



**AND AFFILIATES**

**CONSOLIDATING FINANCIAL STATEMENTS  
JUNE 30, 2015 AND 2014**

## HOUSING FAMILIES INC. AND AFFILIATES

Contents  
June 30, 2015 and 2014

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## Independent Auditor's Report

To the Board of Directors of  
Housing Families Inc. and Affiliates:

### **Report on the Consolidating Financial Statements**

We have audited the accompanying consolidating financial statements of Housing Families Inc. (a Massachusetts corporation, not for profit) and Affiliates, which comprise the consolidating statements of financial position as of June 30, 2015 and 2014, and the related consolidating statements of activities, changes in entities' equity (deficit), cash flows and functional expenses for the years then ended, and the related notes to the consolidating financial statements.

### ***Management's Responsibility for the Consolidating Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidating 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 consolidating 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 consolidating 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 audits to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the consolidating financial position of Housing Families Inc. and Affiliates as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Alexander, Brown, Pinning & Co., P.C.*

Boston, Massachusetts  
October 27, 2015

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Financial Position

June 30, 2015  
(With Summarized Comparative Totals as of June 30, 2014)

	2015				2014			
Assets	Housing Families, Inc.	HFI Properties, Inc. and Affiliate (Exhibit A)	Eliminations	Total	Cross Street Housing LP	Eliminations	Total	Total
<b>Current Assets:</b>								
Cash	\$ 307,490	\$ 46,539	\$ -	\$ 354,029	\$ 4,877	\$ -	\$ 358,906	\$ 366,301
Accounts and pledges receivable	591,730	679	-	592,409	954	-	593,363	384,474
Prepaid expenses and other	48,096	-	-	48,096	658	-	48,754	9,494
Current portion of due from affiliates	2,000	888	(888)	2,000	-	(2,000)	-	-
Total current assets	949,316	48,106	(888)	996,534	6,489	(2,000)	1,001,023	760,269
<b>Reserves and Deposits:</b>								
Operating reserve	-	29,351	-	29,351	-	-	194,436	219,989
Reserve for replacements	-	118,622	-	118,622	91,643	-	210,265	152,381
Security deposits	14,006	11,456	-	25,462	19,018	-	44,480	58,330
Total reserves and deposits	14,006	159,429	-	173,435	275,746	-	449,181	430,700
<b>Other Assets:</b>								
Property and equipment, net	130,553	3,967,834	(69,494)	4,028,893	4,626,161	(177,999)	8,527,155	9,696,677
Capitalized costs, net	-	31,271	-	31,271	33,458	-	64,729	72,386
Due from affiliates, net of current portion	1,607,388	-	-	1,607,388	-	(1,607,388)	-	-
Total other assets	1,737,941	3,999,105	(69,494)	5,667,552	4,659,619	(1,784,887)	8,592,289	8,771,063
Total assets	\$ 2,701,263	\$ 4,206,640	\$ (70,382)	\$ 6,837,521	\$ 4,941,854	\$ (1,736,887)	\$ 10,042,488	\$ 9,962,032
<b>Liabilities and Entities' Equity (Deficit)</b>								
<b>Current Liabilities:</b>								
Current portion of long-term debt	\$ 18,389	\$ 17,029	\$ -	\$ 17,029	\$ 39,830	\$ -	\$ 56,859	\$ 152,269
Current portion of capital lease obligations	-	-	-	-	18,389	-	18,389	14,192
Current portion of due to affiliates	888	-	(888)	-	2,000	(2,000)	-	-
Current portion of accrued interest on long-term debt	-	-	-	-	4,563	-	4,563	3,998
Fiscal agent payable	8,873	2,194	-	8,873	14,642	-	109,189	11,012
Accounts payable	92,353	2,194	-	94,547	17,403	-	186,243	41,621
Accrued expenses	166,902	4,501	-	171,403	17,840	-	186,243	182,064
Total current liabilities	289,405	23,724	(888)	312,241	79,875	(2,000)	384,116	405,156
<b>Long-Term Liabilities:</b>								
Security deposits payable	14,006	11,456	-	25,462	19,018	-	44,480	58,330
Long-term debt, net of current portion	-	2,107,296	-	2,107,296	1,740,695	-	3,892,472	3,892,472
Capital lease obligations, net of current portion	30,527	-	-	30,527	-	-	30,527	22,445
Due to affiliates, net of current portion	-	-	-	-	990,455	(990,455)	-	-
Accrued interest on long-term debt, net of current portion	-	2,141,392	-	2,141,392	734,690	(616,293)	1,749,657	155,786
Contingent debt and deferred interest	44,533	4,265,144	-	4,309,677	5,227,865	(3,607,388)	7,825,154	3,742,635
Total long-term liabilities	335,938	4,283,868	(888)	4,616,918	5,301,740	(3,609,388)	8,299,270	8,277,809
<b>Entities' Equity (Deficit):</b>								
<b>Unrestricted:</b>								
Equity	381,101	70,762	-	451,863	142,092	-	593,955	735,426
Property and equipment	81,637	(147,990)	(69,494)	(135,847)	(501,978)	1,839,849	1,202,024	988,106
Housing development	1,607,388	-	-	1,607,388	-	(1,607,388)	-	-
Total unrestricted	2,070,116	(77,228)	(69,494)	1,923,404	(359,886)	232,461	1,795,979	1,723,532
<b>Temporarily restricted</b>	297,199	-	-	297,199	-	-	297,199	55,500
Total Housing Families entities' equity (deficit)	2,367,325	(77,228)	(69,494)	2,220,603	(359,886)	232,461	2,093,178	1,779,032
<b>Non-controlling interest</b>	-	-	-	-	-	(359,860)	(359,860)	(94,809)
Total entities' equity (deficit)	2,367,325	(77,228)	(69,494)	2,220,603	(359,886)	(127,499)	1,733,218	1,684,223
Total liabilities and entities' equity (deficit)	\$ 2,701,263	\$ 4,206,640	\$ (70,382)	\$ 6,837,521	\$ 4,941,854	\$ (1,736,887)	\$ 10,042,488	\$ 9,962,032

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**  
Consolidating Statement of Financial Position  
June 30, 2014

Assets	Housing Families Inc.	HFI Properties, Inc. and Affiliate (Exhibit A)	Cross Street Housing LP	Eliminations	Total
<b>Current Assets:</b>					
Cash	\$ 221,106	\$ 125,008	\$ 20,187	\$ -	\$ 366,301
Accounts and pledges receivable	379,101	1,737	3,636	-	384,474
Prepaid expenses and other	8,848	-	646	-	9,494
Current portion of due from affiliates	71,341	-	-	(144)	-
Total current assets	680,396	136,745	24,613	(144)	760,269
<b>Reserves and Deposits:</b>					
Operating reserve	-	40,010	179,979	-	219,989
Reserve for replacements	-	71,174	81,207	-	152,381
Security deposits	28,851	11,456	18,023	-	58,330
Total reserves and deposits	28,851	122,640	279,209	-	430,700
<b>Other Assets:</b>					
Property and equipment, net	32,876	4,141,861	4,753,180	(157,499)	8,698,677
Capitalized costs, net	-	33,813	38,573	-	72,386
Due from affiliates, net of current portion	1,541,431	-	1,541,431	(1,541,431)	-
Total other assets	1,574,307	4,175,674	4,791,753	(1,698,930)	8,771,063
Total assets	\$ 2,283,554	\$ 4,425,059	\$ 5,095,575	\$ (1,699,074)	\$ 9,962,032
<b>Liabilities and Entities' Equity (Deficit)</b>					
<b>Current Liabilities:</b>					
Current portion of long-term debt	\$ -	\$ 114,638	\$ 37,631	\$ -	\$ 152,269
Current portion of capital lease obligations	14,192	-	14,192	-	14,192
Current portion of due to affiliates	144	71,341	-	(144)	-
Current portion of accrued interest on long-term debt	-	-	-	-	-
Fiscal agent payable	11,012	-	3,958	-	3,998
Accounts payable	38,819	1,987	815	-	41,621
Accrued expenses	155,527	2,957	13,480	-	182,064
Total current liabilities	229,794	190,923	55,934	(144)	405,156
<b>Long-Term Liabilities:</b>					
Security deposits payable	28,851	11,455	18,023	-	58,330
Long-term debt, net of current portion	-	2,111,662	1,780,830	-	3,892,472
Capital lease obligations, net of current portion	22,445	-	22,445	-	22,445
Due to affiliates, net of current portion	-	-	990,455	(990,455)	-
Accrued interest on long-term debt, net of current portion	-	2,105,284	1,638,337	(530,976)	1,555,285
Contingent debt and deferred interest	51,286	4,228,402	5,134,386	(1,541,431)	7,872,653
Total long-term liabilities	281,090	4,419,225	5,190,310	(1,541,575)	8,277,009
<b>Entities' Equity (Deficit):</b>					
<b>Unrestricted:</b>					
Operating reserve	409,204	135,835	190,297	-	735,426
Property and equipment	(5,761)	(130,101)	(288,032)	1,478,741	988,106
Housing development	1,541,431	-	-	(1,541,431)	-
Total unrestricted	1,946,964	5,734	1,802,957	(62,690)	1,723,532
Temporarily restricted	55,500	-	-	-	55,500
Total Housing Families entities' equity (deficit)	2,002,464	5,734	1,936,457	(62,690)	1,779,082
<b>Non-controlling interest</b>					
	-	-	-	(94,809)	(94,809)
Total entities' equity (deficit)	2,002,464	5,734	1,936,457	(157,499)	1,684,223
Total liabilities and entities' equity (deficit)	\$ 2,283,554	\$ 4,425,059	\$ 5,095,575	\$ (1,699,074)	\$ 9,962,032

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Activities  
For the Year Ended June 30, 2015  
(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	2015				2014			
	Housing Families Inc.	HFI Properties, Inc. and Affiliate (Exhibit B)	Eliminations	Total	Cross Street Housing LP	Eliminations	Total	Total
<b>Changes in Unrestricted Net Assets:</b>								
Operating support and revenues:								
Program service fees	\$ 2,991,043	\$ -	\$ -	\$ 2,991,043	\$ -	\$ (3,000)	\$ 2,988,043	\$ 2,658,864
Rental income, net of vacancies	349,569	310,887	(96,120)	214,767	359,721	(30,000)	544,488	549,310
Grants	328,321	-	-	328,321	-	-	349,569	297,373
Contributions	123,491	-	-	123,491	-	-	328,321	194,009
Donated goods and services	164,295	-	-	164,295	-	-	164,295	197,932
Management fees, program income and other	123,491	2,660	(15,491)	110,660	9,403	(16,486)	103,577	43,185
Net assets released from program restrictions	55,215	-	-	55,215	-	-	55,215	89,700
Special event	-	-	-	-	-	-	-	309,706
Total operating support and revenues	4,011,934	313,547	(111,611)	4,213,870	369,124	(49,486)	4,533,508	4,339,579
Operating expenses:								
Program services	3,247,309	-	(96,120)	3,151,189	-	(24,519)	3,126,670	2,796,571
General and administrative	358,392	-	-	358,392	-	(2,131)	356,261	383,788
Fundraising	316,645	-	-	316,645	-	(3,350)	313,295	522,371
HFI Properties, Inc. and Affiliate	-	251,940	(15,491)	236,449	-	-	236,449	178,959
Cross Street Housing LP	-	-	-	-	369,542	(19,486)	350,056	300,659
Total operating expenses before depreciation and amortization	3,922,346	251,940	(111,611)	4,062,675	369,542	(49,486)	4,382,731	4,182,348
Depreciation and amortization	32,383	176,569	(2,247)	206,705	132,134	(30,000)	308,839	304,147
Total operating expenses	3,954,729	428,509	(113,858)	4,269,380	501,676	(79,486)	4,691,570	4,486,495
Changes in unrestricted net assets from operations	57,205	(114,962)	2,247	(55,510)	(132,552)	30,000	(158,062)	(146,916)
Non-operating activities:								
Forgiveness of debt	-	32,000	-	32,000	-	-	32,000	39,396
Deferred interest income	65,957	-	-	65,957	(132,599)	(65,957)	-	-
Deferred interest expense	-	-	-	-	-	65,957	(66,642)	(43,679)
Changes in unrestricted net assets	123,162	(82,962)	2,247	42,447	(285,151)	30,000	(192,704)	(151,199)
<b>Changes in Temporarily Restricted Net Assets:</b>								
Contributions	296,914	-	-	296,914	-	-	296,914	55,500
Net assets released from program restrictions	(55,215)	-	-	(55,215)	-	-	(55,215)	(89,200)
Changes in temporarily restricted net assets	241,699	-	-	241,699	-	-	241,699	(33,700)
Changes in net assets	364,861	(82,962)	2,247	284,146	(285,151)	30,000	48,995	(184,899)
<b>Changes in Net Assets Attributable to Non-Controlling Interest</b>								
Changes in net assets attributable to Housing Families	\$ 364,861	\$ (82,962)	\$ 2,247	\$ 284,146	\$ -	\$ 30,000	\$ 314,146	\$ 25,918

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Activities  
For the Year Ended June 30, 2014

	Housing Families Inc.	HFI Properties, Inc. and Affiliate (Exhibit B)	Eliminations	Total	Cross Street Housing LP	Eliminations	Total
<b>Changes in Unrestricted Net Assets:</b>							
Operating support and revenues:							
Program service fees	\$ 2,661,864	\$ -	\$ -	\$ 2,661,864	\$ -	\$ (3,000)	\$ 2,658,864
Rental income, net of vacancies	-	310,629	(96,120)	214,509	364,801	(30,000)	549,310
Grants	297,373	-	-	297,373	-	-	297,373
Contributions	194,009	-	-	194,009	-	-	194,009
Donated goods and services	197,932	-	-	197,932	-	-	197,932
Management fees, program income and other	68,929	700	(15,472)	54,157	6,659	(17,631)	43,185
Net assets released from program restrictions	89,200	-	-	89,200	-	-	89,200
Special event	309,706	-	-	309,706	-	-	309,706
Total operating support and revenues	3,819,013	311,329	(111,592)	4,018,750	371,460	(50,631)	4,339,579
Operating expenses:							
Program services	2,916,811	-	(96,120)	2,820,691	-	(24,120)	2,796,571
General and administrative	386,071	-	-	386,071	-	(2,283)	383,788
Fundraising	525,968	-	-	525,968	-	(3,597)	522,371
HFI Properties, Inc. and Affiliate	-	194,431	(15,472)	178,959	-	-	178,959
Cross Street Housing LP	-	-	-	-	321,290	(20,631)	300,659
Total operating expenses before depreciation and amortization	3,828,850	194,431	(111,592)	3,911,689	321,290	(50,631)	4,182,348
Depreciation and amortization	17,054	180,650	(2,247)	195,457	138,690	(30,000)	304,147
Total operating expenses	3,845,904	375,081	(113,839)	4,107,146	459,980	(80,631)	4,486,495
Changes in unrestricted net assets from operations	(26,891)	(63,752)	2,247	(88,396)	(88,520)	30,000	(146,916)
Non-operating activities:							
Forgiveness of debt	-	39,396	-	39,396	-	-	39,396
Deferred interest income	78,618	-	-	78,618	-	(78,618)	-
Deferred interest expense	-	-	-	-	(122,297)	78,618	(43,679)
Changes in unrestricted net assets	51,727	(24,356)	2,247	29,618	(210,817)	30,000	(151,199)
<b>Changes in Temporarily Restricted Net Assets:</b>							
Contributions	55,500	-	-	55,500	-	-	55,500
Net assets released from program restrictions	(89,200)	-	-	(89,200)	-	-	(89,200)
Changes in temporarily restricted net assets	(33,700)	-	-	(33,700)	-	-	(33,700)
Changes in net assets	18,027	(24,356)	2,247	(4,082)	(210,817)	30,000	(184,899)
<b>Changes in Net Assets Attributable to Non-Controlling Interest</b>							
Changes in net assets attributable to Housing Families	\$ 18,027	\$ (24,356)	\$ 2,247	\$ (4,082)	\$ -	\$ 30,000	\$ 25,918

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statements of Changes in Entities' Equity (Deficit)  
For the Years Ended June 30, 2015 and 2014

	HFI		Cross Street		Non-	
	Housing Families Inc.	Properties, Inc. and Affiliate	Total	Housing LP	Controlling Interest	Total
<b>Balance, June 30, 2013</b>	\$ 1,984,437	\$ 30,090	\$ 1,940,539	\$ 116,082	\$ 116,008	\$ 1,869,122
Changes in net assets	18,027	(24,356)	(4,082)	(210,817)	(210,817)	(184,899)
<b>Balance, June 30, 2014</b>	2,002,464	5,734	1,936,457	(94,735)	(94,809)	1,684,223
Changes in net assets	364,861	(82,962)	284,146	(265,151)	(265,151)	48,995
<b>Balance, June 30, 2015</b>	<u>\$ 2,367,325</u>	<u>\$ (77,228)</u>	<u>\$ 2,220,603</u>	<u>\$ (359,886)</u>	<u>\$ (359,960)</u>	<u>\$ 1,733,218</u>

The accompanying notes are an integral part of these consolidating statements.



**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Cash Flows  
For the Year Ended June 30, 2015

	Housing Families Inc.	HFI Properties, Inc. and Affiliate	Cross Street Housing LP	Eliminations	Total
<b>Cash Flows from Operating Activities:</b>					
Changes in net assets	\$ 364,861	\$ (82,962)	\$ (265,151)	\$ 32,247	\$ 48,995
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	32,383	176,569	132,134	(32,247)	308,839
Capital grant	(63,810)	-	-	-	(63,810)
Forgiveness of debt	-	(32,000)	-	-	(32,000)
Deferred interest	(65,957)	-	132,599	-	66,642
Changes in operating assets and liabilities:					
Accounts and pledges receivable	(212,629)	1,058	2,682	-	(208,889)
Prepaid expenses and other	(39,248)	-	(12)	-	(39,260)
Due to/from affiliates	70,085	(72,229)	2,144	-	-
Accrued interest	-	-	565	-	565
Fiscal agent payable	(2,139)	-	-	-	(2,139)
Accounts payable	53,534	207	13,827	-	67,568
Accrued expenses	3,275	1,544	(640)	-	4,179
Net cash provided by (used in) operating activities	<u>140,355</u>	<u>(7,813)</u>	<u>18,148</u>	<u>-</u>	<u>150,690</u>
<b>Cash Flows from Investing Activities:</b>					
Acquisition of property and equipment	(98,281)	-	-	-	(98,281)
Withdrawals from operating reserve	-	10,659	14,894	-	25,553
Deposits to and interest earned on reserve for replacements	-	(47,448)	(10,436)	-	(57,884)
Net cash provided by (used in) investing activities	<u>(98,281)</u>	<u>(36,789)</u>	<u>4,458</u>	<u>-</u>	<u>(130,612)</u>
<b>Cash Flows from Financing Activities:</b>					
Capital grant	63,810	-	-	-	63,810
Proceeds from contingent debt	-	68,108	-	-	68,108
Proceeds from long-term debt	-	12,276	-	-	12,276
Principal payments on long-term debt	-	(114,251)	(37,916)	-	(152,167)
Principal payments on capital lease obligations	(19,500)	-	-	-	(19,500)
Net cash provided by (used in) financing activities	<u>44,310</u>	<u>(33,867)</u>	<u>(37,916)</u>	<u>-</u>	<u>(27,473)</u>
<b>Net Change in Cash</b>	<u>86,384</u>	<u>(78,469)</u>	<u>(15,310)</u>	<u>-</u>	<u>(7,395)</u>
<b>Cash:</b>					
Beginning of year	<u>221,106</u>	<u>125,008</u>	<u>20,187</u>	<u>-</u>	<u>366,301</u>
End of year	<u>\$ 307,490</u>	<u>\$ 46,539</u>	<u>\$ 4,877</u>	<u>\$ -</u>	<u>\$ 358,906</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Cash paid for interest	<u>\$ 4,004</u>	<u>\$ 22,782</u>	<u>\$ 99,726</u>	<u>\$ -</u>	<u>\$ 126,512</u>
<b>Non-Cash Investing and Financing Transactions:</b>					
Property and equipment acquired under capital leases	<u>\$ 31,779</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,779</u>
Forgiveness of contingent debt	<u>\$ -</u>	<u>\$ 32,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,000</u>

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Cash Flows  
For the Year Ended June 30, 2014

	Housing Families Inc.	HFI Properties, Inc. and Affiliate	Cross Street Housing LP	Eliminations	Total
<b>Cash Flows from Operating Activities:</b>					
Changes in net assets	\$ 18,027	\$ (24,356)	\$ (210,817)	\$ 32,247	\$ (184,899)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Depreciation and amortization	17,054	180,650	138,690	(32,247)	304,147
Forgiveness of debt	-	(39,396)	-	-	(39,396)
Deferred interest	(78,618)	-	122,297	-	43,679
Bad debt	-	-	1,856	-	1,856
Changes in operating assets and liabilities:					
Accounts and pledges receivable	(31,274)	4,040	(2,527)	-	(29,761)
Prepaid expenses and other	5,640	2,025	101	-	7,766
Due to/from affiliates	78,956	(62,222)	(16,734)	-	-
Accrued interest	-	(4,383)	(3,302)	-	(7,685)
Fiscal agent payable	(12,473)	-	-	-	(12,473)
Accounts payable	31,334	(2,485)	799	-	29,648
Accrued expenses	15,959	(6,376)	8,675	-	18,258
Net cash provided by operating activities	<u>44,605</u>	<u>47,497</u>	<u>39,038</u>	<u>-</u>	<u>131,140</u>
<b>Cash Flows from Investing Activities:</b>					
Acquisition of property and equipment	-	(181,552)	-	-	(181,552)
Interest earned on operating reserve	-	(40,010)	(180)	-	(40,190)
Deposits to and interest earned on reserve for replacements	-	(71,174)	(10,027)	-	(81,201)
Net cash used in investing activities	<u>-</u>	<u>(292,736)</u>	<u>(10,207)</u>	<u>-</u>	<u>(302,943)</u>
<b>Cash Flows from Financing Activities:</b>					
Proceeds from contingent debt	-	106,185	-	-	106,185
Principal payments on long-term debt	-	(22,420)	(38,181)	-	(60,601)
Principal payments on capital lease obligations	(15,492)	-	-	-	(15,492)
Net cash provided by (used in) financing activities	<u>(15,492)</u>	<u>83,765</u>	<u>(38,181)</u>	<u>-</u>	<u>30,092</u>
<b>Net Change in Cash</b>	<b>29,113</b>	<b>(161,474)</b>	<b>(9,350)</b>	<b>-</b>	<b>(141,711)</b>
<b>Cash:</b>					
Beginning of year	<u>191,993</u>	<u>286,482</u>	<u>29,537</u>	<u>-</u>	<u>508,012</u>
End of year	<u>\$ 221,106</u>	<u>\$ 125,008</u>	<u>\$ 20,187</u>	<u>\$ -</u>	<u>\$ 366,301</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>					
Cash paid for interest	<u>\$ 4,913</u>	<u>\$ 29,253</u>	<u>\$ 99,466</u>	<u>\$ -</u>	<u>\$ 133,632</u>
<b>Non-Cash Investing and Financing Transactions:</b>					
Forgiveness of long-term debt	<u>\$ -</u>	<u>\$ 7,396</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,396</u>
Forgiveness of contingent debt	<u>\$ -</u>	<u>\$ 32,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,000</u>

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Functional Expenses  
For the Year Ended June 30, 2015  
(With Summarized Comparative Totals for the Year Ended June 30, 2014)

	2015										2014				
	Housing Families Inc.					HFI Properties, Inc. and Affiliate (Exhibit B)					Eliminations	Total	Street Housing LP	Eliminations	Total
	Program Services	General Administrative	Fundraising	Total Support Services	Total	Program Services	General Administrative	Fundraising	Total Support Services	Total					
<b>Personnel and Related Costs:</b>	\$ 1,129,884	\$ 158,628	\$ 215,162	\$ 373,790	\$ 1,503,674	\$ -	\$ -	\$ -	\$ -	\$ 1,503,674	\$ -	\$ -	\$ 1,523,925	\$ 1,436,104	
Salaries	243,006	31,890	34,629	66,519	309,525	-	-	-	-	309,525	-	-	314,774	300,854	
Payroll taxes and benefits	33,166	1,929	-	1,929	35,095	-	-	-	-	35,095	-	-	35,095	47,749	
Temporary help	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total personnel and related costs	1,406,056	192,447	249,791	442,238	1,848,294	-	-	-	-	1,848,294	-	-	1,873,794	1,784,707	
<b>Occupancy:</b>	1,285,985	2,130	3,348	5,478	1,291,463	-	(96,120)	-	-	1,195,343	(30,000)	-	1,165,343	1,026,380	
Rent	32,110	6,390	12	6,402	38,512	101,481	-	-	-	139,993	-	-	214,448	107,179	
Repairs and maintenance	76,512	468	519	987	77,499	58,669	-	-	-	136,168	-	-	211,389	198,986	
Utilities	-	-	-	-	-	22,782	-	-	-	22,782	-	-	123,073	121,034	
Interest	14,241	-	-	-	14,241	44,486	-	-	-	58,727	-	-	97,114	87,854	
Taxes and insurance	6,458	-	-	-	6,458	-	-	-	-	6,458	-	-	10,444	12,962	
Termination contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total occupancy	1,415,306	8,988	3,879	12,867	1,428,173	227,438	(96,120)	-	-	1,559,471	(30,000)	-	1,821,811	1,554,395	
<b>Other:</b>	162,505	-	1,790	1,790	164,295	-	-	-	-	164,295	-	-	164,295	197,932	
Donated goods and services	75,607	32,458	15,317	47,775	123,382	2,185	-	-	-	125,567	-	-	131,362	94,279	
Office supplies and equipment	2,051	46,272	-	48,323	48,323	2,206	-	-	-	50,529	-	-	72,677	76,986	
Professional fees	24,393	45,285	-	45,285	69,678	-	-	-	-	69,678	-	-	71,433	94,383	
Consultants	46,140	-	-	-	46,140	-	-	-	-	46,140	-	-	46,140	22,444	
Grant expense	33,576	1,662	2,347	4,009	37,585	-	-	-	-	37,585	-	-	37,585	53,294	
Telephone	20,017	6,784	8,104	14,888	34,905	-	-	-	-	34,905	-	-	34,905	33,384	
Training, travel and meals	3,819	12,027	15,567	27,594	31,413	-	-	-	-	31,413	-	-	31,413	20,882	
Dues and subscriptions	11,116	1,712	14,410	16,122	27,238	-	-	-	-	27,238	-	-	27,238	36,773	
Printing and postage	10,119	278	5,027	5,305	15,954	-	-	-	-	15,954	-	-	15,954	21,425	
Vehicle costs	15,954	-	-	-	15,954	-	-	-	-	15,954	-	-	15,954	12,574	
Advertising	3,748	8,803	8,803	8,803	12,551	-	-	-	-	12,551	-	-	12,551	19,012	
Insurance	2,693	1,111	413	1,524	4,217	4,640	-	-	-	8,857	(3,000)	-	11,375	16,035	
Miscellaneous	10,770	565	-	565	10,770	-	-	-	-	10,770	-	-	10,770	9,152	
Non-capital equipment	3,439	-	-	-	4,004	-	-	-	-	4,004	-	-	4,004	4,913	
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special event	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Management fees	-	-	-	-	-	15,491	(15,491)	-	-	-	-	-	-	1,856	
Total other	425,947	156,957	62,975	219,932	645,879	24,522	(15,491)	-	-	654,910	(19,486)	-	687,126	843,246	
Total expenses before depreciation and amortization	3,247,309	358,392	316,645	675,037	3,922,346	251,940	(111,611)	-	-	4,062,675	(49,486)	-	4,382,731	4,182,348	
<b>Depreciation and Amortization</b>	20,779	11,006	598	11,604	32,383	176,569	(2,247)	-	-	206,705	(30,000)	-	308,839	304,147	
Total expenses	\$ 3,268,088	\$ 369,398	\$ 317,243	\$ 686,641	\$ 3,954,729	\$ 428,509	\$ (113,858)	\$ -	\$ -	\$ 4,269,380	\$ (79,486)	\$ -	\$ 4,691,570	\$ 4,486,495	

The accompanying notes are an integral part of these consolidating statements.

**HOUSING FAMILIES INC. AND AFFILIATES**

Consolidating Statement of Functional Expenses  
For the Year Ended June 30, 2014

	Housing Families Inc.					Eliminations	Total
	Program Services	General and Administrative	Fundraising	Total Support Services	HFI Properties, Inc. and Affiliate (Exhibit B)		
<b>Personnel and Related Costs:</b>							
Salaries	\$ 1,001,777	\$ 179,495	\$ 237,483	\$ 416,978	\$ 1,418,755	\$ -	\$ 1,418,755
Payroll taxes and benefits	229,415	28,385	39,403	67,788	297,203	3,651	300,854
Temporary help	46,549	-	1,200	1,200	47,749	-	47,749
Total personnel and related costs	<u>1,277,741</u>	<u>207,880</u>	<u>278,086</u>	<u>485,966</u>	<u>1,763,707</u>	<u>-</u>	<u>1,763,707</u>
<b>Occupancy:</b>							
Rent	1,146,620	2,283	3,597	5,880	1,152,500	-	1,026,380
Repairs and maintenance	13,917	5,584	26	5,610	19,527	46,496	107,179
Utilities	65,642	2,062	308	2,370	68,012	58,944	126,956
Interest	-	-	-	-	-	24,870	96,164
Taxes and insurance	4,233	-	-	-	4,233	45,135	38,486
Extermination contract	8,946	-	-	-	8,946	-	12,962
Total occupancy	<u>1,239,358</u>	<u>9,929</u>	<u>3,931</u>	<u>13,860</u>	<u>1,253,218</u>	<u>175,445</u>	<u>1,332,543</u>
<b>Other:</b>							
Donated goods and services	181,562	-	16,370	16,370	197,932	-	197,932
Office supplies and equipment	52,859	19,050	21,510	40,560	93,419	251	94,279
Professional fees	1,200	53,450	-	53,450	54,650	1,999	56,649
Consultants	10,165	46,584	34,858	31,442	91,607	375	94,383
Grant expense	22,444	-	-	-	22,444	-	22,444
Telephone	48,125	2,324	2,845	5,169	53,294	-	53,294
Training, travel and meals	17,859	7,354	8,171	15,525	33,384	-	33,384
Dues and subscriptions	2,326	6,455	12,101	18,556	20,882	-	20,882
Printing and postage	7,614	12,270	16,889	29,159	36,773	-	36,773
Vehicle costs	21,425	-	-	-	21,425	-	21,425
Advertising	5,345	4,904	2,325	7,229	12,574	-	12,574
Insurance	10,973	8,039	-	8,039	19,012	-	19,012
Miscellaneous	4,013	7,569	970	8,539	12,552	889	13,441
Non-capital equipment	9,152	-	-	-	9,152	-	9,152
Interest	4,650	263	-	263	4,913	-	4,913
Special event	-	-	127,912	127,912	127,912	-	127,912
Bad debt	-	-	-	-	-	-	1,856
Management fees	-	-	-	-	-	15,472	17,631
Total other	<u>399,712</u>	<u>168,262</u>	<u>243,951</u>	<u>412,213</u>	<u>811,925</u>	<u>18,986</u>	<u>815,439</u>
Total expenses before depreciation and amortization	<u>2,916,811</u>	<u>386,071</u>	<u>525,968</u>	<u>912,039</u>	<u>3,828,850</u>	<u>194,431</u>	<u>3,911,689</u>
Depreciation and Amortization	<u>13,086</u>	<u>3,968</u>	<u>-</u>	<u>3,968</u>	<u>17,054</u>	<u>(2,247)</u>	<u>195,457</u>
Total expenses	<u>\$ 2,929,897</u>	<u>\$ 390,039</u>	<u>\$ 525,968</u>	<u>\$ 916,007</u>	<u>\$ 3,845,904</u>	<u>\$ 375,081</u>	<u>\$ 4,107,146</u>
							<u>\$ 4,486,495</u>

The accompanying notes are an integral part of these consolidating statements.

## **HOUSING FAMILIES INC. AND AFFILIATES**

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### **1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **OPERATIONS AND NONPROFIT STATUS**

Housing Families Inc. (HFI) was founded in 1986 by community members concerned about the growing crisis of homelessness among families in the cities of Everett, Malden and Medford, Massachusetts. HFI has grown into one of the largest providers of family housing in Massachusetts. Over 1,700 families have been helped since HFI first opened its doors.

HFI works to end family homelessness in the communities it serves by providing safe, temporary shelter, creating affordable housing, and offering individualized supportive services to family members of all ages. HFI respects each family in its journey toward greater security and stability.

HFI develops new programs and projects in response to the emerging needs of homeless families. The Board, staff and volunteers are dedicated to raising awareness of homelessness and poverty, and helping families to move into, retain and sustain permanent housing.

HFI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). HFI is also exempt from state income taxes. Donors may deduct contributions made to HFI within IRC requirements.

#### **SIGNIFICANT ACCOUNTING POLICIES**

HFI and Affiliates prepare their consolidating financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

#### **Principles of Consolidation**

The consolidating financial statements include the accounts of HFI and its affiliates: Cross Street Realty, Inc., HFI Properties, Inc., Malden Medford Homes LLC, and Cross Street Housing Limited Partnership (collectively, HFI and Affiliates) (see Note 2). All significant intercompany transactions have been eliminated.

#### **Estimates**

The preparation of consolidating financial statements in accordance with U.S. GAAP 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 consolidating financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Revenue Recognition**

Program service fees are recorded over the contract period or as services are provided. Rental income is recognized over the lease term. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets. All other revenue is recognized as earned. Payments received in advance of services being provided are recorded as deferred revenue and included in accounts payable in the accompanying consolidated financial statements.

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Fair Value Measurements

HFI and Affiliates follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that HFI and Affiliates would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

HFI and Affiliates use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of HFI and Affiliates. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

##### Description of Net Assets

**Unrestricted net assets** are those net resources that bear no external restrictions and are generally available for use by HFI and Affiliates. HFI and Affiliates have grouped their unrestricted net assets into the following categories:

**Operating** - consists of amounts relating to program and other operating activities and are currently available for operations.

**Property and equipment** - reflect the net book value of HFI and Affiliates' property and equipment and reserve for replacements, net of related debt.

**Housing development** - represents funds for HFI's development related activities (see Note 2).

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Description of Net Assets (Continued)

*Temporarily restricted net assets* are those unexpended financial resources that are restricted by donors as to purpose or timing of expenditure. Temporarily restricted net assets are restricted as follows as of June 30:

	<u>2015</u>	<u>2014</u>
Purpose	\$ 208,389	\$ 55,500
Capital	63,810	-
Time	<u>25,000</u>	<u>-</u>
	<u>\$ 297,199</u>	<u>\$ 55,500</u>

*Non-controlling interest* represents the net capital interest of an outside investor participating in the ownership of Cross Street Housing Limited Partnership (see Note 2).

##### Pledges Receivable

Pledges receivable are recorded at their net present value when unconditionally committed. Pledges receivable at June 30, 2015, are expected to be collected in fiscal year 2016. Pledges receivable at June 30, 2014, were collected in fiscal year 2015.

##### Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There was no allowance for doubtful accounts as of June 30, 2015 and 2014.

##### Property, Equipment and Depreciation

Property and equipment are capitalized at cost when purchased or at fair value at the date of donation. Renewals and betterments are capitalized as additions to the related asset accounts, while repairs and maintenance are expensed as incurred. Property and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	20 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

##### Capitalized Costs and Amortization

Capitalized costs consist of intangible costs which have been capitalized and amortized on the straight-line basis (fifteen to twenty years) (see Note 4).

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Security Deposits

Security deposits consist of tenant deposits collected upon move-in. Interest is paid annually to the tenants based on the current interest rate of the bank where the deposits are held.

##### Donated Goods and Services

HFI receives donated goods and services from various organizations for use in its programs. These goods and services are reflected in the accompanying consolidating financial statements at fair market value, determined by management, as follows for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Contracted services	\$ 89,288	\$ 95,833
Program supplies	<u>75,007</u>	<u>102,099</u>
	<u>\$ 164,295</u>	<u>\$ 197,932</u>

##### Expense Allocation

The consolidating financial statements present expenses by functional classification in accordance with the overall mission of HFI and Affiliates. Each functional classification displays all expenses related to the underlying operations by natural classification. Expenses are allocated among program and supporting services on the basis of time records and the estimates made by management.

##### Fiscal Agent Payable

Fiscal agent payable consists of amounts received by HFI to make rental payments on behalf of tenants in need.

##### Contingent Debt

HFI and Affiliates have contingent loans from various organizations to assist in the development of housing and other projects (see Note 7). These loans generally are not required to be repaid unless the project fails to maintain its status as low-income housing or HFI and Affiliates fails to comply with other conditions. It is the intention of the Board of Directors and management to maintain these properties as low-income housing and to meet other conditions. Therefore, these loans have been classified as contingent debt in the accompanying consolidating statements of financial position.

##### Advertising

Advertising costs are expensed as incurred.



## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Income Taxes

HFI and Affiliates account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidating financial statements regarding a tax position taken or expected to be taken in a tax return. HFI and Affiliates have determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidating financial statements at June 30, 2015 and 2014. HFI and Affiliates' information and income tax returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

As described on page 11, HFI is exempt from income taxes under Section 501(c)(3) of the IRC. Cross Street Realty, Inc. and HFI Properties, Inc. are for-profit corporations. At June 30, 2015 and 2014, Cross Street Realty, Inc. and HFI Properties, Inc. had, for Federal income tax purposes, net operating loss carryforwards of approximately \$267,000 and \$183,000, respectively, available to offset future taxable income. Cross Street Realty, Inc. and HFI Properties, Inc. had, for state income tax purposes, net operating loss carryforwards of approximately \$254,000 and \$172,000, respectively, available to offset future taxable income as of June 30, 2015 and 2014.

Cross Street Realty, Inc. and HFI Properties, Inc. account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard does not have a material effect on the consolidating financial statements as of June 30, 2015 and 2014, since the tax benefit of the net operating loss carryforwards have been fully reserved.

Cross Street Housing Limited Partnership (CSLP) accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. No income tax provision has been included in the accompanying consolidating financial statements as the income, loss and credits of CSLP are reported by the partners on their respective income tax returns.

##### Low-Income Housing Tax Credit

CSLP has been awarded low-income housing tax credits (LIHTC) under IRC Section 42. As a condition of receiving these LIHTC, CSLP must operate its property in a manner prescribed by this Code Section and by the Tax Regulatory Agreement for a minimum of fifteen years, expiring in 2019.

##### Subsequent Events

Subsequent events have been evaluated through October 27, 2015, which is the date the consolidating financial statements were available to be issued. See Notes 2 and 6 for a subsequent event that met the criteria for disclosure in the consolidating financial statements. No other events met the criteria for recognition or disclosure in the consolidating financial statements.

### 2. RELATED PARTY TRANSACTIONS

HFI is presented on the consolidated basis and includes the following entity:

**Cross Street Realty, Inc.** (the General Partner) is a Massachusetts corporation, 79% owned by HFI. The General Partner holds a .01% ownership interest in CSLP.

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 2. RELATED PARTY TRANSACTIONS (Continued)

#### Consolidating Entities

HFI and Affiliates' consolidating financial statements include the following entities:

**Malden Medford Homes LLC** (MM Homes) is a single member limited liability company formed in January 2011, with HFI Properties, Inc. as its sole member. MM Homes was formed to acquire, develop and operate certain properties in Malden and Medford, Massachusetts. MM Homes has elected to be treated as a disregarded entity for tax purposes.

**HFI Properties, Inc.** (HFI Properties) is a Massachusetts corporation formed in August 2010. The purpose of HFI Properties is to hold title to real property for the benefit of HFI. HFI owns 100% of HFI Properties' common stock.

**Cross Street Housing Limited Partnership** (CSLP) is a Massachusetts limited partnership. CSLP owns and operates a building located in Malden, Massachusetts consisting of nineteen units of low-income housing, one rent-free unit, and one commercial space, which is rented to HFI (the Project). Massachusetts Housing Equity Fund 2002 LLC (MHEF) holds a 99.99% interest in the capital, income, losses, and cash flow of CSLP. Non-controlling interest represents the interests of MHEF.

Transactions between HFI and the entities described on page 15 and above are as follows:

The Project was developed by HFI. HFI has an agreement with CSLP to receive a development fee for various services rendered in connection with the development of the Project. These fees are payable from development financing, cash flow or from the proceeds of sale or refinancing or at the latest December 31, 2018. The Project did not make any development fee payments to HFI during fiscal years 2015 and 2014. The unpaid development and overhead fee reimbursements were \$184,872 as of June 30, 2015 and 2014, and are included in due to affiliate in the accompanying consolidating statements of financial position. This note is secured by a third mortgage on the property.

HFI provides management services and staff to CSLP, MM Homes and HFI Properties. Management fees billed for the years ended June 30, 2015 and 2014, consisted of the following:

	<u>2015</u>	<u>2014</u>
CSLP	\$ 16,486	\$ 17,631
MM Homes	9,977	10,065
HFI Properties	<u>5,514</u>	<u>5,407</u>
	<u>\$ 31,977</u>	<u>\$ 33,103</u>

Management fees are included in management fees, program income and other and management fee expense in the accompanying consolidating financial statements.

CSLP has granted a continuing right of first refusal to HFI to purchase the property in the event that CSLP proposes to sell, transfer, assign, or lease the property. HFI would be required to continue to maintain the property as low-income housing under this agreement.

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 2. RELATED PARTY TRANSACTIONS (Continued)

HFI has a 5.375% note receivable from CSLP of \$998,598, of which \$805,583 has been advanced at June 30, 2015 and 2014. Principal and interest are due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due for fiscal years 2015 and 2014. Interest compounds annually. All unpaid principal and deferred interest are due in full on July 23, 2033. For fiscal years 2015 and 2014, deferred interest expense on this loan was \$65,957 and \$78,618, respectively. This note is secured by a fourth mortgage on CSLP's property.

CSLP has a lease agreement with HFI to rent its commercial space to HFI. Future minimum lease payments through the end of the agreement are \$30,000 per year. HFI is also responsible for its proportionate share of utilities and real estate taxes. The lease term is for fifteen years through December 2019. Rent was \$30,000 for fiscal years 2015 and 2014. Under the terms of the lease agreement, rent will increase annually for increases in real estate taxes and operating expenses.

As part of the development of the Project, the General Partner has agreed to make contributions to fund operating deficits to CSLP to the extent that operating deficits exceed the funds available in the operating reserve accounts (see Note 9).

The sponsor loan, development fee, development overhead, and interest receivable on sponsor loan amounts are expected to be repaid when the Project is sold or refinanced, which is expected to be in 2019. All of the due from affiliate amounts have been eliminated in the accompanying consolidating financial statements.

CSLP pays certain expenses of the General Partner. As of June 30, 2014, the General Partner owed CSLP \$4,397. As of June 30, 2015, the General Partner had no outstanding balance owed to CSLP.

MM Homes has a lease agreement with HFI to rent program space to HFI. This agreement renews annually, subject to HFI receiving future state contract funding to operate the program. Rent was \$96,120 for fiscal years 2015 and 2014.

HFI has an agreement with MM Homes and HFI Properties to receive a development fee for various services rendered in connection with the development of the property of MM Homes and HFI Properties. Developer fees are payable from development financing, cash flow or from the proceeds of sale or refinancing. HFI Properties paid all outstanding developer and overhead fees totaling \$42,649 during fiscal year 2014. MM Homes paid all outstanding developer and overhead fees totaling \$42,375 during fiscal year 2015.

Due from affiliates consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Sponsor loan receivable	\$ 805,583	\$ 805,583
Interest receivable on sponsor loan	616,933	550,976
Developer fee and overhead receivable	184,872	227,247
General advances	2,000	13,638
Management fee	-	15,472
	<u>1,609,388</u>	<u>1,612,916</u>
Total due from affiliate		
Less - current portion	<u>2,000</u>	<u>71,485</u>
Due from affiliate, net of current portion	<u>\$ 1,607,388</u>	<u>\$ 1,541,431</u>

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

### 2. RELATED PARTY TRANSACTIONS (Continued)

In September 2015, HFI entered into a \$300,000 line of credit agreement with a bank where one of HFI's Board of Directors is an employee of the bank (see Note 6).

### 3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

2015	HFI	HFI Properties, Inc. and Affiliate	CSLP	Eliminations	Total
Land	\$ -	\$ 322,100	\$ 963,600	\$ -	\$ 1,285,700
Buildings and improvements	-	4,545,950	5,033,084	(525,764)	9,053,270
Furniture and equipment	187,601	26,401	49,845	-	263,847
Vehicles	60,489	-	-	-	60,489
Total cost	248,090	4,894,451	6,046,529	(525,764)	10,663,306
Less - accumulated depreciation	117,537	926,617	1,420,368	(328,771)	2,135,751
	<u>\$ 130,553</u>	<u>\$ 3,967,834</u>	<u>\$ 4,626,161</u>	<u>\$ (196,993)</u>	<u>\$ 8,527,555</u>

2014	HFI	HFI Properties, Inc. and Affiliate	CSLP	Eliminations	Total
Land	\$ -	\$ 322,100	\$ 963,600	\$ -	\$ 1,285,700
Buildings and improvements	-	4,545,950	5,033,084	(525,764)	9,053,270
Furniture and equipment	68,041	26,401	49,845	-	144,287
Vehicles	60,489	-	-	-	60,489
Total cost	128,530	4,894,451	6,046,529	(525,764)	10,543,746
Less - accumulated depreciation	95,654	752,590	1,293,349	(296,524)	1,845,069
	<u>\$ 32,876</u>	<u>\$ 4,141,861</u>	<u>\$ 4,753,180</u>	<u>\$ (229,240)</u>	<u>\$ 8,698,677</u>

Depreciation expense during fiscal years 2015 and 2014 was \$301,182 and \$296,878, respectively. Substantially all property and equipment are pledged as collateral on long-term and contingent debt (see Notes 5 and 7).

HFI accounts for the carrying value of its property and equipment in accordance with ASC Topic *Impairment and Disposal of Long-Lived Assets*. As of June 30, 2015 and 2014, HFI has not recognized any reduction in the carrying value of its property and equipment under these standards.

HFI currently has equipment and a vehicle under various capital lease agreements with a total cost of \$93,623 and \$72,344 as of June 30, 2015 and 2014, respectively (see Note 8). Depreciation expense for fiscal years 2015 and 2014 for assets under capital lease was \$18,069 and \$15,185, respectively. As of June 30, 2015 and 2014, accumulated depreciation was \$49,021 and \$40,401, respectively, on these assets.

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 4. CAPITALIZED COSTS AND AMORTIZATION

Capitalized costs consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Mortgage financing fees	\$ 85,994	\$ 85,994
Low-income housing tax credit application fees	<u>35,000</u>	<u>35,000</u>
	120,994	120,994
Less - accumulated amortization	<u>56,265</u>	<u>48,608</u>
	<u>\$ 64,729</u>	<u>\$ 72,386</u>

Mortgage financing fees are being amortized over the term of the mortgages (twenty years) (see Note 5), and the low-income housing tax credit application fees are being amortized over the tax credit compliance period of fifteen years. Amortization expense for fiscal years 2015 and 2014 was \$7,657 and \$7,269, respectively. Amortization expense for the next five fiscal years is expected to be \$7,658.

### 5. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
<b>HFI Properties</b>		
Non-interest bearing note payable to Malden Redevelopment Authority (MRA). Payments are due annually each August based on 25% of net cash flow of the property, as defined in the agreement. Based on this calculation, a payment of \$884 and \$769 is due at June 30, 2015 and 2014, respectively. The note matures in November 2042, and is secured by a first mortgage on property located in Revere, Massachusetts. During fiscal year 2015, a principal payment of \$769 was made on this note.	\$ 547,621	\$ 548,390
5.75% interest bearing note payable to a bank. Principal and interest payments of \$2,359 are due monthly through November 2016. Effective in November 2016, the interest rate shall be adjusted to the Five-Year Federal Home Loan Classic Advance Rate, plus 2.75%, but never less than 5.75%. This note matures in November 2021 and requires a balloon payment of \$295,704 at maturity. This note is secured by a shared second mortgage on property located in Revere, Massachusetts.	<u>355,866</u>	<u>363,199</u>
Total HFI Properties	<u>903,487</u>	<u>911,589</u>

**HOUSING FAMILIES INC. AND AFFILIATES**

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

**5. LONG-TERM DEBT (Continued)**

	<u>2015</u>	<u>2014</u>
<b>MM Homes</b>		
Non-interest bearing note payable to MRA. Payments of 25% of net cash flow, as defined in the agreement, are due annually each December. Based on this calculation, there was no payment due at June 30, 2015. Based on this calculation, a payment of \$14,424 was due at June 30, 2014. During fiscal year 2014, MRA indicated that MM Homes had a credit of \$7,396, which is recorded as forgiveness of debt in the accompanying 2014 consolidating statement of activities. MM Homes made a principal payment of \$18,176 and \$3,054 during fiscal years 2015 and 2014, respectively. The note matures in August 2041, and is secured by a shared first mortgage on property located in Malden and Medford, Massachusetts.	847,459	865,635
Non-interest bearing note payable with Community Economic Development Assistance Corporation (CEDAC) through its Housing Innovations Fund (HIF) program for a maximum amount of \$227,200. During fiscal year 2015, MM Homes drew down \$12,276 under the terms of this agreement. The note stipulates that payments of principal be made before the maturity date, if gross receipts exceed 105% of cash expenditures, as defined in the agreement. Based on this calculation, there were no payments due at June 30, 2015. Based on this calculation, a payment of \$22,119 was due at June 30, 2014. MM Homes made payments totaling \$47,213 in fiscal year 2015, which consisted of the fiscal years 2014 and 2013 cash flow payments. The note matures in August 2042, and is secured by a shared first mortgage on property in Malden and Medford, Massachusetts.	179,988	214,925
Non-interest bearing note payable with CEDAC through its HIF program. The note stipulates that payments of principal be made before the maturity date, if gross receipts exceed 105% of cash expenditures, as defined in the agreement. Based on this calculation, there were no payments due at June 30, 2015. Based on this calculation, a payment of \$10,508 was due at June 30, 2014. During fiscal year 2015, MM Homes made principal payments totaling \$19,770, which consisted of the fiscal years 2014 and 2013 cash flow payments. The note matures in February 2028, and is secured by a shared first mortgage on property in Medford, Massachusetts.	70,230	90,000
2% note payable to MRA, due in quarterly principal and interest payments of \$1,158. The note matures in April 2027, and is secured by a shared first mortgage on property located in Malden, Massachusetts.	48,779	53,046

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

### 5. LONG-TERM DEBT (Continued)

	<u>2015</u>	<u>2014</u>
<b>MM Homes (Continued)</b>		
Non-interest bearing note payable with CEDAC through its HIF program. The note stipulates that payments of principal be made before the maturity date, if gross receipts exceed 105% of cash expenditures, as defined in the agreement. Based on this calculation, there were no payments due at June 30, 2015. Based on this calculation, a payment of \$6,175 was due at June 30, 2014. During fiscal year 2015, MM Homes made principal payments totaling \$13,180, which consisted of the fiscal years 2014 and 2013 cash flow payments. All unpaid principal is due in July 2030. The note is secured by a shared first mortgage on property in Malden, Massachusetts.	46,820	60,000
2% note payable to MRA, due in quarterly principal and interest payments of \$731. The note matures in November 2022, and is secured by a shared first mortgage on property located in Malden, Massachusetts.	22,292	23,967
3% note payable to MRA, due in monthly principal and interest payments of \$171. The note matures in February 2018, and is secured by a shared first mortgage on property located in Malden, Massachusetts.	<u>5,270</u>	<u>7,138</u>
Total MM Homes	<u>1,220,838</u>	<u>1,314,711</u>
<b>CSLP</b>		
7% note payable to a bank, due in monthly principal and interest payments of \$8,786 using a thirty-year amortization schedule. There is a balloon payment of approximately \$760,000 due on June 15, 2025. This note is secured by a first mortgage on the property.	1,133,016	1,158,174
4.17% note payable to MRA. CSLP makes monthly principal and interest payments of \$2,686, with interest at 3%. The difference between the interest rate of 4.17% and the monthly payments using the 3% rate are deferred and are due at maturity. This note matures in July 2045, and is secured by a shared second mortgage on the property.	<u>647,509</u>	<u>660,267</u>
Total CSLP	<u>1,780,525</u>	<u>1,818,441</u>
Total long-term debt	3,904,850	4,044,741
Less - current portion	<u>56,859</u>	<u>152,269</u>
Total long-term debt, net of current portion	<u>\$ 3,847,991</u>	<u>\$ 3,892,472</u>

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 5. LONG-TERM DEBT (Continued)

Accrued interest payable on long-term debt consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
Related party note payable (see Note 2)	\$ 616,933	\$ 550,976
MRA notes payable (see pages 19 through 21)	174,957	155,785
Note payable to a bank (see page 21)	<u>4,563</u>	<u>3,998</u>
	796,453	710,759
Less - current portion	4,563	3,998
Less - elimination	<u>616,933</u>	<u>550,976</u>
	<u>\$ 174,957</u>	<u>\$ 155,785</u>

Aggregate maturities of long-term debt over the next five years are as follows:

<u>Fiscal Year</u>	
2016	\$ 56,859
2017	\$ 59,081
2018	\$ 61,659
2019	\$ 63,544
2020	\$ 67,027

The mortgage notes payable contain various covenants and restrictions on HFI and Affiliates as described in the agreements. HFI and Affiliates were in compliance with these covenants and restrictions as of June 30, 2015. The notes payable to CEDAC contain certain covenants with which HFI and Affiliates must comply. HFI and Affiliates were in compliance with these requirements at June 30, 2015. HFI and Affiliates were not in compliance with some of CEDAC's covenants at June 30, 2014. During fiscal year 2015, HFI and Affiliates submitted the necessary documentation to CEDAC to be in compliance with these requirements.

### 6. NOTE PAYABLE TO A BANK

HFI had available up to \$175,000 under a line of credit agreement with a bank at June 30, 2014. During fiscal year 2015, the bank reduced the line of credit to \$100,000. Borrowings under the agreement are due on demand, and interest is payable monthly at the bank's base lending rate (3.25% at June 30, 2015 and 2014), plus 1.5%, or a minimum interest rate of 4.75%, whichever is greater. Collateral for borrowings on the line of credit is a security interest in all business assets. This line of credit renews annually. As of June 30, 2015 and 2014, there was no outstanding balance under this agreement. The line of credit was closed in October 2015.

In September 2015, HFI entered into a \$300,000 line of credit agreement with a different bank. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's base lending rate (3.25% at the time of closing), plus 0.5%. Borrowings on the line of credit are secured by a security interest in all business assets. The line of credit renews annually on December 31 at the discretion of the bank.



## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 7. CONTINGENT DEBT AND DEFERRED INTEREST

Contingent debt consists of the following at June 30:

	<u>2015</u>	<u>2014</u>
<b>HFI Properties</b>		
Non-interest bearing note payable to the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD). All outstanding principal is due in September 2025, and is secured by a shared second mortgage on property in Revere, Massachusetts.	\$ 535,000	\$ 535,000
Non-interest bearing note payable with the City of Peabody. All outstanding principal is due on demand if there is a default under the loan agreement or the property is transferred. Commencing in February 2017, and every year thereafter through 2027, a portion of the outstanding principal balance will be forgiven, as defined in the agreement. The note is secured by a shared second mortgage on property in Revere, Massachusetts.	51,950	51,950
Non-interest bearing note payable with the City of Revere. All outstanding principal is due on demand if there is a default under the loan agreement or the property is sold or transferred. The note is secured by a shared second mortgage on property in Revere, Massachusetts.	<u>40,000</u>	<u>40,000</u>
Total contingent debt – HFI Properties	<u>626,950</u>	<u>626,950</u>
<b>MM Homes</b>		
Non-interest bearing note payable with DHCD under its Affordable Housing Trust Fund program. All outstanding principal is due in August 2042, and is secured by a shared first mortgage on property in Malden and Medford, Massachusetts.	750,000	750,000
Non-interest bearing note payable with a maximum outstanding amount of \$750,000 with DHCD under its Non-Federal Investment Trust Fund program. All outstanding principal is due in August 2042. During fiscal year 2015, MM Homes drew down \$68,108 under the terms of the agreement. The note is secured by a shared first mortgage on property in Malden and Medford, Massachusetts.	743,108	675,000

**HOUSING FAMILIES INC. AND AFFILIATES**

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

**7. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)**

	<u>2015</u>	<u>2014</u>
<b>MM Homes (Continued)</b>		
Non-interest bearing note payable to MRA, maturing in November 2015. Commencing on November 8, 2013, and every year thereafter, 33% of the principal amount shall be forgiven, granted MM Homes remains in compliance with certain covenants as defined in the agreement. MM Homes was in compliance with these covenants as of June 30, 2015 and 2014. For the years ended June 30, 2015 and 2014, \$13,333 has been forgiven under the terms of the agreement. The remaining balance is expected to be forgiven during fiscal year 2016. This note is secured by a shared first mortgage on property in Malden, Massachusetts.	13,334	26,667
Non-interest bearing note payable to MRA, which matured in August 2015. Commencing on August 3, 2013, and every year thereafter, 33% of the principal amount shall be forgiven, granted MM Homes remains in compliance with certain covenants as defined in the agreement. MM Homes was in compliance with these covenants as of June 30, 2015 and 2014. For the years ended June 30, 2015 and 2014, \$8,000 has been forgiven under the terms of the agreement. The remaining balance of this note is expected to be forgiven during fiscal year 2016. This note is secured by a shared first mortgage on property in Malden, Massachusetts.	8,000	16,000
Non-interest bearing note payable to MRA, which matured in March 2015. Commencing on March 22, 2013, and every year thereafter, 33% of the principal amount shall be forgiven, granted MM Homes remains in compliance with certain covenants as defined in the agreement. MM Homes was in compliance with these covenants as of June 30, 2015 and 2014. For the years ended June 30, 2015 and 2014, \$10,667 has been forgiven under the terms of the agreement. This note has been forgiven as of June 30, 2015.	<u>-</u>	<u>10,667</u>
Total contingent debt - MM Homes	<u>1,514,442</u>	<u>1,478,334</u>
<b>CSLP</b>		
4.17% note payable to DHCD, with interest compounded annually. All unpaid principal and deferred interest are due in full in August 2033. Deferred interest on this note was \$435,807 and \$388,337 as of June 30, 2015 and 2014, respectively, which is included in the \$1,185,807 and \$1,138,337 balances, respectively. This note is secured by a shared second mortgage on the property.	1,185,807	1,138,337

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 7. CONTINGENT DEBT AND DEFERRED INTEREST (Continued)

	<u>2015</u>	<u>2014</u>
<b>CSLP (Continued)</b>		
Non-interest bearing note payable to CEDAC in the amount of \$500,000. All principal is due on December 31, 2033. Payments are due on February 15 <sup>th</sup> of each year, if gross cash receipts for the year exceed 105% of gross cash expenditures for the year, as defined in the agreement. There were no payments due as of June 30, 2015 and 2014. This note is secured by a shared second mortgage on the property.	<u>500,000</u>	<u>500,000</u>
Total contingent debt and deferred interest - CSLP	<u>1,685,807</u>	<u>1,638,337</u>
Total contingent debt and deferred interest	<u>\$ 3,827,199</u>	<u>\$ 3,743,621</u>

CEDAC, DHCD and MRA may extend the maturity dates of the notes on pages 22 through 24 for an additional forty years, if the property continues to be used for low-income housing.

The contingent debt agreements contain various covenants and restrictions on HFI and Affiliates as described in the agreements. HFI and Affiliates were in compliance with these covenants at June 30, 2015 and 2014.

### 8. COMMITMENTS

#### Facility Leases

HFI leases program facilities under various operating leases expiring through May 30, 2016, that are renewable annually. Rent expense under the facility leases was approximately \$1,165,000 and \$1,026,000 for the years ended June 30, 2015 and 2014, respectively. The minimum lease payments under these agreements for fiscal year 2016 are approximately \$514,000.

#### Equipment Leases

HFI leases certain equipment (see Notes 1 and 3) as of June 30, 2015 and 2014, under various capital lease agreements through January 2021. Interest rates under these agreements range between 2.1% and 15% during fiscal years 2015 and 2014.

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 8. COMMITMENTS (Continued)

#### Equipment Leases (Continued)

Future minimum lease payments under these agreements are as follows:

<u>Fiscal Year</u>	
2016	\$ 21,434
2017	17,325
2018	6,720
2019	4,704
2020	3,848
Thereafter	<u>178</u>
Total future minimum payments	54,209
Less - amounts representing interest	<u>5,293</u>
Present value of future minimum lease payments	48,916
Less - current portion	<u>18,389</u>
Long-term portion	<u>\$ 30,527</u>

#### Other

In June 2015, HFI entered into a contract with a general contractor to provide capital improvements to the Project (see Note 2). The total amount of the contract is \$77,620 and the work is expected to be completed during fiscal year 2016.

### 9. RESERVES AND DEPOSITS

#### Reserve for Replacements

CSLP was required to establish and fund a reserve for replacements. The reserve for replacements is to be used to fund capital improvements. In fiscal years 2015 and 2014, CSLP was required to make monthly deposits of approximately \$880 and \$846, respectively, into this account. The required monthly deposits increase by 4% per year. As of June 30, 2015 and 2014, this account was adequately funded. CSLP's reserve for replacements had a balance of \$91,643 and \$81,207 at June 30, 2015 and 2014, respectively.

HFI Properties was required to establish and fund a reserve for replacements. The reserve for replacements is to be used to fund capital improvements. For the year ended June 30, 2014, HFI Properties made a deposit of \$50,000 to adequately fund the reserve for replacements. HFI Properties is required to deposit \$500 per unit annually into the reserve for replacements account. HFI Properties must receive approval for any withdrawals in excess of \$2,000 from the reserve for replacements account. As of June 30, 2015 and 2014, this account was adequately funded. HFI Properties' reserve for replacements had a balance of \$59,666 and \$56,267 as of June 30, 2015 and 2014, respectively.

During fiscal year 2014, MM Homes established a reserve for replacements. MM Homes is not required to maintain a minimum balance and any deposits or withdrawals from this account are at the discretion of management. MM Homes' reserve for replacements had a balance of \$58,956 and \$14,907 as of June 30, 2015 and 2014, respectively.

## HOUSING FAMILIES INC. AND AFFILIATES

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### 9. RESERVES AND DEPOSITS (Continued)

#### Operating Reserve

CSLP was also required to establish and fund an operating reserve. The operating reserve is to be used to fund operating deficits, if any. CSLP is required to deposit the lesser of 2% of project expenses or net cash flow annually into the operating reserve until the operating reserve reaches a balance equal to 50% of project expenses, as defined in CSLP agreement (approximately \$190,000 and \$180,000 as of June 30, 2015 and 2014, respectively). During fiscal year 2015, CSLP was approved to withdraw \$25,000 from this account to fund operating expenses. Starting in June 2015, CSLP is required to make monthly deposits of \$4,167 into this account through December 2015. As of June 30, 2015, CSLP made the required deposit of \$4,167. There is no deposit due to the operating reserve in fiscal year 2016 based on 2015 cash flows. CSLP's operating reserve had a balance of \$165,085 and \$179,979 at June 30, 2015 and 2014, respectively.

HFI Properties was also required to establish and fund an operating reserve. The operating reserve is to be used to fund operating deficits, if any. For the year ended June 30, 2014, HFI Properties made the required deposit of \$5,000 to establish this account. HFI Properties is required to deposit an amount sufficient to maintain a balance equal to 25% of the annual operating budget (approximately \$29,800 and \$20,200 as of June 30, 2015 and 2014, respectively). This account was not adequately funded as of June 30, 2015 and 2014. In July 2015, HFI Properties made a deposit of \$8,299 to adequately fund this account. HFI Properties' operating reserve held a balance of \$29,351 and \$5,009 as of June 30, 2015 and 2014, respectively.

During fiscal year 2014, MM Homes established an operating reserve which is to be used to fund any future operating deficits. MM Homes is not required to maintain a minimum balance and any deposits or withdrawals from this account are at the discretion of management. MM Home's operating reserve had a balance of \$35,001 as of June 30, 2014. During fiscal year 2015, this account was closed.

### 10. FUNDING

HFI and Affiliates receive a significant portion of their total unrestricted operating support and revenues (approximately 65% and 60% during fiscal years 2015 and 2014, respectively) from two funding sources under unit-rate and cost reimbursable contracts. These reimbursements are subject to audit by the funding sources. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidating financial position of HFI and Affiliates as of June 30, 2015 and 2014, or on the changes in their net assets for the years then ended.

CSLP receives significant rental subsidies from the Malden Housing Authority (MHA) for qualified tenants. MHA has committed to provide subsidies through May 2030. MHA provided \$265,835 and \$262,527 in rental subsidies and vacancy reimbursements to CSLP during the years ended June 30, 2015 and 2014, respectively.

HFI Properties, Inc. and Affiliate also receives significant rental subsidies from MHA and the Metro Boston Housing Partnership (MBHP) for qualified tenants. MHA and MBHP have committed to provide subsidies to HFI Properties, Inc. and Affiliate through January 2025 and March 2018, respectively. Collectively, MHA and MBHP provided \$182,907 and \$162,972 in rental subsidies to HFI Properties, Inc. and Affiliate during the years ended June 30, 2015 and 2014, respectively.

## **HOUSING FAMILIES INC. AND AFFILIATES**

Notes to Consolidating Financial Statements  
June 30, 2015 and 2014

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### **11. CONCENTRATIONS**

HFI and Affiliates maintain their cash balances in various banks in Massachusetts and are insured within the limits of Federal Deposit Insurance Corporation (FDIC). HFI and Affiliates have not experienced any losses in such accounts. HFI and Affiliates believe they are not exposed to any significant credit risk on their cash.

Approximately 53% of HFI's accounts and pledges receivable were due from one source as of June 30, 2015. Approximately 70% of HFI's accounts and pledges receivable were due from two sources as of June 30, 2014.

### **12. CONDITIONAL GRANT**

During fiscal year 2015, HFI and Affiliates were awarded a \$45,120 conditional grant from an organization which is time restricted for fiscal year 2016. Since this grant is conditional upon the organization having available funds and HFI and Affiliates' performance in accordance with the guidelines set forth by the organization, this grant has not been recognized in the accompanying consolidating financial statements as of June 30, 2015.

### **13. RECLASSIFICATION**

Certain amounts in the fiscal year 2014 consolidating financial statements have been reclassified to conform with the presentation of the fiscal year 2015 consolidating financial statements.