

Harborlight Community Partners, Inc. and Subsidiaries

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

December 31, 2021



Harborlight Community Partners, Inc. and Subsidiaries

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Independent Auditor's Report

To the Board of Directors
Harborlight Community Partners, Inc. and Subsidiaries

Report on the Audit of the Consolidated and Combined Financial Statements

Opinion

We have audited the accompanying consolidated and combined financial statements of Harborlight Community Partners, Inc. and Subsidiaries, which comprise the consolidated and combined statement of financial position as of December 31, 2021, and the related consolidated and combined statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, the accompanying consolidated and combined financial statements present fairly, in all material respects, the consolidated and combined financial position of Harborlight Community Partners, Inc. and Subsidiaries as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harborlight Community Partners, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The financial statements of Harborlight House LLC, Boston Street Crossing LLC, Maple Woods LLC, Granite Street Crossing LLC, Anchor Point LLC, One Anchor Point LLC, Catalyst Housing LLC and Hardy Street LLC were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Harborlight Community Partners, Inc. and Subsidiaries' ability to continue as a going concern for one year after the date that the consolidated and combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated and Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated and combined financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated and combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Harborlight Community Partners, Inc. and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Harborlight Community Partners, Inc. and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The consolidating and combining statement of financial position and statements of activities and changes in net assets is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated and combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined 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 and combined financial statements or to the consolidated and combined

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating and combining statement of financial position and statements of activities and changes in net assets and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the consolidated and combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2022, on our consideration of Harborlight Community Partners, Inc. and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Harborlight Community Partners, Inc. and Subsidiaries' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harborlight Community Partners, Inc. and Subsidiaries' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CohnReznick LLP".

Boston, Massachusetts
August 19, 2022

Harborlight Community Partners, Inc. and Subsidiaries
Consolidated and Combined Statement of Financial Position
December 31, 2021

Assets

Current assets	
Cash - operations	\$ 2,880,976
Cash - development	76,157
Restricted deposits and funded reserves	3,298,898
Unrestricted investments	3,133,631
Tenant security deposits	120,667
Accounts receivable - residents	13,618
Accounts receivable - related party	400,066
Accounts receivable - other	116,514
Prepaid expenses	224,593
Unconditional promises to give, current portion	<u>25,477</u>
Total current assets	<u>10,290,597</u>
Property and equipment	
Land and site improvements	8,174,624
Buildings and improvements	43,776,379
Furniture and equipment	1,144,313
Motor vehicles	40,033
Construction in progress	<u>7,202,067</u>
Total	60,337,416
Less accumulated depreciation	<u>9,763,189</u>
Total property and equipment	<u>50,574,227</u>
Other assets	
Tax credit fees, net of accumulated amortization of \$21,562	28,218
Development fee receivable	259,859
Real estate project development costs	<u>4,023,985</u>
Total other assets	<u>4,312,062</u>
Total assets	<u><u>\$ 65,176,886</u></u>

Harborlight Community Partners, Inc. and Subsidiaries
Consolidated and Combined Statement of Financial Position
December 31, 2021

Liabilities and Net Assets

Current liabilities	
Accounts payable	\$ 376,845
Accounts payable - related party	2,218
Accounts payable - construction	2,432,415
Accrued expenses	423,723
Accrued interest	92,339
Tenant security deposits	118,128
Prepaid rent	25,879
Current portion of long-term debt	<u>3,347,104</u>
Total current liabilities	<u>6,818,651</u>
Long-term liabilities	
Long-term debt, net of unamortized debt issuance costs	42,375,007
Deferred interest	48,901
Lender's premium, net	563,821
Development advances	150,000
Accrued interest payable - mortgages payable	<u>136,801</u>
Total long-term liabilities	<u>43,274,530</u>
Total liabilities	<u>50,093,181</u>
Without donor restrictions - controlling	8,164,840
Without donor restrictions - noncontrolling	6,054,246
Without donor restrictions - combined entities	(158,224)
With donor restrictions	<u>1,022,843</u>
Total net assets	<u>15,083,705</u>
Total liabilities and net assets	<u><u>\$ 65,176,886</u></u>

See Notes to Consolidated and Combined Financial Statements.

Harborlight Community Partners, Inc. and Subsidiaries

**Consolidated and Combined Statement of Activities
Year Ended December 31, 2021**

	<u>Net assets without donor restrictions</u>	<u>Net assets with donor restrictions</u>	<u>Total</u>
Revenue and support			
Grants and contributions	\$ 876,764	\$ 612,673	\$ 1,489,437
Rental	4,702,715	-	4,702,715
Contracts	11,465	-	11,465
Program service fees	91,366	-	91,366
Investment return, net	274,065	-	274,065
Development consulting fees	423,520	-	423,520
Development fees	877,518	-	877,518
Management fees	104,175	-	104,175
Other	146,835	-	146,835
Net assets released from restriction	<u>143,913</u>	<u>(143,913)</u>	<u>-</u>
 Total revenue	 <u>7,652,336</u>	 <u>468,760</u>	 <u>8,121,096</u>
Expenses			
Rental property operations	5,266,640	-	5,266,640
Real estate development	494,213	-	494,213
Advocacy and services	<u>287,632</u>	<u>-</u>	<u>287,632</u>
 Total program services	 6,048,485	 -	 6,048,485
Management and general	79,742	-	79,742
Fundraising	<u>280,858</u>	<u>-</u>	<u>280,858</u>
 Total expenses	 <u>6,409,085</u>	 <u>-</u>	 <u>6,409,085</u>
 Changes in net assets	 <u>\$ 1,243,251</u>	 <u>\$ 468,760</u>	 <u>\$ 1,712,011</u>

See Notes to Consolidated and Combined Financial Statements.

Harborlight Community Partners, Inc. and Subsidiaries
Consolidated and Combined Statement of Changes in Net Assets
Year Ended December 31, 2021

	Net assets without donor restrictions				Net assets with donor restrictions	Total net assets
	Controlling	Noncontrolling	Combined entities	Total		
Net assets, beginning of year	\$ 6,950,206	\$ 6,054,241	\$ (149,037)	\$ 12,855,410	\$ 554,083	\$ 13,409,493
Changes in net assets	1,214,630	37,808	(9,187)	1,243,251	468,760	1,712,011
Capital contributions	4	-	-	4	-	4
Distributions	-	(37,803)	-	(37,803)	-	(37,803)
Net assets, end of year	<u>\$ 8,164,840</u>	<u>\$ 6,054,246</u>	<u>\$ (158,224)</u>	<u>\$ 14,060,862</u>	<u>\$ 1,022,843</u>	<u>\$ 15,083,705</u>

See Notes to Consolidated and Combined Financial Statements.

Harborlight Community Partners, Inc. and Subsidiaries

**Consolidated and Combined Statement of Functional Expenses
Year Ended December 31, 2021**

	Program Services				Management and general	Fundraising	Total
	Rental property operations	Real estate development	Advocacy and services	Total program services			
Employee compensation, payroll taxes and benefits	\$ 1,253,798	\$ 371,572	\$ 204,503	\$ 1,829,873	\$ 26,504	\$ 195,080	\$ 2,051,457
Operating and maintenance expenses	431,695	-	-	431,695	3,031	-	434,726
Utilities	415,591	1,470	1,202	418,263	311	1,603	420,177
Taxes and insurance	546,798	6,734	5,510	559,042	12,496	7,346	578,884
Administrative	483,201	84,954	68,493	636,648	10,395	43,019	690,062
Development costs	-	19,798	-	19,798	-	-	19,798
Professional fees	122,965	8,051	6,587	137,603	13,174	8,783	159,560
Fundraising event expense	-	-	-	-	-	23,245	23,245
Financial services expense	394	-	-	394	-	-	394
Social service expenses	71,039	-	-	71,039	-	-	71,039
Interest expense	622,416	1,634	1,337	625,387	2,674	1,782	629,843
Other financial expenses	38,302	-	-	38,302	-	-	38,302
Depreciation and amortization	1,280,441	-	-	1,280,441	11,157	-	1,291,598
Total	\$ 5,266,640	\$ 494,213	\$ 287,632	\$ 6,048,485	\$ 79,742	\$ 280,858	\$ 6,409,085
Percentage	82.17%	7.71%	4.49%	94.37%	1.24%	4.38%	100.0%

See Notes to Consolidated and Combined Financial Statements.

Harborlight Community Partners, Inc. and Subsidiaries

**Consolidated and Combined Statement of Cash Flows
Year Ended December 31, 2021**

Cash flows from operating activities	
Changes in net assets	\$ 1,712,011
Adjustments to reconcile changes in net assets to net cash provided by operating activities	
Depreciation	1,288,273
Amortization of debt issuance costs	36,761
Amortization of tax credit monitoring fees	3,324
Gain on investments	558,202
Changes in	
Accounts receivable - residents	7,868
Accounts receivable - related party	(140,299)
Accounts receivable - other	(26,734)
Prepaid expenses	(87,651)
Unconditional promises to give	52,000
Accounts payable	199,950
Accounts payable - related party	(44,105)
Accrued expenses	259,465
Accrued interest	(9,027)
Tenant security deposits liability	4,408
Prepaid rent	7,056
Other liabilities	(35,294)
Deferred interest	1,952
	3,788,160
Net cash provided by operating activities	
Cash flows from investing activities	
Purchases of property and equipment	(5,824,615)
Payments for real estate project development costs	(531,930)
Proceeds from sales of investments	408,263
Purchases of investments	(380,625)
	(6,328,907)
Net cash used in investing activities	
Cash flows from financing activities	
Long-term debt proceeds	19,315,803
Principal payments on mortgages and notes payable	(371,929)
Repayments of mortgages and notes payables	(15,761,493)
Distributions	(37,803)
Payments of debt issuance costs	(154,353)
	2,990,225
Net cash provided by financing activities	
Net increase in cash and restricted cash	449,478
Cash and restricted cash, beginning	5,927,220
Cash and restricted cash, end	\$ 6,376,698

Harborlight Community Partners, Inc. and Subsidiaries

**Consolidated and Combined Statement of Cash Flows
Year Ended December 31, 2021**

Supplemental disclosure of cash flow information	
Cash paid for interest, net of interest capitalized	<u>\$ 542,138</u>
Supplemental disclosure of noncash investing and financing activities	
Property and equipment additions incurred during the year	\$ 7,860,738
Property and equipment additions included in accounts payable - construction at end of year	39,174
Property and equipment additions included in accounts payable at year end	<u>(2,075,297)</u>
Cash paid for purchases of property and equipment	<u>\$ 5,824,615</u>
Real estate project development costs incurred during the year	\$ 648,366
Real estate project development costs included in accounts payable - construction at beginning of year	32,067
Real estate project development costs included in accounts payable - construction at end of year	<u>(148,503)</u>
Cash paid for real estate project development costs	<u>\$ 531,930</u>

See Notes to Consolidated and Combined Financial Statements.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Note 1 - Organization and summary of significant accounting policies

Harborlight Community Partners, Inc. ("HCP" or the "Organization") was formed as a non-profit corporation in the Commonwealth of Massachusetts in January 2009, which was the result of a merger of several smaller non-profit organizations that had a shared mission in providing affordable housing rental units to the local community. HCP has ties dating back to the 1960s when the First Baptist Church of Beverly opened Harborlight House to provide affordable housing units to low-income seniors. Today, HCP is a community development corporation that manages, develops, preserves, and operates affordable housing on the North Shore of Massachusetts.

HCP currently owns and/or manages 22 properties in nine communities and a community land trust. These properties offer a total combined 398 housing units, which is comprised of a combination of affordable senior housing with supportive services, affordable senior supportive living, family housing for low- and very low-income families, affordable housing for individuals with disabilities, and supportive permanent housing for formerly homeless individuals. HCP has also established partnerships with other non-profit and for-profit organizations to further develop affordable housing units on the North Shore of Massachusetts.

Principles of consolidation and combination

HCP consolidates its wholly owned subsidiaries, as well as for-profit limited liability companies in which HCP is the managing member and is deemed to have control. The consolidated financial statements include the accounts of the Organization, its wholly-owned subsidiaries, and for-profit limited liability companies which meet the requirements for consolidation.

HCP is the sole member of Whipple Annex Housing LLC, Maple Woods Housing LLC, Granite Street Crossing LLC, Anchor Point LLC, One Anchor Point LLC (HCP owns both managing member and investor member), and Hardy Street LLC. Turtle Creek Housing MM LLC is the managing member in Turtle Creek Housing LLC, which HCP has a controlling interest. Harborlight House MM LLC is the managing member in Harborlight House LLC, which HCP has a controlling interest. Boston Street Crossing MM LLC is the managing member in Boston Street Crossing LLC, which HCP has a controlling interest. Catalyst Housing MM LLC is the managing member in Catalyst Housing LLC, a Joint venture which HCP is the co-managing member, majority developer and will be property manager and has a controlling interest. Pigeon Cove Ledges is a residential project owned by HCP and is not a separate legal entity.

HCP also combines other not-for-profit organizations which do not meet the requirements for consolidation under the Financial Accounting Standard Board ("FASB") Accounting Standards Codification ("ASC"). The combined entities included are as follows: Firehouse Place, Inc., Rockport Affordable Housing, Inc., and Marblehead Community Housing Corporation; not-for-profit entities related through common board members and management.

HCP, its subsidiaries, and for-profit limited liability companies in which HCP has a controlling interest are collectively referred to hereinafter as the Organization unless context dictates otherwise.

All significant intercompany balances and transactions have been eliminated in consolidation and combination.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Noncontrolling interest in affiliates

The noncontrolling interest represents the 99.99% investor member interests in Turtle Creek Housing LLC, Harborlight House LLC, and Boston Street Crossing LLC, which are reported as a component of net assets without donor restrictions on the consolidated statement of financial position and as a separate component of the change in net assets on the consolidated and combined statement of activities.

Nature of activities

HCP provides programs and activities that raise the economic, housing, educational and social levels of low and moderate-income for the residents of or on the North Shore of Massachusetts. The following program activities are listed in order of total program expenditures.

Rental property operations

The rental property program consists of rental activities related to 22 residential properties in the North Shore area of Massachusetts, the majority of which are subject to long-term affordable housing restrictions. The residential properties contain 398 units in total, are subjected to affordability restrictions, some of which are attached to the related land, and are rented to families of low to moderate incomes. All leases between the Organization and its tenants are operating leases.

Real estate development

The real estate development program uses funds obtained from various governmental entities, foundations, financial institutions, nonprofit organizations and individuals to acquire and develop properties.

Advocacy and services

The advocacy and services program provides support to the individuals and local communities which relate to HCP's mission.

Use of estimates

The preparation of consolidated and combined financial statements in accordance 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 the disclosure of contingent assets and liabilities at the date of the consolidated and combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation

HCP presents its consolidated and combined financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All the net assets of the Organization are net assets without donor restrictions with the exception of those that are subject to explicit or implicit donor-imposed restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

HCP conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Cash and cash equivalents

The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are recorded at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Accounts receivable - residents

Tenant rents receivable are stated at the amount management expects to collect on balances outstanding at year-end. Management has closely monitored outstanding balances and writes-off as of year-end all balances that it deems uncollectible based upon such factors as tenant payment history, the results of collection efforts, and the commencement of tenant eviction proceedings. Accounting principles generally accepted in the United States of America require the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different than the results that would have been obtained under the allowance method.

Accounts receivable - related party, other

Receivables from grants and contributions are stated at the amounts management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to net assets and a credit to a valuation allowance based on historical collection experience, its assessment of current economic conditions, review and assessment of estimated funding sources and financial condition of the debtor. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to valuation allowance and a credit to accounts receivable.

Fixed assets and depreciation

Property and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated and combined statement of activities.

The Organization computes depreciation using the straight-line method over the following estimated useful lives:

Land and site improvements	15 - 20 years
Buildings and improvements	20 - 40 years
Furniture and equipment	3 - 7 years
Motor vehicles	5 years
Leasehold improvements	3 - 40 years

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Real estate project development costs

Real estate project development costs include pre-acquisition, acquisition, construction costs and capitalized interest, and associated general and administrative costs related to properties the Organization intends on using in its programs. Real estate project development costs are recorded at cost. Management believes these developments could take anywhere from 2-5 years to completely develop, sell and/or rent. At times, planned developments are abandoned. Real estate project development costs are written off when it is determined by Management that such projects will no longer be pursued. All developments are located in the North Shore of Massachusetts.

Impairment of long-lived assets

The Organization reviews its investment in real estate, real estate development costs, and property held for sale (real estate), for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flows expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2021.

Tax credit fees and amortization

Tax credit fees of \$49,780 are being amortized over the respective tax credit compliance periods using the straight-line method. Amortization expense for the year ended December 31, 2021 was \$3,324. Accumulated amortization was \$21,562 at December 31, 2021. Estimated annual amortization expense for each year through December 31, 2026 is \$3,324.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Net assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions which are limited to the use of various HCP programs are reflected as net assets without donor restrictions if these funds are received and spent during the same year and if they support the activities of HCP within the limits of HCP's Articles of Organization.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Revenue recognition

The Organization recognizes its revenue as follows:

Housing management and related fees

Fees for property management, accounting and data processing, central office, and other services are recognized over time when the performance obligations of transferring such services to the customer are satisfied. Transaction prices for each performance obligation are specified in the contractual agreements. Payment terms are specified in each contract and are most often to be made by the customer on a monthly basis after such services have been rendered. Amounts received in advance are deferred to the applicable period.

Development fees

Development fees are earned in connection with the construction and oversight of the development of multi-family affordable housing rental units. Development fees earned are paid from the related project's equity and debt proceeds ("Development Sources") at the completion of construction of the project, or as otherwise specified in the development agreement. These fees are recognized over the development period, beginning when the project is assured of being constructed, as evidenced by the admission of an equity partner, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected, and concluding with the application for final allocation of tax credits and/or obtaining permanent financing. Any portion of the development fee not expected to be paid using Development Sources, such as out of cash flow from project operations, represents variable consideration. The project estimates whether it will be entitled to variable consideration under the terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in *ASC Topic 606, Revenue from Contracts with Customers*, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the project's influence, including insufficient equity and debt proceeds at the completion of the construction of the project;
- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time;
- The Organization's experience with similar types of agreements;
- Whether the Organization expects to offer changes to payment terms; and
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the project's estimate of the variable consideration using available information at the reporting date. Any difference between the gross amount of the project's development fee payable and the estimate of variable consideration to which the developer expects to be entitled is eliminated in these consolidated and combined financial statements. Additionally, development fees earned on projects that are wholly-owned by the Organization are also eliminated in these consolidated and combined financial statements.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Rental revenue

Rental income from operating leases with residential tenants is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Organization and the tenants of the properties are operating leases.

Rental income from operating leases with commercial tenants is recognized on a straight-line basis under which contractual rent increases are recognized equally over the lease term. Differences over the term of the lease in the amount of rent to be recognized on the straight-line method and actual rents billed are reflected as a deferred asset or liability, as applicable.

Contributed services and in-kind contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising activities; however, the consolidated and combined financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended December 31, 2021.

Contributions

Contributions are recorded upon receipt or pledge when it is determined that the resource provider has not received equal commensurate value in return for the resources transferred or promised to the Organization. Contributions are classified as either conditional or unconditional depending on the existence and/or nature of any donor-imposed conditions or stipulations. All contributions are considered to be unconditional unless they specifically carry donor-imposed stipulations which represent barriers that must be overcome by the Organization before being entitled to the assets transferred or promised by the resource provider. Additionally, a conditional contribution also requires that any failure by the Organization to overcome such barriers gives the resource provider a right of return of the assets it has transferred or provides the promisor a right of release from obligation to transfer its assets. Unconditional contributions are recognized as contribution revenue immediately and are classified as either net assets with donor restrictions or net assets without donor restrictions depending upon the existence of any donor-imposed restrictions. Donor-imposed restrictions, if any, are dictated by the resource provider with the sole purpose of limiting the Organization's use of the contribution for a specific purpose or a specified period of time. Conditional contributions received are accounted for as a liability initially, that is, until the barriers to entitlement are overcome by the Organization, at which time the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions.

Promises to give

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at fair value using present value techniques and a discount rate determined by management of HCP. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Unconditional promises to give are recorded as receivables and revenue when earned. HCP distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Harborlight Community Partners, Inc. and Subsidiaries

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Grants

HCP receives grant revenue from various agencies in accordance with its mission. Grant revenue is earned and recognized by the Organization when the services are provided. HCP also receives grant awards that are passed through to other recipients. These pass-through awards amounted to \$107,586 for the year ended December 31, 2021 and the related expense is included in operating and maintenance expense on the accompanying consolidated and combined statement of functional expenses.

Contracts

The Organization receives contract revenue from various public and private organizations. Contract revenue is recognized over the period covered by the contract as services are provided and costs are incurred.

Event revenue

Event revenue is recorded when the event takes place. Amounts received in advance are deferred until earned.

Functional allocation of expenses

The cost of providing the various programs and activities has been summarized on a functional basis in the consolidated and combined statement of activities. The consolidated and combined statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such costs have been allocated on the basis of estimates of time and effort.

Income taxes

Harborlight Community Partners, Inc., Firehouse Place, Inc., Rockport Affordable Housing, Inc. and Marblehead Community Housing Corporation are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). However, income from certain activities not directly related to each entity's tax-exempt purpose is subject to taxation as unrelated business income. The entities had no unrelated business income for the year ended December 31, 2021. In addition, the Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations other than private foundations under Section 509(a)(2).

The individual members of Turtle Creek Housing LLC, Harborlight House LLC, One Anchor Point LLC and Boston Street Crossing LLC are responsible for any federal and state income taxes, and therefore any such taxes are not included in the consolidated and combined financial statements of the Organization.

Whipple Annex Housing LLC, Maple Woods Housing, LLC, Granite Street Crossing, LLC, Anchor Point LLC, One Anchor Point, LLC and Hardy Street LLC, as single-member entities, are disregarded entities for tax purposes.

The tax returns of each entity incorporate the interpretation of the Internal Revenue Code and applicable state regulations as determined by the management of each entity. These interpretations are subject to review and adjustment by the Internal Revenue Service and taxing authorities.

Harborlight Community Partners, Inc. and Subsidiaries

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Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the consolidated and combined financial statements. Management does not believe its evaluation of tax positions will significantly change within 12 months of December 31, 2021. Any changes in tax positions will be recorded when the ultimate outcome becomes known. Each entity's income tax returns are subject to examination by the IRS for a period of three years. While no income tax returns are currently being examined by the IRS, tax years since 2018 remain open.

Note 2 - Liquidity and availability

The Organization has \$6,871,611 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash of \$2,880,976, accounts receivable of \$530,198, prepaid expenses of \$224,593, restricted deposits and funded reserves of \$102,213 and unrestricted investments of \$3,133,631. Only amounts related to restricted deposits and funded reserves anticipated to be used more than one year after the statement of financial position date have been excluded from the above amounts. Financial assets of the Organization are intended to be sufficient to meet its general expenditures, liabilities and other obligations as they become due.

Note 3 - Restricted deposits and funded reserves

Mortgagee escrow deposits

The Organization is required to establish and maintain real estate taxes and insurance escrows in connection with loan agreements related to the Organization's rental operations. As of December 31, 2021, the escrow balances totaled \$88,052. All required deposits were made during the year.

Replacement reserves

In accordance with various operating and loan agreements in connection with the Organization's rental operations, the Organization is required to establish and maintain replacement reserve accounts for significant repairs and replacements. Withdrawals are subject to approval as defined in the Organization's various operating and loan agreements. The replacement reserve funds are held with certain lenders. As of December 31, 2021, the replacement reserve balances totaled \$1,367,202. All deposits and disbursements were made in accordance with the Organization's operating and loan agreements.

Residual receipts reserve

In connection with the acquisition of the project, residual receipts of \$47,745 were transferred from the seller to the Organization. The use of residual receipts is restricted by the Regulatory Agreement and funds may only be withdrawn with the permission of HUD. As of December 31, 2021, the balance of the residual receipts reserve was \$50,313.

Operating reserves

In accordance with various operating agreements in connection with the Organization's rental operations, the Organization maintains operating reserves for operating shortfalls. Withdrawals may only be made with prior approval as specified in the related operating agreements. Additionally, operating reserve accounts may have a minimum balance requirement equal to three months' debt service for notes payable. The operating reserve funds are held in financial institutions in Massachusetts and with certain lenders. As of December 31, 2021, the operating reserve balances totaled \$1,528,754.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Other restricted deposits

The Organization regularly receives cash donations which are restricted by the donor for the exclusive benefit of one or more of HCP's subsidiaries. As of December 31, 2021, the balance of such restricted deposits was \$264,577.

Note 4 - Investments

The Organization's investments are comprised of the following as of December 31, 2021:

	Unrestricted	
	Cost	Fair value
Money market funds	\$ 372,799	\$ 372,799
Equity securities	539,667	899,126
Corporate bonds	669,924	683,017
Mutual funds	801,813	996,334
Exchange traded products	166,395	177,884
Accrued interest	4,471	4,471
	<u>\$ 2,555,069</u>	<u>\$ 3,133,631</u>

Realized and unrealized gains (losses) on investments are shown net in the consolidated and combined statement of activities. For the year ended December 31, 2021, net realized and unrealized gains on investments amounted to \$211,861, which is included in investment return, net in the accompanying consolidated and combined statement of activities.

Note 5 - Fair value measurements

FASB's guidance on fair value measurements established a framework for measuring fair value of assets and liabilities and expanded related disclosures. FASB's guidance requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance established a three-level valuation hierarchy based upon observable and nonobservable inputs.

Fair value is the price the Organization would receive to sell an asset or pay to transfer a liability in an orderly transaction with a market participant at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date.

Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Organization's market assumptions. Preference is given to observable inputs.

The fair value hierarchy under the guidance is as follows:

Level 1: Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Harborlight Community Partners, Inc. and Subsidiaries

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Level 2: Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

FASB's guidance requires the use of observable data if such data is available without undue costs and effort.

When available, the Organization uses unadjusted quoted market prices to measure the fair value and classifies such items within Level 1. Level 1 securities primarily include publicly-traded equity securities and mutual funds.

When quoted market prices are unobservable, the Organization uses quotes from independent pricing vendors based on recent trading activity and other relevant information including market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable.

Investments consist of corporate stocks, mutual funds, corporate bonds, and money markets with readily determinable fair values which are carried at fair value based on quoted prices in active markets. The fair value of assets measured on a recurring basis at December 31, 2021 is as follows:

Description	Level 1	Level 2	Level 3	Total
Stocks				
Information technology	\$ 272,696	\$ -	\$ -	\$ 272,696
Health care	131,567	-	-	131,567
Consumer discretionary	79,603	-	-	79,603
Consumer staples	37,992	-	-	37,992
Industrial	107,687	-	-	107,687
Consumer Cyclical	19,884	-	-	19,884
Consumer Defensive	16,578	-	-	16,578
Financial	156,878	-	-	156,878
Real estate	14,625	-	-	14,625
Materials	20,385	-	-	20,385
Energy	41,233	-	-	41,233
Total common stock	<u>899,126</u>	<u>-</u>	<u>-</u>	<u>899,126</u>
Corporate bonds - domestic	<u>683,017</u>	<u>-</u>	<u>-</u>	<u>683,017</u>
Mutual funds				
Foreign	605,645	-	-	605,645
Domestic	<u>390,689</u>	<u>-</u>	<u>-</u>	<u>390,689</u>
Total mutual funds	<u>996,334</u>	<u>-</u>	<u>-</u>	<u>996,334</u>
Money market	<u>372,799</u>	<u>-</u>	<u>-</u>	<u>372,799</u>
Exchange funded products	<u>177,884</u>	<u>-</u>	<u>-</u>	<u>177,884</u>
Accrued interest	<u>4,471</u>	<u>-</u>	<u>-</u>	<u>4,471</u>
Total assets measured at fair value	<u>\$ 3,133,631</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,133,631</u>

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Note 6 - Consolidated and combined statement of cash flows

The following table provides a reconciliation of cash and restricted cash reported within the consolidated and combined statement of financial position that sum to the total of the same such amounts in the consolidated and combined statement of cash flows:

Cash - operations	\$ 2,880,976
Cash - development	76,157
Tenant security deposits	120,667
Restricted deposits and funded reserves	
Replacement reserves	1,367,202
Operating reserves	1,528,754
Other reserves and escrows	<u>402,942</u>
Total cash and restricted cash shown in the consolidated and combined statement of cash flows	<u>\$ 6,376,698</u>

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the property, replacement reserves, operating reserves, and other reserves and escrows as required by regulatory authority and by operating agreements.

Note 7 - Promises to give

Unconditional promises to give are estimated to be collected as follows at December 31, 2021:

Unconditional promises to give	\$ 25,427
Less unamortized discount (effective rate of 5%)	<u>-</u>
Net unconditional promises to give	<u>\$ 25,427</u>
Amounts due in	
Less than one year	\$ 25,427
One to five years	<u>-</u>
	<u>\$ 25,427</u>

At December 31, 2021, the total promises to give balance consisted of two total donors, all of which were obtained in prior years.

During 2020, the Organization obtained a conditional promise to give for the total award amount of \$381,246, representing a grant for the purpose of advocacy of affordable housing. As of December 31, 2021, \$153,950 has been received, which includes \$77,586 received during 2021 and is included in net assets with donor restrictions on the accompanying consolidated and combined statement of financial position.

Harborlight Community Partners, Inc. and Subsidiaries
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Note 8 - Land use restrictions

Whipple Annex Housing LLC leases the land upon which the residential units are situated from the Town of Ipswich under a 99-year lease. The lease provides that the Organization shall be required to pay \$1 during the term of the lease, plus expenses, such as taxes and assessments, incidental to the use of the land.

Rockport Affordable Housing, Inc. was assigned a land lease upon which the residential units are situated from the Town of Rockport, under a 65-year lease. The lease provides that the Organization shall be required to pay \$1 during the term of the lease, plus expenses, such as taxes and assessments, incidental to the use of the land.

Hardy Street LLC leases the land upon which an affordable housing project was developed in Beverly, Massachusetts from Harborlight Community Partners, Inc. under a 99-year lease. The lease provides that Hardy Street LLC pay base rent of \$30,000 per annum during the term of the lease, plus expenses, such as taxes and assessments, incidental to the use of the land. Payments of base rent commenced in 2021 and are payable to the extent of the project's available cash flow (see Note 13).

Note 9 - Long-term debt

Mortgage note payable

The Organization entered into a promissory note, dated August 3, 2011, in the amount of \$1,724,506, issued by Boston Private Bank & Trust Company. The Mortgage Note Payable provided for interest at a rate of 3.75% per annum. The note was secured by the real estate and personal property (various HCP property locations). The note required monthly principal and interest payments of \$8,038. The note was refinanced on May 21, 2021 as discussed below.

On May 21, 2021, Harborlight Community Partners, Inc. obtained financing from Boston Private Bank and Trust in the form of a promissory note in the original amount principal amount of \$1,464,835. The note is secured by the real estate and personal property (various HCP property locations). The loan bears interest at 3% per annum, requires monthly payments of principal and interest of \$8,143 based on a 20-year amortization schedule, and matures on May 21, 2023, subject to two six-month extensions (extended maturity dates of November 21, 2023 and May 21, 2024, as applicable). On May 21, 2021, Harborlight Community Partners, Inc. paid off the then outstanding principal balances of the Boston Private Bank and Trust loans with outstanding principal balances of \$1,360,430 and \$54,941, respectively.

As of December 31, 2021, the outstanding principal balance of the mortgage loan was \$1,431,257.

Line of credit

The Organization has a \$500,000 revolving line of credit with the Life Insurance Community Investment Initiative, LLC ("Life Initiative"), which bears interest at 6%. The line of credit is secured by substantially all assets of HCP. The line of credit was modified in 2019 to extend the maturity date to September 1, 2022, at which time all unpaid principal and interest shall become due. As of December 31, 2021, the outstanding balance on the line of credit was \$394,952.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

The following schedule shows additional debt held by the Organization at December 31, 2021 related to various rental properties and equipment:

Loan from	Priority	Stated interest rate	Note date	Maturity date	Original principal balance	Outstanding principal balance as of 12/31/21
<u>Harborlight Community Partners, Inc.</u>						
Pigeon Cove Ledges						
USDA, Rural Development	Shared First	3.25%	December 1, 2011	January 2042	\$ 2,427,318	\$ 2,198,494
USDA, Rural Development	Shared First	3.25%	December 1, 2011	January 2042	1,337,069	1,211,024
North Shore HOME Consortium	Shared Second	0.00%	January 30, 2012	January 2042	150,000	150,000
Town of Rockport	Shared Second	0.00%	January 30, 2012	January 2042	72,764	72,764
Dodge Street						
North Shore Bank	First	4.25%	January 12, 2017	January 2037	135,000	118,421
CEDAC	Shared Second	0.00%	March 26, 2008	March 2038	238,026	238,026
North Shore HOME Consortium	Shared Second	0.00%	August 21, 2009	August 2039	150,000	150,000
City of Beverly	Third	0.00%	August 21, 2009	(a)	100,000	100,000
Home Street						
North Shore HOME Consortium	First	0.00%	September 18, 2003	July 2023	140,000	140,000
Pleasant Street						
Boston Private Bank & Trust	First	6.07%	August 3, 2011	August 2031	65,000 (4)	-
North Shore HOME Consortium	Second	0.00%	October 14, 2011	October 2041	90,000	90,000
Chase Street						
North Shore HOME Consortium	First	0.00%	December 15, 2010	December 2040	78,100	78,100
Union Street						
North Shore HOME Consortium	First	0.00%	December 13, 2010	December 2040	101,000	101,000
River Street						
North Shore HOME Consortium	First	0.00%	August 31, 2001	August 2031	65,000	65,000
Beckford Street						
North Shore HOME Consortium	First	0.00%	December 1, 2008	December 2023	25,000	25,000
Anchor Point LLC						
CEDAC	First	7.00%	December 22, 2017	(b)	1,527,135 (1)	475,935
Granite Street Crossing LLC						
CEDAC	First	7.00%	July 7, 2017	(b); **	196,648	348,912
Maple Woods						
CEDAC	First	7.00%	November 16, 2020	(b)	447,500	392,729
Catalyst Housing LLC						
CEDAC	First	(b)		(b)	112,448	112,488
The Haven Project	Second	(b)		(b)	444,000	444,000
<u>Firehouse Place, Inc.</u>						
First Baptist Church of Beverly	First	6.00%	February 18, 2011	February 2031	140,000	84,705
DHCD	Shared Second	0.00%	June 6, 2011	October 2041	200,000	200,000
CEDAC	Shared Second	0.00%	May 20, 2011	October 2041	200,000	200,000
CEDAC	Shared Second	0.00%	May 20, 2011	October 2041	107,000	107,000
North Shore HOME Consortium	Shared Second	0.00%	May 20, 2011	October 2041	220,000	220,000
Town of Hamilton	Shared Second	0.00%	May 20, 2011	October 2041	65,720	65,720
<u>Marblehead Community Housing Corp.</u>						
National Grand Bank	First	5.25%	April 29, 2014	April 2034	114,376	96,103
MHP Fund Board	Second	0.00%	October 22, 2004	October 2054	260,000	260,000
North Shore HOME Consortium	Third	0.00%	September 6, 2013	September 2023	100,000	100,000
FHLB of Boston	Fourth	0.00%	April 29, 2014	February 2030	84,000	84,000
<u>Rockport Affordable Housing, Inc.</u>						
USDA, Rural Development	First	3.75%	December 1, 2013	January 2044	874,875	819,342
Cape Ann Savings Bank	Second	4.50%	December 2, 2013	December 2043	200,000	170,813
DHCD	Shared Third	0.00%	December 12, 1996	December 2043	500,000	450,000
Town of Rockport	Shared Third	0.50%	December 12, 1996	December 2046	390,400	390,400
North Shore HOME Consortium	Shared Third	0.00%	November 26, 2013	December 2043	300,000	300,000
North Shore HOME Consortium	Shared Third	0.00%	January 30, 2012	January 2042	200,000	200,000
North Shore HOME Consortium	Shared Third	0.00%	November 26, 2013	November 2043	35,300	35,300
<u>Anchor Point Phase One</u>						
MHP	Shared first	4.45%	May 11, 2021	June 2041	4,300,000	-
Boston Private Bank & Trust	Shared first	3.40%	May 14, 2021	June 2023	10,500,000	3,577,347
Beverly AHT	Shared third	0.00%	June 10, 2021	August 2052	250,000	250,000
DHCD	Shared third	0.00%	June 10, 2021	August 2052	825,000	742,500
CEDAC	Shared third	0.00%	June 10, 2021	August 2052	1,000,000	949,818
IFS	Second	0.00%	June 10, 2021	(4)	1,590,141	795,071
HSF	Shared third	0.00%	June 10, 2021	August 2052	1,000,000	-
AHTF	Shared third	0.00%	June 20, 2021	August 2052	1,000,000	-
CATNHP (MHP Fund Board)	Shared third	0.00%	June 10, 2021	August 2052	500,000	-
North Shore HOME Consortium	Shared third	0.00%	June 10, 2021	August 2052	250,000	-
Beverly HOME	Shared third	0.00%	June 10, 2021	August 2052	20,613	-

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Loan from	Priority	Stated interest rate	Note date	Maturity date	Original principal balance	Outstanding principal balance as of 12/31/21
<u>Whipple Annex LLC</u>						
North Shore Bank	Shared First	3.00%	March 16, 2016	May 2027	650,000	216,642
North Shore Bank	Shared First	4.22%	December 28, 2015	March 2026	140,000	26,424
DHCD	Shared Second	0.00%	July 7, 2006	March 2036	500,000	500,000
DHCD	Shared Second	0.00%	March 16, 2016	March 2056	500,000	500,000
FHLB of Boston	Shared Second	0.00%	March 16, 2016	May 2022	300,000	300,000
CEDAC	Shared Second	0.00%	May 8, 2007	May 2037	201,993	201,993
Town of Ipswich	Shared Third	0.00%	March 16, 2016	March 2105	115,000	115,000
North Shore HOME Consortium	Shared Third	0.00%	March 16, 2016	March 2105	75,000	75,000
<u>Turtle Creek Housing LLC</u>						
Red Capital Mortgage LLC	First	4.05%	May 1, 2016	June 2051	10,313,300	9,634,491
First Church of Beverly	Second	3.37%	November 19, 2013	November 2063	2,704,613	2,538,092
First Church of Beverly	Third	0.00%	November 19, 2013	November 2063	439,710	439,710
North Shore HOME Consortium	Fourth	0.00%	November 19, 2013	November 2048	64,724	64,724
Kelly Ford, Inc.	N/A - Vehicle	7.74%	August 2, 2017	August 2022	40,033	5,831
<u>Harborlight House LLC</u>						
DHCD	Shared First	2.74%	August 10, 2016	August 2046	400,000	400,000
MHP Fund Board	Shared First	0.00%	August 10, 2016	August 2066	1,010,000	1,005,000
CEDAC	Shared First	2.00%	August 10, 2016	August 2056	250,000	190,189
CEDAC	Shared First	0.00%	August 10, 2016	August 2046	1,000,000	1,000,000
CEDAC	Shared First	0.00%	August 10, 2016	August 2056	1,000,000	1,000,000
North Shore HOME Consortium	Shared Third	2.82%	August 31, 2016	August 2045	150,000	150,000
City of Beverly	Shared Third	2.82%	August 31, 2016	August 2045	50,000	50,000
<u>Boston Street Crossing LLC</u>						
Boston Private Bank & Trust	Shared First	2.71%	August 8, 2017	August 2049	150,000	102,141
DHCD	Shared Second	0.00%	August 8, 2017	August 2048	1,482,408	1,482,408
DHCD	Shared Second	0.00%	August 8, 2017	August 2048	430,000	430,000
CEDAC	Shared Second	0.00%	August 8, 2017	August 2048	1,400,000	1,400,000
CEDAC	Shared Second	0.00%	August 8, 2017	August 2048	592,000	592,000
MHP Fund Board	Shared Second	0.00%	August 8, 2017	August 2068	1,000,000	993,193
North Shore HOME Consortium	Shared Second	0.00%	August 8, 2017	August 2048	185,000	185,000
City of Peabody	Shared Second	0.00%	August 8, 2017	August 2048	300,000	300,000
<u>Granite Street Crossing LLC</u>						
CEDAC	Shared First	6.00%	July 28, 2016	July 2022 **	376,000	376,000
CEDAC	Shared First	4.00%	July 28, 2016	July 2022 **	400,000 ⁽²⁾	188,000
<u>Anchor Point LLC</u>						
CEDAC	First	3.50%	January 29, 2018	June 2022	3,000,000	1,620,000
<u>Hardy Street LLC</u>						
MHP Fund Board	First	4.66%	March 22, 2021	March, 2041	820,000 ⁽³⁾	811,495
DHCD	Shared Second	0.00%	October 31, 2019	July 2070	450,000	450,000
North Shore HOME Consortium	Shared Second	0.00%	October 31, 2019	July 2050	75,000	75,000
City of Beverly	Shared Second	0.00%	October 31, 2019	July 2050	130,112	130,112
City of Beverly	Shared Second	0.00%	October 31, 2019	July 2050	200,000	200,000
MassHousing	Shared Second	0.00%	October 31, 2019	July 2070	450,000	450,000
Total					\$ 64,474,326	\$ 44,808,457

(a) Maturity will occur upon the default of the loan, or sale, transfer or refinancing of the property.

(b) Maturity will occur upon the construction and permanent loan closings, and two phases of development, as applicable.

(1) On May 19, 2020, the promissory note was modified to increase the loan amount to \$1,070,280.

On August 6, 2020, the loan was modified to increase the loan amount to \$1,129,279.

On September 29, 2020, the loan was modified to increase the loan amount to \$1,527,135.

On June 10, 2021, Anchor Point LLC paid \$1,380,000 and \$1,000,807 towards the outstanding principal balance on the CEDAC acquisition loan which was \$3,000,000 and CEDAC predevelopment loan which was \$1,212,621, respectively, at December 31, 2020.

(2) On May 20, 2020, the promissory note was modified to increase the loan amount to \$400,000.

(3) On March 22, 2021, financing was obtained from the Massachusetts Housing Partnership Fund board in the amount of \$820,000.

(4) On March 22, 2021, financing was obtained from the Boston private Bank and Trust in the amount of \$1,464,835.

(5) Installment payable to IFS upon IFS's withdrawal from the company as a managing member; Agreement contains option for IFS to convert loan into a like-kind capital contribution.

** CEDAC loan was repaid in full on June 22, 2022.

Unless otherwise indicated, the above debt is secured by an interest in the related project, including an assignment of leases and rents.

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Debt issuance costs, net of accumulated amortization, totaled \$912,555 as of December 31, 2020 and are related to the mortgages for HCP and various properties. Debt issuance costs on the mortgages are being amortized using imputed interest rates ranging from 3.87% to 5.80%. As of December 31, 2020, the outstanding principal balance on the loans and mortgages, net of unamortized debt issuance costs, is \$46,475,932.

Interest costs incurred and expensed on all debt for the year ended December 31, 2021 amounted to \$629,843, including amortization of debt issuance costs of \$36,761. As of December 31, 2021, accrued interest expensed and currently payable amounted to \$229,140. Accrued interest on all debt not currently payable totals \$67,496 at December 31, 2021. Interest costs incurred and capitalized on real estate projects in development for the year ended December 31, 2021 were \$42,058.

Debt covenants

Certain notes payable require the Organization to maintain a minimum loan to value ratios and debt service coverage ratios. As of the date of the auditor's report, management has determined that the Organization was in compliance with these ratios as of December 31, 2021 or obtained waivers for any noncompliance.

Estimated annual principal payments due during each of the next five years and thereafter on the above-mentioned debt are as follows:

December 31, 2022	\$	3,347,104
2023		1,669,928
2024		468,018
2025		312,794
2026		314,539
Thereafter		<u>40,522,282</u>
Total	\$	<u>46,634,665</u>

Note 10 - Development advances

During both 2014 and 2016, the Organization received advances of \$75,000 from a local donor to support pre-development costs on future development projects. All funds will be repaid at a time that is mutually agreeable to both parties. As of December 31, 2021, development advances totaling \$150,000 remained outstanding.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Note 11 - Net assets with donor restrictions

Net assets with donor restrictions consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Donor restrictions limit the use of the resources within the particular purposes listed below:

	Net assets with donor restrictions December 31, 2020	Increases during 2021	Releases during 2021	Interest earned during 2021	Net assets with donor restrictions December 31, 2021
Harborlight House	\$ 175,532	\$ 40,668	\$ -	\$ 377	\$ 216,577
Properties in development - Anchor Point	210,000	146,000	-	-	356,000
Properties in development - Winward Crossing	-	10,000	-	-	10,000
Hardy Street Properties in development -	7,957	190,000	(7,957)	-	190,000
AP Scholarship	36,000	17,000	-	-	53,000
HCP Endowment Fund	-	50,000	-	-	50,000
Housing renovations	48,686	-	(48,686)	-	-
Rent relief	25,000	-	-	-	25,000
Advocacy grant	50,908	77,586	(83,270)	42	45,267
Resident services	-	77,000	-	-	77,000
Tenant support	-	4,000	(4,000)	-	-
	<u>\$ 554,083</u>	<u>\$ 612,254</u>	<u>\$ (143,913)</u>	<u>\$ 419</u>	<u>\$ 1,022,843</u>

Note 12 - Related party transactions

Intercompany loans

HCP and its consolidated subsidiaries have entered into various notes whereby HCP has provided funding to the subsidiary in the form of Sponsor loans or advances. The notes and accrued interest generally are paid from the project's cash flow or a sale or refinancing. Additionally, HCP assesses the collectability of the notes and interest receivable and records an allowance for uncollectability based on the expected payments to be received. The loans and advances, accrued interest, interest earnings and expense, as well as any bad debt allowance and bad debt expense are eliminated in consolidation and combination.

Development fees

HCP provides development services to its consolidated and combined subsidiaries and earns a development fee in accordance with the terms of each agreement. Development fees of \$877,518 were earned during the year ended December 31, 2021, of which \$259,859 remain receivable.

Management fees

For providing certain administrative, oversight services and property management services to its consolidated subsidiaries, HCP earns management fees from the projects. Such fees are generally payable only from net cash flows of the projects. Fees receivable and payable, earned and incurred are eliminated in consolidation and combination, except for third party managed properties.

Note 13 - Operating leases

HCP entered into operating leases with a third party tenant to rent two rental units, which will be used as office space in support of providing support services to elderly tenants at the property. The leases commenced on July 1, 2015 for a term of three years through June 30, 2018. The leases call for rent of \$56,400 per year. HCP extended the leases with the tenants for a term of three years through June 30, 2021. HCP terminated the lease with one of the units in February 2020.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

HCP entered into an operating lease with a third party tenant for commercial space at a rental property, which will be operated as a food pantry to serve the community. The lease has a term of 15 years with and a mutual option to extend the lease for successive periods of 10 years each.

Minimum future payments due over the next five years and thereafter are as follows:

December 31, 2022	\$	11,219
2023		11,780
2024		12,369
2025		12,987
2026		13,634
Thereafter		<u>12,190</u>
Total	\$	<u><u>74,179</u></u>

HCP entered into an operating lease with an unrelated third party for office space, which is used to operate HCP's central office. The leases commenced in January 2012 for a term of five years through January 2017, with up to five one-year options to renew available. The lease was renewed through December 2018, with monthly payments of \$2,741. In January 2019, the lease was renewed through December 2020 with monthly payments of \$2,851. On January 1, 2021, the lease converted to a tenancy-at-will arrangement, with total rental payments of \$34,212 (\$2,851 per month).

HCP entered into a ground lease agreement, dated October 31, 2019, with Hardy Street LLC. The lease commenced on October 31, 2019 and will terminate 99 years thereafter on October 31, 2118. In accordance with the lease agreement, annual rental payments are payable to the extent of the project's available cash flow and will begin in the year following the one-year anniversary of the project's certificate of occupancy. Management estimates that the annual rental payments will commence in 2021.

Minimum future payments due over the next five years and thereafter are as follows:

December 31, 2022	\$	30,000
2023		30,000
2024		30,000
2025		30,000
2026		30,000
Thereafter		<u>2,760,000</u>
Total	\$	<u><u>2,910,000</u></u>

Note 14 - Development consulting fees

HCP has entered into an arrangement with an unrelated third party to provide predevelopment consulting services on an affordable housing project. It is expected that the arrangement could provide HCP with fees totaling \$847,047; however, the final fee will be determined upon completion of the development and resulting available debt and equity sources for payment. Due to the contingent nature of the fee, revenue is recognized upon payment. During the year ended

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

December 31, 2021, HCP received final payment of development consulting fees in the amount of \$423,520.

Note 15 - Housing assistance payments

Some of the rental properties have entered into housing assistance payments contracts to receive Section 8 Project-Based Voucher Payments for qualifying tenants. Two of the rental properties have entered into rental assistance agreements with U.S. Department of Agriculture, Rural Development to receive rental assistance for qualifying tenants. Additionally, some of the rental properties are provided rental subsidies from the Massachusetts Rental Voucher Program. Also, certain tenants in the rental properties receive rental assistance from local housing agencies. Subsidies earned from these rental assistance providers for the year ended December 31, 2021 were \$2,924,771.

Note 16 - Employee benefits plan

The Organization has a 403(b) retirement plan through its affiliation with the First Baptist Church in Beverly which covers employees who met the eligibility requirements. The Organization matches up to 3% of the eligible employees' annual compensation. The Organization's contributions under this plan amounted to \$32,777 for the year ended December 31, 2021.

Note 17 - Concentrations of credit risk

The Organization maintains its cash balances at several financial institutions located in Massachusetts. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 at each bank. At times, these balances may exceed the federal insurance 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 cash balances as of December 31, 2021.

Note 18 - Contingencies

Tax credit compliance

Harborlight House LLC, Turtle Creek Housing LLC, and Boston Street Crossing LLC's low-income housing credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest. In addition, such potential noncompliance may require an adjustment to the contributed capital by the investor member.

Coronavirus pandemic

In early 2020, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. The Organization is not unable to fully determine the extent of COVID-19's impact on its business in future periods. The Organization's performance in future periods will be heavily influenced by the timing, length, and intensity of any business disruptions from COVID-19 and the related effects on the Organization's operations. Management continues to monitor the results of operations to evaluate the actual and potential economic impact on the Organization.

Harborlight Community Partners, Inc. and Subsidiaries

Notes to Consolidated and Combined Financial Statements December 31, 2021

Note 19 - Economic concentration

The Organization operates several apartment complexes and buildings located on the North Shore of Massachusetts. Future operations could be affected by changes in economic, political, or other conditions in that geographical area or by changes in federal and state low-income housing subsidies or demand for such housing.

Note 20 - Risks and uncertainties

The Organization maintains an investment portfolio consisting of a combination of U.S. Treasury securities and other government obligations, corporate bonds, and mutual funds that are invested in equity securities, bonds, money market and other investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the value of these investments will occur in the near term and such changes could materially affect the Organization's investment account balances.

Note 21 - Subsequent events

Events that occur after the consolidated and combined statement of financial position date but before the consolidated and combined 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 consolidated and combined statement of financial position date are recognized in the accompanying consolidated and combined financial statements. Subsequent events which provide evidence about the conditions that existed after the consolidated and combined statement of financial position date require disclosure in the accompanying notes. Management evaluated the activity of the Organization through August 19, 2022 (the date the consolidated and combined financial statements were available to be issued) and concluded that other than the subsequent events disclosed below, that no subsequent events have occurred that would require recognition in the consolidated and combined financial statements or disclosure in the notes to the consolidated and combined financial statements.

On June 22, 2022, Granite Street, LLC closed on its equity and construction loan and used portion of these proceeds to pay off the outstanding principal balance of the CEDAC acquisition loan (outstanding balance at December 31, 2021 - \$564,000) and CEDAC predevelopment loan (outstanding balance at December 31, 2021 - \$475,935).

On June 14, 2022, Anchor Point LLC entered into an extension agreement on its CEDAC loan in the amount of \$1,620,000, extending the loan maturity to June 29, 2023.

Supplementary Information

Harborlight Community Partners, Inc. and Subsidiaries
Consolidating and Combining Statement of Financial Position
December 31, 2021

	Operating	Residential								Development						Eliminations	Total	
	Harborlight Community Partners, Inc.	Whipple Annex Housing, LLC	Turtle Creek Housing, LLC	Harborlight House LLC	Boston Street Crossing LLC	Firehouse Place, Inc.	Marblehead Community Housing Corp.	Rockport Affordable Housing, Inc.	Hardy Street LLC	Subtotal	Maple Woods Housing LLC	Granite Street Crossing LLC	Anchor Point LLC	Catalyst Housing LLC	Anchor Point Phase One			Subtotal
Assets																		
Current assets																		
Cash - operations	\$ 1,804,132	\$ 8,003	\$ 837,915	\$ 50,973	\$ 103,818	\$ 3,589	\$ 4,643	\$ 1,919	\$ 45,760	\$ 1,056,620	\$ -	\$ -	\$ 20,224	\$ -	\$ -	\$ 20,224	\$ -	
Cash - developments	55,865	-	-	-	-	-	-	-	-	-	6,277	1,379	9,454	-	3,182	20,292	-	
Restricted deposits and funded reserves	480,464	84,268	1,714,537	455,898	249,965	54,779	-	234,991	23,996	2,818,434	-	-	-	-	-	-	-	
Unrestricted investments	3,133,631	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Tenant security deposits	30,046	5,467	52,717	-	5,812	1,292	4,663	15,998	4,672	90,621	-	-	-	-	-	-	-	
Accounts receivable - tenants	5,820	48	1,987	912	1,116	42	2,608	32	1,053	7,798	-	-	-	-	-	-	-	
Accounts receivable - related party	726,010	-	-	-	-	-	-	-	-	-	-	566	-	-	78,084	78,650	(404,594)	
Accounts receivable - other	105,990	1,070	1,219	5,626	1,528	-	-	1,377	(296)	10,524	-	-	-	-	-	-	-	
Prepaid expenses	61,186	4,710	98,507	17,844	11,399	3,105	6,244	17,158	4,440	163,407	-	-	-	-	-	-	-	
Donation receivable - current portion	25,477	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total current assets	6,428,621	103,566	2,706,882	531,253	373,638	62,807	18,158	271,475	79,625	4,147,404	6,277	1,945	29,678	-	81,266	119,166	(404,594)	10,290,587
Property and equipment																		
Land and site improvements	1,993,841	-	1,397,831	353,825	519,240	135,000	252,252	5,635	17,000	2,680,783	-	470,000	1,636,200	-	1,771,000	3,877,200	(377,200)	8,174,624
Buildings and improvements	6,758,172	2,655,353	15,089,061	7,171,328	6,533,946	1,011,672	408,482	2,796,330	2,254,280	37,920,654	-	-	-	-	-	-	(902,447)	43,776,379
Furniture and equipment	392,792	18,467	430,640	66,982	161,604	14,506	2,717	32,466	24,139	761,521	-	-	-	-	-	-	-	1,144,313
Motor vehicles	-	-	40,033	-	-	-	-	-	-	40,033	-	-	-	-	-	-	-	40,033
Construction in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,202,067	7,202,067	-	7,202,067
Total	9,144,805	2,673,820	16,957,565	7,592,135	7,214,792	1,161,378	663,451	2,834,431	2,295,419	41,392,991	-	470,000	1,636,200	-	8,973,067	11,079,267	(1,279,647)	60,337,416
Less accumulated depreciation	2,446,780	993,263	3,705,869	1,036,396	676,533	244,056	188,816	490,680	68,755	7,404,368	-	-	-	-	-	-	(87,959)	9,763,189
Total property and equipment	6,698,025	1,680,557	13,251,696	6,555,739	6,538,259	917,322	474,635	2,343,751	2,226,664	33,988,623	-	470,000	1,636,200	-	8,973,067	11,079,267	(1,191,688)	50,574,227
Other assets																		
Investments in affiliates	190,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(190,000)	-
Tax credit fees, net	-	-	10,619	10,256	7,343	-	-	-	-	28,218	-	-	-	-	-	-	-	28,218
Notes receivable, less current maturities	4,610,286	-	-	-	-	-	-	-	-	-	-	4,025	-	-	4,025	-	(4,614,311)	-
Development fee receivable	672,076	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(412,217)	259,859
Real estate project development costs	287,459	-	-	-	-	-	-	-	-	-	1,585,155	731,567	693,308	726,496	3,736,526	-	4,023,985	
Donation receivable, net of current portion	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other assets	5,759,821	-	10,619	10,256	7,343	-	-	-	-	28,218	1,585,155	731,567	697,333	726,496	-	3,740,551	(5,216,528)	4,312,062
Total assets	\$ 18,886,467	\$ 1,784,123	\$ 15,969,197	\$ 7,097,248	\$ 6,919,240	\$ 980,129	\$ 492,793	\$ 2,615,226	\$ 2,306,289	\$ 38,164,245	\$ 1,591,432	\$ 1,203,512	\$ 2,363,211	\$ 726,496	\$ 9,054,333	\$ 14,938,984	\$ (6,812,810)	\$ 65,176,886

Harborlight Community Partners, Inc. and Subsidiaries
Consolidating and Combining Statement of Financial Position
December 31, 2021

	Operating	Residential								Development							Eliminations	Total
	Harborlight Community Partners, Inc.	Whipple Annex Housing, LLC	Turtle Creek Housing, LLC	Harborlight House LLC	Boston Street Crossing LLC	Firehouse Place, Inc.	Marblehead Community Housing Corp.	Rockport Affordable Housing, Inc.	Hardy Street LLC	Subtotal	Maple Woods Housing LLC	Granite Street Crossing LLC	Anchor Point LLC	Catalyst Housing LLC	Anchor Point Phase One	Subtotal		
Liabilities and Net Assets																		
Current liabilities																		
Accounts payable	\$ 121,102	\$ -	\$ 4,389	\$ 3,625	\$ 3	\$ 104	\$ 6,506	\$ 89,954	\$ 17,000	\$ 121,581	\$ 6,659	\$ 61,817	\$ -	\$ 94,002	\$ 12,689	\$ 175,167	\$ (41,005)	\$ 376,845
Accounts payable - related party	-	-	-	-	-	-	-	-	53,996	53,996	1,584,814	577,847	525,639	188,494	22,572	2,899,366	(2,951,144)	2,218
Accounts payable - construction	-	-	-	-	-	-	-	-	-	-	-	-	183,370	-	2,327,129	2,510,499	(78,084)	2,432,415
Accrued expenses	340,019	339	26,625	15,385	13,678	3,040	3,450	18,340	2,847	83,704	-	-	-	-	-	-	-	423,723
Accrued interest	8,582	301	122,578	-	797	178	5,795	1,845	3,151	134,645	-	-	-	-	-	-	(50,888)	92,339
Tenant security deposits	27,983	5,418	52,769	-	5,708	1,290	4,618	15,748	4,594	90,145	-	-	-	-	-	-	-	118,128
Prepaid rent	2,403	1,028	878	7,630	12,136	231	-	347	1,226	23,476	-	-	-	-	-	-	-	25,879
Other liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Current portion of long-term debt	554,686	343,325	201,731	-	24,614	7,148	5,531	12,806	13,263	608,418	-	564,000	1,620,000	-	-	2,184,000	-	3,347,104
Total current liabilities	1,054,775	350,411	408,970	26,640	56,936	11,991	25,900	139,040	96,077	1,115,965	1,591,473	1,203,664	2,329,009	282,496	2,362,390	7,769,032	(3,121,121)	6,818,651
Long-term liabilities																		
Long-term debt, net of unamortized	7,226,173	1,591,734	11,787,423	5,248,046	5,442,492	870,277	556,352	2,593,911	2,072,557	30,162,792	-	-	-	444,000	6,314,736	6,758,736	(1,772,694)	42,375,007
Development fee payable	-	-	-	412,217	-	-	-	-	-	412,217	-	-	-	-	-	-	(412,217)	-
L-T Deferred Income	-	-	563,821	-	-	-	-	-	-	563,821	-	-	-	-	-	-	-	563,821
Deferred interest	-	-	-	-	-	-	-	48,901	-	48,901	-	-	-	-	-	-	-	48,901
Development advances	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,000
Accrued interest payable - mortgages payable	-	-	-	257,867	-	-	-	-	-	257,867	-	-	-	-	-	-	(121,066)	136,801
Total long-term liabilities	7,376,173	1,591,734	12,351,244	5,918,130	5,442,492	870,277	556,352	2,642,812	2,072,557	31,445,598	-	-	-	444,000	6,314,736	6,758,736	(2,305,977)	43,274,530
Total liabilities	8,430,948	1,942,145	12,760,214	5,944,770	5,499,428	882,268	582,252	2,781,852	2,168,634	32,561,563	1,591,473	1,203,664	2,329,009	726,496	8,677,126	14,527,768	(5,427,098)	50,093,181
Net assets																		
Without donor restrictions - controlling	9,432,676	(158,022)	67,289	(196,322)	(143,940)	-	-	-	137,655	(293,340)	(41)	(152)	34,202	-	377,207	411,216	(1,385,712)	8,164,840
Without donor restrictions - non-controlling	-	-	3,141,694	1,348,800	1,563,752	-	-	-	-	6,054,246	-	-	-	-	-	-	-	6,054,246
Without donor restrictions - combined entities	-	-	-	-	-	97,861	(89,459)	(166,626)	-	(158,224)	-	-	-	-	-	-	-	(158,224)
With donor restrictions	1,022,843	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,022,843
Total net assets	10,455,519	(158,022)	3,208,983	1,152,478	1,419,812	97,861	(89,459)	(166,626)	137,655	5,602,682	(41)	(152)	34,202	-	377,207	411,216	(1,385,712)	15,083,705
Total liabilities and net assets	\$ 18,886,467	\$ 1,784,123	\$ 15,969,197	\$ 7,097,248	\$ 6,919,240	\$ 980,129	\$ 492,793	\$ 2,615,226	\$ 2,306,289	\$ 38,164,245	\$ 1,591,432	\$ 1,203,512	\$ 2,363,211	\$ 726,496	\$ 9,054,333	\$ 14,938,984	\$ (6,812,810)	\$ 65,176,886

See Independent Auditor's Report.

Harborlight Community Partners, Inc. and Subsidiaries

Consolidating and Combining Statement of Activities and Changes in Net Assets Year Ended December 31, 2021

	Operating	Residential								Development						Eliminations	Total	
	Harborlight Community Partners, Inc.	Whipple Annex Housing, LLC	Turtle Creek Housing, LLC	Harborlight House LLC	Boston Street Crossing LLC	Firehouse Place, Inc.	Marblehead Community Housing Corp.	Rockport Affordable Housing, Inc.	Hardy Street LLC	Subtotal	Maple Woods Housing LLC	Granite Street Crossing LLC	Anchor Point LLC	Catalyst Housing LLC	Anchor Point Phase One			Subtotal
Revenue and support																		
Grants and contributions	\$ 1,489,437	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rental	811,281	173,551	2,344,247	355,015	396,523	75,368	61,357	320,885	183,838	3,910,784	-	-	-	-	-	-	(19,350)	4,702,715
Contracts	11,465	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Site support	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Program service fees	6,075	-	-	67,291	18,000	-	-	-	-	85,291	-	-	-	-	-	-	-	91,366
Investment return, net	285,420	100	11,686	726	246	53	-	690	5	13,506	4	1	4	-	7	16	(24,877)	274,065
Development consulting fees	423,520	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	423,520
Development fees	877,518	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	877,518
Management fees	620,065	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,175
Other	141,059	1,242	1,039	-	151	-	29,651	4,000	24,243	60,326	-	-	4,025	-	-	4,025	(58,575)	146,835
Total revenue and support	4,665,840	174,893	2,356,972	423,032	414,920	75,421	91,008	325,575	208,086	4,069,907	4	1	4,029	-	7	4,041	(618,692)	8,121,096
Expenses																		
Employee compensation, payroll taxes and benefits	1,374,686	18,017	298,902	128,108	104,607	14,856	5,337	80,467	26,477	676,771	-	-	-	-	-	-	-	2,051,457
Operating and maintenance expenses	113,255	23,616	130,639	76,523	30,471	6,675	11,447	35,237	26,213	340,821	-	-	-	-	-	-	(19,350)	434,726
Utilities	66,878	14,607	174,365	57,177	41,012	7,474	4,794	41,894	11,966	353,299	-	-	-	-	-	-	-	420,177
Taxes and insurance	118,625	17,879	278,212	49,099	34,935	10,584	11,746	42,546	15,258	460,259	-	-	-	-	-	-	-	578,884
Administrative	507,672	5,836	109,269	22,842	20,458	4,342	3,163	13,291	3,191	182,392	-	-	-	-	-	-	(2)	690,062
Development costs	19,674	-	102	-	22	-	-	-	-	124	-	-	-	-	-	-	-	19,798
Professional fees	95,605	-	17,650	13,000	15,138	2,724	2,724	12,412	307	63,955	-	-	-	-	-	-	-	159,560
Fundraising event expense	23,245	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	23,245
Financial services expense	13,616	6,364	-	18,000	9,888	3,488	3,588	-	-	41,328	-	-	-	-	-	-	(54,550)	394
Management fees	57,048	10,135	319,802	24,172	52,455	5,622	3,890	27,892	14,873	458,841	-	-	-	-	-	-	(515,889)	-
Social service expenses	-	-	26,915	175	43,949	-	-	-	-	71,039	-	-	-	-	-	-	-	71,039
Interest expense	108,259	8,210	384,496	46,366	15,073	5,289	7,135	24,585	55,307	546,461	-	-	-	-	-	-	(24,877)	629,843
Other financial expenses	13,648	-	24,484	-	-	-	-	-	20	24,504	-	-	135	15	-	150	-	38,302
Depreciation and amortization	213,701	68,118	486,856	187,624	190,901	23,913	14,188	69,898	58,960	1,100,458	-	-	-	-	-	-	(22,561)	1,291,598
Total expenses	2,725,912	172,782	2,251,712	623,086	558,909	84,967	68,012	348,212	212,572	4,320,252	-	135	15	-	-	150	(637,229)	6,409,085
Changes in net assets	1,939,928	2,111	105,260	(200,054)	(143,989)	(9,546)	22,996	(22,637)	(4,486)	(250,345)	4	(134)	4,014	-	7	3,891	18,537	1,712,011
Distributions	-	-	(37,803)	-	-	-	-	-	-	(37,803)	-	-	-	-	-	-	-	(37,803)
Other changes in net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	377,200	377,200	(377,200)	-
Capital contributions	4	-	-	-	-	-	-	-	190,000	190,000	-	-	-	-	-	-	(190,000)	4
Other changes in net assets	4	-	(37,803)	-	-	-	-	-	190,000	152,197	-	-	-	-	377,200	377,200	(567,200)	(37,799)
Total changes in net assets	1,939,932	2,111	67,457	(200,054)	(143,989)	(9,546)	22,996	(22,637)	185,514	(98,148)	4	(134)	4,014	-	377,207	381,091	(548,663)	1,674,212
Net assets (deficit), beginning of year	8,515,587	(160,133)	3,141,526	1,352,532	1,563,801	107,407	(112,455)	(143,989)	(47,859)	5,700,830	(45)	(18)	30,188	-	-	30,125	(837,049)	13,409,493
Net assets (deficit), end of year	\$ 10,455,519	\$ (158,022)	\$ 3,208,983	\$ 1,152,478	\$ 1,419,812	\$ 97,861	\$ (89,459)	\$ (166,626)	\$ 137,655	\$ 5,602,682	\$ (41)	\$ (152)	\$ 34,202	\$ -	\$ 377,207	\$ 411,216	\$ (1,385,712)	\$ 15,083,705

See Independent Auditor's Report.

Harborlight Community Partners, Inc. and Subsidiaries

**Schedule of Expenditures of Federal Awards
Year Ended December 31, 2021**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing number	Pass-through entity identifying number	Passed through to subrecipients	Federal expenditures
U.S. Department of Agriculture				
Rural Rental Housing Loans	10.415	N/A	N/A	\$ 3,450,407
Rural Rental Housing Interest Subsidy	10.415	N/A	N/A	<u>56,720</u>
Total for Program				3,507,127
Rural Rental Assistance Payments	10.427	N/A	N/A	<u>214,736</u>
Total U.S. Department of Agriculture				<u>3,721,863</u>
U.S. Department of Housing and Urban Development				
Passed through North Shore Home Consortium				
		M-00-DC-25-0216; M-02-DC-25-0216; M-07-Dc-25-0216; M-09-DC-25-0216; M-10-DC-25-0216; M-08-DC-25-0216; M-08-DC-25-0216; M-09-DC-25-0216;		
HOME Investment Partnerships Program	14.239		N/A	799,100
Passed through Town of Rockport				
HOME Investment Partnerships Program	14.239	M-11-DC-25-0216	N/A	<u>72,764</u>
Total for Program				<u>871,864</u>
U.S. Department of Housing and Urban Development				
Passed through City of Beverly				
Community Development Block Grants / Entitlement Grants Cluster	14.218	HIF-CEDAC Note	N/A	<u>100,000</u>
Total U.S. Department of Housing and Urban Development				<u>971,864</u>
Total Expenditures of Federal Awards				<u>\$ 4,693,727</u>

See Notes to Schedule of Expenditures of Federal Awards.

Harborlight Community Partners, Inc. and Subsidiaries

**Notes to Schedule of Expenditures of Federal Awards
December 31, 2021**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Harborlight Community Partners, Inc., under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Harborlight Community Partners, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Harborlight Community Partners, Inc.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Nonprofit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Harborlight Community Partners, Inc. and Subsidiaries have not elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 - U.S. Department of Agriculture, Rural Development loan program

Harborlight Community Partners, Inc. and Subsidiaries have received a Rural Development loan under Section 515 of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. Harborlight Community Partners, Inc. and Subsidiaries received no additional loans during the year. The balance of the loan outstanding at December 31, 2021 consists of:

<u>Federal Assistance Listing Number</u>	<u>Program name</u>	<u>Outstanding loan balance at December 31, 2021</u>
10.415	Rural Rental Housing Loans	\$ 3,409,518

Note 4 - Home Investment Partnerships loan program

Harborlight Community Partners, Inc. and Subsidiaries have received the following loans under the Home Investment Partnerships Program from the federal agency U.S. Department of Housing and Urban Development passed through the North Shore HOME Consortium and the Town of Rockport:

<u>Federal Assistance Listing Number</u>	<u>Entity receiving award</u>	<u>Outstanding loan balance at December 31, 2021</u>
14.239	Harborlight Community Partners, Inc.	\$ 871,864

There were no expenditures or receipts on the loans during the year ended December 31, 2021.

Harborlight Community Partners, Inc. and Subsidiaries

**Notes to Schedule of Expenditures of Federal Awards
December 31, 2021**

Note 5 - Community Development Block Grants / Entitlement Grants loan program

Harborlight Community Partners, Inc. and Subsidiaries have received the following loan under the Community Development Block Grants / Entitlement Grants loan program from the federal agency U.S. Department of Housing and Urban Development passed through the City of Beverly:

<u>Federal Assistance Listing Number</u>	<u>Entity receiving award</u>	<u>Outstanding loan balance at December 31, 2021</u>
14.218	Harborlight Community Partners, Inc.	\$ 100,000

There were no expenditures or receipts on the loans during the year ended December 31, 2021.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Consolidated and Combined Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Harborlight Community Partners, Inc. and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated and combined financial statements of Harborlight Community Partners, Inc. and Subsidiaries, which comprise the consolidated and combined statement of financial position as of December 31, 2021, and the related consolidated and combined statements of activities, changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements, and have issued our report thereon dated August 19, 2022. The financial statements of Harborlight House LLC, Boston Street Crossing LLC, Maple Woods LLC, Granite Street crossing LLC, Anchor Point LLC, One Anchor Point LLC, Catalyst Housing LLC and Hardy Street LLC were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Harborlight House LLC, Boston Street Crossing LLC, Maple Woods LLC, Granite Street Crossing LLC, Anchor Point LLC, One Anchor Point LLC and Hardy Street LLC.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the consolidated and combined financial statements, we considered Harborlight Community Partners, Inc. and Subsidiaries' internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated and combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harborlight Community Partners, Inc. and Subsidiaries' internal control. Accordingly, we do not express an opinion on the effectiveness of the Harborlight Community Partners, Inc. and Subsidiaries' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated and combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harborlight Community Partners, Inc. and Subsidiaries' consolidated and combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harborlight Community Partners, Inc. and Subsidiaries' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Boston, Massachusetts
August 19, 2022

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors
Harborlight Community Partners, Inc. and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harborlight Community Partners, Inc. and Subsidiaries' compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Harborlight Community Partners, Inc. and Subsidiaries' major federal programs for the year ended December 31, 2021. Harborlight Community Partners, Inc. and Subsidiaries' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harborlight Community Partners, Inc. and Subsidiaries complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harborlight Community Partners, Inc. and Subsidiaries and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Harborlight Community Partners, Inc. and Subsidiaries' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Harborlight Community Partners, Inc. and Subsidiaries' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harborlight Community Partners, Inc. and Subsidiaries' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Harborlight Community Partners, Inc. and Subsidiaries' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Harborlight Community Partners, Inc. and Subsidiaries' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harborlight Community Partners, Inc. and Subsidiaries' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Harborlight Community Partners, Inc. and Subsidiaries' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

Boston, Massachusetts
August 19, 2022

Harborlight Community Partners, Inc. and Subsidiaries

**Schedule of Findings and Questioned Costs
December 31, 2021**

A. Summary of Auditor's Results

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

*Material weakness(es) identified? Yes X No

*Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal programs:

*Material weakness(es) identified? Yes X No

*Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes X No

Identification of major federal programs:

<u>A L Numbers(s)</u>	<u>Name of Federal Program or Cluster</u>
10.415	Rural Rental Housing Loans
10.415	Rural Rental Housing Interest Subsidy
14.239	HOME Investment Partnerships Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee Yes X No

B. Findings - Financial Statements Audit

None reported.

C. Findings and Questioned Costs - Major Federal Award Programs Audit

None reported.



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Summary Schedule of Prior Audit Findings Year Ended December 31, 2021

FEDERAL AUDIT CLEARINGHOUSE

FINDING 2020-001: Late submission of data collection form

Condition: This finding was a material weakness stating that Harborlight Community Partners, Inc. had not electronically filed their data collection form with the Federal Audit Clearinghouse by the earlier of 30 days from the report date of the financial statements or 9 months from the year end of the Organization for the year ended December 31, 2019.

Recommendation: The auditor recommended that procedures be implemented ensuring that the data collection form is electronically filed with the Federal Audit Clearinghouse by the earlier of the aforementioned dates.

Current Status: The December 31, 2019 data collection was submitted to Federal Audit Clearinghouse on September 3, 2020. The recommendation was adopted in July 2021. The data collection form for the year ended December 31, 2020 was filed timely by Harborlight Community Partners, Inc. No similar findings were noted in the audit for the period ending December 31, 2021.

Harborlight Community Partners is a 501(c)(3) non profit organization

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Tax ID # 04-2313571