31, 2015 accrued interest was \$0. The note is guaranteed by CSDNC.

1,440,986

TS LLC has a note payable to Neighborworks Capital Corporation, providing for a maximum loan amount of \$200,000. The note has an interest rate of 4.5% per annum. Repayment is due on the earlier of the initial disbursement of construction financing or February 28, 2017. The note is guaranteed by CSDNC.

200,000

TS LLC has a note payable to DND, providing for a maximum loan amount of \$232,800. The note is interest free. Repayment is due on the earlier of the initial disbursement of construction financing or October 7, 2019.

56,415

Whittier Place LLC

WP LLC has a construction note payable to Bank of America, N.A., in the amount of \$12,188,878. The note has an interest rate of 3% per annum. The loan is secured by a Fee and Leasehold Mortgage and Security Agreement and assignment of leases and rents. Repayment is due on the earlier of the date of closing of the permanent financing or December 30, 2017. The note is guaranteed by CSDNC.

1,736,856

WP LLC has a note payable to CEDAC through its Housing Innovations Fund (HIF), providing a maximum note amount of \$750,000. The loan has a simple interest rate of 2% per annum. The loan is secured by the first mortgage. Repayment of interest and principal are due on February 1, 2047. The note is guaranteed by CSDNC.

712,500

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

8. *Notes Payable- Continued*

WP LLC has a bridge loan to CEDAC providing a maximum loan amount of \$1,362,015. The loan has an interest rate of 5.2% per annum. The loan is secured by a Fee and Leasehold Mortgage and Security Agreement and Assignment of Leases and Rents. The loan is guaranteed by CSNDC. Repayment is due on the earlier of the date of closing of the permanent financing or December 30, 2017. 1,362,015

On The Square, Inc.

OTS has a note payable to Eastern Bank, secured by the property and the assignment of rents and leases, with fixed interest at 4.07%. Monthly payments of principal and interest, currently \$4,528, are based on a thirty year amortization schedule. The unpaid balance of principal and interest is due February 2023. The note is guaranteed by CSNDC. As of December 31, 2015 accrued interest was \$3,022. 890,883

Codman Community Development Corporation

CCDI has a note payable to LISC, providing for a maximum loan amount of \$490,000. The interest rate is 4.25% per annum and the loan is secured by the Heritage Homes properties. Repayment is due in full on November 1, 2017. The note is guaranteed by CSDNC. 499,021

CCDI has a note payable to the City of Boston's Department of Neighborhood Development, providing for a maximum loan amount of \$477,750. The note is interest free. Repayment is due in February 2020. The note is guaranteed by CSDNC. 291,235

Rental Real-estate

CSNDC's rental real-estate subsidiaries have entered into various mortgages and other notes payable in connection with the acquisition, renovation and/or construction of affordable housing. The original balances of the mortgages and other notes payable totaled \$68,155,999. The mortgages and notes payable have interest rates between zero and 8.02%. Of the total balances outstanding, approximately one third require monthly payments of principal and interest which totaled \$136,469, approximately one third require payments based on surplus cash, and approximately one third will be payable upon maturity. The maturity dates of the mortgages and notes payable range from September 29, 2019 to June 30, 2063. Accrued interest as of December 31, 2015 was \$6,962,824. 63,776,725

Total 72,382,532

Less current portion 3,256,164

Notes payable, net of current portion \$ 69,126,368

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

8. Notes Payable- Continued

Principal reduction for the next five years and thereafter is as follows:

2016	\$	3,256,164
2017		4,337,159
2018		543,558
2019		1,596,234
2020		1,273,358
Thereafter		<u>61,376,059</u>
Total	\$	<u>72,382,532</u>

9. Funds Held in Trust

CSNDC acts as a fiscal agent for several neighborhood groups. The cash held for these groups is in separate bank accounts. These balances are combined and presented as offsetting assets and liabilities in the financial statements. The transactions of these neighborhood groups are not included in the financial statements or transactions of CSNDC.

The subsidiaries who operate commercial and rental properties have a policy to collect security deposits of up to one months rent from the tenants. The security deposits can be used to pay for damages caused by the tenant or used against unpaid receivables. The total cash collected for security deposits as of December 31, 2015 is included in funds held in trust.

Funds held in trust also include unexpended proceeds of loans to homeowners. CSHS controls the funds until they are disbursed for approved home improvements by the homeowners.

10. Net Assets

This account represents the cumulative excess of revenue, gains and other support over expenses. Net assets consists of three components, unrestricted, temporarily restricted and permanently restricted. Unrestricted funds are not restricted as to use. Restricted funds are funds that are subject to donor imposed restrictions.

Board Designated

The Board of Directors of CSNDC has designated a portion of the unrestricted net assets as a Development Fund to be used for development costs of prospective projects. The Development Fund had the following balance at December 31, 2015:

Advanced to subsidiaries to finance development costs \$ 500,000

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

10. Net Assets – Continued

Temporarily Restricted

At December 31, 2015, temporarily restricted net assets were restricted for the following:

<i>Description</i>	<i>Amount</i>
Purpose restriction	\$ 176,510
Time restriction	<u>90,000</u>
Total temporarily restricted net assets	<u>\$ 266,510</u>

Temporarily and Permanently Restricted from Neighborhood Reinvestment

At December 31, 2015, the temporarily and permanently restricted net assets received from the Neighborhood Reinvestment Revolving Loan and Capital Projects Fund from 1996 through 2015 are comprised of the following:

<i>Description</i>	<i>Amount</i>
Cash and cash equivalents	\$ 576,821
Real-estate development	1,700,453
Mortgage to qualified homeowners	<u>1,396</u>
Total permanently and temporarily restricted net assets from Neighborhood Reinvestment	<u>\$ 2,278,670</u>

11. Commercial Leases

Future minimum lease payments under operating leases from tenants are as follows:

2016	\$ 173,130
2017	\$ 133,934
2018	\$ 65,841
2019	\$ 2,259

12. Income Taxes

As of December 31, 2015, CSNDC's for-profit subsidiaries had net operating loss carryforwards totaling approximately \$1,369,900. These net operating loss carryforwards will expire at various times between 2016 and 2036. It is unclear if CSNDC will realize value from these loss carryforwards; accordingly a related tax deferred asset has not been recorded.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

13. *Concentrations*

Cash

CSNDC has a concentration of credit risk represented by cash balances in certain large commercial banks in amounts which occasionally exceed current Federal Deposit Insurance Corporation (FDIC) limits. CSNDC does not believe it is exposed to significant risk related to uninsured deposits as it periodically reviews the credit standings of the related institutions.

Support

CSNDC receives a substantial amount of its support and revenue from federal, state and local contracts and grants and from major public support organizations. A significant reduction in the level of any of this support and revenue, if this were to occur, might have an adverse effect on CSNDC's programs and activities.

Operations

CSNDC's real estate holdings are concentrated in the affordable housing real estate market within the Codman Square neighborhood of Dorchester, Massachusetts. A downturn in this market could negatively impact the realizable value of CSNDC's real estate holdings.

14. *Commitments*

Loan Commitments

CSNDC has received various financing commitments to fund construction costs related to renovations at several of its projects. As of December 31, 2015, the following commitments were received:

<i>Lender</i>	<i>Commitment</i>	<i>Amount</i>	
		<i>Received</i>	<i>Outstanding</i>
Community Economic Development Assistance Corporation	\$ 950,000	\$ 843,233	\$ 106,767
Mass Development	127,000	64,562	62,438
Bank of America, N.A.	12,188,878	1,736,856	10,452,022
City of Boston, Department of Neighborhood Development	232,800	56,415	176,385
Total	<u>\$ 13,498,678</u>	<u>\$ 2,701,066</u>	<u>\$ 10,797,612</u>

15. *Joint Venture*

During 2012, CSNDC entered into a joint venture with South West Boston Community Development Corporation (SWBCDC) for the development of several parcels in Dorchester, MA. CSNDC guaranteed SWBCDC's line of credit which had an outstanding balance of \$19,184 at December 31, 2015. Additionally, during fiscal year 2012, CSNDC guaranteed a loan from CEDAC to SWBCDC having an outstanding balance of \$348,824 at December 31, 2015.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

16. *Real Estate held for Future Use*

CSR, NDCH, FCP, CCDI and TSLLC hold title to properties in the Codman Square area for the purpose of future sale or development. Management expects to recover the costs of the properties upon disposition.

17. *Guarantees*

CSNDC is contingently liable as the guarantor on the following note payable in addition to the guarantees disclosed in Notes 8 and 15:

<u>Borrower</u>	<u>Lender</u>	<u>Balance at</u> <u>December 31, 2015</u>
526 Park Street, Inc.	CEDAC	\$ 300,000

Additionally, CSNDC has made an operating guarantee against recapture of low income housing tax credits generated by Olmstead Green Rental II LLC, owner of an affordable housing development. The maximum due under the guarantee is \$1,326,440.

CSNDC's management believes the risk of payments under the above guarantees is low.

18. *Contingent Liability*

The rental real-estate loan agreements described in Note 8 contain provisions that require adherence to eligibility requirements of those to whom dwelling units are sold or rented and affordability requirements limiting sales prices and monthly rent charges. In the event of noncompliance, those lenders have the discretion to demand repayment of the respective loans.

19. *Capitalized Fees and Partnership Goodwill*

Capitalized fees totaling \$2,431,497 are recorded at cost and amortized over the lives of the related loans or tax credit compliance periods. Accumulated amortization totaled \$787,566 at December 31, 2015. Amortization expense totaled \$111,710 for the year ended December 31, 2015 and the estimated amortization expense for each of the next five years is \$111,710.

Partnership goodwill totaling \$5,582,357 represents the difference between the appraised value of the WCALP and WCAILP partnership interest contributed to CSNDC and their book value prior to the contribution. Under GAAP goodwill is not amortized. The goodwill is evaluated for impairment on an annual basis. In CSNDC's opinion, there has been no impairment to the value of the recorded goodwill for the year ended December 31, 2015.

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

20. *Impairment Loss*

During 2015, Girls Latin Academy obtained an appraisal on its real estate in order to restructure its mortgage note payable and other debt. The real estate was determined to be impaired based on a comparison of the carrying amount in the financial statements to the value per the income approach appraisal that was performed. As of December 31, 2015 a related impairment loss of \$3,405,424 was recognized on the consolidated statement of activities.

21. *Department of Neighborhood Development (DND) NHT Grant*

Olmstead Green Rental II, LLC received a grant in the original amount of \$750,000, reduced to \$665,941 due to project savings during development, from the Department of Neighborhood Development through funds from the Neighborhood Housing Trust of the City of Boston. The grant was used to fund development costs associated with the construction of the project. Repayment of the grant is not required so long as the housing remains in compliance with the affordability restrictions as required by the grant agreement. The grant is recorded as deferred revenue and is recognized as revenue over the project's useful life of 40 years. During 2015, \$16,336 has been recognized and included in other income on the accompanying statement of activities.

At December 31, 2015, the outstanding balance on the grant totaled \$571,775 and is reflected on the statement of financial position as follows:

Deferred grant revenue - current portion	\$ 16,336
Deferred grant revenue - noncurrent portion	<u>555,439</u>
Total	<u>\$571,775</u>

22. *Consolidation*

For financial reporting purposes, the financial position and activities of CSNDC and its forty-three subsidiaries that have been consolidated and all significant intercompany accounts and transactions have been eliminated.

A summary of this consolidation is as follows:

	<i>CSNDC</i>	<i>Subsidiaries</i>	<i>Eliminations</i>	<i>Total</i>
Assets	<u>\$ 34,373,127</u>	<u>\$ 152,502,801</u>	<u>\$ (48,867,676)</u>	<u>\$ 138,008,252</u>
Liabilities	\$ 1,114,900	\$ 104,058,389	\$ (21,951,784)	\$ 83,221,505
Net assets / equity	<u>33,258,227</u>	<u>48,444,412</u>	<u>(26,915,892)</u>	<u>54,786,747</u>
Total liabilities and net assets	<u>\$ 34,373,127</u>	<u>\$ 152,502,801</u>	<u>\$ (48,867,676)</u>	<u>\$ 138,008,252</u>
Revenues	\$ 3,096,675	\$ 22,415,064	\$ (2,097,335)	\$ 23,414,404
Expenses and losses	<u>2,708,594</u>	<u>20,402,360</u>	<u>(1,299,258)</u>	<u>21,811,696</u>
Change in net assets	<u>\$ 388,081</u>	<u>\$ 2,012,704</u>	<u>\$ (798,077)</u>	<u>\$ 1,602,708</u>

Codman Square Neighborhood Development Corporation and Subsidiaries

Notes to Consolidated Financial Statements - *Continued*

December 31, 2015

23. *Contingency*

CSNDC is a defendant in a legal action. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on CSNDC's consolidated financial statements.

24. *Subsequent Events*

CSNDC has evaluated subsequent events through May 31, 2016, which is the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

Codman Square Neighborhood Development Corporation and Subsidiaries
Schedule of Financial Position – Neighborhood Reinvestment Capital Fund
December 31, 2015

Assets

Cash and cash equivalents	\$ 576,821
Real-estate development	1,700,453
Mortgages to qualified homeowners	<u>1,396</u>
Total Assets	<u><u>\$ 2,278,670</u></u>

Liabilities and Net Assets

Net assets

Temporarily restricted	\$ 176,510
CFRAH-Fund	374,500
Permanently restricted	<u>1,727,660</u>
Total net assets	<u>2,278,670</u>
Total liabilities and net assets	<u><u>\$ 2,278,670</u></u>

Schedule of Activities – Neighborhood Reinvestment Capital Fund
For the Year Ended December 31, 2015

Revenue and support

Capital Grant - Neighborhood reinvestment	\$ <u>100,000</u>
Change in net assets	100,000
Net assets, beginning of year	<u>2,178,670</u>
Net assets, end of year	<u><u>\$ 2,278,670</u></u>

Codman Square Neighborhood Development Corporation and Subsidiaries
Consolidating Schedule of Financial Position
December 31, 2015

Assets

<i>Current Assets</i>	<i>CSNDC</i>	<i>Non-Rental Program Services</i>	<i>Rental Real Estate</i>	<i>Eliminations</i>	<i>Consolidated</i>
Cash and cash equivalents	\$ 2,666,333	\$ 2,386,815	\$ 4,352,783	\$ -	\$ 9,405,931
Funds held in trust	143,308	18,190	446,786	-	608,284
Accounts receivable:					
Grants and contracts	22,614	-	-	-	22,614
Other, net	409,221	9,272	267,844	(431,483)	254,854
Restricted cash	229,028	-	-	-	229,028
Short-term investments	262,032	-	-	-	262,032
Mortgage loans receivable, net	-	7,754	-	-	7,754
Prepaid expenses	19,116	1,166	140,616	-	160,898
Total current assets	<u>3,751,652</u>	<u>2,423,197</u>	<u>5,208,029</u>	<u>(431,483)</u>	<u>10,951,395</u>
<i>Property and Equipment</i>					
Land	-	2,682,538	7,047,498	-	9,730,036
Buildings and improvements	152,999	2,793,488	142,561,698	(9,155,664)	136,352,521
Office equipment and furniture	113,911	607	5,991,144	-	6,105,662
	266,910	5,476,633	155,600,340	(9,155,664)	152,188,219
Less accumulated depreciation	(195,813)	(142,995)	(45,824,133)	694,194	(45,468,747)
Construction in progress	-	2,968,794	-	(311,603)	2,657,191
Net property and equipment	<u>71,097</u>	<u>8,302,432</u>	<u>109,776,207</u>	<u>(8,773,073)</u>	<u>109,376,663</u>
<i>Noncurrent Assets</i>					
Restricted cash	-	381,060	8,213,245	-	8,594,305
Investments	246,912	-	-	-	246,912
Real estate held for future use	25,134	1,586,924	-	-	1,612,058
Due from related parties, net	897,647	-	515,078	(1,412,094)	631
Capitalized fees and other intangible assets, net	-	23,809	7,202,479	-	7,226,288
Investment in subsidiaries	15,499,776	4,196,312	-	(19,696,088)	-
Interest in related parties	-	435,330	-	(435,330)	-
Notes receivable and accrued interest - related parties	13,880,909	-	4,238,699	(18,119,608)	-
Total noncurrent assets	<u>30,550,378</u>	<u>6,623,435</u>	<u>20,169,501</u>	<u>(39,663,120)</u>	<u>17,680,194</u>
Total assets	<u>\$ 34,373,127</u>	<u>\$ 17,349,064</u>	<u>\$ 135,153,737</u>	<u>\$ (48,867,676)</u>	<u>\$ 138,008,252</u>

Codman Square Neighborhood Development Corporation and Subsidiaries
Consolidating Schedule of Financial Position - *continued*
December 31, 2015

Liabilities and Net Assets

	<i>CSNDC</i>	<i>Non-Rental Program Services</i>	<i>Rental Real Estate</i>	<i>Eliminations</i>	<i>Consolidated</i>
<i>Current Liabilities</i>					
Accounts payable	\$ 93,874	\$ 1,847,834	\$ 482,938	\$ (847,199)	\$ 1,577,447
Current portion of notes payable	613,434	1,565,858	1,076,872	-	3,256,164
Current portion of deferred grant revenue	-	-	16,336	-	16,336
Accrued expenses	90,278	41,275	996,918	(271,806)	856,665
Accrued interest	-	-	159,682	-	159,682
Prepaid rent	-	18,147	111,983	-	130,130
Deferred taxes	-	-	15,177	-	15,177
Due to related party	171,094	301,971	-	(473,065)	-
Funds held in trust	146,220	15,459	410,072	-	571,751
Total current liabilities	<u>1,114,900</u>	<u>3,790,544</u>	<u>3,269,978</u>	<u>(1,592,070)</u>	<u>6,583,352</u>
<i>Noncurrent liabilities</i>					
Notes payable, net of current portion	-	9,950,271	76,197,282	(17,021,185)	69,126,368
Accrued interest	-	150,182	10,050,845	(3,244,681)	6,956,346
Due to related party	-	-	93,848	(93,848)	-
Deferred grant revenue	-	-	555,439	-	555,439
Total noncurrent liabilities	<u>-</u>	<u>10,100,453</u>	<u>86,897,414</u>	<u>(20,359,714)</u>	<u>76,638,153</u>
Total liabilities	<u>1,114,900</u>	<u>13,890,997</u>	<u>90,167,392</u>	<u>(21,951,784)</u>	<u>83,221,505</u>
<i>Net Assets</i>					
Non-controlling interest	-	3,458,067	44,986,345	(31,663,053)	16,781,359
Unrestricted	30,889,557	-	-	4,747,161	35,636,718
Temporarily restricted	266,510	-	-	-	266,510
Permanently restricted	2,102,160	-	-	-	2,102,160
Total net assets	<u>33,258,227</u>	<u>3,458,067</u>	<u>44,986,345</u>	<u>(26,915,892)</u>	<u>54,786,747</u>
Total liabilities and net assets	<u>\$ 34,373,127</u>	<u>\$ 17,349,064</u>	<u>\$ 135,153,737</u>	<u>\$ (48,867,676)</u>	<u>\$ 138,008,252</u>

Codman Square Neighborhood Development Corporation and Subsidiaries
Consolidating Schedule of Revenue and Expenses
For the Year Ended December 31, 2015

	<i>CSNDC</i>	<i>Non-Rental Program Services</i>	<i>Rental Real Estate</i>	<i>Eliminations</i>	<i>Consolidated</i>
Revenue and Support					
Contributions:					
Neighborhood reinvestment	\$ 299,957	\$ -	\$ -	\$ -	\$ 299,957
Other	675,895	-	-	-	675,895
Government grants and contracts	483,146	-	-	-	483,146
Interest on notes receivable - related parties	240,173	-	116,032	(356,205)	-
Resident services fees - related parties	206,900	-	-	(206,900)	-
Management fees - related parties	238,225	-	-	(238,225)	-
Staff cost reimbursements - related parties	2,496	-	-	(2,496)	-
Developer fees - related parties	311,603	-	-	(311,603)	-
Interest income	10,119	5,976	25,085	(16,613)	24,567
Gain on investments - related parties	494,521	114,872	-	(609,393)	-
Gain on sale of real-estate	119,296	-	-	-	119,296
Rental income, net	-	108,210	12,711,380	(81,685)	12,737,905
Gain on insurance claims	-	-	34,770	-	34,770
Forgiveness of debt income	-	255,958	9,002,077	(255,958)	9,002,077
Loan guarantee fees	1,290	-	-	(1,290)	-
Other	13,054	8,652	32,052	(16,967)	36,791
Total revenue and support	<u>3,096,675</u>	<u>493,668</u>	<u>21,921,396</u>	<u>(2,097,335)</u>	<u>23,414,404</u>
Expenses and Losses					
Program services					
Real estate development	868,014	410,481	-	(275,663)	1,002,832
Resident services	908,768	-	-	(23,120)	885,648
Neighborhood stabilization	368,387	10,659	-	(13,254)	365,792
Asset management	140,643	57,869	16,517,927	(975,122)	15,741,317
Economic development	49,089	-	-	(1,485)	47,604
Total program services	<u>2,334,901</u>	<u>479,009</u>	<u>16,517,927</u>	<u>(1,288,644)</u>	<u>18,043,193</u>
Supporting services					
General administrative	344,870	-	-	(9,816)	335,054
Fundraising	28,823	-	-	(798)	28,025
Total supporting services	<u>373,693</u>	<u>-</u>	<u>-</u>	<u>(10,614)</u>	<u>363,079</u>
Total expenses	<u>2,708,594</u>	<u>479,009</u>	<u>16,517,927</u>	<u>(1,299,258)</u>	<u>18,406,272</u>
Impairment loss	<u>-</u>	<u>-</u>	<u>3,405,424</u>	<u>-</u>	<u>3,405,424</u>
Total expenses and losses	<u>2,708,594</u>	<u>479,009</u>	<u>19,923,351</u>	<u>(1,299,258)</u>	<u>21,811,696</u>
Excess of revenue over expenses from operations	<u>\$ 388,081</u>	<u>\$ 14,659</u>	<u>\$ 1,998,045</u>	<u>\$ (798,077)</u>	<u>\$ 1,602,708</u>