

**Caritas Communities, Inc.
and Subsidiaries**

**Consolidated Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

**December 31, 2013
(With Comparative Totals for 2012)**

Caritas Communities, Inc. and Subsidiaries

Index

	<u>Page</u>
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	6
Consolidated Statements of Functional Expenses	7
Consolidated Statements of Changes in Net Assets	8
Consolidated Statements of Cash Flows	9
Notes to Consolidated Financial Statements	10
Supplementary Information	
Consolidating Schedule of Financial Position	36
Consolidating Schedule of Activities	38
Consolidating Schedule of Changes in Net Assets	40
Combining Schedule of Financial Position	41
Combining Schedule of Activities	43

Independent Auditor's Report

To the Board of Directors
Caritas Communities, Inc. and Subsidiaries

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Caritas Communities, Inc. and Subsidiaries which comprise the consolidated statement of financial position as of December 31, 2013 and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the 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.

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

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

Opinion

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

Report on Summarized Comparative Information

We have previously audited Caritas Communities, Inc. and Subsidiaries 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying 2013 supplementary information on pages 36 to 44 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to 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 presented in all material respects in relation to the 2013 consolidated financial statements as a whole. The 2012 summarized supplementary information on pages 36 to 44 was subjected to the auditing procedures applied in the 2012 audit of the basic financial statements, of which such information was presented fairly in all material respects in relation to the 2012 consolidated financial statements as a whole.



Boston, Massachusetts
May 28, 2014

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2013 (with Comparative Totals for 2012)**

	<u>Assets</u>	
	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 3,002,534	\$ 1,847,409
Short-term investments	696,736	1,190,135
Tenant security deposits	271,453	263,211
Accounts receivable - (net of allowance for bad debts of \$85,489 and \$81,618, respectively)	268,595	260,988
Accounts receivable - other	119,091	113,743
Prepaid expenses and escrows	422,260	413,335
	<u>4,780,669</u>	<u>4,088,821</u>
Property and equipment		
Land and site improvements	4,547,787	4,522,087
Buildings and improvements	50,128,159	48,674,167
Construction in progress	91,680	664,699
Furnishings and equipment	1,517,136	1,405,454
	56,284,762	55,266,407
Less: Accumulated depreciation	<u>(14,485,578)</u>	<u>(12,811,338)</u>
Net property and equipment	<u>41,799,184</u>	<u>42,455,069</u>
Other assets		
Reserve for replacements	2,189,718	1,650,143
Operating and debt service reserves	1,545,215	2,874,341
Deferred fees	335,255	326,469
Development costs	328,052	128,930
	<u>4,398,240</u>	<u>4,979,883</u>
Total other assets	<u>4,398,240</u>	<u>4,979,883</u>
Total assets	<u><u>\$ 50,978,093</u></u>	<u><u>\$ 51,523,773</u></u>

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Financial Position
December 31, 2013 (with Comparative Totals for 2012)**

Liabilities and Net Assets

	<u>2013</u>	<u>2012</u>
Current liabilities		
Current maturities of long-term debt	\$ 309,121	\$ 2,499,379
Accounts payable and accrued expenses	441,530	338,599
Accounts payable - construction	124,190	336,822
Accrued interest payable - first mortgage	32,262	23,811
Accrued interest payable - other mortgages	-	5,264
Tenant security deposits	253,279	244,092
Prepaid rent	<u>34,748</u>	<u>37,288</u>
Total current liabilities	<u>1,195,130</u>	<u>3,485,255</u>
Long-term debt		
Mortgages payable, less current maturities	38,763,303	36,130,026
Bonds payable, less current maturities	<u>4,160,000</u>	<u>4,300,000</u>
Total long-term debt	<u>42,923,303</u>	<u>40,430,026</u>
Other liabilities		
Deferred interest	<u>2,731,274</u>	<u>2,402,259</u>
Total other liabilities	<u>2,731,274</u>	<u>2,402,259</u>
Total liabilities	<u>46,849,707</u>	<u>46,317,540</u>
Net assets:		
Unrestricted undesignated controlling	(1,261,461)	(149,331)
Unrestricted undesignated noncontrolling	<u>4,749,933</u>	<u>5,065,564</u>
Total unrestricted net assets	3,488,472	4,916,233
Temporarily restricted	<u>639,914</u>	<u>290,000</u>
Total net assets	<u>4,128,386</u>	<u>5,206,233</u>
Total liabilities and net assets	<u>\$ 50,978,093</u>	<u>\$ 51,523,773</u>

See Notes to Consolidated Financial Statements.

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Activities
Year Ended December 31, 2013 (with Comparative Totals for 2012)**

	2013			2012
	Unrestricted	Temporarily restricted	Total	Total
Revenue, gains and other support				
Net rents	\$ 6,334,938	\$ -	\$ 6,334,938	\$ 6,267,144
Annual dinner	483,950	-	483,950	451,295
Contributions	75,562	161,200	236,762	1,240
Foundation grants	206,801	188,714	395,515	502,379
Investment income	15,414	-	15,414	39,430
Miscellaneous income (loss)	38,654	-	38,654	19,599
Net assets released from restrictions:				
Satisfaction of restrictions	-	-	-	-
Total revenue, gains and other support	7,155,319	349,914	7,505,233	7,281,087
Expenses				
Program services	7,629,901	-	7,629,901	7,624,642
Supporting services:				
Management and general	870,920	-	870,920	831,054
Fundraising	412,108	-	412,108	345,681
Total expenses	8,912,929	-	8,912,929	8,801,377
Excess of expenses over revenue before other revenue	(1,757,610)	349,914	(1,407,696)	(1,520,290)
Other revenue				
Sale of state historic tax credits	-	-	-	946,898
Total other revenue	-	-	-	946,898
Excess of (expenses over revenue) revenue over expense	(1,757,610)	349,914	(1,407,696)	(573,392)
Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interests	(646,561)	-	(646,561)	(550,409)
Excess of revenue over expenses (expenses over revenue) attributable to the organization	\$ (1,111,049)	\$ 349,914	\$ (761,135)	\$ (22,983)

See Notes to Consolidated Financial Statements.

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Functional Expenses
Year Ended December 31, 2013 (with Comparative Totals for 2012)**

	2013			2012	
	Program services	Management and general	Fundraising	Total	Total
Compensation	\$ 1,493,248	\$ 500,535	\$ 95,260	\$ 2,089,043	\$ 1,876,977
Payroll taxes	116,694	39,116	7,444	163,254	148,646
Employee benefits	220,649	73,961	14,076	308,686	263,620
Management fee expense	-	-	-	-	5,517
Insurance	137,304	43,861	9,535	190,700	233,593
Automobile	34,776	11,109	2,415	48,300	42,782
Rent	129,864	41,484	9,018	180,366	170,619
Office and telephone	130,428	41,665	9,058	181,151	163,416
Legal	164,839	52,657	11,447	228,943	214,294
Accounting	50,582	16,158	3,513	70,253	87,281
Meetings	-	7,719	-	7,719	4,006
Dinner costs	-	-	241,069	241,069	180,773
Other costs	133,529	42,655	9,273	185,457	293,331
Social services	139,391	-	-	139,391	144,251
Undeveloped properties	33,742	-	-	33,742	82,630
Utilities	889,419	-	-	889,419	854,825
Real estate tax	304,070	-	-	304,070	328,819
Depreciation and amortization	1,782,505	-	-	1,782,505	1,742,409
Repairs and maintenance	986,920	-	-	986,920	948,761
Interest	881,941	-	-	881,941	1,014,827
	<u>\$ 7,629,901</u>	<u>\$ 870,920</u>	<u>\$ 412,108</u>	<u>\$ 8,912,929</u>	<u>\$ 8,801,377</u>

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Changes of Net Assets
Year Ended December 31, 2013 (with Comparative Totals for 2012)**

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2012	\$ 101,652	\$ 3,388,344	\$ 3,489,996	\$ 62,000	\$ 3,551,996
Capital contributions from noncontrolling interests	-	2,311,626	2,311,626	-	2,311,626
Syndication costs from noncontrolling interest	-	(83,997)	(83,997)	-	(83,997)
Excess of expenses over revenue attributable to noncontrolling interests	-	(550,409)	(550,409)	-	(550,409)
Excess of expenses over revenue attributable to the Organization	(250,983)	-	(250,983)	228,000	(22,983)
Ending balance, December 31, 2012	(149,331)	5,065,564	4,916,233	290,000	5,206,233
Capital contributions from noncontrolling interests	-	332,010	332,010	-	332,010
Distributions	(1,081)	(1,080)	(2,161)	-	(2,161)
Excess of expenses over revenue attributable to noncontrolling interests	-	(646,561)	(646,561)	-	(646,561)
Excess of expenses over revenue attributable to the Organization	(1,111,049)	-	(1,111,049)	349,914	(761,135)
Ending balance, December 31, 2013	<u>\$ (1,261,461)</u>	<u>\$ 4,749,933</u>	<u>\$ 3,488,472</u>	<u>\$ 639,914</u>	<u>\$ 4,128,386</u>

See Notes to Consolidated Financial Statements.

Caritas Communities, Inc. and Subsidiaries

Consolidated Statements of Cash Flows
Year Ended December 31, 2013 (with Comparative Totals for 2012)

	2013	2012
Cash flows from operating activities		
Excess of (expenses over revenue) revenue over expenses	\$ (1,407,696)	\$ (573,392)
Adjustments to reconcile excess of (expenses over revenue) revenue over expenses to cash provided by operating activities		
Depreciation and amortization	1,782,505	1,742,409
Interest on short-term investments	(5,194)	(22,183)
Interest on first mortgage payable	8,451	(305)
Interest on other mortgages payable	(5,264)	5,264
Deferred interest on mortgages	329,015	321,287
Write-off of undeveloped properties costs	33,742	82,630
Increase (decrease) in allowance for bad debt	6,871	10,418
Changes in:		
Accounts receivable - tenant	(14,478)	(41,499)
Accounts receivable - other	(5,348)	579,269
Prepaid expenses and escrows	(8,925)	(7,141)
Deferred revenue	-	(1,971)
Tenant security deposits, net	945	(2,276)
Accounts payable, accrued expenses and prepaid rent	22,816	(106,131)
Net cash provided by operating activities	<u>737,440</u>	<u>1,986,379</u>
Cash flows from investing activities		
Funding of reserve for replacements and interest thereon, net of withdrawals	(539,575)	(161,594)
Funding of operating and debt reserves and interest thereon, net of withdrawals	1,329,126	(2,232,135)
Purchase of short-term investments	(150,000)	-
Sale of short-term and long-term investment	648,593	-
Cash paid for development costs	(166,024)	(63,955)
Purchase of property and equipment	<u>(1,220,252)</u>	<u>(4,920,429)</u>
Net cash used in investing activities	<u>(98,132)</u>	<u>(7,378,113)</u>
Cash flows from financing activities		
Capital contributions received	332,010	2,311,626
Distributions	(2,161)	-
Syndication costs paid	-	(83,997)
Payments on mortgages and construction loans	(1,967,650)	(4,292,446)
Repayment of bond principal	(130,000)	(125,000)
Mortgage and notes proceeds	2,349,656	7,906,105
Financing costs paid	<u>(66,038)</u>	<u>(11,006)</u>
Net cash provided by financing activities	<u>515,817</u>	<u>5,705,282</u>
Net increase in cash and cash equivalents	<u>1,155,125</u>	<u>313,548</u>
Cash and cash equivalents, beginning of year	<u>1,847,409</u>	<u>1,533,861</u>
Cash and cash equivalents, end of year	<u>\$ 3,002,534</u>	<u>\$ 1,847,409</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized	<u>\$ 549,739</u>	<u>\$ 693,845</u>

Significant noncash investing and financing activities:

As of December 31, 2013, purchase of property and equipment included construction costs payable of \$134,925 and development costs payable of \$66,840.

As of December 31, 2012, purchase of property and equipment included construction costs payable of \$336,822.

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

Note 1 - Organization and nature of operations

Caritas Communities, Inc. ("Caritas"), a Massachusetts nonprofit organization founded March 7, 1985, was established to acquire and develop housing to benefit low-income members of society. Caritas is supported primarily through rents, its annual dinner, contributions and grants. Approximately 15% of Caritas' support for the year ended December 31, 2013 came from its annual dinner, fundraising events, contributions and grants.

Parkview Housing LLC: During 1991, Caritas acquired the 100% interest in Parkview Housing, Inc., a real estate development company. Parkview Housing, Inc. is the general partner in the Parkview Limited Partnership which provides affordable single room housing in two buildings on Westland Avenue, Boston, Massachusetts. Caritas currently owns 100% of Parkview Limited Partnership, which it acquired during 2005. Effective January 1, 2010, Parkview Housing, Inc. became an LLC for tax purposes. Effective December 31, 2009, Parkview Limited Partnership was dissolved, and Parkview Housing, Inc. became the sole owner of the property.

17 Rooms Corporation: On December 19, 2000, Caritas acquired a 100% interest in 17 Rooms Corporation, a real estate development company. 17 Rooms Corporation is the general partner in the Dudley Inn Limited Partnership which provides affordable single room housing in four buildings on Dudley Street, Boston, Massachusetts.

One Lenox Street Corporation: On March 5, 2005, Caritas acquired a 100% interest in One Lenox Street Corporation, a real estate development company. One Lenox Street Corporation is the general partner in the One Lenox Limited Partnership which provides affordable single room housing in a building on the corner of Lenox Street and Washington Street, Boston, Massachusetts.

Alaska Housing LLC: On August 31, 2007, Caritas acquired a 100% interest in Alaska Housing LLC. Alaska Housing LLC owns and operates affordable single room housing in a building at 23-25 Alaska Street, Boston, Massachusetts.

Caritas Worcester House LLC: On January 8, 2010, Caritas acquired a 100% interest in Caritas Worcester House LLC. Caritas Worcester House LLC owns and operates affordable studios, one-bedroom units, and single room housing in a building located at 186 Marlborough Street, Boston, Massachusetts.

Caritas Acquisition LLC: On December 28, 2010, Caritas acquired a 100% interest in Caritas Acquisition LLC. Caritas Acquisition LLC owns and operates affordable single room housing in a building located on Cortes Street, Boston, Massachusetts.

820 SRO MM LLC: On September 7, 2011, Caritas acquired a 50% interest in 820 SRO MM LLC, a real estate development company. 820 SRO MM LLC is the managing member in 820 SRO LLC which provides affordable single room housing in Cambridge, Massachusetts.

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

Note 2 - Significant accounting policies

Principles of consolidation

The accompanying consolidated financial statements include the accounts of Caritas and its wholly-owned subsidiaries (the "Organization"): 17 Rooms Corporation, One Lenox Street Corporation, Parkview Housing LLC, Alaska Housing LLC, Caritas Acquisition LLC, Caritas Worcester House LLC, 820 SRO MM LLC, a 50% owned subsidiary, where Caritas is the controlling member, and two nonprofit entities in which Caritas is the sole voting member, Bedford Veterans Quarters, Inc. and Sean Brook House, Inc. Additionally, the consolidated statements include the assets, liabilities, partners' capital and financial activities of Dudley Inn Limited Partnership, One Lenox Limited Partnership, and 820 SRO LLC in which affiliates serve as the general partner or managing member. The effect of all significant inter-company transactions have been eliminated in consolidation.

ASC 810-20

Caritas accounts for subsidiary partnerships in accordance with ASC-810-20, *Control of Partnerships and Similar Entities*. Caritas uses ASC-810-20 to evaluate each partnership and determine whether control over the partnership lies with the general partner, or the limited partners when the limited partners have certain rights. The general partner in a limited partnership is presumed to control that limited partnership, unless that presumption is overcome by the limited partners having either (i) the substantive ability, either by a single limited partner or through a simple majority vote, to dissolve the limited partnership or otherwise remove the general partner without cause; or (ii) substantive participating rights. If Caritas or its wholly or partially owned subsidiary is the general partner and has control over the partnership, or if the limited partnership ownership does not include the ability to dissolve the partnership or does not have substantive participating rights, as discussed above, Caritas consolidates the partnership.

In accordance with ASC 810-20, all the entities that are controlled by the Organization are consolidated, all significant intercompany balances are eliminated and an equity account is established for the non-controlling members' interest.

Caritas is the sole voting member of two nonprofit entities, Bedford Veterans Quarters, Inc. ("Bedford") and Sean Brook House, Inc. ("Sean Brook"), 501(c)(3) nonprofit organizations. In accordance with accounting principles generally accepted in the United States of America, a nonprofit should consolidate a related nonprofit in which it has a controlling financial interest. Therefore, Bedford and Sean Brook have been consolidated into Caritas and all inter-company transactions have been eliminated.

Basis of presentation

The financial statements of Caritas Communities, Inc. and Subsidiaries have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Comparative information

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2012 from which the summarized information was derived.

Net assets

The Organization has classified its net assets for accounting and reporting purposes into the following three net asset categories according to externally (donor) imposed restrictions.

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. There are no permanently restricted net assets in 2013.

Depreciation and amortization

Property and equipment are stated at cost. The Organization capitalizes operating income, expenses and renovations for the operating properties during the development period. The Organization depreciates the costs of the assets over their estimated useful lives using the straight-line method.

Building and leasehold improvements	27.5 - 35 years
Site improvements	15 years
Furnishings	7 - 10 years
Equipment	5 - 7 years

Construction in progress consists of cost incurred rehabilitating projects. Such costs will begin to depreciate when the rehabilitation costs are placed in service.

Expenditures for maintenance and repairs are charged to expense as incurred; betterments, which add to the value of the related assets or materially extend the life of the assets are capitalized.

Development costs

These costs consist primarily of predevelopment and development costs incurred in connection with acquiring and redeveloping properties. Such costs will be reclassified to property and equipment when the projects are placed in service or they will be expensed upon management's decision to not move forward with the project.

Deferred fees and amortization

Financing fees are amortized over the term of the loan using the straight-line method. Accounting principles generally accepted in the United States of America require that the effective yield method be used to amortize financing costs; however, the effect of using the

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

straight-line method is not materially different from the results that would have been obtained under the effective yield method. Amortization expense relating to finance fees for the year ended December 31, 2013 was \$54,539. Accumulated amortization as of December 31, 2013 was \$375,644.

Estimated annual amortization expense for each of the ensuing years through December 31, 2018 is as follows:

December 31, 2014	\$	35,491
2015		24,234
2016		24,097
2017		21,756
2018		30,966

Costs related to obtaining low-income housing tax credits are being amortized over the mandatory 15-year compliance period. Amortization expense for the year ended December 31, 2013 was \$2,713. Accumulated amortization as of December 31, 2013 was \$17,450.

Estimated annual amortization expense for each of the ensuing years through December 31, 2018 is as follows:

December 31, 2014	\$	2,713
2015		2,713
2016		2,430
2017		2,033
2018		2,033

Reserve for replacements

The Organization maintains savings accounts for future major repairs and replacements. The Organization funds these accounts as required by mortgage loan covenants and as determined by management.

Operating and debt service reserves

The Organization has established operating and debt service reserve accounts as required by the loan covenants. These reserve accounts are held by the lender.

Grant revenue

Revenue from various grants is recognized as costs incurred have satisfied their respective restrictions. The grants are subject to audit by their grantor agencies. No provisions for possible adjustments resulting from the audit has been made in the accompanying consolidated financial statements because, in the opinion of management, such adjustments, if any, would not have a material effect on the consolidated financial statements.

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

Promises to give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are 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, temporarily restricted net assets are reclassified to unrestricted net assets.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents except for short term investments, the reserve for replacements account and operating and debt service reserves.

Investments

Investments are recorded at market value. Investment income consists of interest and dividends. Gains and losses on sales of investments using the market value basis are recorded on the trade date, and are based on specific identification. Short-term investments at December 31, 2013 consist of certificates of deposit. They are considered to be Level 1 investments.

Tenant accounts receivable

The Organization uses the allowance method to account for uncollectible accounts receivable. The allowance is based on management's estimate of possible bad debt. The allowance for doubtful accounts was \$85,489 and \$81,618 at December 31, 2013 and 2012, respectively.

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.

Functional expenses

Expenses are charged directly to program, management and general, or fundraising categories based on specific identification. Certain expenses have been allocated based on salary expenditures.

Designation of unrestricted net assets

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time, and to designate appropriate sums of unrestricted net assets to assure adequate financing of such improvements,

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

acquisitions and for general reserve purposes. In 2013 and 2012, there were no designations of unrestricted net assets.

Rental income

Rents are recognized for room rentals as they accrue. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Organization and tenants of the properties are operating leases.

Impairment of long-lived assets

The Organization reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. During 2013 and 2012, no impairment loss was recognized.

Low-income housing tax credit

Dudley Inn Limited Partnership has received an allocation of low-income housing tax credits from the Commonwealth of Massachusetts Department of Housing and Community Development ("DHCD"). This credit, which commenced in 2001, was calculated at 8.39% of qualified rehabilitation costs and at 3.59% of acquisition costs. The Organization intends to maintain 67 apartments (100% of the total) as qualified low-income units for tax credit purposes. The annual allocation, which was claimed each year for ten years, was \$255,000 annually. The final annual tax credit allocation was claimed in 2011.

One Lenox Limited Partnership has received an allocation of low-income housing tax credits from DHCD. This credit, which commenced in 2006, was calculated at 8.08% of qualified development costs. The annual allocation, which may be claimed each year for ten years, is subject to adjustment by DHCD and is estimated to be \$295,000 annually.

820 SRO LLC has received an allocation of low-income housing tax credits from DHCD. This credit, which commenced in 2012, was calculated at 3.26% of qualified acquisition and rehabilitation costs. The annual allocation, which may be claimed each year for ten years, is subject to adjustment by DHCD and is estimated to be \$225,815 annually.

Provisions of Section 42 of the Internal Revenue Code regulate the use of the projects as to occupancy eligibility and unit gross rent, among other requirements. Recapture of low-income credits could result in a required repayment by the partners of a portion of the credits if these provisions are not met. The partnerships entered into extended low-income housing agreements which extends the low-income housing tax credit restrictions under Section 42 of the Internal Revenue Code beyond the initial 15-year compliance period.

Reclassification

Certain items from the prior year financial statements have been reclassified to conform to the current year presentation.

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

Note 3 - Federal income tax

The corporation has received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2013. The organization is publicly supported and is not a private foundation. The corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the corporation has no other tax positions which must be considered for disclosure. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

The partnerships and limited liability companies have elected to be treated as pass-through entities for income tax purposes, and as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The partnerships and limited liability companies' federal tax status as pass-through entities are based on its legal status as partnerships. Accordingly, the partnerships and limited liability companies are not required to take any tax positions in order to qualify as pass-through entities. The partnerships and limited liability companies are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the partnerships and limited liability companies have no other tax positions which must be considered for disclosure. Income tax returns filed by the Partnership are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2010 remain open.

The Organization's subsidiaries, 17 Rooms Corporation and One Lenox Street Corporation (the wholly owned subsidiaries) and 820 SRO MM LLC (50% owned subsidiary) are subject to both federal and state corporate taxes. The amount of federal and state corporate taxes associated with these entities are immaterial as the activity is recorded at the partnership level. No provision has been made for income taxes for any of the partnerships as the results of operations are included in the tax returns of the partners.

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

Note 4 - Long-term debt

Long-term debt consists of the following notes and bonds payable:

	2013	2012
Caritas Communities, Inc.		
Massachusetts Housing Partnership Fund Massachusetts Tax-Exempt Revenue Bonds Interest rate - 1.6% to 5.043% (current rate 3.9%) Current monthly payments - \$29,324 for principal and interest Final payments - July 15, 2022 Secured by mortgages on various properties with primary rights	\$ 4,300,000	\$ 4,430,000
Massachusetts Housing Partnership Interest rate - None Final payments - June 28, 2018 to November 18, 2029 Secured by mortgages on various properties with subordinate rights	2,706,000	2,706,000
Community Economic Development Assistance Corporation (CEDAC) Interest rate - None Monthly payments - Subject to cash flow Final payments - Due July 24, 2029 to May 13, 2030 Secured by mortgages on five properties with subordinate rights	357,500	357,500
CEDAC Interest rate - None Monthly payments - Subject to cash flow Final payments - January 5, 2029 to November 18, 2029 Secured by various real estate with subordinate rights	764,995	764,995
Department of Housing and Community Development (DHCD) Interest rate - None Monthly payments - None Final payment - October 2, 2026 Secured by real estate in Everett with subordinate rights	499,000	499,000

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
DHCD Private Housing Interest rate - None Monthly payments - None Final payment - December 31, 2028 Secured by real estate in Arlington with subordinate rights	275,000	275,000
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - March 7, 2032 Secured by real estate in Wakefield with subordinate rights	500,000	500,000
DHCD - Housing Stabilization Fund Interest rate - None Monthly payments - None Final payment - March 7, 2032 Secured by real estate in Wakefield with subordinate rights	750,000	750,000
Affordable Housing Trust Fund Interest rate - None Monthly payments - None Final payment - March 1, 2032 Secured by real estate in Wakefield with subordinate rights	210,000	210,000
A Massachusetts Savings Bank Interest rate - 5.75% Monthly payment - \$2,779 Paid in full 10/22/13 Secured by real estate in Wakefield with primary rights	-	322,311
Needham Bank - 1st Mortgage Interest rate - 4.875% Monthly payments - \$1,747 Final payment - October 22, 2043 Secured by real estate in Wakefield with primary rights	329,211	-

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
Town of Brookline	1,100,000	1,100,000
Interest rate - 5% simple interest through March 18, 2033		
Monthly payments - None		
Final payments - March 18, 2033		
Secured by real estate in Brookline with subordinate rights		
 Massachusetts Housing Partnership - SSRP Loan	 500,000	 500,000
Interest rate - None		
Monthly payments - None		
Final payment - July 1, 2024		
Secured by real estate in Brookline with subordinate rights		
 Affordable Housing Trust Fund	 316,000	 316,000
Interest rate - None		
Monthly payments - None		
Final payment - March 18, 2033		
Secured by real estate in Brookline with subordinate rights		
 Mansfield Bank	 330,127	 335,205
- 1st Mortgage		
Interest rate - 5%		
Monthly payments - \$1,829		
Final payments - June 2, 2022		
Secured by real estate in Brookline with subordinate rights		
 DHCD - Housing Stabilization Fund	 465,000	 465,000
Interest rate - 5% compounded annually		
Monthly payments - None		
Final payments - December 22, 2027		
Secured by real estate in Salem with subordinate rights		
 People's United Bank (formerly Danvers)	 639,754	 663,045
Interest rate - 4%		
Monthly payment - \$3,408		
Final payments - November 23, 2016		
Secured by real estate in Salem with primary rights		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
DHCD - Housing Stabilization Fund Interest rate - None Monthly payments - None Final payment - October 20, 2054 Secured by real estate in Quincy with primary rights	750,000	750,000
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payments - October 20, 2034 Secured by real estate in Quincy with subordinate rights	640,000	640,000
City of Quincy Interest rate - None Monthly payments - None Final payment - November 1, 2034 Secured by real estate in Quincy with subordinate rights	100,000	100,000
Citizens Bank Interest rate - 4.75% Monthly payment - \$2,728 Final payments - October 20, 2029 Secured by real estate in Quincy with primary rights	390,906	404,457
Bank of Canton Interest rate - 6.85% to 2013 and index rate thereafter Monthly payment - \$4,925 Final payments - February 1, 2018 Secured by real estate in Chelsea with primary rights	559,566	581,395
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - January 14, 2039 Secured by real estate in Melrose with subordinate rights	728,000	728,000

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
DHCD - CATNHP Loan	650,000	650,000
Interest rate - None		
Monthly payments - None		
Final payment - September 30, 2059		
Secured by real estate in Melrose with subordinate rights		
 DHCD - Housing Stabilization Fund Loan	 113,825	 113,825
Interest rate - None		
Monthly payments - None		
Final payment - September 30, 2059		
Secured by real estate in Melrose with subordinate rights		
 North Suburban Consortium HOME Loan	 775,000	 775,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - September 2039		
Secured by real estate in Melrose with subordinate rights.		
 Stoneham Bank	 46,238	 47,280
Interest rate - 6%		
Monthly payments - \$325		
Final payments - January 15, 2020		
Secured by real estate in Melrose with primary rights		
 Alaska Housing LLC		
 City of Boston - Leading the Way Loan	 911,635	 911,635
Interest rate - 1% compounded starting in 2011		
Monthly payments - Subject to cash flow		
Final payments - January 1, 2040		
Secured by real estate in Boston with subordinate rights and subject to annual cash flow requirements		
 DHCD - CATNHP Loan	 750,000	 750,000
Interest rate - None		
Monthly payments - None		
Final payment - January 29, 2040		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
DHCD - Housing Stabilization Fund Loan Interest rate - None Monthly payments - None Final payment - January 29, 2060 Secured by real estate in Boston with subordinate rights	822,150	822,150
The Property and Casualty Initiative, LLC Interest rate - 5.75% Monthly payments - \$1,737 Final payments - October 27, 2020 Secured by real estate in Boston with primary rights	259,083	264,643
Parkview Housing LLC		
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - July 15, 2033 Secured by real estate in Boston with subordinate rights	350,000	350,000
CDBG - LEND Loan Interest rate - 2% Monthly payments - None Final payments - December 7, 2105 Secured by real estate in Boston with subordinate rights	200,000	200,000
City of Boston - Linkage Program Interest rate - 1.5% Monthly payments - None Final payments - December 6, 2021 Secured by real estate in Boston with subordinate rights	550,000	550,000

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
Needham Bank	548,612	-
Interest rate - 4.88%		
Monthly payments - \$2,911		
Final payment - October 22, 2043		
Secured by real estate in Boston with subordinate rights		
 Dudley Inn Limited Partnership		
Massachusetts Property and Casualty Insurance Co.	313,095	328,583
Interest rate - 5%		
Monthly payments - \$2,649		
Final payments - August, 2022		
Secured by real estate in Boston with primary rights		
 City of Boston - Home Program	 480,000	 480,000
Interest rate - 6.4% compounded annually		
Monthly payments - Subject to cash flow		
Final payments - January 1, 2032		
Secured by real estate in Boston with subordinate rights		
 CEDAC - Housing Innovation Fund	 500,000	 500,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - December, 2030		
Secured by real estate in Boston with subordinate rights		
 Massachusetts Housing Partnership Fund Board - HSF Loan	 600,000	 600,000
Interest rate - None		
Monthly payments - None		
Final payment - December, 2030 (with 10-year extension option)		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
One Lenox Limited Partnership		
City of Boston - Home Loan	559,516	559,516
Interest rate - 4.83% compounded annually		
Monthly payments - Subject to cash flow		
Final payments - November 30, 2036		
Secured by real estate in Boston with subordinate rights		
DHCD - Home Loan	550,000	550,000
Interest rate - 4.33% compounded annually		
Monthly payments - None		
Final payments - August 3, 2035		
Secured by real estate in Boston with subordinate rights		
DHCD - HSF Loan	745,520	745,520
Interest rate - 0.1%		
Monthly payments - None		
Final payments - August 3, 2055 (with 10-year extension option)		
Secured by real estate in Boston with subordinate rights		
820 SRO LLC		
Boston Private Bank & Trust Company (Series 2011 B Bonds)	868,406	883,722
Interest rate - 5.35% compounded		
Monthly Payment - \$5,062		
Final Payment - September 1, 2028		
Secured by real estate in Cambridge with primary rights		
Boston Private Bank & Trust Company (Series 2011 A Bonds) Construction Loan	-	1,731,735
Interest Rate - 3.56% at 12/31/2013		
Paid in full 1/17/13		
Secured by real estate in Cambridge with primary rights		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	2013	2012
DHCD Home Loan	702,244	94,184
Interest rate - None		
Monthly payments - None		
Final payment - May 31, 2042		
Secured by real estate in Cambridge with subordinate rights		
 City of Cambridge AHT program	 1,600,000	 1,600,000
Interest rate - 2%		
Monthly payment - None		
Final payment - September 1, 2061		
Secured by real estate in Cambridge with subordinate rights		
 City of Cambridge Loan - recorded at fair value	 255,510	 250,577
Interest Rate - 4.0%		
Monthly payment - None		
Final payment - September 1, 2061		
Secured by real estate in Cambridge with subordinate rights		
At the time of acquisition and as of December 31, 2013 the face value of the assumed note was \$485,704 and the fair value was \$255,510. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2013 and 2012, \$4,933 of amortization was included in amortization expense.		
 YMCA Assumed Loan - recorded at fair value	 226,493	 216,853
Interest rate - 5.52%		
Monthly payment - None		
Final payment - August 31, 2041		
Secured by real estate in Cambridge with subordinate rights		
At the time of acquisition and as of December 31, 2013, the face value of the assumed note was \$493,194 and the fair value was \$204,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2013 and 2012, \$9,640 of amortization was included in amortization expense.		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
Cambridge Young Members Christian Association Interest rate - 0.01% Monthly payment - None Final payment - August 31, 2051 Secured by real estate in Cambridge with subordinate rights	345,104	363,267
DHCD HSF Loan Interest rate - None Monthly payments - None Final payment - May 31, 2062 Secured by real estate in Cambridge with subordinate rights	635,592	351,312
DHCD AHTF Loan Interest rate - None Monthly payments - None Final payment - May 31, 2062 Secured by real estate in Cambridge with subordinate rights	1,000,000	1,000,000
Bedford Veterans Quarters, Inc.		
Massachusetts Affordable Housing Trust Fund Interest rate - None Monthly payments - None Final payment - October 19, 2056 Secured by leasehold in Bedford with subordinate rights	1,000,000	1,000,000
CEDAC - Housing Innovation Loan Interest rate - None Monthly payments - Subject to cash flow Final payment - October 19, 2036 Secured by leasehold in Bedford with subordinate rights	900,000	900,000
DHCD - HSF Loan Interest rate - None Monthly payments - None Final payment - October 19, 2056 Secured by leasehold in Bedford with subordinate rights	900,000	900,000

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
Brookline Bank Interest rate - 5.78% Monthly payments - \$5,941 Final payments - February 7, 2018 Secured by leasehold in Bedford with primary rights	263,420	317,773
Bedford Housing Trust Interest rate - None Monthly payments - None Final payment - October 19, 2036 Secured by leasehold in Bedford with subordinate rights	20,000	20,000
Sean Brook House, Inc.		
Citizens Bank construction/permanent loan Interest rate - One month LIBOR Advantage plus 3.5% not to exceed 7%, current rate: 3.96% Monthly payment - \$1,442 Final payments - December 26, 2025 Secured by real estate in New Bedford with subordinate rights	271,821	271,369
RBS Citizens / FHLB Subsidy Note Interest rate - None Monthly payments - None Subsidy expiration - May 28, 2025 Secured by real estate in New Bedford with subordinate rights	280,000	280,000
MHPF Housing Stabilization Fund Interest rate - None Monthly payments - None Final payment - June 15, 2060 Secured by real estate in New Bedford with subordinate rights	1,348,391	1,348,391
CEDAC Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - June 16, 2039 Secured by real estate in New Bedford with subordinate rights and subject to annual cash flow requirements	1,312,980	1,312,980

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	<u>2013</u>	<u>2012</u>
DHCD - AHTF Loan	844,605	844,605
Interest rate - None		
Monthly payments - None		
Final payment - June 15, 2040		
Secured by real estate in New Bedford with subordinate rights		
 City of New Bedford HOME Loan	 500,000	 500,000
Interest rate - 3%		
Monthly payments - None		
Final payments - June 15, 2040		
Secured by real estate in New Bedford with subordinate rights		
 Caritas Acquisition LLC		
 CEDAC Housing Innovation Fund - recorded at fair value	 192,598	 174,515
Interest rate - None		
Monthly payments - None		
Final payment - April 1, 2031		
Secured by real estate in Boston with subordinate rights		
At the time of acquisition and as of December 31, 2013, the face value of the assumed note was \$500,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2013 and 2012, \$18,083 and \$36,166, respectively, of amortization was included in amortization expense.		
 City of Boston DND Home Loan	 300,118	 300,118
Interest rate - None		
Maturity Payments - Subject to cash flow		
Final payment - November 1, 2041		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	2013	2012
MassDevelopment - recorded at fair value Interest rate - 4% Monthly payments - Interest-only Final payments - May 15, 2016 Secured by real estate in Boston with subordinate rights At the time of acquisition and as of December 31, 2013, the face value of the assumed note was \$478,977. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2013 and 2012, \$13,533 and \$64,962, respectively, of amortization was included in amortization expense.	458,977	465,444
City of Boston - NHT Loan - recorded at fair value Interest rate - 3% Monthly payments - None Final payments - December 3, 2109 Secured by real estate in Boston with subordinate rights At the time of acquisition and as of December 31, 2013, the face value of the assumed note was \$615,000. The difference between the fair value and the face amount of the note will be amortized based on the effective yield method over the remaining life of the loan. During 2013 and 2012, \$4,823 and \$9,645, respectively, of amortization was included in amortization expense.	152,006	147,182
Caritas Worcester House LLC		
CEDAC - Housing Innovation Fund I Loan Interest rate - None Monthly payments - Subject to cash flow Final payment - July 9, 2030 Secured by real estate in Boston with subordinate rights	245,000	245,000
DHCD HSF Loan Interest rate - 1% Annual payments - Subject to cash flow Final payment November 17, 2062 Secured by real estate in Boston with subordinate rights	450,000	450,000

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

	2013	2012
City of Boston DND Home Loan Interest rate - 1% Annual payments - Subject to cash flow Final payment November 17, 2042 Secured by real estate in Boston with subordinate rights	362,747	62,174
City of Boston DND NHT Loan Interest rate - None Monthly payments - None Final Payment April 18, 2027 Secured by real estate in Boston with subordinate rights	295,531	62,174
DHCD Home Loan Interest rate - 1% Annual payments - Subject to cash flow Final Payment December 17, 2042 Secured by real estate in Boston with subordinate rights	365,148	39,970
CEDAC - Housing Innovation Fund II Loan Interest rate - None Monthly payments - Subject to cash flow Final payment - June 30, 2025 Secured by real estate in Boston with subordinate rights	200,000	200,000
	43,232,424	42,929,405
Less: Current maturities included in current liabilities	(309,121)	(2,499,379)
	\$ 42,923,303	\$ 40,430,026

Terms of certain loan agreements require the Organization to maintain and provide for operating and debt service reserve accounts and certain escrows.

Interest expense charged to the consolidated statements of activities for the years ended December 31, 2013 and 2012 was \$881,941 and \$1,014,827, respectively, of which \$332,202 and \$321,287 was deferred. During the years ended December 31, 2013 and 2012, no interest was capitalized.

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

Annual maturities of debt based on the fair value for the ensuing five years and thereafter are summarized as follows:

	<u>Bonds payable</u>	<u>Mortgages and notes payable</u>	<u>Total</u>
Years ending December 31, 2014	\$ 140,000	\$ 169,121	\$ 309,121
2015	145,000	178,262	323,262
2016	155,000	1,236,125	1,391,125
2017	165,000	211,400	376,400
2018	175,000	176,744	351,744
Thereafter	<u>3,520,000</u>	<u>36,960,773</u>	<u>40,480,773</u>
	<u>\$ 4,300,000</u>	<u>\$ 38,932,425</u>	<u>\$ 43,232,425</u>

Annual maturities of debt based on the face value on the outstanding principal due to the lender for the ensuing five years and thereafter are summarized as follows:

	<u>Bonds payable</u>	<u>Mortgages and notes payable</u>	<u>Total</u>
Years ending December 31, 2014	\$ 140,000	\$ 169,121	\$ 309,121
2015	145,000	178,262	323,262
2016	155,000	1,256,125	1,411,125
2017	165,000	211,400	376,400
2018	175,000	176,744	351,744
Thereafter	<u>3,520,000</u>	<u>38,228,063</u>	<u>41,748,063</u>
	<u>\$ 4,300,000</u>	<u>\$ 40,219,715</u>	<u>\$ 44,519,715</u>

Note 5 - Investments

Cost and market value of short-term investments at December 31, 2013 and 2012 are as follows:

	<u>Cost</u>	<u>Gross unrealized</u>	<u>Market value</u>
December 31, 2013			
Certificates of deposit	<u>\$ 696,736</u>	<u>\$ -</u>	<u>\$ 696,736</u>
December 31, 2012			
Certificates of deposit	<u>\$ 1,190,135</u>	<u>\$ -</u>	<u>\$ 1,190,135</u>

Note 6 - Credit risk

The Organization maintains its cash balances and reserves in several accounts in various banks. At times, these balances may exceed the federal insurance and deposit insurance fund limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

significant concentration of credit risk exists with respect to these balances at December 31, 2013 and 2012.

Note 7 - Retirement plan

The Organization has established a defined contribution salary deferral plan following SIMPLE IRA requirements. Under this SIMPLE IRA plan, Caritas must contribute a defined percentage (1% to 3%) of each eligible employee's salary.

Caritas incurred \$33,686 and \$30,948 in retirement plan contribution costs for the years ended December 31, 2013 and 2012, respectively.

Note 8 - Operating lease

In November 2009, the Organization leased office space for a five-year period with an option to extend for an additional five years. The monthly rent is \$6,066 which increases by approximately 3% - 5% each year thereafter. This lease requires Caritas to maintain insurance and pay additional rent for real estate taxes and operating expenses exceeding defined amounts. Office rental expense for the years ended December 31, 2013 and 2012 was \$85,552 and \$82,274, respectively.

The following represents the minimum lease payments due under the non-cancellable leases for the following five years:

2014	\$	71,367
2015		-
2016		-
2017		-
2018		-
		<hr/>
	\$	<u>71,367</u>

The Organization has a non-cancelable lease for land and property located in Bedford, Massachusetts that expires in September 2057. During the first 12-month period after the Construction and Initial Occupancy Period rents shall be computed at \$3.14 per square foot per year multiplied by 23,686 payable monthly. Subsequent to this date and for the remainder of the lease term rents shall be recomputed annually based on a predetermined formula. Rental expense under this lease for the years ended December 31, 2013 and 2012 totaled \$79,828 and \$79,828, respectively.

Note 9 - Commitments

Caritas has guaranteed the tax credits on Dudley Inn Limited Partnership, One Lenox Limited Partnership, and 820 SRO LLC.

Purchase option

One Lenox Limited Partnership has entered into a Purchase Option and Right of First Refusal Agreement with the Organization whereby Caritas has an option to purchase the

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2013**

project after the closing of the 15-year low-income tax housing tax credit compliance period. The purchase price will be determined in accordance with such agreement.

Operating deficit guaranty

820 SRO MM LLC, the managing member of 820 SRO LLC, is required to make additional capital contributions to 820 SRO LLC to fund operating deficits in excess of the funds in the operating reserve. The managing member will not be required to make additional operating deficit capital contributions to pay the principal on the loan or interest in excess of 20% of the total interest accruing and payable under the loan. As of December 31, 2013, no advances were made.

Development deficit guaranty

820 SRO MM LLC guarantees to 820 SRO LLC and its investor members the completion of the rehabilitation of the project on schedule; payment of all costs of the development of the project in excess of those set forth in the financial forecasts; the compliance of the project with all placed-in-service requirements of the Code necessary to qualify for the credits including satisfaction of the fifty percent test; the satisfaction of all conditions to the closing and funding of the Series 2011 B Component of the bonds; and if as of December 31, 2022 there is any unpaid Development Fee, the managing member guarantees to 820 SRO LLC and its investor members that the managing member shall make a capital contribution sufficient to permit the Company to pay all unpaid Development Fee and accrued interest in full.

Note 10 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Building improvements	\$ 478,714	\$ 290,000
Rental assistance	<u>161,200</u>	<u>-</u>
	<u>\$ 639,914</u>	<u>\$ 290,000</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors.

	<u>2013</u>	<u>2012</u>
Purpose restrictions accomplished		
Building improvements	\$ -	\$ 62,000
	<u>\$ -</u>	<u>\$ 62,000</u>

Note 11 - Involuntary conversion of non-monetary asset

As a result of a fire which occurred in November 2009 on the upper floor of a Medford lodging house, an involuntary conversion resulted in the loss of a portion of a building with

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2013

a net carrying value of \$186,000 on the date of the involuntary conversion. During 2010, the building was restored, placed in service and improved in the restoration process and insurance proceeds of \$289,450 were received. During 2011, additional insurance proceeds of \$43,310 were received. On March 21, 2012, the company received the final insurance proceeds payment of \$54,585.

Note 12 - Sale of state historic tax credits

Caritas, the non-profit sponsor of 820 SRO LLC, and Brookline Bank, an investor member of 820 SRO LLC, entered into a Tax Credit Purchase and Transfer Agreement, under which Caritas agreed to sell to Brookline Bank Massachusetts Historic Tax Credits ("State Credits"). The purchase price of the state credits, totaling \$946,898, has been recognized by Caritas as income and is included in other revenue on the accompanying consolidated statements of activities in 2012. These proceeds were then loaned to 820 SRO LLC, which has been eliminated in consolidation.

Note 13 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through May 28, 2014 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements other than those listed below.

In January 2014, the Organization exercised the option to extend the office lease for an additional five year period beginning November 1, 2014 through October 31, 2019.

Supplementary Information

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Consolidating Schedule of Financial Position
December 31, 2013 (with Comparative Totals for 2012)

	2013						Totals	Eliminating entries	Consolidation total	2012 Consolidation total
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.				
Assets:										
Current assets:										
Cash and cash equivalents	\$ 2,097,895	\$ 45,576	\$ 47,163	\$ 416,498	\$ 277,069	\$ 118,333	\$ 3,002,534	\$ -	\$ 3,002,534	\$ 1,847,409
Short-term investments	570,987	-	-	-	125,749	-	696,736	-	696,736	1,190,135
Cash - tenant security deposits	211,041	25,011	17,296	3,674	8,271	6,160	271,453	-	271,453	263,211
Account receivables, net of allowance for bad debts	191,919	17,834	16,042	5,121	30,766	6,913	268,595	-	268,595	260,988
Account receivables - other	117,648	-	-	-	1,541	-	119,189	(98)	119,091	113,743
Prepaid expenses and escrows	247,931	45,749	9,291	97,987	11,751	9,551	422,260	-	422,260	413,335
Total current assets	3,437,421	134,170	89,792	523,280	455,147	140,957	4,780,767	(98)	4,780,669	4,088,821
Property and equipment, net	23,406,319	2,506,216	3,145,009	7,988,668	2,581,723	4,263,580	43,891,515	(2,092,331)	41,799,184	42,455,069
Other assets										
Note receivables	917,378	-	-	-	-	-	917,378	(917,378)	-	-
Reserve for replacements	1,812,699	94,492	92,063	91,992	83,813	14,659	2,189,718	-	2,189,718	1,650,143
Operating, debt service and other reserves	176,481	347,627	101,411	899,584	-	20,112	1,545,215	-	1,545,215	2,874,341
Unamortized finance costs	135,654	7,051	33,913	156,689	1,948	-	335,255	-	335,255	326,469
Due from affiliates	16,214	-	-	-	-	127,801	144,015	(144,015)	-	-
Development costs	328,052	-	-	-	-	-	328,052	-	328,052	128,930
Total other assets	3,386,478	449,170	227,387	1,148,265	85,761	162,572	5,459,633	(1,061,393)	4,398,240	4,979,883
	\$ 30,230,218	\$ 3,089,556	\$ 3,462,188	\$ 9,660,213	\$ 3,122,631	\$ 4,567,109	\$ 54,131,915	\$ (3,153,822)	\$ 50,978,093	\$ 51,523,773

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Consolidating Schedule of Financial Position
December 31, 2013 (with Comparative Totals for 2012)

	2013						Totals	Eliminating Entries	Consolidation total	2012 Consolidation total
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.				
Liabilities:										
Current liabilities										
Current maturities of long-term debt	\$ 215,554	\$ 16,295	\$ -	\$ 16,220	\$ 57,623	\$ 3,429	\$ 309,121	\$ -	\$ 309,121	\$ 2,499,379
Accounts payable and accrued expenses	253,793	34,350	22,790	79,409	53,208	4,097	447,647	(6,117)	441,530	338,599
Accounts payable - construction expenses	124,190	-	-	-	-	-	124,190	-	124,190	336,822
Accrued interest payable - first mortgage	27,624	1,348	-	3,290	-	-	32,262	-	32,262	23,811
Accrued interest payable - other mortgages	-	-	-	-	-	-	-	-	-	5,264
Tenant security deposits	198,801	23,384	14,843	2,255	7,496	6,500	253,279	-	253,279	244,092
Prepaid rent	25,421	4,347	607	837	3,210	326	34,748	-	34,748	37,288
Total current liabilities	845,383	79,724	38,240	102,011	121,537	14,352	1,201,247	(6,117)	1,195,130	3,485,255
Long-term debt:										
Mortgages payable, less current maturities	21,834,174	1,876,800	1,898,165	6,491,377	3,025,797	4,554,368	39,680,681	(917,378)	38,763,303	36,130,026
Bond payable, less current maturities	4,160,000	-	-	-	-	-	4,160,000	-	4,160,000	4,300,000
Total long-term debt	25,994,174	1,876,800	1,898,165	6,491,377	3,025,797	4,554,368	43,840,681	(917,378)	42,923,303	40,430,026
Other liabilities:										
Deferred interest	1,515,772	635,797	397,466	137,337	-	45,000	2,731,372	(98)	2,731,274	2,402,259
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Due to affiliates	121,773	-	-	15,914	300	-	137,987	(137,987)	-	-
Total other liabilities	1,637,545	635,797	397,466	153,251	300	45,000	2,869,359	(138,085)	2,731,274	2,402,259
Total liabilities	28,477,102	2,592,321	2,333,871	6,746,639	3,147,634	4,613,720	47,911,287	(1,061,580)	46,849,707	46,317,540
Net assets:										
Unrestricted undesignated controlling	1,113,202	(308)	(1,248)	6	(25,003)	(46,611)	1,040,038	(2,301,499)	(1,261,461)	(149,331)
Unrestricted undesignated noncontrolling	-	497,543	1,129,565	2,913,568	-	-	4,540,676	209,257	4,749,933	5,065,564
Total unrestricted net assets	1,113,202	497,235	1,128,317	2,913,574	(25,003)	(46,611)	5,580,714	(2,092,242)	3,488,472	4,916,233
Temporarily restricted net assets	639,914	-	-	-	-	-	639,914	-	639,914	290,000
Total net assets	1,753,116	497,235	1,128,317	2,913,574	(25,003)	(46,611)	6,220,628	(2,092,242)	4,128,386	5,206,233
	\$ 30,230,218	\$ 3,089,556	\$ 3,462,188	\$ 9,660,213	\$ 3,122,631	\$ 4,567,109	\$ 54,131,915	\$ (3,153,822)	\$ 50,978,093	\$ 51,523,773

See Independent Auditor's Report.

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

**Consolidating Schedule of Activities
Year Ended December 31, 2013 (with Comparative Totals for 2012)**

	2013						Totals	Eliminating Entries	Consolidation Total	2012 Consolidation Total
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc				
Support and revenue:										
Net rents	\$ 3,983,682	\$ 429,524	\$ 179,438	\$ 1,069,987	\$ 508,268	\$ 164,039	\$ 6,334,938	\$ -	\$ 6,334,938	\$ 6,267,144
Annual dinner	483,950	-	-	-	-	-	483,950	-	483,950	451,295
Contributions	236,238	-	-	-	524	-	236,762	-	236,762	1,240
Foundation grants	282,964	-	-	\$ 20,892	81,659	10,000	395,515	-	395,515	502,379
Management and other fees	339,190	-	-	-	-	-	339,190	(339,190)	-	-
Investment income	10,300	1,992	1,577	2,053	2,297	41	18,260	(2,846)	15,414	39,430
Development fees	38,148	-	-	-	-	-	38,148	(38,148)	-	-
Other income (loss)	323,454	-	-	35,694	-	-	359,148	(320,494)	38,654	19,599
Total support and revenues	5,697,926	431,516	181,015	1,128,626	592,748	174,080	8,205,911	(700,678)	7,505,233	7,281,087
Expenses:										
Compensation	1,962,141	141,653	26,900	206,588	50,000	7,724	2,395,006	(305,963)	2,089,043	1,876,977
Payroll taxes	163,254	-	-	-	-	-	163,254	-	163,254	148,646
Employee benefits	303,371	-	-	5,315	-	-	308,686	-	308,686	263,620
Management fee expense	-	41,273	16,149	60,234	53,460	15,563	186,679	(186,679)	-	5,517
Insurance	111,395	11,460	10,056	37,949	11,460	8,380	190,700	-	190,700	233,593
Automobile	48,300	-	-	-	-	-	48,300	-	48,300	42,782
Rent	91,341	-	-	-	89,025	-	180,366	-	180,366	170,619
Office and telephone	100,556	3,995	2,285	62,943	88,156	3,756	261,691	(80,540)	181,151	163,416
Legal	175,472	16,615	3,009	31,550	2,230	67	228,943	-	228,943	214,294
Accounting	37,861	12,825	10,525	22,680	2,032	1,670	87,593	(17,340)	70,253	87,281
Meetings	7,719	-	-	-	-	-	7,719	-	7,719	4,006
Dinner costs	241,069	-	-	-	-	-	241,069	-	241,069	180,773
Other costs	187,518	14,316	13,326	5,614	38,148	24,779	283,701	(98,244)	185,457	293,331
Social services	30,280	3,482	1,331	-	99,725	4,573	139,391	-	139,391	144,251
Undeveloped properties	33,742	-	-	-	-	-	33,742	-	33,742	82,630
Utilities	670,847	75,286	30,755	96,412	-	16,119	889,419	-	889,419	854,825
Real estate tax	220,670	28,560	19,567	35,273	-	-	304,070	-	304,070	328,819
Depreciation and amortization	908,655	150,227	166,461	383,782	122,364	148,043	1,879,532	(97,027)	1,782,505	1,742,409
Repairs and maintenance	484,960	52,179	30,111	297,448	107,032	24,166	995,896	(8,976)	986,920	948,761
Interest	560,616	77,273	69,258	113,136	16,935	47,659	884,877	(2,936)	881,941	1,014,827
Total expenses	6,339,767	629,144	399,733	1,358,924	680,567	302,499	9,710,634	(797,705)	8,912,929	8,801,377
Excess of revenue over expenses (expenses over revenue) before other revenue (expense)	(641,841)	(197,628)	(218,718)	(230,298)	(87,819)	(128,419)	(1,504,723)	97,027	(1,407,696)	(1,520,290)

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Consolidating Schedule of Activities
Year Ended December 31, 2013 (with Comparative Totals for 2012)

	2013						2012			
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc	Totals	Eliminating Entries	Consolidation Total	Consolidation Total
Other revenue (expense):										
Sale of state historic tax credits	-	-	-	-	-	-	-	-	-	946,898
Total other revenue (expense)	-	-	-	-	-	-	-	-	-	946,898
Excess of (expenses over revenue) revenue over expenses	(641,841)	(197,628)	(218,718)	(230,298)	(87,819)	(128,419)	(1,504,723)	97,027	(1,407,696)	(573,392)
Excess of (expenses over revenue) revenue over expenses attributable to noncontrolling interests	-	(197,589)	(218,698)	(230,274)	-	-	(646,561)	-	(646,561)	(550,409)
Excess of (expenses over revenue) revenue over expenses attributable to the organization	<u>\$ (641,841)</u>	<u>\$ (39)</u>	<u>\$ (20)</u>	<u>\$ (24)</u>	<u>\$ (87,819)</u>	<u>\$ (128,419)</u>	<u>\$ (858,162)</u>	<u>\$ 97,027</u>	<u>\$ (761,135)</u>	<u>\$ (22,983)</u>

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Consolidating Schedule of Changes in Net Assets
Year Ended December 31, 2013 (with Comparative Totals for 2012)

	Unrestricted Net Assets Controlling							Unrestricted Net Assets Noncontrolling	Total	Temporarily restricted net assets Controlling	Net assets Total	
	Caritas Communities Inc.	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Eliminating Entries					Subtotal
Beginning balance, January 1, 2012	\$ 1,473,126	\$ (233)	\$ (128)	\$ 46	\$ 212,203	\$ 227,975	\$ (1,811,337)	\$ 101,652	\$ 3,388,344	\$ 3,489,996	\$ 62,000	\$ 3,551,996
Capital contributions from noncontrolling interest	-	-	-	-	-	-	-	-	2,311,626	2,311,626	-	2,311,626
Syndication costs from noncontrolling interest	-	-	-	-	-	-	-	-	(83,997)	(83,997)	-	(83,997)
Excess of expenses over revenue attributable to noncontrolling interests	-	-	-	-	-	-	-	-	(550,409)	(550,409)	-	(550,409)
Excess of expenses over revenues attributable to the Organization	<u>631,831</u>	<u>(36)</u>	<u>(19)</u>	<u>(16)</u>	<u>(149,387)</u>	<u>(146,167)</u>	<u>(587,189)</u>	<u>(250,983)</u>	<u>-</u>	<u>(250,983)</u>	<u>228,000</u>	<u>(22,983)</u>
Ending balance, December 31, 2012	<u>\$ 2,104,957</u>	<u>\$ (269)</u>	<u>\$ (147)</u>	<u>\$ 30</u>	<u>\$ 62,816</u>	<u>\$ 81,808</u>	<u>\$ (2,398,526)</u>	<u>\$ (149,331)</u>	<u>\$ 5,065,564</u>	<u>\$ 4,916,233</u>	<u>\$ 290,000</u>	<u>\$ 5,206,233</u>
Beginning balance, January 1, 2013	\$ 2,104,957	\$ (269)	\$ (147)	\$ 30	\$ 62,816	\$ 81,808	\$ (2,398,526)	\$ (149,331)	\$ 5,065,564	\$ 4,916,233	\$ 290,000	\$ 5,206,233
Capital contributions from noncontrolling interest	-	-	-	-	-	-	-	-	332,010	332,010	-	332,010
Distributions	-	-	(1,081)	-	-	-	-	(1,081)	(1,080)	(2,161)	-	(2,161)
Excess of expenses over revenues attributable to noncontrolling interests	-	-	-	-	-	-	-	-	(646,561)	(646,561)	-	(646,561)
Excess of expenses over revenues attributable to the Organization	<u>(991,755)</u>	<u>(39)</u>	<u>(20)</u>	<u>(24)</u>	<u>(87,819)</u>	<u>(128,419)</u>	<u>97,027</u>	<u>(1,111,049)</u>	<u>-</u>	<u>(1,111,049)</u>	<u>349,914</u>	<u>(761,135)</u>
Ending balance, December 31, 2013	<u>\$ 1,113,202</u>	<u>\$ (308)</u>	<u>\$ (1,248)</u>	<u>\$ 6</u>	<u>\$ (25,003)</u>	<u>\$ (46,611)</u>	<u>\$ (2,301,499)</u>	<u>\$ (1,261,461)</u>	<u>\$ 4,749,933</u>	<u>\$ 3,488,472</u>	<u>\$ 639,914</u>	<u>\$ 4,128,386</u>

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Combining Schedule of Financial Position
December 31, 2013 (with Comparative Totals for 2012)

	2013						Totals	Eliminating entries	2012	
	Caritas Communities Inc.	Parkview Housing LLC	Alaska Housing LLC	Caritas Acquisition LLC	Caritas Worcester LLC	South Boston Veterans Housing LLC			Caritas Communities Inc. total	Caritas Communities Inc. total
Assets:										
Current assets:										
Cash and cash equivalents	\$ 1,935,479	\$ 109,028	\$ 1,806	\$ 21,892	\$ 28,698	\$ 992	\$ 2,097,895	\$ -	\$ 2,097,895	\$ 1,121,954
Short-term investments	570,987	-	-	-	-	-	570,987	-	570,987	1,065,083
Cash - tenant security deposits	147,119	33,643	9,049	15,183	6,047	-	211,041	-	211,041	205,324
Account receivables, net of allowance for bad debts	148,379	19,618	2,309	6,137	15,476	-	191,919	-	191,919	190,862
Account receivables - other	117,648	-	-	-	-	-	117,648	-	117,648	112,526
Prepaid expenses and escrows	176,479	9,360	6,622	48,767	6,703	-	247,931	-	247,931	265,442
Total current assets	3,096,091	171,649	19,786	91,979	56,924	992	3,437,421	-	3,437,421	2,961,191
Property and equipment, net	15,638,543	944,091	3,036,162	2,121,800	2,238,536	-	23,979,132	(572,813)	23,406,319	23,246,860
Other assets										
Note receivables	1,115,786	-	-	-	-	-	1,115,786	(198,408)	917,378	991,233
Reserve for replacements	1,390,785	376,141	12,005	33,768	-	-	1,812,699	-	1,812,699	1,325,257
Operating, debt service and other reserves	122,664	-	10,221	43,596	-	-	176,481	-	176,481	194,530
Unamortized finance costs	111,774	33,880	-	-	-	-	145,654	(10,000)	135,654	119,128
Due from affiliates	705,831	-	-	-	-	-	705,831	(689,617)	16,214	548,850
Development costs	-	-	-	-	-	328,052	328,052	-	328,052	128,930
Total other assets	3,446,840	410,021	22,226	77,364	-	328,052	4,284,503	(898,025)	3,386,478	3,307,928
	\$ 22,181,474	\$ 1,525,761	\$ 3,078,174	\$ 2,291,143	\$ 2,295,460	\$ 329,044	\$ 31,701,056	\$ (1,470,838)	\$ 30,230,218	\$ 29,515,979

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Combining Schedule of Financial Position
December 31, 2013 (with Comparative Totals for 2012)

	2013						Totals	Eliminating Entries	Caritas Communities Inc. total	2012 Caritas Communities Inc. total
	Caritas Communities, Inc.	Parkview Housing LLC	Alaska Housing LLC	Caritas Acquisition LLC	Caritas Worcester LLC	South Boston Veterans Housing LLC				
Liabilities:										
Current liabilities:										
Current maturities of long-term debt	\$ 201,039	\$ 8,367	\$ 6,148	\$ -	\$ -	\$ -	\$ 215,554	\$ -	\$ 215,554	\$ 677,204
Accounts payable and accrued expenses	214,326	17,666	5,774	9,046	5,369	1,612	253,793	-	253,793	182,658
Accounts payable - construction expenses	-	-	-	-	124,190	-	124,190	-	124,190	207,222
Accrued interest payable - first mortgage	-	-	27,624	-	-	-	27,624	-	27,624	18,324
Tenant security deposits	143,716	30,356	8,924	9,772	6,033	-	198,801	-	198,801	191,453
Prepaid rent	18,888	4,765	576	738	454	-	25,421	-	25,421	29,584
Total current liabilities	577,969	61,154	49,046	19,556	136,046	1,612	845,383	-	845,383	1,306,445
Long-term debt:										
Mortgages payable, less current maturities	14,435,084	1,640,245	2,736,720	1,103,699	1,918,426	-	21,834,174	-	21,834,174	20,001,814
Bond payable, less current maturities	4,160,000	-	-	-	-	-	4,160,000	-	4,160,000	4,300,000
Total long-term debt	18,595,084	1,640,245	2,736,720	1,103,699	1,918,426	-	25,994,174	-	25,994,174	24,301,814
Other liabilities:										
Deferred interest	1,112,468	224,778	-	167,768	10,758	-	1,515,772	-	1,515,772	1,384,441
Deferred revenue	-	-	-	-	-	-	-	-	-	-
Due to affiliates	121,773	53,281	146,070	144,291	216,943	327,440	1,009,798	(888,025)	121,773	128,322
Total other liabilities	1,234,241	278,059	146,070	312,059	227,701	327,440	2,525,570	(888,025)	1,637,545	1,512,763
Total liabilities	20,407,294	1,979,458	2,931,836	1,435,314	2,282,173	329,052	29,365,127	(888,025)	28,477,102	27,121,022
Net assets:										
Unrestricted undesignated controlling	1,134,266	(453,697)	146,338	855,829	13,287	(8)	1,696,015	(582,813)	1,113,202	2,104,957
Unrestricted undesignated noncontrolling	-	-	-	-	-	-	-	-	-	-
Total unrestricted net assets	1,134,266	(453,697)	146,338	855,829	13,287	(8)	1,696,015	(582,813)	1,113,202	2,104,957
Temporarily restricted net assets	639,914	-	-	-	-	-	639,914	-	639,914	290,000
Total net assets	1,774,180	(453,697)	146,338	855,829	13,287	(8)	2,335,929	(582,813)	1,753,116	2,394,957
	\$ 22,181,474	\$ 1,525,761	\$ 3,078,174	\$ 2,291,143	\$ 2,295,460	\$ 329,044	\$ 31,701,056	\$ (1,470,838)	\$ 30,230,218	\$ 29,515,979

See Independent Auditor's Report.

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

**Combining Schedule of Activities
Year Ended December 31, 2013 (with Comparative Totals for 2012)**

	2013						Totals	Eliminating Entries	Caritas Communities Inc. total	2012
	Caritas Communities Inc.	Parkview Housing LLC	Alaska Housing LLC	Caritas Acquisition LLC	Caritas Worcester LLC	South Boston Veterans Housing LLC				Caritas Communities Inc. total
Support and revenue:										
Net rents	\$ 2,994,708	\$ 418,234	\$ 89,810	\$ 390,287	\$ 90,643	\$ -	\$ 3,983,682	\$ -	\$ 3,983,682	\$ 4,010,309
Annual dinner	483,950	-	-	-	-	-	483,950	-	483,950	451,295
Contributions	196,238	-	-	-	40,000	-	236,238	-	236,238	1,240
Foundation grants	280,214	-	-	1,500	1,250	-	282,964	-	282,964	402,690
Management and other fees	549,960	-	-	-	-	-	549,960	(210,770)	339,190	330,314
Investment income	10,660	245	89	116	3	-	11,113	(813)	10,300	27,896
Development fees	460,237	-	-	-	-	-	460,237	(422,089)	38,148	671,548
Other income (loss)	518,628	-	24	25	(523)	-	518,154	(194,700)	323,454	258,742
Total support and revenues	5,494,595	418,479	89,923	391,928	131,373	-	6,526,298	(828,372)	5,697,926	6,154,034
Expenses:										
Compensation	1,968,247	67,508	7,452	31,198	8,182	-	2,082,587	(120,446)	1,962,141	1,752,085
Payroll taxes	163,254	-	-	-	-	-	163,254	-	163,254	147,760
Employee benefits	303,371	-	-	-	-	-	303,371	-	303,371	259,804
Management fee expense	-	34,401	10,043	38,782	7,098	-	90,324	(90,324)	-	-
Insurance	79,887	8,946	5,619	11,610	5,333	-	111,395	-	111,395	156,933
Automobile	48,300	-	-	-	-	-	48,300	-	48,300	42,782
Rent	85,552	-	-	5,789	-	-	91,341	-	91,341	90,791
Office and telephone	89,029	76,017	1,888	73,111	2,711	-	242,756	(142,200)	100,556	110,813
Legal	139,880	10,392	7,404	15,199	2,597	-	175,472	-	175,472	162,840
Accounting	33,169	4,692	-	-	-	-	37,861	-	37,861	32,201
Meetings	7,719	-	-	-	-	-	7,719	-	7,719	4,006
Dinner costs	241,069	-	-	-	-	-	241,069	-	241,069	180,773
Other costs	178,111	114,326	23,056	2,108	21,555	8	339,164	(151,646)	187,518	247,878
Social services	22,890	3,226	871	2,474	819	-	30,280	-	30,280	28,450
Undeveloped properties	33,742	-	-	-	-	-	33,742	-	33,742	82,630
Utilities	519,647	57,160	17,942	50,985	25,113	-	670,847	-	670,847	633,286
Real estate tax	161,408	22,370	9,988	18,827	8,077	-	220,670	-	220,670	246,969
Depreciation and amortization	608,086	108,640	82,302	80,168	41,715	-	920,911	(12,256)	908,655	966,839
Repairs and maintenance	379,046	48,275	13,164	37,857	6,618	-	484,960	-	484,960	487,804
Interest	472,833	17,498	24,581	37,374	9,143	-	561,429	(813)	560,616	606,457
Total expenses	5,535,240	573,451	204,310	405,482	138,961	8	6,857,452	(517,685)	6,339,767	6,241,101
Excess of revenue over expenses (expenses over revenue) before other revenue (expense)	(40,645)	(154,972)	(114,387)	(13,554)	(7,588)	(8)	(331,154)	(310,687)	(641,841)	(87,067)

Caritas Communities, Inc. and Subsidiaries
Supplementary Information
Combining Schedule of Activities
Year Ended December 31, 2013 (with Comparative Totals for 2012)

	2013								2012	
	Caritas Communities Inc.	Parkview Housing LLC	Alaska Housing LLC	Caritas Acquisition LLC	Caritas Worcester LLC	South Boston Veterans Housing LLC	Totals	Eliminating Entries	Caritas Communities Inc. total	Caritas Communities Inc. total
Other revenue (expense):										
Sale of state historic tax credits	-	-	-	-	-	-	-	-	-	946,898
Total other revenue (expense)	-	-	-	-	-	-	-	-	-	946,898
Excess of (expenses over revenue) revenue over expenses	(40,645)	(154,972)	(114,387)	(13,554)	(7,588)	(8)	(331,154)	(310,687)	(641,841)	859,831
Excess of (expenses over revenue) revenue over expenses attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-
Excess of (expenses over revenue) revenue over expenses attributable to the organization	\$ (40,645)	\$ (154,972)	\$ (114,387)	\$ (13,554)	\$ (7,588)	\$ (8)	\$ (331,154)	\$ (310,687)	\$ (641,841)	\$ 859,831