

Laconia Area Community Land Trust, Inc.

Financial Report and
Supplementary Information

December 31, 2014 and 2013

Nesseralla & Company, LLC
A Public Accounting Firm



LACONIA AREA COMMUNITY LAND TRUST, INC.
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DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Laconia Area Community Land Trust, Inc.
Laconia, New Hampshire

Report on the Financial Statements

We have audited the accompanying consolidated statement of financial position of Laconia Area Community Land Trust, Inc. (a non-profit corporation), as of December 31, 2014, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Laconia Area Community Land Trust, Inc. as of December 31, 2014, and the changes in its net assets, functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Report on Summarized Comparative Information***

We have previously audited Laconia Area Community Land Trust, Inc.'s December 31, 2013 financial statements, and expressed an unmodified opinion on those financial statements in our report dated June 13, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Additional Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2015 on our consideration of Laconia Area Community Land Trust, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Nesseralla & Company, LLC

Manchester, New Hampshire

March 26, 2015

LACONIA AREA COMMUNITY LAND TRUST, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(with comparative totals for the year ended December 31, 2013)

ASSETS	2014	2013
Current Assets		
Cash (Note 1)	\$ 1,203,701	\$ 1,401,724
Tenant rents receivable (Note 1)	4,343	1,419
Grants receivable	313,263	285,079
Other receivables	-	23,048
Prepaid expenses	34,572	32,409
Total Current Assets	1,555,879	1,743,679
Restricted Cash		
Cash - permanently restricted (Note 5)	317,908	761,141
Restricted reserves (Note 12)	155,152	128,236
Tenant security deposits held in trust	33,792	17,363
Total Restricted Cash	506,852	906,740
Property and equipment, at cost - net of accumulated depreciation (Notes 2 and 15)	4,327,977	3,660,931
Noncurrent Assets		
Projects under development (Note 3)	1,096,968	126,739
Development fees receivable (Note 6)	366,278	213,961
Notes and operating advances receivable - related parties (Note 6)	665,363	472,239
Investments in partnerships (Note 6)	196,855	197,055
Loan finance fees, net of accumulated amortization (Note 17)	10,596	7,184
Total Noncurrent Assets	2,336,060	1,017,178
Total Assets	\$ 8,726,768	\$ 7,328,528

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014
(with comparative totals for the year ended December 31, 2013)

LIABILITIES AND NET ASSETS	2014	2013
Current Liabilities		
Current portion of long-term debt (Note 7)	\$ 143,441	\$ 79,912
Accounts payable	81,735	13,941
Prepaid rent	8,286	2,902
Accrued wages and related expenses	99,733	90,610
Total Current Liabilities	<u>333,195</u>	<u>187,365</u>
Long-term Liabilities		
Long-term debt, less current portion shown above (Note 7)	2,354,668	1,593,622
Equity equivalent investment (Note 16)	110,000	110,000
Tenant security deposits payable	33,661	17,247
Total Long Term Liabilities	<u>2,498,329</u>	<u>1,720,869</u>
Total Liabilities	<u>2,831,524</u>	<u>1,908,234</u>
Net Assets		
Unrestricted	3,665,921	3,328,328
Temporarily restricted (Note 4)	430,455	398,035
Permanently restricted (Note 5)	1,798,868	1,693,931
Total Net Assets	<u>5,895,244</u>	<u>5,420,294</u>
Total Liabilities and Net Assets	<u><u>\$ 8,726,768</u></u>	<u><u>\$ 7,328,528</u></u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014
(with comparative totals for the year ended December 31, 2013)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2014 Totals	2013 Totals
Revenue and Other Support					
Membership dues	\$ 17,195	\$ -	\$ -	\$ 17,195	\$ 26,831
Contributions	15,536	-	-	15,536	16,621
In-kind donations (Note 9)	3,200	-	-	3,200	5,000
Grants (Note 10)	70,787	725,573	400,000	1,196,360	901,085
Resident service fees (Note 6)	17,992	-	-	17,992	17,864
Rental income and land lease revenue	384,204	-	-	384,204	286,719
Developer fees (Note 6)	200,333	-	-	200,333	389,333
Management incentive fees (Note 6)	13,600	-	-	13,600	29,750
Net assets released from restrictions:	988,216	(693,153)	(295,063)	-	-
Total Revenue and Support	<u>1,711,063</u>	<u>32,420</u>	<u>104,937</u>	<u>1,848,420</u>	<u>1,673,203</u>
Functional Expenses (Note 11)					
Program Services:					
Transitional Services	56,305	-	-	56,305	58,312
Tenant Support	34,728	-	-	34,728	33,468
Affordable Housing Production	258,529	-	-	258,529	252,539
Rental Properties	428,730	-	-	428,730	339,003
Asset Management	120,184	-	-	120,184	112,154
Homeownership Center	131,687	-	-	131,687	157,370
Supporting Services:					
Fundraising	34,626	-	-	34,626	38,018
General and Administrative	60,011	-	-	60,011	55,686
Total Functional Expenses	<u>1,124,800</u>	<u>-</u>	<u>-</u>	<u>1,124,800</u>	<u>1,046,552</u>
Change in Net Assets Before Non-operating Income and Expenses					
	586,263	32,420	104,937	723,620	626,651
Non-operating Income (Expenses)					
Capital distributions (Note 6)	5,820	-	-	5,820	4,152
Investment income	5,750	-	-	5,750	4,481
Recapture of residual receipts (Note 12)	(46,065)	-	-	(46,065)	-
Loss on disposition of a partnership interest	(43,200)	-	-	(43,200)	(94,251)
Discount on note receivable (Note 6)	(170,975)	-	-	(170,975)	6,653
Total Non-operating Income (Expenses)	<u>(248,670)</u>	<u>-</u>	<u>-</u>	<u>(248,670)</u>	<u>(78,965)</u>
Change in Net Assets	337,593	32,420	104,937	474,950	547,686
Net Assets, beginning of year	<u>3,328,328</u>	<u>398,035</u>	<u>1,693,931</u>	<u>5,420,294</u>	<u>4,872,608</u>
Net Assets, end of year	<u>\$ 3,665,921</u>	<u>\$ 430,455</u>	<u>\$ 1,798,868</u>	<u>\$ 5,895,244</u>	<u>\$ 5,420,294</u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
(with comparative totals for the year ended December 31, 2013)

	Program Services							Fundraising	General and Administrative	2014 Total Functional Expenses	2013 Total Functional Expenses
	Transitional Services	Tenant Support	Affordable Housing Production	Rental Properties	Home- Ownership Center	Asset Management	Total Program Services				
Salaries and wages	\$ 39,826	\$ 21,379	\$ 189,149	\$ -	\$ 90,604	89,872	\$ 430,830	\$ 26,422	\$ 45,484	\$ 502,736	\$ 518,873
Payroll taxes and benefits	7,392	3,968	35,106	-	16,816	16,680	79,961	4,904	8,442	93,307	102,873
Training and education	330	205	1,960	-	3,497	494	6,486	118	221	6,824	4,613
Insurance	342	196	951	20,266	703	514	22,971	122	229	23,323	18,899
Advertising	-	-	-	4,781	446	-	5,227	54	-	5,281	1,448
Professional fees	2,373	1,356	6,589	7,563	4,873	3,560	26,314	848	1,589	28,751	26,623
Management fees	-	-	-	40,128	-	-	40,128	-	-	40,128	31,800
Depreciation and amortization (Note 2)	1,000	571	2,776	88,120	2,053	1,499	96,019	357	669	97,045	73,781
Bad debt expense	-	-	-	1,445	-	-	1,445	-	-	1,445	12,130
Interest expense	370	211	1,026	22,170	759	554	25,091	132	248	25,470	25,875
Repairs and maintenance	163	93	452	88,031	334	244	89,317	58	109	89,484	63,832
Utilities	540	308	1,498	47,869	1,108	809	52,133	193	361	52,687	37,758
Snow and trash removal	38	22	106	16,652	78	57	16,953	14	26	16,992	12,025
Property taxes	590	337	1,640	63,197	1,213	886	67,863	211	395	68,469	57,080
Water and sewer	53	30	146	27,399	108	79	27,816	19	35	27,870	20,566
Miscellaneous	1,985	3,134	5,512	1,109	4,305	2,978	19,022	709	1,329	21,061	10,777
Postage	135	77	375	-	415	202	1,204	48	90	1,343	2,537
Dues and subscriptions	37	21	104	-	77	56	295	13	25	333	591
Supplies	593	439	1,707	-	2,792	890	6,421	212	397	7,030	11,352
Telephone	442	253	1,228	-	909	664	3,496	158	296	3,950	3,437
Discount on note payable (Note 7)	-	-	5,794	-	-	-	5,794	-	-	5,794	5,572
Project feasibility	-	-	1,489	-	-	-	1,489	-	-	1,489	-
Travel	97	2,126	921	-	599	145	3,889	35	65	3,988	4,110
Total Functional Expenses	\$ 56,305	\$ 34,728	\$ 258,529	\$ 428,730	\$ 131,687	\$ 120,184	\$ 1,030,163	\$ 34,626	\$ 60,011	\$ 1,124,800	\$ 1,046,552

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(with comparative totals for the year ended December 31, 2013)

	2014	2013
Cash Flows From Operating Activities		
Change in net assets	\$ 474,950	\$ 547,686
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	97,045	73,781
Discount on note payable	5,794	5,572
Discount on note receivable	170,975	(6,653)
(Increase) decrease in the following assets:		
Tenant rents receivable	(2,924)	447
Grants receivable	(28,184)	(112,292)
Other receivables	23,048	(15,050)
Prepaid expenses	(2,163)	(5,598)
Tenant security deposits	(16,429)	(3,214)
Increase (decrease) in the following liabilities:		
Accounts payable and accrued expenses	76,917	16,683
Prepaid rents	5,384	(49)
Tenant security deposits	16,414	3,214
Net Cash Provided By Operating Activities	820,827	504,527
Cash Flows From Investing Activities		
Transfers to/from escrows and reserves, net	(26,916)	(69,323)
Projects under development	(970,229)	(108,437)
Investments in partnerships	200	3,316
Purchase of intangible assets	(4,241)	-
Purchase of property and equipment	(763,262)	(991,125)
Net Cash Used In Investing Activities	(1,764,448)	(1,165,569)
Cash Flows From Financing Activities		
Development fees receivable	(152,317)	(89,614)
Notes receivable from related parties	(364,099)	10,228
Borrowings from mortgages and notes, net of repayments	818,781	787,098
Net Cash Provided By Financing Activities	302,365	707,712
Net Increase (Decrease) In Cash	(641,256)	46,670
Cash, beginning of year	2,162,865	2,116,195
Cash, end of year	\$ 1,521,609	\$ 2,162,865
Cash Paid During The Year For:		
Interest	\$ 25,363	\$ 25,875

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. Summary of Significant Accounting Policies

Program Mission

Laconia Area Community Land Trust, Inc.'s ("LACLT") mission is to assist low- and moderate-income families in achieving economic self-sufficiency through the development of permanently affordable housing opportunities and associated support programs.

Program Services

LACLT develops and supports its operations through strategic management of critical functions. Through staff effort and board oversight, the functions of accounting, fundraising, accountability to and support from the community and funding sources, and organization management and development are maintained to ensure the organization's integrity and sustainability. LACLT serves the community through six programs as follows:

Transitional Services

LACLT's transitional service program serves families, primarily women and children, who are homeless or at imminent risk of homelessness. Families receive affordable rent and develop aggressive family self-sufficiency plans to recover from homelessness and become economically self-sufficient.

Tenant Support

LACLT residents who desire support services are provided with a full range of support and life skills training. A resident services coordinator assists families retain their housing, strengthen family stability and enhance economic self-sufficiency.

Affordable Housing Production

LACLT acquires property that is typically grossly substandard and requires extensive rehabilitation. LACLT brings the property up to a safe, good quality standard, and preserves it as permanently affordable through the unique mechanisms of the community land trust model.

Rental Properties and Asset Management

LACLT retained the services of a third party management agent for its portfolio of properties effective April 1, 2006. LACLT provides asset management services related to these properties.

Homeownership Center

LACLT provides homebuyer and financial literacy training through its HOMEteam collaborative. Participants receive education and support which assists them in becoming successful homeowners. The initiative is also intended to encompass the development of homeownership opportunities for low- and moderate-income families.

Organizational Structure

LACLT is incorporated under the laws of the State of New Hampshire as a non-profit corporation. LACLT is exempt from federal income taxes under Internal Revenue Code section 501(c)(3).

LACLT Corporation is incorporated under the laws of the State of New Hampshire as a for-profit corporation. It is a wholly owned subsidiary of LACLT.

EASTLACLT, LLC is formed under the laws of the State of New Hampshire as a for-profit limited liability company. LACLT owns a 51% share of the LLC.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. Summary of Significant Accounting Policies (continued)

LACLT is the 99.9% limited partner in River's Edge Laconia Limited Partnership ("River's Edge") which owns and affordable housing project under development, see Note 3.

The financial statements of the above entities have been consolidated in these financial statements at December 31, 2014 and 2013. Certain adjustments were made on the statements to eliminate related party transactions from the consolidated statements.

Basis of Presentation

Financial statement presentation follows recommendations of the Financial Accounting Standards Board in its Accounting Standards Codifications (ASC) 958-205, *Financial Statements of Not-for-Profit Organizations*. Under ASC 958-205, LACLT is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue Recognition

The accompanying financial statements were prepared using the accrual basis of accounting, the purpose of which is to record revenues when they are earned or awarded and record expenses when they are incurred.

Cash and Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less. Restricted cash is not considered cash equivalents.

Rents Receivable – Recognition of Bad Debts

LACLT considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Uncertainty in Income Taxes

LACLT is not a taxpaying entity for federal or state income tax purposes; accordingly, a provision for income taxes has not been recorded in the accompanying financial statements; no reserves for uncertain income tax positions were recorded; and LACLT did not record a cumulative effect adjustment related to the adoption of ASC 740.

Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of LACLT through March 26, 2015 and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. Summary of Significant Accounting Policies (continued)

Advertising

LACLT expenses advertising costs as they are incurred.

Fair Value Measurements

LACLT determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the fair value hierarchy established in the accordance with generally accepted accounting principles for *Fair Value Measurement ASC 820*.

Level 1: Quoted prices in active markets for identical assets or liabilities. LACLT currently has no Level 1 assets or liabilities that are measured at fair value on a recurring basis.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. LACLT currently has no Level 2 assets or liabilities that are measured at fair value on a recurring basis.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. LACLT currently has no Level 3 assets or liabilities that are measured at fair value on a recurring basis.

2. Property and Equipment

Property and equipment are carried at cost. Maintenance repairs and minor renewals are expensed as incurred, while more extensive renewals and betterments are capitalized. Provision for depreciation is provided over the estimated useful lives of the respective assets, on a straight-line basis, over five to thirty-nine years. Depreciation expense for the years ended December 31, 2014 and 2013 was \$96,216 and \$73,017, respectively.

3. Projects Under Development

LACLT capitalizes all costs for projects under development. If a project is determined infeasible, the costs are expensed in the year of determination.

During the year ended December 31, 2013, LACLT incurred expenses related to Lochmere Meadows Phase II. Total expenses incurred and capitalized for this project were \$22,415 during the year ended December 31, 2013. During the year ended December 31, 2013, LACLT was reimbursed \$23,551 for predevelopment expenses. The outstanding project under development balance at December 31, 2014 and 2013 was \$0.

During the year ended December 31, 2013, LACLT incurred expenses related to Harriman Hill Phase II. Total expenses incurred and capitalized for this project were \$111,914 during the year ended December 31, 2013. During the year ended December 31, 2013, LACLT was reimbursed \$114,087 for predevelopment expenses. The outstanding project under development balance at December 31, 2014 and 2013 was \$0.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

3. Projects Under Development (continued)

During the years ended December 31, 2014 and 2013, River's Edge incurred expenses related to an affordable housing project. Total expenses incurred and capitalized for this project were \$970,229 and \$126,739 during the years ended December 31, 2014 and 2013, respectively. The outstanding project under development balance at December 31, 2014 and 2013 was \$1,096,968 and \$126,739, respectively.

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2014 and 2013 consisted of assets whose use was restricted to payments for a particular purpose and time period. At December 31, 2014 and 2013, temporarily restricted net assets were \$430,455 and \$398,035, respectively.

5. Permanently Restricted Net Assets

At December 31, 2014 and 2013, permanently restricted net assets consisted of the following:

NeighborWorks America Capital Fund:

	2014	2013
Cash	\$ 317,908	\$ 761,141
Office Building	41,064	41,064
Building Improvements	411,526	411,526
Project in process – River's Edge	589,542	36,200
Long-term Loan – Capital Projects	438,828	444,000
Net Assets	<u>\$ 1,798,868</u>	<u>\$ 1,693,931</u>

The NeighborWorks America Capital Fund represents funds provided by NeighborWorks America for capital projects. All resources granted to this fund must be maintained permanently. LACLT is permitted to transfer or expend the income derived from capital assets in excess of the relevant Capital Fund Agreement.

LACLT received \$400,000 and \$255,000 in grants from the NeighborWorks America Capital Reinvestment Fund during the years ended December 31, 2014 and 2013, respectively. LACLT received a release from its Capital Fund Agreement during the years ended December 31, 2014 and 2013 in the amount of \$295,063 and \$280,080, respectively.

6. Related Party Transactions

Land Leases

LACLT leased land to Avery Hill Neighborhood Limited Partnership ("AHNLP"), a limited partnership formed to develop, maintain and operate a low-income housing complex in Laconia, New Hampshire, for a period of forty years. LACLT owns a .5% interest and is the co-general partner in AHNLP. The lease cost of \$150,000 was paid in full at December 31, 1996. The land lease was terminated on June 24, 2013 upon the purchase of the AHNLP project by LACLT.

LACLT leased land to 1997 PH Limited Partnership ("Pine Hill"), a limited partnership that was formed to develop, maintain and operate a low-income housing project in Laconia, New Hampshire, for a period of fifty years. The lease cost of \$175,000 was paid in full at December 31, 1997. The land lease was terminated on October 15, 2014 upon the purchase of the Pine Hill project by LACLT.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

6. Related Party Transactions (continued)

Notes Receivable and Operating Advances

LACLT entered into a 4.75% promissory note agreement with AHNLP requiring payment in full on November 1, 2012. The note and interest receivable balances were written off as a loss on disposition of general partner interest during the year ended December 31, 2013 as a result the purchase of AHNLP project by LACLT.

LACLT entered into a long-term promissory note agreement with Mechanic School Limited Partnership. Interest accrues annually at the rate of 3.1%. The principal and accrued interest are due in their entirety on March 7, 2036. The note receivable balance outstanding at December 31, 2014 and 2013 was \$30,000. The accrued interest receivable balance at December 31, 2014 and 2013 was \$13,612 and \$12,682, respectively.

LACLT advanced funds to MFH Limited Partnership to pay certain invoices of the property. The balance outstanding at December 31, 2014 and 2013 was \$3,600 and \$0, respectively.

LACLT entered into a promissory note agreement with Boynton Road Limited Partnership. Interest accrues at the rate of 3%. The principal and accrued interest are due in their entirety on January 20, 2039. The note receivable balance at December 31, 2014 and 2013 was \$17,000. The accrued interest receivable balance at December 31, 2014 and 2013 was \$1,530 and \$1,020, respectively.

LACLT made operating advances to Pine Hill to assist with the cash flow of the property. The balance outstanding was \$0 and \$45,927 at December 31, 2014 and 2013. The advances receivable balance was written off as a loss on disposition of general partner interest during the year ended December 31, 2014 as a result the purchase of Pine Hill by LACLT.

LACLT entered into a 1% promissory note agreement with Lochmere Meadows Affordable Housing Limited Partnership during the year ended December 31, 2011. Monthly principal and interest payments of \$563 are due through January 31, 2031. The note receivable balance at December 31, 2014 and 2013 was \$155,452 and \$160,624, respectively.

LACLT entered into a \$324,000 non-interest bearing promissory note agreement with Lochmere Meadows Affordable Housing Limited Partnership during the year ended December 31, 2012. The entire outstanding balance of the note shall be due and payable in full on April 25, 2029. The loan has been discounted to its present value using an implied interest rate of 4%. The discounted note receivable balance at December 31, 2014 and 2013 was \$179,905 and \$172,986, respectively.

LACLT made operating deficit loans to Harriman Hill Affordable Housing Limited Partnership ("HHAHLP") to cover operating deficits. Operating deficit loans accrue interest at 8% compounded annually, and are payable from cash surplus. The balance outstanding was \$10,000 and \$0 at December 31, 2014 and 2013, respectively. The balance of deferred interest payable at December 31, 2014 and 2013 was \$158 and \$0, respectively.

LACLT entered into a \$32,000 non-interest bearing promissory note agreement with HHAHLP during the year ended December 31, 2013. The entire outstanding balance of the note shall be due and payable in full on November 1, 2030. The note receivable balance at December 31, 2014 and 2013 was \$32,000 and 32,000, respectively.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

6. Related Party Transactions (continued)

Notes Receivable and Operating Advances (continued)

LACLT entered into a \$400,000 non-interest bearing promissory note agreement with Harriman Hill II Limited Partnership during the year ended December 31, 2014. The entire outstanding balance of the note shall be due and payable in full on June 24, 2028. The loan has been discounted to its present value using an implied interest rate of 4%. The discounted note receivable balance at December 31, 2014 and 2013 was \$222,106 and \$0, respectively.

Resident Service Fees

LACLT received resident service fees for supportive services it provides to certain partnerships in which it is affiliated as follows:

	2014	2013
AHNLP	\$ -	\$ 1,344
1997 Pine Hill, LP	2,808	3,600
LNI, LP	3,952	3,800
MFH, LP	3,744	3,600
HHAHLP	4,992	4,320
Harriman Hill II, LP	1,248	-
Mechanic School, LP	1,248	1,200
	<u>\$ 17,992</u>	<u>\$ 17,864</u>

Management Incentive Fees

LACLT entered into management incentive fee agreements with certain limited partnerships in which it is a general partner. Management incentive fees earned during the years ended December 31, 2014 and 2013 are as follows:

	2014	2013
LNI, LP	\$ 8,500	\$ 12,750
MFH, LP	-	17,000
Mechanic School LP	5,100	-
	<u>\$ 13,600</u>	<u>\$ 29,750</u>

Developer Services Fees

LACLT entered into a development services agreement with Eastern Lakes Regional Housing Coalition. The agreement called for payment of a fee in the amount of \$74,667 for the development services on a project located in Wolfeboro Falls, New Hampshire. LACLT earned \$74,667 during the year ended December 31, 2011. LACLT was owed \$28,961 and \$28,961 at December 31, 2014 and 2013, respectively. The amount due accrues interest at 8% compounded annually and is expected to be repaid from the cash flows of the partnership. The balance of deferred interest payable as of December 31, 2014 and 2013 was \$2,317 and \$0, respectively.

LACLT entered into a development services agreement with LM II Affordable Housing Limited Partnership, in which it is a general partner. The agreement calls for payment of a fee in the amount of \$363,000 for the development services on a project located in Tilton, New Hampshire. LACLT earned \$0 and \$291,000 during the years ended December 31, 2014 and 2013, respectively. LACLT was owed \$185,000 and \$185,000 at December 31, 2014 and 2013, respectively.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

6. Related Party Transactions (continued)

Developer Services Fees (continued)

LACLТ entered into a development services agreement with Harriman Hill II Limited Partnership. The agreement calls for payment of a fee in the amount of \$298,667 for the development services on a project located in Wolfeboro, New Hampshire. LACLТ earned \$200,333 and \$98,333 during the years ended December 31, 2014 and 2013, respectively. LACLТ was owed \$150,000 and \$0 at December 31, 2014 and 2013, respectively.

Investments in Partnerships

LACLТ maintains the following investments in partnerships which have been recorded at cost as of December 31, 2014 and 2013:

<u>Partnership</u>	<u>Ownership %</u>	<u>2014</u>	<u>2013</u>
1997 Pine Hill LP	.01%	\$ -	\$ 200
LNI LP	.01%	196,755	196,755
Harriman Hill AH LP	.009%	100	100
		<u>\$ 196,855</u>	<u>\$ 197,055</u>

Capital Distributions

LACLТ received a capital distribution from Boynton Road Limited Partnership during the years ended December 31, 2014 and 2013 in the amount of \$3,000 and \$1,332, respectively.

LACLТ received a capital distribution from Lochmere Meadows Affordable Housing Limited Partnership during the years ended December 31, 2014 and 2013 in the amount of \$2,820 and \$0, respectively.

7. Long-term Debt

Long-term debt consisted of the following at December 31, 2014 and 2013:

3% note payable to Bank of New Hampshire due in monthly principal and interest payments of \$1,158 through 2016. The note is collateralized by a mortgage on land and buildings, Winter Street, Laconia, New Hampshire. The balance outstanding at December 31, 2014 and 2013 was \$24,801 and \$36,735, respectively.

4% note payable to Bank of New Hampshire due in monthly principal and interest payments of \$512 through January 2022. The note is collateralized by a mortgage on land and building, Elm Street, Laconia, New Hampshire. The balance outstanding at December 31, 2014 and 2013 was \$33,646 and \$37,666, respectively.

5% note payable to Bank of New Hampshire assumed by LACLТ through the purchase of the Pine Hill project on October 15, 2014. Monthly principal and interest payments of \$1,730 are due through December 2018. The note is collateralized by a mortgage on real estate located in Laconia, New Hampshire. The balance outstanding at December 31, 2014 and 2013 was \$75,057 and \$0, respectively.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

7. Long-term Debt (continued)

4% note payable to Bank of New Hampshire due in monthly principal and interest payments of \$428 through January 2022. The note is collateralized by a mortgage on land and building, Pearl Street, Laconia, New Hampshire. The balance outstanding at December 31, 2014 and 2013 was \$28,112 and \$31,471, respectively.

3% note payable to Meredith Village Savings Bank due in monthly principal and interest payments of \$2,781 through December 31, 2039. The loan is being amortized over a thirty year period. The note is collateralized by a mortgage on real estate located in Meredith, New Hampshire and is subject to the terms of an Affordable Housing Program Agreement. The balance outstanding at December 31, 2014 and 2013 was \$586,421 and \$601,956, respectively.

Non-interest bearing note payable to Meredith Village Savings Bank. The loan has been discounted using an imputed interest rate of 4.0%, which resulted in a discount of \$262,567 and \$256,773 at December 31, 2014 and 2013, respectively. The note is collateralized by a mortgage on real estate located in Meredith, New Hampshire and is subject to the terms of an Affordable Housing Program Agreement. No principal payments are due until the loan matures in full on January 22, 2039. The balance outstanding at December 31, 2014 and 2013 was \$150,662 and \$144,868, respectively.

Non-interest bearing note payable to New Hampshire Housing Finance Authority ("NHHFA") assumed by LACLT through the purchase of the Pine Hill project on October 15, 2014. The note is collateralized by a mortgage on real estate located in Laconia, New Hampshire. No principal payments are due until the loan matures in full in May 2027. The balance outstanding at December 31, 2014 and 2013 was \$350,000 and \$0, respectively.

Non-interest bearing note payable to NHHFA assumed by LACLT through the purchase of AHNLP on June 24, 2013. The note is collateralized by a mortgage on real estate located in Laconia, New Hampshire. No principal payments are due until the loan matures in full in October 2027. The balance outstanding at December 31, 2014 and 2013 was \$585,000 and \$585,000, respectively.

Non-interest bearing note payable to the City of Laconia, New Hampshire assumed by LACLT through the purchase of the Pine Hill project on October 15, 2014. The note is collateralized by a mortgage on real estate located in Laconia, New Hampshire. No principal payments are due until the loan matures in full on June 1, 2018. The balance outstanding at December 31, 2014 was \$234,072 and \$0, respectively.

Non-interest bearing note payable to the City of Laconia, New Hampshire assumed by LACLT through the purchase of AHNLP on June 24, 2013. The note is collateralized by a mortgage on real estate located in Laconia, New Hampshire. No principal payments are due until the loan matures in full on December 31, 2016. The balance outstanding at December 31, 2014 and 2013 was \$154,938 and \$154,938, respectively.

Non-interest bearing note payable to the Laconia Housing Redevelopment Authority assumed by LACLT through the purchase of AHNLP on June 24, 2013. The loan amount is subject to a lien that does not require repayment unless the real property is conveyed to another party. The balance outstanding at December 31, 2014 and 2013 was \$35,900 and \$35,900, respectively.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

7. Long-term Debt (continued)

Non-interest bearing note payable to NHHFA. The loan is for the payment of eligible costs related to an affordable housing project called River's Edge. The loan shall be repaid at the time of construction loan closing. The loan will be forgiven and no repayment expected should the project not proceed to a closing and the project be determined infeasible by NHHFA. The balance outstanding at December 31, 2014 and 2013 was \$30,000 and \$30,000, respectively.

Non-interest bearing recoverable grant payable to Local Initiatives Support Corporation ("LISC"). The loan is for the payment of eligible costs related to an affordable housing project on the site of the FW Webb warehouse. The note, with a face amount of \$15,000, is payable on the earlier to occur of (i) the close of construction financing for the project or (ii) December 31, 2014. If the project cannot proceed due to a lack of financing or for some other reason, repayment of the note shall not be required. The balance outstanding at December 31, 2014 and 2013 was \$15,000 and \$15,000, respectively.

Non-interest bearing repayable investment - payable to Local Initiatives Support Corporation ("LISC"). The loan is for the payment of predevelopment costs related to an affordable housing project on the site of the FW Webb warehouse. The agreement calls for advances up to \$45,000 and is payable on the earlier to occur of (i) 18 months from the date of the last disbursement, or (ii) June 15, 2015. If the project cannot proceed due to a lack of financing or for some other reason, repayment of the note shall not be required. The balance outstanding at December 31, 2014 and 2013 was \$45,000 and \$0, respectively.

Non-interest bearing note payable to the County of Belknap, New Hampshire. The note is collateralized by a mortgage on real estate located in Laconia, New Hampshire. No principal payments are due until the loan matures in full in June 2054. The balance outstanding at December 31, 2014 and 2013 was \$149,500 and \$0, respectively.

Maturities of long-term debt are as follows:

<u>December 31,</u>	
2015	\$ 143,441
2016	210,282
2017	44,603
2018	280,492
2019	27,136
Thereafter	<u>1,792,155</u>
	<u>\$ 2,498,109</u>

8. Property Liens

City of Laconia

The City of Laconia has provided improvements to LACLT properties through the use of Community Development Block Grant funds. These improvements are recorded as assets as the improvements are made to the properties.

The properties must be used as housing for low-income individuals and families for a period of twenty years from the contract dates. If the property is sold within twenty years, LACLT becomes liable to the City for the entire contracted amount. The intention of LACLT is to retain ownership of the properties for the contracted periods.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

8. Property Liens (continued)

Contracts entered into as of December 31, 2014 were as follows:

<u>Property</u>	<u>Contract Value</u>	<u>Contract Expiration Date</u>
Winter Street	\$ 77,184	2016

New Hampshire Housing Finance Authority

NHHFA provided funding for the renovation of LACLT's Lincoln Street property. NHHFA placed a restriction on the property. The restriction states that the property may not be sold for a period of thirty years from the date of construction. If the property is sold within thirty years, then LACLT becomes liable to NHHFA for the contracted amount. During the year ended December 31, 2014, NHHFA discharged the restriction on the property.

NHHFA has provided funding for the renovation of LACLT's Avery Hill property. NHHFA has placed a land use restriction on the property. The restriction limits the use of the property through October 2027.

NHHFA has provided funding for the renovation of LACLT's Pine Hill property. NHHFA has placed a restriction on the property. The restriction states that the property may not be sold for a period of thirty years from the date of construction. If the property is sold within thirty years, then LACLT becomes liable to NHHFA for the contracted amount. LACLT's intention is to retain the property for the contract period.

9. In-Kind Contributions

LACLT records the fair market value of any goods and services furnished or received during the year. LACLT received \$3,200 and \$5,000 of in-kind accounting services during the years ended December 31, 2014 and 2013, respectively. A considerable amount of volunteer time, of which no readily ascertainable value could be obtained, was not recorded on the books of LACLT for the years ended December 31, 2014 and 2013.

10. Grants and Awards

LACLT received \$1,196,360 and \$901,085 in grants and awards during the years ended December 31, 2014 and 2013, respectively. Grants are recorded when the awards are received.

11. Functional Allocation of Expenses

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. General and administrative expenditures include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of LACLT.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

12. Restricted Cash

Lincoln Street

LACLT entered into a Regulatory Agreement with NHHFA in connection with the mortgage on Lincoln Street. See Note 8. During the year ended December 31, 2014, the mortgage was fully discharged causing the balance of the replacement reserve to be returned to LACLT and the residual receipts account to be recaptured by NHHFA. The recapture of the residual receipts, in the amount of \$46,065 has been recorded as a non-operating expense during the year ended December 31, 2014.

Avery Hill

LACLT entered into a Regulatory Agreement with NHHFA in connection with the mortgage on Avery Hill. See Note 8. The Agreement requires LACLT to make monthly deposits in the amount of \$450 into a reserve for replacements. Withdrawals from this account cannot be made without the consent of NHHFA.

Restricted cash for the Avery Hill property at December 31, 2014 were as follows:

Replacement reserve	\$ 52,634
Operating reserve	22,924
Real estate tax escrow	3,281
Insurance escrow	3,140
Residual receipts reserve	111
	<u>\$ 82,090</u>

Pine Hill

LACLT entered into a Regulatory Agreement with NHHFA in connection with the mortgage on Pine Hill. See Note 8. The Agreement requires LACLT to make monthly deposits in the amount of \$590 into a reserve for replacements. Withdrawals from this account cannot be made without the consent of NHHFA.

Restricted cash for the Pine Hill property at December 31, 2014 were as follows:

Replacement reserve	\$ 62,168
Operating reserve	8,645
Tax and insurance escrow	2,249
	<u>\$ 73,062</u>

13. Ground Lease

LACLT entered into a ground lease with an individual on March 21, 2003. The lease of land on Jameson Street, Laconia, is for a period of ninety-nine years with an option to renew for an additional period of ninety-nine years. The lease calls for monthly payments of \$25.

14. Concentration of Credit Risk

Financial instruments that potentially subject LACLT to a concentration of credit risk consist principally of cash and cash equivalents. LACLT cash balances at December 31, 2014 and 2013 were FDIC insured, or collateralized by the bank's assets.

LACLT receives approximately 65% of its funding from government grants. A reduction in the funding would impair its ability to operate. LACLT's management does not anticipate a reduction in funding.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

15. Property and Equipment

LACLT's property and equipment consisted of the following assets, recorded at cost, at December 31:

	<u>2014</u>	<u>2013</u>
Land	\$1,133,430	\$1,133,430
Building and Improvements	3,919,931	3,165,283
Equipment	83,135	74,521
Total	<u>5,136,496</u>	<u>4,373,234</u>
Less: accumulated depreciation	808,519	712,303
Property and Equipment, net	<u>\$4,327,977</u>	<u>\$3,660,931</u>

16. Equity Equivalent Investment

LACLT received an equity equivalent investment in the amount of \$110,000 from Meredith Village Savings Bank during the year ended December 31, 2008. A promissory note has been entered into requiring repayment of this investment on or before December 19, 2018 or such later date as may be determined by the lender. Interest shall be payable at an annual rate of 3% commencing on December 19, 2009 and at maturity. The outstanding balance at December 31, 2014 and 2013 was \$110,000 and \$110,000, respectively.

17. Amortization

LACLT follows the policy of charging to expense annual amounts of amortization that allocated the cost of intangible assets over their estimated useful lives utilizing the straight-line method of amortization. Intangible assets include prepaid tax credit monitoring fees of \$9,000 which are amortized over 15 years, finance fees of \$13,064 which are amortized over 20 years, finance fees of \$9,350 which are amortized over 30 years, and finance fees of \$4,343 which are amortized over 40 years. Amortization expense for the year ended December 31, 2014 and 2013 was \$829 and \$764, respectively.

18. Commitments and Contingencies

LACLT has acted as sponsor for various low-income and affordable housing developments. These developments have received various forms of funding from federal, state and local sources. The terms of these funding agreements generally require that the projects maintain affordable housing and low-income eligibility status. If such status is not maintained, LACLT may be obligated to remedy any defaults in the requirements and may be liable to repay certain amounts to investors and lenders. Management is not aware of any instances of noncompliance that would impair its assets.

In addition, LACLT, as project sponsor, has, in some cases, agreed to advance funds to its related partnerships as guarantor of its or the general partner's obligation to fund operating deficits, development cost overruns, payments for reduced tax benefits to investors and other circumstances affecting the partnerships, as defined in the partnership agreements. As of the date of this report, LACLT was not obligated for any balance.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

18. Commitments and Contingencies (continued)

LACLT received a grant from Meredith Village Savings Bank in the amount of \$400,000 during the year ended December 31, 2014. The grant was restricted to the rehabilitation of rental real estate for the Harriman Hill Phase II project. LACLT entered into an affordable housing program agreement with Meredith Village Savings Bank. The agreement stipulates that the project comply with certain affordability restrictions for 20 years. If the stipulations of the agreements are not met, the grant is subject to recapture in full. LACLT believes it is in compliance with the restrictions at December 31, 2014. The grant was recorded as income during the year ended December 31, 2014.

LACONIA AREA COMMUNITY LAND TRUST, INC.
SUPPLEMENTAL SCHEDULE OF RENTAL INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Elm (Fore) Street	44 Pearl Street	155/157 Oak Street	24 Walnut Street	334 South Main Street	199 Washington Street	79 Lincoln Street	21 Winter Street	23 Winter Street	Frances Court	Noyes Road	Avery Hill	Pine Hill	Totals
Rental and Other Income	\$ 10,295	\$ 16,947	\$ 17,985	\$ 19,486	\$ 22,903	\$ 12,440	\$ 20,212	\$ 37,590	\$ 26,887	\$ 65,597	\$ 10,200	\$ 91,751	\$ 31,611	\$ 383,904
Operating Expenses														
Insurance	1,644	904	804	1,068	904	804	980	1,772	1,772	2,990	328	4,648	1,648	20,266
Advertising	204	102	102	153	153	202	102	1,107	255	965	-	1,033	403	4,781
Professional fees	602	600	587	600	600	600	975	585	570	84	-	1,050	710	7,563
Depreciation and amortization	8,861	4,553	4,945	3,927	2,522	4,813	4,327	3,871	4,091	15,766	3,491	24,447	2,506	88,120
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	127	1,318	1,445
Repairs and maintenance	8,972	5,513	2,920	2,631	1,943	4,064	2,334	7,040	11,914	3,678	253	25,802	10,967	88,031
Utilities	7,373	2,639	2,438	2,090	1,658	1,617	-	7,125	9,061	5,241	-	4,671	3,956	47,869
Snow and trash removal	483	279	460	363	363	710	242	764	651	6,497	-	3,775	2,065	16,652
Property taxes	4,691	3,877	3,366	4,290	3,302	2,805	4,127	3,183	3,334	8,400	2,597	14,020	5,205	63,197
Water and sewer	1,463	1,141	912	1,117	1,511	702	1,136	1,817	1,769	5,188	320	7,484	2,839	27,399
Miscellaneous	91	43	62	54	32	44	54	123	116	16	-	319	155	1,109
Management fees	2,856	1,428	1,428	2,142	2,142	1,428	1,428	3,570	3,570	7,440	-	9,996	2,700	40,128
Interest	1,437	1,201	-	-	-	-	-	403	451	17,818	-	-	860	22,170
Total Operating Expenses	38,677	22,280	18,024	18,435	15,130	17,789	15,705	31,360	37,554	74,083	6,989	97,372	35,332	428,730
Income (Loss) before Non-operating Income (Expenses)	(28,382)	(5,333)	(39)	1,051	7,773	(5,349)	4,507	6,230	(10,667)	(8,486)	3,211	(5,621)	(3,721)	(44,826)
Non-operating Income (Expenses) Recapture of residual receipts (Note 12)	-	-	-	-	-	-	(46,065)	-	-	-	-	-	-	(46,065)
Total Non-operating Income (Expenses)	-	-	-	-	-	-	(46,065)	-	-	-	-	-	-	(46,065)
Income (Loss)	\$ (28,382)	\$ (5,333)	\$ (39)	\$ 1,051	\$ 7,773	\$ (5,349)	\$ (41,558)	\$ 6,230	\$ (10,667)	\$ (8,486)	3,211	(5,621)	(3,721)	\$ (44,826)

Supplemental Information:

Principal repayment of loans	4,020	3,359	-	-	-	-	-	5,967	5,967	15,535	-	-	2,814	34,848
Depreciation and amortization	8,861	4,553	4,945	3,927	2,522	4,813	4,327	3,871	4,091	15,766	3,491	24,447	2,506	88,120

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
Consolidating Statement of Financial Position
December 31, 2014

Assets	LACLT, Inc.	River's Edge Laconia LP	Total	Intercompany Eliminations	Total
Current Assets					
Cash	\$ 1,203,701	\$ -	\$ 1,203,701	\$ -	\$ 1,203,701
Tenant rents receivable	4,343	-	4,343	-	4,343
Grants receivable	313,263	-	313,263	-	313,263
Prepaid expenses	34,572	-	34,572	-	34,572
Total Current Assets	<u>1,555,879</u>	<u>-</u>	<u>1,555,879</u>	<u>-</u>	<u>1,555,879</u>
Restricted Cash					
Cash - permanently restricted	317,908	-	317,908	-	317,908
Restricted reserves	155,152	-	155,152	-	155,152
Tenant security deposits held in trust	33,792	-	33,792	-	33,792
Total Restricted Cash	<u>506,852</u>	<u>-</u>	<u>506,852</u>	<u>-</u>	<u>506,852</u>
Property and equipment, at cost - net of accumulated depreciation					
	<u>4,327,977</u>	<u>-</u>	<u>4,327,977</u>	<u>-</u>	<u>4,327,977</u>
Noncurrent Assets					
Projects under development	-	1,096,968	1,096,968	-	1,096,968
Development fees receivable	363,961	-	363,961	-	363,961
Notes and operating advances receivable from related parties	1,615,148	-	1,615,148	(947,468)	667,680
Investments in partnerships	196,855	-	196,855	-	196,855
Loan finance fees, net of accumulated amortization	10,596	-	10,596	-	10,596
Total Noncurrent Assets	<u>2,186,560</u>	<u>1,096,968</u>	<u>3,283,528</u>	<u>(947,468)</u>	<u>2,336,060</u>
Total Assets	<u>\$ 8,577,268</u>	<u>\$ 1,096,968</u>	<u>\$ 9,674,236</u>	<u>\$ (947,468)</u>	<u>\$ 8,726,768</u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
Consolidating Statement of Financial Position
December 31, 2014

Liabilities and Net Assets	LACLT, Inc.	River's Edge Laconia LP	Total	Intercompany Eliminations	Total
Current Liabilities					
Current portion of long-term debt	\$ 143,441	\$ -	\$ 143,441	\$ -	\$ 143,441
Accounts payable	81,735	-	81,735	-	81,735
Prepaid rent	8,286	-	8,286	-	8,286
Accrued wages and related expenses	99,733	-	99,733	-	99,733
Total Current Liabilities	<u>333,195</u>	<u>-</u>	<u>333,195</u>	<u>-</u>	<u>333,195</u>
Long-term Liabilities					
Long-term debt, less current portion shown above	2,205,168	1,096,968	3,302,136	(947,468)	2,354,668
Equity equivalent investment	110,000	-	110,000	-	110,000
Tenant security deposits payable	33,661	-	33,661	-	33,661
Total Long-term Liabilities	<u>2,348,829</u>	<u>1,096,968</u>	<u>3,445,797</u>	<u>(947,468)</u>	<u>2,498,329</u>
Total Liabilities	<u>2,682,024</u>	<u>1,096,968</u>	<u>3,778,992</u>	<u>(947,468)</u>	<u>2,831,524</u>
Net Assets					
Unrestricted	3,665,921	-	3,665,921	-	3,665,921
Temporarily restricted	430,455	-	430,455	-	430,455
Permanently restricted	1,798,868	-	1,798,868	-	1,798,868
Total Net Assets	<u>5,895,244</u>	<u>-</u>	<u>5,895,244</u>	<u>-</u>	<u>5,895,244</u>
Total Liabilities and Net Assets	<u>\$ 8,577,268</u>	<u>\$ 1,096,968</u>	<u>\$ 9,674,236</u>	<u>\$ (947,468)</u>	<u>\$ 8,726,768</u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
Consolidating Statement of Activities
For the Year Ended December 31, 2014

	LACLT, Inc.									
	Operating Programs	Property Development	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total	River's Edge Laconia LP	Total	Inter-Company Eliminations	Consolidated Balance
Revenue and Other Support										
Membership dues	\$ 17,195	\$ -	\$ 17,195	\$ -	\$ -	\$ 17,195	\$ -	\$ 17,195	\$ -	\$ 17,195
Contributions	15,536	-	15,536	-	-	15,536	-	15,536	-	15,536
In-kind donations	3,200	-	3,200	-	-	3,200	-	3,200	-	3,200
Grants	70,787	-	70,787	725,573	400,000	1,196,360	-	1,196,360	-	1,196,360
Resident service fees	17,992	-	17,992	-	-	17,992	-	17,992	-	17,992
Rental income	384,204	-	384,204	-	-	384,204	-	384,204	-	384,204
Developer fees	-	200,333	200,333	-	-	200,333	-	200,333	-	200,333
Management incentive fees	-	13,600	13,600	-	-	13,600	-	13,600	-	13,600
Net assets released from restrictions:	988,216	-	988,216	(693,153)	(295,063)	-	-	-	-	-
Total Revenue and Support	1,497,130	213,933	1,711,063	32,420	104,937	1,848,420	-	1,848,420	-	1,848,420
Functional Expenses										
Program Services:										
Transitional Services	56,305	-	56,305	-	-	56,305	-	56,305	-	56,305
Tenant Support	34,728	-	34,728	-	-	34,728	-	34,728	-	34,728
Affordable Housing Production	-	258,529	258,529	-	-	258,529	-	258,529	-	258,529
Rental Properties	428,730	-	428,730	-	-	428,730	-	428,730	-	428,730
Asset Management	120,184	-	120,184	-	-	120,184	-	120,184	-	120,184
Homeownership Center	131,687	-	131,687	-	-	131,687	-	131,687	-	131,687
Supporting Services:										
Fundraising	34,626	-	34,626	-	-	34,626	-	34,626	-	34,626
General and Administrative	60,011	-	60,011	-	-	60,011	-	60,011	-	60,011
Total Functional Expenses	866,271	258,529	1,124,800	-	-	1,124,800	-	1,124,800	-	1,124,800
Change in Net Assets Before Non-operating Income and Expenses	630,859	(44,596)	586,263	32,420	104,937	723,620	-	723,620	-	723,620
Non-operating Income (Expenses)										
Capital distributions from a related party	5,820	-	5,820	-	-	5,820	-	5,820	-	5,820
Investment income	5,750	-	5,750	-	-	5,750	-	5,750	-	5,750
Recapture of residual receipts	(46,065)	-	(46,065)	-	-	(46,065)	-	(46,065)	-	(46,065)
Loss on disposition of a partnership interest	(43,200)	-	(43,200)	-	-	(43,200)	-	(43,200)	-	(43,200)
Discount on note receivable	(170,975)	-	(170,975)	-	-	(170,975)	-	(170,975)	-	(170,975)
Total Non-operating Income (Expenses)	(248,670)	-	(248,670)	-	-	(248,670)	-	(248,670)	-	(248,670)
Change in Net Assets	382,189	(44,596)	337,593	32,420	104,937	474,950	-	474,950	-	474,950
Net Assets, beginning of year	3,328,328	-	3,328,328	398,035	1,693,931	5,420,294	-	5,420,294	-	5,420,294
Transfers	(44,596)	44,596	-	-	-	-	-	-	-	-
Net Assets, end of year	\$ 3,665,921	\$ -	\$ 3,665,921	\$ 430,455	\$ 1,798,868	\$ 5,895,244	\$ -	\$ 5,895,244	\$ -	\$ 5,895,244

See accompanying notes