

**Caritas Communities, Inc.
and Subsidiaries**

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

December 31, 2014 and 2013

Caritas Communities, Inc. and Subsidiaries

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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 statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of activities, changes in net assets, functional expenses and cash flows for the years 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 consolidated 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 audits. We conducted our audits 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information on pages 40 to 49 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 audits 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 consolidated financial statements as a whole.

A handwritten signature in cursive script that reads "CohnReznick LLP".

Boston, Massachusetts
June 5, 2015

Caritas Communities, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014 and 2013

	<u>Assets</u>	
	2014	2013
Current assets		
Cash and cash equivalents	\$ 3,632,667	\$ 3,002,534
Short-term investments	699,634	696,736
Tenant security deposits	281,622	271,453
Accounts receivable - (net of allowance for bad debts of \$83,489 and \$85,489, respectively)	222,453	268,595
Accounts receivable - other	275,442	119,091
Prepaid expenses and escrows	489,459	422,260
	<u>5,601,277</u>	<u>4,780,669</u>
Property and equipment		
Land and site improvements	4,559,382	4,547,787
Buildings and improvements	50,046,587	50,128,159
Construction in progress	615,496	91,680
Furnishings and equipment	1,549,706	1,517,136
	<u>56,771,171</u>	<u>56,284,762</u>
Less: Accumulated depreciation	<u>(16,049,057)</u>	<u>(14,485,578)</u>
Net property and equipment	<u>40,722,114</u>	<u>41,799,184</u>
Other assets		
Reserve for replacements	2,334,209	2,189,718
Operating and debt service reserves	1,462,748	1,545,215
Deferred fees, net	296,824	335,255
Development costs	525,061	328,052
	<u>4,618,842</u>	<u>4,398,240</u>
Total other assets	<u>4,618,842</u>	<u>4,398,240</u>
Total assets	<u>\$ 50,942,233</u>	<u>\$ 50,978,093</u>

Caritas Communities, Inc. and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2014 and 2013

Liabilities and Net Assets

	2014	2013
Current liabilities		
Current maturities of long-term debt	\$ 323,263	\$ 309,121
Accounts payable and accrued expenses	311,354	441,530
Accounts payable - construction	-	124,190
Accrued interest payable - first mortgage	41,523	32,262
Tenant security deposits	256,946	253,279
Prepaid rent	38,832	34,748
	971,918	1,195,130
Long-term debt		
Mortgages payable, less current maturities	39,415,569	38,763,303
Bonds payable, less current maturities	4,015,000	4,160,000
	43,430,569	42,923,303
Other liabilities		
Deferred interest	2,897,649	2,731,274
Developer fee payable	53,125	-
	2,950,774	2,731,274
Total liabilities	47,353,261	46,849,707
Net assets:		
Unrestricted undesignated controlling	(1,677,458)	(1,261,461)
Unrestricted undesignated noncontrolling	4,003,589	4,749,933
	2,326,131	3,488,472
Temporarily restricted	1,262,841	639,914
Total net assets	3,588,972	4,128,386
Total liabilities and net assets	\$ 50,942,233	\$ 50,978,093

See Notes to Consolidated Financial Statements.

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Activities
Year Ended December 31, 2014 (with Comparative Totals for 2013)**

	2014			2013
	Unrestricted	Temporarily restricted	Total	Total
Revenue, gains and other support				
Net rents	\$ 6,509,542	\$ -	\$ 6,509,542	\$ 6,334,938
Annual dinner	758,615	164,750	923,365	645,150
Contributions	125,885	-	125,885	75,562
Foundation grants	209,700	471,586	681,286	395,515
Investment income	16,658	-	16,658	15,414
Miscellaneous income (loss)	399,715	-	399,715	38,654
Net assets released from restrictions:				
Satisfaction of restrictions	13,409	(13,409)	-	-
Total revenue, gains and other support	<u>8,033,524</u>	<u>622,927</u>	<u>8,656,451</u>	<u>7,505,233</u>
Expenses				
Program services	7,819,241	-	7,819,241	7,633,564
Supporting services:				
Management and general	879,197	-	879,197	848,565
Fundraising	678,158	-	678,158	430,800
Total expenses	<u>9,376,596</u>	<u>-</u>	<u>9,376,596</u>	<u>8,912,929</u>
Excess of (expenses over revenue) revenue over expense	(1,343,072)	622,927	(720,145)	(1,407,696)
Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interests	<u>(624,973)</u>	<u>-</u>	<u>(624,973)</u>	<u>(646,561)</u>
Excess of revenue over expenses (expenses over revenue) attributable to the organization	<u>\$ (718,099)</u>	<u>\$ 622,927</u>	<u>\$ (95,172)</u>	<u>\$ (761,135)</u>

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Activities
Year Ended December 31, 2013**

	2013		
	Unrestricted	Temporarily restricted	Total
Revenue, gains and other support			
Net rents	\$ 6,334,938	\$ -	\$ 6,334,938
Annual dinner	483,950	161,200	645,150
Contributions	75,562	-	75,562
Foundation grants	206,801	188,714	395,515
Investment income	15,414	-	15,414
Miscellaneous income (loss)	38,654	-	38,654
Net assets released from restrictions:			
Satisfaction of restrictions	-	-	-
Total revenue, gains and other support	<u>7,155,319</u>	<u>349,914</u>	<u>7,505,233</u>
Expenses			
Program services	7,633,564	-	7,633,564
Supporting services:			
Management and general	848,565	-	848,565
Fundraising	430,800	-	430,800
Total expenses	<u>8,912,929</u>	<u>-</u>	<u>8,912,929</u>
Excess of (expenses over revenue) revenue over expense	(1,757,610)	349,914	(1,407,696)
Excess of revenue over expenses (expenses over revenue) attributable to noncontrolling interests	<u>(646,561)</u>	<u>-</u>	<u>(646,561)</u>
Excess of revenue over expenses (expenses over revenue) attributable to the organization	<u>\$ (1,111,049)</u>	<u>\$ 349,914</u>	<u>\$ (761,135)</u>

Caritas Communities, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Year Ended December 31, 2014

2014

	Program services	Management and general	Fundraising	Total
Compensation	\$ 1,428,453	\$ 478,815	\$ 255,183	\$ 2,162,451
Payroll taxes	115,021	38,555	18,538	172,114
Employee benefits	173,569	58,180	32,073	263,822
Insurance	152,443	48,697	10,586	211,726
Automobile	33,566	10,723	2,331	46,620
Rent	133,258	42,569	9,254	185,081
Office and telephone	149,459	47,744	10,379	207,582
Legal	190,654	60,904	13,240	264,798
Accounting	52,950	16,915	3,677	73,542
Meetings	-	5,511	-	5,511
Dinner costs	-	-	307,552	307,552
Other costs	220,959	70,584	15,345	306,888
Social services	136,555	-	-	136,555
Undeveloped properties	19,203	-	-	19,203
Utilities	997,039	-	-	997,039
Real estate tax	305,282	-	-	305,282
Depreciation and amortization	1,770,411	-	-	1,770,411
Repairs and maintenance	1,064,207	-	-	1,064,207
Interest	876,212	-	-	876,212
	<u>\$ 7,819,241</u>	<u>\$ 879,197</u>	<u>\$ 678,158</u>	<u>\$ 9,376,596</u>

Caritas Communities, Inc. and Subsidiaries
Consolidated Statements of Functional Expenses
Year Ended December 31, 2013

2013

	Program services	Management and general	Fundraising	Total
Compensation	\$ 1,474,095	\$ 470,892	\$ 102,368	\$ 2,047,355
Payroll taxes	116,694	39,116	7,444	163,254
Employee benefits	220,649	73,961	14,076	308,686
Insurance	137,304	43,861	9,535	190,700
Automobile	34,776	11,109	2,415	48,300
Rent	129,864	41,484	9,018	180,366
Office and telephone	130,428	41,665	9,058	181,151
Legal	164,839	52,657	11,447	228,943
Accounting	50,582	16,158	3,513	70,253
Meetings	-	7,719	-	7,719
Dinner costs	-	-	251,069	251,069
Other costs	156,345	49,943	10,857	217,145
Social services	139,391	-	-	139,391
Undeveloped properties	33,742	-	-	33,742
Utilities	889,419	-	-	889,419
Real estate tax	304,070	-	-	304,070
Depreciation and amortization	1,782,505	-	-	1,782,505
Repairs and maintenance	986,920	-	-	986,920
Interest	881,941	-	-	881,941
	<u>\$ 7,633,564</u>	<u>\$ 848,565</u>	<u>\$ 430,800</u>	<u>\$ 8,912,929</u>

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Changes of Net Assets
Years Ended December 31, 2014 and 2013**

	Unrestricted net assets			Temporarily restricted net assets	Net assets
	Controlling	Noncontrolling	Total	Controlling	Total
Beginning balance, January 1, 2013	\$ (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	(1,261,461)	4,749,933	3,488,472	639,914	4,128,386
Capital contributions from noncontrolling interests	-	256,195	256,195	-	256,195
Syndication costs from noncontrolling interest	-	(50,000)	(50,000)	-	(50,000)
Distributions	(232)	(232)	(464)	-	(464)
Acquisition costs	(25,000)	-	(25,000)	-	(25,000)
Net assets transferred	327,334	(327,334)	-	-	-
Excess of expenses over revenue attributable to noncontrolling interests	-	(624,973)	(624,973)	-	(624,973)
Excess of expenses over revenue attributable to the Organization	(718,099)	-	(718,099)	622,927	(95,172)
Ending balance, December 31, 2014	<u>\$ (1,677,458)</u>	<u>\$ 4,003,589</u>	<u>\$ 2,326,131</u>	<u>\$ 1,262,841</u>	<u>\$ 3,588,972</u>

See Notes to Consolidated Financial Statements.

Caritas Communities, Inc. and Subsidiaries

**Consolidated Statements of Cash Flows
Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Excess of (expenses over revenue) revenue over expenses	\$ (720,145)	\$ (1,407,696)
Adjustments to reconcile excess of (expenses over revenue) revenue over expenses to cash provided by operating activities		
Depreciation and amortization	1,770,411	1,782,505
Interest on short-term investments	(2,898)	(5,194)
Interest on first mortgage payable	9,261	8,451
Interest on other mortgages payable	-	(5,264)
Deferred interest on mortgages	351,672	329,015
Write-off of undeveloped properties costs	-	33,742
Increase (decrease) in allowance for bad debt	(2,000)	6,871
Forgiveness of debt principal and accrued interest	(341,884)	-
Changes in:		
Accounts receivable - tenant	48,142	(14,478)
Accounts receivable - other	(156,351)	(5,348)
Prepaid expenses and escrows	(67,199)	(8,925)
Deferred revenue	-	-
Tenant security deposits, net	(6,502)	945
Accounts payable, accrued expenses and prepaid rent	<u>(48,517)</u>	<u>22,816</u>
Net cash provided by operating activities	<u>833,990</u>	<u>737,440</u>
Cash flows from investing activities		
Funding of reserve for replacements and interest thereon, net of withdrawals	(144,491)	(539,575)
Funding of operating and debt reserves and interest thereon, net of withdrawals	82,467	1,329,126
Purchase of short-term investments	(698,093)	(150,000)
Sale of short-term and long-term investment	698,093	648,593
Cash paid for development costs	(210,724)	(166,024)
Purchase of property and equipment	<u>(753,004)</u>	<u>(1,220,252)</u>
Net cash used in investing activities	<u>(1,025,752)</u>	<u>(98,132)</u>
Cash flows from financing activities		
Capital contributions received	256,195	332,010
Distributions	(464)	(2,161)
Syndication costs paid	(50,000)	-
Acquisition costs paid	(25,000)	-
Payments on mortgages and construction loans	(628,336)	(1,967,650)
Repayment of bond principal	(140,000)	(130,000)
Mortgage and notes proceeds	1,409,500	2,349,656
Financing costs paid	<u>-</u>	<u>(66,038)</u>
Net cash provided by financing activities	<u>821,895</u>	<u>515,817</u>
Net increase in cash and cash equivalents	<u>630,133</u>	<u>1,155,125</u>
Cash and cash equivalents, beginning of year	<u>3,002,534</u>	<u>1,847,409</u>
Cash and cash equivalents, end of year	<u>\$ 3,632,667</u>	<u>\$ 3,002,534</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amount capitalized	<u>\$ 515,280</u>	<u>\$ 549,739</u>

Significant noncash investing and financing activities:

As of December 31, 2014, purchase of property and equipment included development costs payable of \$53,125.

During 2014, a mortgage note payable which had been recorded at fair value in the amount of \$156,588 and accrued interest of \$185,296 were forgiven by the lender.

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

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014 and 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 20% of Caritas' support for the year ended December 31, 2014 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. On September 30, 2014, the Investor Limited Partner of Dudley Inn Limited Partnership executed a Purchase Agreement whereby selling and assigning its 99.98% Partnership interest to 17 Rooms Corporation.

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 owned and operated a building located on Cortes Street, Boston, Massachusetts. On December 22, 2014, Caritas Project Place Cortes LLC acquired the property from Caritas Acquisition LLC.

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, 2014 and 2013

Caritas Project Place Cortes Member LLC: On December 22, 2014, Caritas acquired a 79% interest in Caritas Project Place Cortes Member LLC. Caritas Project Place Cortes Member LLC is the managing member in Caritas Project Place Cortes LLC, which owns and operates affordable single room housing in a building located on Cortes Street, Boston, Massachusetts.

On December 22, 2014, Caritas Project Place Cortes LLC acquired assets comprising the rental property located on Cortes Street, Boston, Massachusetts in a transaction with a related party, Caritas Acquisition LLC, for a purchase price of \$3,628,755. An appraisal was completed which supports the purchase price. Both the selling and purchasing entity are consolidated by Caritas and as a result this is considered to be a transaction between entities under common control. In accordance with accounting guidance under common control, the acquired assets are recorded at their respective net book values at the date of acquisition as reflected on the seller's books with the purchase price in excess of the net book value of the acquired assets reflected as net assets transferred as a component of unrestricted net assets on the consolidated statement of changes of net assets.

The acquisition was recorded by Caritas Project Place Cortes Member LLC as follows:

Purchase price	\$ 3,628,755
Related party loans as a component of unrestricted net assets	(2,221,638)
Net assets transferred as a component of unrestricted net assets	985,326
Acquisition costs paid as a component of unrestricted net assets	<u>25,000</u>
Fixed assets	<u><u>\$ 2,417,443</u></u>

The transaction eliminates in consolidation, except for acquisition costs, which were incurred and paid to a third party.

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, Caritas Project Place Cortes Member LLC, a 79% 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, 820 SRO LLC, and Caritas Project Place Cortes 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.

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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.

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 2014.

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

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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 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, 2014 was \$35,718. Accumulated amortization as of December 31, 2014 was \$411,362.

Estimated annual amortization expense for each of the ensuing years through December 31, 2019 is as follows:

December 31, 2015	\$	33,897
2016		33,760
2017		31,419
2018		30,736
2019		30,657

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, 2014 was \$2,713. Accumulated amortization as of December 31, 2014 was \$20,163.

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014 and 2013

Estimated annual amortization expense for each of the ensuing years through December 31, 2019 is as follows:

December 31, 2015	\$	2,713
2016		2,430
2017		2,033
2018		2,033
2019		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.

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

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Notes to Consolidated Financial Statements December 31, 2014 and 2013

investments at December 31, 2014 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 \$83,489 and \$85,489 at December 31, 2014 and 2013, 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, acquisitions and for general reserve purposes. In 2014 and 2013, 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 2014 and 2013, 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

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Notes to Consolidated Financial Statements December 31, 2014 and 2013

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 10 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 10 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 10 years, is subject to adjustment by DHCD and is estimated to be \$225,815 annually.

Caritas Project Place Cortes LLC was awarded an allocation of low-income housing tax credits from DHCD. Management expects this credit to commence between 2015 and 2016 as each building achieves construction completion. This credit will be calculated at 3.22% of qualified acquisition and rehabilitation costs. The annual allocation, which may be claimed each year for 10 years, is subject to adjustment by DHCD and is estimated to be \$256,669 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.

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 2011 remain open.

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Notes to Consolidated Financial Statements December 31, 2014 and 2013

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 2011 remain open.

The Organization's subsidiaries, 17 Rooms Corporation and One Lenox Street Corporation (the "wholly owned subsidiaries"), 820 SRO MM LLC (50% owned subsidiary) and Caritas Project Place Cortes Member LLC (79% 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.

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

Note 4 - Long-term debt

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

	2014	2013
Caritas Communities, Inc.		
Massachusetts Housing Partnership Fund Massachusetts Tax-Exempt Revenue Bonds Interest rate - 1.6% to 5.043% (current rate 5.043%) Current monthly payments - \$29,324 for principal and interest Final payments - July 15, 2022 Secured by mortgages on various properties with primary rights	\$ 4,160,000	\$ 4,300,000
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

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**Notes to Consolidated Financial Statements
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	<u>2014</u>	<u>2013</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
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	324,409	329,211
Town of Brookline 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	1,100,000	1,100,000

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**Notes to Consolidated Financial Statements
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	<u>2014</u>	<u>2013</u>
Massachusetts Housing Partnership - SSRP Loan Interest rate - None Monthly payments - None Final payment - July 1, 2024 Secured by real estate in Brookline with subordinate rights	500,000	500,000
Affordable Housing Trust Fund Interest rate - None Monthly payments - None Final payment - March 18, 2033 Secured by real estate in Brookline with subordinate rights	316,000	316,000
Mansfield Bank - 1st Mortgage Interest rate - 5% Monthly payments - \$1,829 Final payments - June 2, 2022 Secured by real estate in Brookline with subordinate rights	324,785	330,127
DHCD - Housing Stabilization Fund Interest rate - 5% compounded annually Monthly payments - None Final payments - December 22, 2027 Secured by real estate in Salem with subordinate rights	465,000	465,000
People's United Bank (formerly Danvers) Interest rate - 4% Monthly payment - \$3,408 Final payments - November 23, 2016 Secured by real estate in Salem with primary rights	624,515	639,754
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

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	<u>2014</u>	<u>2013</u>
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	376,689	390,906
Bank of Canton Interest rate - 6.85% to 2013 and index rate thereafter (current rate 3.25%) Monthly payment - \$4,925 Final payments - February 1, 2018 Secured by real estate in Chelsea with primary rights	538,998	559,566
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
DHCD - CATNHP Loan Interest rate - None Monthly payments - None Final payment - September 30, 2059 Secured by real estate in Melrose with subordinate rights	650,000	650,000

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**Notes to Consolidated Financial Statements
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	<u>2014</u>	<u>2013</u>
DHCD - Housing Stabilization Fund Loan Interest rate - None Monthly payments - None Final payment - September 30, 2059 Secured by real estate in Melrose with subordinate rights	113,825	113,825
North Suburban Consortium HOME Loan Interest rate - None Monthly payments - Subject to cash flow Final payment - September 2039 Secured by real estate in Melrose with subordinate rights.	775,000	775,000
Stoneham Bank Interest rate - 6% Monthly payments - \$325 Final payments - January 15, 2020 Secured by real estate in Melrose with primary rights	45,122	46,238
Alaska Housing LLC		
City of Boston - Leading the Way Loan 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	911,635	911,635
DHCD - CATNHP Loan Interest rate - None Monthly payments - None Final payment - January 29, 2040 Secured by real estate in Boston with subordinate rights	750,000	750,000
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

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**Notes to Consolidated Financial Statements
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	<u>2014</u>	<u>2013</u>
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	253,190	259,083
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
Needham Bank Interest rate - 4.88% Monthly payments - \$2,911 Final payment - October 22, 2043 Secured by real estate in Boston with subordinate rights	540,230	548,612
Dudley Inn Limited Partnership		
Massachusetts Property and Casualty Insurance Co. Interest rate - 5% Monthly payments - \$2,649 Final payments - August, 2022 Secured by real estate in Boston with primary rights	296,804	313,095

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
City of Boston - Home Program 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	480,000	480,000
CEDAC - Housing Innovation Fund Interest rate - None Monthly payments - Subject to cash flow Final payment - December, 2030 Secured by real estate in Boston with subordinate rights	500,000	500,000
Massachusetts Housing Partnership Fund Board - HSF Loan Interest rate - None Monthly payments - None Final payment - December, 2030 (with 10-year extension option) Secured by real estate in Boston with subordinate rights	600,000	600,000
One Lenox Limited Partnership		
City of Boston - Home Loan 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	559,516	559,516
DHCD - Home Loan Interest rate - 4.33% compounded annually Monthly payments - None Final payments - August 3, 2035 Secured by real estate in Boston with subordinate rights	550,000	550,000
DHCD - HSF Loan 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	745,520	745,520

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	2014	2013
820 SRO LLC		
Boston Private Bank & Trust Company (Series 2011 B Bonds) Interest rate - 5.35% compounded Monthly Payment - \$5,062 Final Payment - September 1, 2028 Secured by real estate in Cambridge with primary rights	852,188	868,406
DHCD Home Loan Interest rate - None Monthly payments - None Final payment - May 31, 2042 Secured by real estate in Cambridge with subordinate rights	702,244	702,244
City of Cambridge AHT program Interest rate - 2% Monthly payment - None Final payment - September 1, 2061 Secured by real estate in Cambridge with subordinate rights	1,600,000	1,600,000
City of Cambridge Loan - recorded at fair value Interest Rate - 4.0% Monthly payment - None Final payment - September 1, 2061 Secured by real estate in Cambridge with subordinate rights	260,443	255,510
<p>At the time of acquisition and as of December 31, 2014 the face value of the assumed note was \$485,704 and the fair value was \$260,443. 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 2014 and 2013, \$4,933 of amortization was included in amortization expense.</p>		

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
YMCA Assumed Loan - recorded at fair value	236,133	226,493
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, 2014, 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 2014 and 2013, \$9,640 of amortization was included in amortization expense.		
Cambridge Young Members Christian Association	345,104	345,104
Interest rate - 0.01%		
Monthly payment - None		
Final payment - August 31, 2051		
Secured by real estate in Cambridge with subordinate rights		
DHCD HSF Loan	635,592	635,592
Interest rate - None		
Monthly payments - None		
Final payment - May 31, 2062		
Secured by real estate in Cambridge with subordinate rights		
DHCD AHTF Loan	1,000,000	1,000,000
Interest rate - None		
Monthly payments - None		
Final payment - May 31, 2062		
Secured by real estate in Cambridge with subordinate rights		
Bedford Veterans Quarters, Inc.		
Massachusetts Affordable Housing Trust Fund	1,000,000	1,000,000
Interest rate - None		
Monthly payments - None		
Final payment - October 19, 2056		
Secured by leasehold in Bedford with subordinate rights		

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	<u>2014</u>	<u>2013</u>
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
Brookline Bank Interest rate - 5.78% Monthly payments - \$5,941 Final payments - February 7, 2018 Secured by leasehold in Bedford with primary rights	205,837	263,420
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: 6.902% Monthly payment - \$1,442 Final payments - December 26, 2025 Secured by real estate in New Bedford with subordinate rights	268,114	271,821
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

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
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
DHCD - AHTF Loan Interest rate - None Monthly payments - None Final payment - June 15, 2040 Secured by real estate in New Bedford with subordinate rights	844,605	844,605
City of New Bedford HOME Loan Interest rate - 3% Monthly payments - None Final payments - June 15, 2040 Secured by real estate in New Bedford with subordinate rights	500,000	500,000

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Caritas Acquisition LLC		
CEDAC Housing Innovation Fund - recorded at fair value	-	192,598
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 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 2014 and 2013, \$17,855 and \$18,083, respectively, of amortization was included in amortization expense.		
Assumed by Caritas Project Place Cortes LLC on 12/22/2014		
City of Boston DND Home Loan	-	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		
Assumed by Caritas Project Place Cortes LLC on 12/22/2014		
MassDevelopment - recorded at fair value	-	458,977
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 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 2014 and 2013, \$0 and \$13,533, respectively, of amortization was included in amortization expense.		
Paid in full on 12/22/2014		

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**Notes to Consolidated Financial Statements
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	<u>2014</u>	<u>2013</u>
City of Boston - NHT Loan - recorded at fair value	-	152,006
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 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 2014 and 2013, \$4,823 and \$4,823, respectively, of amortization was included in amortization expense.		
Forgiven on 12/10/2014		
 Caritas Worcester House LLC		
CEDAC - Housing Innovation Fund I Loan	245,000	245,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - July 9, 2030		
Secured by real estate in Boston with subordinate rights		
 DHCD HSF Loan	500,000	450,000
Interest rate - 1%		
Annual payments - Subject to cash flow		
Final payment November 17, 2062		
Secured by real estate in Boston with subordinate rights		
 City of Boston DND Home Loan	518,696	362,747
Interest rate - 1%		
Annual payments - Subject to cash flow		
Final payment November 17, 2042		
Secured by real estate in Boston with subordinate rights		
 City of Boston DND NHT Loan	404,393	295,531
Interest rate - None		
Monthly payments - None		
Final Payment April 18, 2027		
Secured by real estate in Boston with subordinate rights		

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
DHCD Home Loan	423,088	365,148
Interest rate - 1%		
Annual payments - Subject to cash flow		
Final Payment December 17, 2042		
Secured by real estate in Boston with subordinate rights		
 CEDAC - Housing Innovation Fund II Loan	 200,000	 200,000
Interest rate - None		
Monthly payments - Subject to cash flow		
Final payment - June 30, 2025		
Secured by real estate in Boston with subordinate rights		
 Caritas Project Place Cortes LLC		
 Eastern Bank (Series 2014 A Bonds) Construction Loan	 561,749	 -
Interest Rate - 1.88%		
Monthly payments - Interest-only		
Final payments - September 22, 2016		
Secured by real estate in Boston with primary rights		
 CEDAC HPSTF Loan	 475,000	 -
Interest rate - None		
Monthly payments - None		
Final payment - February 22, 2046		
Secured by real estate in Boston with subordinate rights		
 City of Boston DND Home Loan	 300,118	 -
Interest rate - None		
Monthly payments - subject to cash flow		
Final payment - November 1, 2041		
Secured by real estate in Boston with subordinate rights		

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**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

	2014	2013
CEDAC Housing Innovation Fund - recorded at fair value	210,274	-
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, 2014, 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 2014 and 2013, \$18,083 and \$0, respectively, of amortization was included in amortization expense.		
	43,753,832	43,232,424
Less: Current maturities included in current liabilities	(323,263)	(309,121)
	\$ 43,430,569	\$ 42,923,303

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, 2014 and 2013 was \$876,212 and \$881,941, respectively, of which \$351,672 and \$329,015 was deferred. During the years ended December 31, 2014 and 2013, no interest was capitalized.

On December 22, 2014, Caritas Project Place Cortes LLC entered into a seller note with Caritas Acquisition LLC in the original amount of \$2,221,638 to fund acquisition of the building located on Cortes Street, Boston, Massachusetts. During 2014, the loan was assigned to Caritas. Commencing on December 22, 2014, simple interest accrues at a rate of 2.74% per annum. The Partnership shall make payments to the extent that there is available net cash flow limited to \$177,747 annually, as defined in the First Amended and Restated Operating Agreement of Caritas Project Place Cortes LLC. All principal outstanding and unpaid interest is due on December 22, 2064, the maturity date. As of December 31, 2014, the outstanding principal balance was \$2,221,638. Loan principal, future accrued interest, future interest expense and all future payments will be reflected as a component of unrestricted net assets as a result of assets acquired under common control and will be eliminated in consolidation.

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2014 and 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, 2015	\$ 145,000	\$ 178,263	\$ 323,263
2016	155,000	777,148	932,148
2017	165,000	211,400	376,400
2018	175,000	626,325	801,325
2019	185,000	149,821	334,821
Thereafter	<u>3,335,000</u>	<u>37,650,875</u>	<u>40,985,875</u>
	<u>\$ 4,160,000</u>	<u>\$ 39,593,832</u>	<u>\$ 43,753,832</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, 2015	\$ 145,000	\$ 178,263	\$ 323,263
2016	155,000	777,148	932,148
2017	165,000	211,400	376,400
2018	175,000	626,325	801,325
2019	185,000	149,821	334,821
Thereafter	<u>3,335,000</u>	<u>38,422,923</u>	<u>41,757,923</u>
	<u>\$ 4,160,000</u>	<u>\$ 40,365,880</u>	<u>\$ 44,525,880</u>

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

Note 5 - Investments

Cost and market value of short-term investments at December 31, 2014 and 2013 are as follows:

	Cost	Gross unrealized gain/(loss)	Market value
December 31, 2014			
Certificates of deposit	\$ 699,634	\$ -	\$ 699,634
	Cost	Gross unrealized gain/(loss)	Market value
December 31, 2013			
Certificates of deposit	\$ 696,736	\$ -	\$ 696,736

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 significant concentration of credit risk exists with respect to these balances at December 31, 2014 and 2013.

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 \$35,720 and \$33,686 in retirement plan contribution costs for the years ended December 31, 2014 and 2013, 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. The lease requires Caritas to maintain insurance and pay additional rent for real estate taxes and operating expenses exceeding defined amounts. 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. Office rental expense for the years ended December 31, 2014 and 2013 was \$91,178 and \$85,552, respectively.

Caritas Communities, Inc. and Subsidiaries

Notes to Consolidated Financial Statements December 31, 2014 and 2013

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

2015	\$	82,698
2016		103,154
2017		107,072
2018		110,989
2019		<u>114,906</u>
	\$	<u>518,819</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 square feet, 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, 2014 and 2013 totaled \$74,374 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 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, 2014, 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 50% 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

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

sufficient to permit the Company to pay all unpaid Development Fee and accrued interest in full.

Sponsor guaranty

Caritas Project Place Cortes Member LLC guarantees to Caritas Project Place Cortes LLC and its investor member the full, timely and unconditional payment and performance of the Managing Member's obligations under and pursuant to the Operating Agreement with respect to rehabilitation of the project and payment of all costs of development of the project in excess of those set forth in the Financial Forecasts, payment of liquidated damages to the Company for unauthorized withdrawal of the Managing Member from the Company, payment of Operating Deficit Capital Contributions, payment of any Deferred Development Fee Capital Contribution, the payment of any Adjuster Payment and any Recapture Payment and/or Disallowance Payment and the payment of any amounts due with respect to a State HTC Income Allocation; and payment of any amounts paid by the Managing Member to the Company that the Company is required to disgorge as either preferential payments or fraudulent transfers under applicable bankruptcy laws.

Note 10 - Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Building improvements	\$ 950,300	\$ 478,714
Rental assistance	147,791	161,200
Social services	<u>164,750</u>	<u>-</u>
	<u>\$ 1,262,841</u>	<u>\$ 639,914</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>2014</u>	<u>2013</u>
Purpose restrictions accomplished		
Rental assistance	<u>\$ 13,409</u>	<u>\$ -</u>
	<u>\$ 13,409</u>	<u>\$ -</u>

Note 11 - 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 were then loaned to 820 SRO LLC in 2012, which has been eliminated in consolidation.

Caritas Communities, Inc. and Subsidiaries

**Notes to Consolidated Financial Statements
December 31, 2014 and 2013**

Note 12 - 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 June 5, 2015 (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.

On March 6, 2015, South Boston Veterans Housing LLC, of which Caritas is the managing member, acquired a building located at the corner of D street and Athens Street, Boston, Massachusetts, known as Patriot Homes, for a purchase price of \$300. South Boston Veterans Housing LLC plans to rehabilitate the building to provide 48 affordable single room housing units. The project was awarded an allocation of low-income housing tax credits from DHCD in the amount of \$378,482 annually, to be claimed each year for 10 years.

Supplementary Information

Caritas Communities, Inc. and Subsidiaries
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Consolidating Schedule of Financial Position
December 31, 2014 (with Comparative Totals for 2013)

	2014						2013	
	Caritas - Wholly Owned Entities	Partnership and LLC Interest Properties	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Totals	Eliminating entries	Consolidation total	Consolidation total
Assets:								
Current assets:								
Cash and cash equivalents	\$ 2,406,737	\$ 892,163	\$ 213,192	\$ 120,575	\$ 3,632,667	\$ -	\$ 3,632,667	\$ 3,002,534
Short-term investments	573,503	-	126,131	-	699,634	-	699,634	696,736
Cash - tenant security deposits	209,741	55,943	10,130	5,808	281,622	-	281,622	271,453
Account receivables, net of allowance for bad debts	143,600	49,199	17,989	11,665	222,453	-	222,453	268,595
Account receivables - other	244,706	-	30,766	-	275,472	(30)	275,442	119,091
Prepaid expenses and escrows	237,715	230,089	12,906	8,749	489,459	-	489,459	422,260
Total current assets	3,816,002	1,227,394	411,114	146,797	5,601,307	(30)	5,601,277	4,780,669
Property and equipment, net	20,508,214	15,731,285	2,467,014	4,124,312	42,830,825	(2,108,711)	40,722,114	41,799,184
Other assets								
Note receivables	806,562	-	-	-	806,562	(806,562)	-	-
Reserve for replacements	1,910,545	317,261	84,115	22,288	2,334,209	-	2,334,209	2,189,718
Operating, debt service and other reserves	134,011	1,308,604	-	20,133	1,462,748	-	1,462,748	1,545,215
Unamortized finance costs	114,637	180,707	1,480	-	296,824	-	296,824	335,255
Due from affiliates	243,438	-	-	127,801	371,239	(371,239)	-	-
Development costs	525,061	-	-	-	525,061	-	525,061	328,052
Total other assets	3,734,254	1,806,572	85,595	170,222	5,796,643	(1,177,801)	4,618,842	4,398,240
	\$ 28,058,470	\$ 18,765,251	\$ 2,963,723	\$ 4,441,331	\$ 54,228,775	\$ (3,286,542)	\$ 50,942,233	\$ 50,978,093

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Consolidating Schedule of Financial Position
December 31, 2014 (with Comparative Totals for 2013)

	2014					2013		
	Caritas - Wholly Owned Entities	Partnership and LLC Interest Properties	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Totals	Eliminating Entries	Consolidation total	Consolidation total
Liabilities:								
Current liabilities								
Current maturities of long-term debt	\$ 224,445	\$ 34,099	\$ 61,043	\$ 3,676	\$ 323,263	\$ -	\$ 323,263	\$ 309,121
Accounts payable and accrued expenses	165,558	100,883	42,489	635	309,565	1,789	311,354	441,530
Accounts payable - construction expenses	-	113,407	-	-	113,407	(113,407)	-	124,190
Accrued interest payable - first mortgage	37,017	4,506	-	-	41,523	-	41,523	32,262
Tenant security deposits	194,226	47,713	9,230	5,777	256,946	-	256,946	253,279
Prepaid rent	30,628	3,641	4,542	21	38,832	-	38,832	34,748
Total current liabilities	<u>651,874</u>	<u>304,249</u>	<u>117,304</u>	<u>10,109</u>	<u>1,083,536</u>	<u>(111,618)</u>	<u>971,918</u>	<u>1,195,130</u>
Long-term debt:								
Mortgages payable, less current maturities	21,023,775	11,683,148	2,964,794	4,550,414	40,222,131	(806,562)	39,415,569	38,763,303
Bond payable, less current maturities	4,015,000	-	-	-	4,015,000	-	4,015,000	4,160,000
Total long-term debt	<u>25,038,775</u>	<u>11,683,148</u>	<u>2,964,794</u>	<u>4,550,414</u>	<u>44,237,131</u>	<u>(806,562)</u>	<u>43,430,569</u>	<u>42,923,303</u>
Other liabilities:								
Deferred interest	1,468,389	1,369,290	-	60,000	2,897,679	(30)	2,897,649	2,731,274
Developer fee payable	53,125	-	-	-	53,125	-	53,125	-
Due to affiliates	129,679	130,031	-	-	259,710	(259,710)	-	-
Total other liabilities	<u>1,651,193</u>	<u>1,499,321</u>	<u>-</u>	<u>60,000</u>	<u>3,210,514</u>	<u>(259,740)</u>	<u>2,950,774</u>	<u>2,731,274</u>
Total liabilities	<u>27,341,842</u>	<u>13,486,718</u>	<u>3,082,098</u>	<u>4,620,523</u>	<u>48,531,181</u>	<u>(1,177,920)</u>	<u>47,353,261</u>	<u>46,849,707</u>
Net assets:								
Unrestricted undesignated controlling	(543,713)	1,484,201	(118,375)	(181,692)	640,421	(2,317,879)	(1,677,458)	(1,261,461)
Unrestricted undesignated noncontrolling	-	3,794,332	-	-	3,794,332	209,257	4,003,589	4,749,933
Total unrestricted net assets	<u>(543,713)</u>	<u>5,278,533</u>	<u>(118,375)</u>	<u>(181,692)</u>	<u>4,434,753</u>	<u>(2,108,622)</u>	<u>2,326,131</u>	<u>3,488,472</u>
Temporarily restricted net assets	1,260,341	-	-	2,500	1,262,841	-	1,262,841	639,914
Total net assets	<u>716,628</u>	<u>5,278,533</u>	<u>(118,375)</u>	<u>(179,192)</u>	<u>5,697,594</u>	<u>(2,108,622)</u>	<u>3,588,972</u>	<u>4,128,386</u>
	<u>\$ 28,058,470</u>	<u>\$ 18,765,251</u>	<u>\$ 2,963,723</u>	<u>\$ 4,441,331</u>	<u>\$ 54,228,775</u>	<u>\$ (3,286,542)</u>	<u>\$ 50,942,233</u>	<u>\$ 50,978,093</u>

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

Consolidating Schedule of Activities
Year Ended December 31, 2014 (with Comparative Totals for 2013)

	2014					2013		
	Caritas - Wholly Owned Entities	Partnership and LLC Interest Properties	Bedford Veterans Quarters, Inc.	Sean Brook House Inc	Totals	Eliminating Entries	Consolidation Total	Consolidation Total
Support and revenue:								
Net rents	\$ 4,122,448	\$ 1,697,989	\$ 532,654	\$ 156,451	\$ 6,509,542	\$ -	\$ 6,509,542	\$ 6,334,938
Annual dinner	923,365	-	-	-	923,365	-	923,365	645,150
Contributions	124,104	-	1,781	-	125,885	-	125,885	75,562
Foundation grants	540,920	60,653	75,713	4,000	681,286	-	681,286	395,515
Management and other fees	340,993	-	-	-	340,993	(340,993)	-	-
Investment income	12,616	5,621	1,377	36	19,650	(2,992)	16,658	15,414
Development fees	153,663	-	-	-	153,663	(153,663)	-	-
Other income (loss)	784,965	6,065	-	-	791,030	(391,315)	399,715	38,654
Total support and revenues	<u>7,003,074</u>	<u>1,770,328</u>	<u>611,525</u>	<u>160,487</u>	<u>9,545,414</u>	<u>(888,963)</u>	<u>8,656,451</u>	<u>7,505,233</u>
Expenses:								
Compensation	2,098,366	308,506	51,000	7,767	2,465,639	(303,188)	2,162,451	2,047,355
Payroll taxes	172,114	-	-	-	172,114	-	172,114	163,254
Employee benefits	262,863	959	-	-	263,822	-	263,822	308,686
Management fee expense	-	119,105	55,739	14,407	189,251	(189,251)	-	-
Insurance	119,913	68,542	12,924	10,347	211,726	-	211,726	190,700
Automobile	46,620	-	-	-	46,620	-	46,620	48,300
Rent	92,370	201	92,510	-	185,081	-	185,081	180,366
Office and telephone	118,394	73,459	92,327	4,168	288,348	(80,766)	207,582	181,151
Legal	192,352	63,118	9,086	242	264,798	-	264,798	228,943
Accounting	32,657	58,753	-	-	91,410	(17,868)	73,542	70,253
Meetings	5,511	-	-	-	5,511	-	5,511	7,719
Dinner costs	307,552	-	-	-	307,552	-	307,552	251,069
Other costs	264,698	101,860	38,670	27,348	432,576	(125,688)	306,888	217,145
Social services	30,155	4,702	100,725	973	136,555	-	136,555	139,391
Undeveloped properties	19,203	-	-	-	19,203	-	19,203	33,742
Utilities	760,270	218,052	-	18,717	997,039	-	997,039	889,419
Real estate tax	225,081	80,201	-	-	305,282	-	305,282	304,070
Depreciation and amortization	917,490	686,503	115,177	148,268	1,867,438	(97,027)	1,770,411	1,782,505
Repairs and maintenance	565,285	406,299	123,034	25,324	1,119,942	(55,735)	1,064,207	986,920
Interest	572,356	257,704	13,705	35,507	879,272	(3,060)	876,212	881,941
Total expenses	<u>6,803,250</u>	<u>2,447,964</u>	<u>704,897</u>	<u>293,068</u>	<u>10,249,179</u>	<u>(872,583)</u>	<u>9,376,596</u>	<u>8,912,929</u>
Excess of (expenses over revenue) revenue over expenses	<u>199,824</u>	<u>(677,636)</u>	<u>(93,372)</u>	<u>(132,581)</u>	<u>(703,765)</u>	<u>(16,380)</u>	<u>(720,145)</u>	<u>(1,407,696)</u>
Excess of (expenses over revenue) revenue over expenses attributable to noncontrolling interests	<u>-</u>	<u>(624,973)</u>	<u>-</u>	<u>-</u>	<u>(624,973)</u>	<u>-</u>	<u>(624,973)</u>	<u>(646,561)</u>
Excess of (expenses over revenue) revenue over expenses attributable to the organization	<u>\$ 199,824</u>	<u>\$ (52,663)</u>	<u>\$ (93,372)</u>	<u>\$ (132,581)</u>	<u>\$ (78,792)</u>	<u>\$ (16,380)</u>	<u>\$ (95,172)</u>	<u>\$ (761,135)</u>

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

**Consolidating Schedule of Changes in Net Assets
Years Ended December 31, 2014 and 2013**

	Unrestricted Net Assets Controlling						Unrestricted Net Assets Noncontrolling	Total	Temporarily Restricted Net Assets Controlling	Net Assets Total
	Caritas - Wholly Owned Entities	Partnership and LLC Interest Properties	Bedford Veterans Quarters, Inc.	Sean Brook House Inc.	Eliminating Entries	Subtotal				
Beginning balance, January 1, 2013	\$ 2,104,957	\$ (386)	\$ 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 revenue attributable to noncontrolling interest	-	-	-	-	-	-	(646,561)	(646,561)	-	(646,561)
Excess of expenses over revenues attributable to	(991,755)	(83)	(87,819)	(128,419)	97,027	(1,111,049)	-	(1,111,049)	349,914	(761,135)
Ending balance, December 31, 2013	<u>\$ 1,113,202</u>	<u>\$ (1,550)</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>
Beginning balance, January 1, 2014	\$ 1,113,202	\$ (1,550)	\$ (25,003)	\$ (46,611)	\$ (2,301,499)	\$ (1,261,461)	\$ 4,749,933	\$ 3,488,472	\$ 639,914	\$ 4,128,386
Capital contributions from noncontrolling interest	-	-	-	-	-	-	256,195	256,195	-	256,195
Syndication costs from noncontrolling interest	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Distributions	-	(232)	-	-	-	(232)	(232)	(464)	-	(464)
Acquisition costs	-	(25,000)	-	-	-	(25,000)	-	(25,000)	-	(25,000)
Net assets transferred	985,326	(657,992)	-	-	-	327,334	(327,334)	-	-	-
Related party loan principal	(2,221,638)	2,221,638	-	-	-	-	-	-	-	-
Excess of expenses over revenues attributable to	-	-	-	-	-	-	(624,973)	(624,973)	-	(624,973)
Excess of expenses over revenues attributable to the Organization	(420,603)	(52,663)	(93,372)	(135,081)	(16,380)	(718,099)	-	(718,099)	622,927	(95,172)
Ending balance, December 31, 2014	<u>\$ (543,713)</u>	<u>\$ 1,484,201</u>	<u>\$ (118,375)</u>	<u>\$ (181,692)</u>	<u>\$ (2,317,879)</u>	<u>\$ (1,677,458)</u>	<u>\$ 4,003,589</u>	<u>\$ 2,326,131</u>	<u>\$ 1,262,841</u>	<u>\$ 3,588,972</u>

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

**Combining Schedule of Financial Position - Wholly Owned Entities
December 31, 2014 (with Comparative Totals for 2013)**

	2014						Totals	Eliminating entries	Caritas - Wholly Owned Entities total	2013 Caritas - Wholly Owned Entities total
	Caritas Communities Inc.	Parkview Housing LLC	Alaska Housing LLC	Caritas Acquisition LLC	Caritas Worcester LLC	South Boston Veterans Housing LLC				
Assets:										
Current assets:										
Cash and cash equivalents	\$ 2,195,644	\$ 44,037	\$ 10,727	\$ 95,774	\$ 48,146	\$ 12,409	\$ 2,406,737	\$ -	\$ 2,406,737	\$ 2,097,895
Short-term investments	573,503	-	-	-	-	-	573,503	-	573,503	570,987
Cash - tenant security deposits	154,953	33,048	8,745	6,275	6,720	-	209,741	-	209,741	211,041
Account receivables, net of allowance for bad debts	115,323	25,711	1,913	-	653	-	143,600	-	143,600	191,919
Account receivables - other	105,467	-	-	139,239	-	-	244,706	-	244,706	117,648
Prepaid expenses and escrows	180,471	10,679	4,442	9,640	7,483	25,000	237,715	-	237,715	247,931
Total current assets	<u>3,325,361</u>	<u>113,475</u>	<u>25,827</u>	<u>250,928</u>	<u>63,002</u>	<u>37,409</u>	<u>3,816,002</u>	<u>-</u>	<u>3,816,002</u>	<u>3,437,421</u>
Property and equipment, net	<u>15,100,328</u>	<u>835,682</u>	<u>2,953,860</u>	<u>-</u>	<u>2,173,402</u>	<u>-</u>	<u>21,063,272</u>	<u>(555,058)</u>	<u>20,508,214</u>	<u>23,406,319</u>
Other assets										
Note receivables	1,005,484	-	-	-	-	-	1,005,484	(198,922)	806,562	917,378
Reserve for replacements	1,497,369	389,567	11,608	-	12,001	-	1,910,545	-	1,910,545	1,812,699
Operating, debt service and other reserves	122,734	-	10,275	1,002	-	-	134,011	-	134,011	176,481
Unamortized finance costs	91,891	32,746	-	-	-	-	124,637	(10,000)	114,637	135,654
Due from affiliates	1,033,136	-	-	-	-	-	1,033,136	(789,698)	243,438	16,214
Development costs	575	-	-	-	-	577,611	578,186	(53,125)	525,061	328,052
Total other assets	<u>3,751,189</u>	<u>422,313</u>	<u>21,883</u>	<u>1,002</u>	<u>12,001</u>	<u>577,611</u>	<u>4,785,999</u>	<u>(1,051,745)</u>	<u>3,734,254</u>	<u>3,386,478</u>
	<u>\$ 22,176,878</u>	<u>\$ 1,371,470</u>	<u>\$ 3,001,570</u>	<u>\$ 251,930</u>	<u>\$ 2,248,405</u>	<u>\$ 615,020</u>	<u>\$ 29,665,273</u>	<u>\$ (1,606,803)</u>	<u>\$ 28,058,470</u>	<u>\$ 30,230,218</u>

Caritas Communities, Inc. and Subsidiaries

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Combining Schedule of Financial Position - Wholly Owned Entities
December 31, 2014 (with Comparative Totals for 2013)

	2014						Totals	Eliminating Entries	Caritas - Wholly Owned Entities total	2013 Caritas - Wholly Owned Entities 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	\$ 209,150	\$ 8,784	\$ 6,511	\$ -	\$ -	\$ -	\$ 224,445	\$ -	\$ 224,445	\$ 215,554
Accounts payable and accrued expenses	148,001	6,170	1,185	-	1,381	8,821	165,558	-	165,558	253,793
Accounts payable - construction expenses	-	-	-	-	-	-	-	-	-	124,190
Accrued interest payable - first mortgage	-	-	37,017	-	-	-	37,017	-	37,017	27,624
Tenant security deposits	150,281	29,176	8,066	-	6,703	-	194,226	-	194,226	198,801
Prepaid rent	23,076	5,961	574	-	1,017	-	30,628	-	30,628	25,421
Total current liabilities	<u>530,508</u>	<u>50,091</u>	<u>53,353</u>	<u>-</u>	<u>9,101</u>	<u>8,821</u>	<u>651,874</u>	<u>-</u>	<u>651,874</u>	<u>845,383</u>
Long-term debt:										
Mortgages payable, less current maturities	14,370,688	1,631,446	2,730,464	-	2,291,177	-	21,023,775	-	21,023,775	21,834,174
Bond payable, less current maturities	4,015,000	-	-	-	-	-	4,015,000	-	4,015,000	4,160,000
Total long-term debt	<u>18,385,688</u>	<u>1,631,446</u>	<u>2,730,464</u>	<u>-</u>	<u>2,291,177</u>	<u>-</u>	<u>25,038,775</u>	<u>-</u>	<u>25,038,775</u>	<u>25,994,174</u>
Other liabilities:										
Deferred interest	1,207,527	237,028	-	-	23,834	-	1,468,389	-	1,468,389	1,515,772
Developer fee payable	-	-	-	-	-	53,125	53,125	-	53,125	-
Due to affiliates	129,679	-	177,169	283,341	-	528,110	1,118,299	(988,620)	129,679	121,773
Total other liabilities	<u>1,337,206</u>	<u>237,028</u>	<u>177,169</u>	<u>283,341</u>	<u>23,834</u>	<u>581,235</u>	<u>2,639,813</u>	<u>(988,620)</u>	<u>1,651,193</u>	<u>1,637,545</u>
Total liabilities	<u>20,253,402</u>	<u>1,918,565</u>	<u>2,960,986</u>	<u>283,341</u>	<u>2,324,112</u>	<u>590,056</u>	<u>28,330,462</u>	<u>(988,620)</u>	<u>27,341,842</u>	<u>28,477,102</u>
Net assets:										
Unrestricted undesignated controlling	698,135	(547,095)	40,584	(41,411)	(75,707)	(36)	74,470	(618,183)	(543,713)	1,113,202
Unrestricted undesignated noncontrolling	-	-	-	-	-	-	-	-	-	-
Total unrestricted net assets	<u>698,135</u>	<u>(547,095)</u>	<u>40,584</u>	<u>(41,411)</u>	<u>(75,707)</u>	<u>(36)</u>	<u>74,470</u>	<u>(618,183)</u>	<u>(543,713)</u>	<u>1,113,202</u>
Temporarily restricted net assets	1,225,341	-	-	10,000	-	25,000	1,260,341	-	1,260,341	639,914
Total net assets	<u>1,923,476</u>	<u>(547,095)</u>	<u>40,584</u>	<u>(31,411)</u>	<u>(75,707)</u>	<u>24,964</u>	<u>1,334,811</u>	<u>(618,183)</u>	<u>716,628</u>	<u>1,753,116</u>
	<u>\$ 22,176,878</u>	<u>\$ 1,371,470</u>	<u>\$ 3,001,570</u>	<u>\$ 251,930</u>	<u>\$ 2,248,405</u>	<u>\$ 615,020</u>	<u>\$ 29,665,273</u>	<u>\$ (1,606,803)</u>	<u>\$ 28,058,470</u>	<u>\$ 30,230,218</u>

See Independent Auditor's Report.

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

**Combining Schedule of Activities - Wholly Owned Entities
Year Ended December 31, 2014 (with Comparative Totals for 2013)**

	2014						Totals	Eliminating Entries	Caritas - Wholly Owned Entities total	2013 Caritas - Wholly Owned Entities total
	Caritas Communities Inc.	Parkview Housing LLC	Alaska Housing LLC	Caritas Acquisition LLC	Caritas Worcester LLC	South Boston Veterans Housing LLC				
Support and revenue:										
Net rents	\$ 3,094,871	\$ 412,320	\$ 97,160	\$ 401,040	\$ 117,057	\$ -	\$ 4,122,448	\$ -	\$ 4,122,448	\$ 3,983,682
Annual dinner	923,365	-	-	-	-	-	923,365	-	923,365	483,950
Contributions	124,104	-	-	-	-	-	124,104	-	124,104	236,238
Foundation grants	497,836	3,364	2,795	11,925	-	25,000	540,920	-	540,920	282,964
Management and other fees	548,413	-	-	-	-	-	548,413	(207,420)	340,993	339,190
Investment income	10,536	1,823	65	182	6	4	12,616	-	12,616	10,300
Development fees	206,788	-	-	-	-	-	206,788	(53,125)	153,663	38,148
Other income (loss)	649,636	-	-	328,243	(1,314)	-	976,565	(191,600)	784,965	323,454
Total support and revenues	6,055,549	417,507	100,020	741,390	115,749	25,004	7,455,219	(452,145)	7,003,074	5,697,926
Expenses:										
Compensation	2,085,656	77,983	8,639	23,177	6,068	-	2,201,523	(103,157)	2,098,366	1,962,141
Payroll taxes	172,114	-	-	-	-	-	172,114	-	172,114	163,254
Employee benefits	262,863	-	-	-	-	-	262,863	-	262,863	303,371
Management fee expense	-	31,522	9,167	37,750	13,234	-	91,673	(91,673)	-	-
Insurance	81,062	10,331	7,026	13,730	7,764	-	119,913	-	119,913	111,395
Automobile	46,620	-	-	-	-	-	46,620	-	46,620	48,300
Rent	91,178	-	-	1,192	-	-	92,370	-	92,370	91,341
Office and telephone	108,074	86,806	2,085	67,427	1,983	-	266,375	(147,981)	118,394	100,556
Legal	166,657	3,029	2,432	15,399	4,835	-	192,352	-	192,352	175,472
Accounting	32,657	3,519	-	-	-	-	36,176	(3,519)	32,657	37,861
Meetings	5,511	-	-	-	-	-	5,511	-	5,511	7,719
Dinner costs	307,552	-	-	-	-	-	307,552	-	307,552	251,069
Other costs	244,437	7,287	27,138	6,871	22,833	32	308,598	(43,900)	264,698	177,518
Social services	22,890	3,226	871	2,349	819	-	30,155	-	30,155	30,280
Undeveloped properties	19,203	-	-	-	-	-	19,203	-	19,203	33,742
Utilities	586,814	59,844	17,099	57,874	38,639	-	760,270	-	760,270	670,847
Real estate tax	161,659	25,305	9,499	19,830	8,788	-	225,081	-	225,081	220,670
Depreciation and amortization	609,703	109,543	82,302	59,563	74,134	-	935,245	(17,755)	917,490	908,655
Repairs and maintenance	442,427	53,701	15,174	50,204	12,569	-	574,075	(8,790)	565,285	484,960
Interest	459,176	38,809	24,342	36,952	13,077	-	572,356	-	572,356	560,616
Total expenses	5,906,253	510,905	205,774	392,318	204,743	32	7,220,025	(416,775)	6,803,250	6,339,767
Excess of (expenses over revenue) revenue over expenses	149,296	(93,398)	(105,754)	349,072	(88,994)	24,972	235,194	(35,370)	199,824	(641,841)
Excess of (expenses over revenue) revenue over expenses attributable to noncontrolling interests	-	-	-	-	-	-	-	-	-	-
Excess of (expenses over revenue) revenue over expenses attributable to the organization	\$ 149,296	\$ (93,398)	\$ (105,754)	\$ 349,072	\$ (88,994)	\$ 24,972	\$ 235,194	\$ (35,370)	\$ 199,824	\$ (641,841)

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

Combining Schedule of Financial Position - Partnership and LLC Interest Properties
December 31, 2014 (with Comparative Totals for 2013)

	2014					Eliminating entries	2013	
	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Caritas Project Place Cortes LLC	Totals		Partnership and LLC Interest Properties total	Partnership and LLC Interest Properties total
Assets:								
Current assets:								
Cash and cash equivalents	\$ 14,151	\$ 41,937	\$ 409,038	\$ 427,037	\$ 892,163	\$ -	\$ 892,163	\$ 509,237
Cash - tenant security deposits	26,712	17,718	4,502	7,011	55,943	-	55,943	45,981
Account receivables, net of allowance for bad debts	19,989	13,933	11,137	4,140	49,199	-	49,199	38,997
Prepaid expenses and escrows	79,517	8,761	96,247	45,564	230,089	-	230,089	153,027
Total current assets	<u>140,369</u>	<u>82,349</u>	<u>520,924</u>	<u>483,752</u>	<u>1,227,394</u>	<u>-</u>	<u>1,227,394</u>	<u>747,242</u>
Property and equipment, net	<u>2,369,588</u>	<u>2,995,489</u>	<u>7,644,490</u>	<u>2,721,718</u>	<u>15,731,285</u>		<u>15,731,285</u>	<u>13,639,893</u>
Other assets								
Reserve for replacements Operating, debt service and other reserves	102,630	81,788	132,843	-	317,261	-	317,261	278,547
Unamortized finance costs	288,799	102,031	917,774	-	1,308,604	-	1,308,604	1,348,622
	5,148	29,574	145,985	-	180,707	-	180,707	197,653
Total other assets	<u>396,577</u>	<u>213,393</u>	<u>1,196,602</u>	<u>-</u>	<u>1,806,572</u>	<u>-</u>	<u>1,806,572</u>	<u>1,824,822</u>
	<u>\$ 2,906,534</u>	<u>\$ 3,291,231</u>	<u>\$ 9,362,016</u>	<u>\$ 3,205,470</u>	<u>\$ 18,765,251</u>	<u>\$ -</u>	<u>\$ 18,765,251</u>	<u>\$ 16,211,957</u>

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

Combining Schedule of Financial Position - Partnership and LLC Interest Properties
December 31, 2014 (with Comparative Totals for 2013)

	2014					Eliminating Entries	Partnership and LLC Interest Properties total	2013 Partnership and LLC Interest Properties total
	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Caritas Project Place Cortes LLC	Totals			
Liabilities:								
Current liabilities								
Current maturities of long-term debt	\$ 17,140	\$ -	\$ 16,959	\$ -	\$ 34,099	\$ -	\$ 34,099	\$ 32,515
Accounts payable and accrued expenses	24,561	14,742	52,074	9,506	100,883	-	100,883	136,549
Accounts payable - construction expenses	-	-	-	113,407	113,407	-	113,407	-
Accrued interest payable - first mortgage	1,278	-	3,228	-	4,506	-	4,506	4,638
Tenant security deposits	25,084	15,248	2,695	4,686	47,713	-	47,713	40,482
Prepaid rent	2,268	473	621	279	3,641	-	3,641	5,791
Total current liabilities	70,331	30,463	75,577	127,878	304,249	-	304,249	219,975
Long-term debt:								
Mortgages payable, less current maturities	1,859,664	1,896,880	6,379,463	1,547,141	11,683,148	-	11,683,148	10,266,342
Total long-term debt	1,859,664	1,896,880	6,379,463	1,547,141	11,683,148	-	11,683,148	10,266,342
Other liabilities:								
Deferred interest	700,741	464,465	204,084	-	1,369,290	-	1,369,290	1,170,600
Due to affiliates	1,391	-	16,391	112,249	130,031	-	130,031	15,914
Total other liabilities	702,132	464,465	220,475	112,249	1,499,321	-	1,499,321	1,186,514
Total liabilities	2,632,127	2,391,808	6,675,515	1,787,268	13,486,718	-	13,486,718	11,672,831
Net assets:								
Unrestricted undesignated controlling	274,407	(1,501)	(17)	1,211,312	1,484,201	-	1,484,201	(1,550)
Unrestricted undesignated noncontrolling	-	900,924	2,686,518	206,890	3,794,332	-	3,794,332	4,540,676
Total unrestricted net assets	274,407	899,423	2,686,501	1,418,202	5,278,533	-	5,278,533	4,539,126
Temporarily restricted net assets	-	-	-	-	-	-	-	-
Total net assets	274,407	899,423	2,686,501	1,418,202	5,278,533	-	5,278,533	4,539,126
	\$ 2,906,534	\$ 3,291,231	\$ 9,362,016	\$ 3,205,470	\$ 18,765,251	\$ -	\$ 18,765,251	\$ 16,211,957

Caritas Communities, Inc. and Subsidiaries

Supplementary Information

Combining Schedule of Activities - Partnership and LLC Interest Properties
Year Ended December 31, 2014 (with Comparative Totals for 2013)

	2014					Eliminating Entries	2013	
	Dudley Inn, LP	One Lenox, LP	820 SRO LLC	Caritas Project Place Cortes LLC	Totals		Partnership and LLC Interest Properties total	Partnership and LLC Interest Properties total
Support and revenue:								
Net rents	\$ 425,294	\$ 174,306	\$ 1,087,714	\$ 10,675	\$ 1,697,989	\$ -	\$ 1,697,989	\$ 1,678,949
Foundation grants	596	1,500	58,557	-	60,653	-	60,653	20,892
Investment income	1,574	2,075	1,972	-	5,621	-	5,621	5,622
Other income (loss)	(40)	-	6,105	-	6,065	-	6,065	35,694
Total support and revenues	<u>427,424</u>	<u>177,881</u>	<u>1,154,348</u>	<u>10,675</u>	<u>1,770,328</u>	<u>-</u>	<u>1,770,328</u>	<u>1,741,157</u>
Expenses:								
Compensation	68,931	24,888	213,230	1,457	308,506	-	308,506	375,141
Employee benefits	-	-	959	-	959	-	959	5,315
Management fee expense	40,553	15,822	60,953	1,777	119,105	-	119,105	117,656
Insurance	12,820	10,088	45,634	-	68,542	-	68,542	59,465
Rent	-	-	-	201	201	-	201	-
Office and telephone	4,179	4,834	64,369	77	73,459	-	73,459	69,223
Legal	21,302	5,347	36,469	-	63,118	-	63,118	51,174
Accounting	33,403	11,525	13,825	-	58,753	-	58,753	46,030
Other costs	53,220	8,438	40,202	-	101,860	-	101,860	33,256
Social services	3,482	1,220	-	-	4,702	-	4,702	4,813
Utilities	90,416	31,722	92,626	3,288	218,052	-	218,052	202,453
Real estate tax	27,205	18,684	34,248	64	80,201	-	80,201	83,400
Depreciation and amortization	151,594	165,454	369,455	-	686,503	-	686,503	700,470
Repairs and maintenance	62,773	36,209	304,201	3,116	406,299	-	406,299	379,738
Interest	80,374	72,080	105,250	-	257,704	-	257,704	259,667
Total expenses	<u>650,252</u>	<u>406,311</u>	<u>1,381,421</u>	<u>9,980</u>	<u>2,447,964</u>	<u>-</u>	<u>2,447,964</u>	<u>2,387,801</u>
Excess of (expenses over revenue) revenue over expenses	<u>(222,828)</u>	<u>(228,430)</u>	<u>(227,073)</u>	<u>695</u>	<u>(677,636)</u>	<u>-</u>	<u>(677,636)</u>	<u>(646,644)</u>
Excess of (expenses over revenue) revenue over expenses attributable to noncontrolling interests	<u>(170,209)</u>	<u>(228,409)</u>	<u>(227,050)</u>	<u>695</u>	<u>(624,973)</u>	<u>-</u>	<u>(624,973)</u>	<u>(646,561)</u>
Excess of (expenses over revenue) revenue over expenses attributable to the organization	<u>\$ (52,619)</u>	<u>\$ (21)</u>	<u>\$ (23)</u>	<u>\$ -</u>	<u>\$ (52,663)</u>	<u>\$ -</u>	<u>\$ (52,663)</u>	<u>\$ (83)</u>