

Laconia Area Community Land Trust, Inc.

Financial Report and
Supplementary Information

December 31, 2015

Nesseralla & Company, LLC
A Public Accounting Firm

LACONIA AREA COMMUNITY LAND TRUST, INC.
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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 statement of financial position of Laconia Area Community Land Trust, Inc. (a non-profit corporation), as of December 31, 2015, and the related 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Laconia Area Community Land Trust, Inc. as of December 31, 2015, 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 Additional Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Nesseralla & Company, LLC

Manchester, New Hampshire

March 28, 2016

LACONIA AREA COMMUNITY LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

ASSETS

Current Assets

Cash (Note 1)	\$ 1,888,522
Tenant rents receivable (Note 1)	4,280
Grants and contributions receivable	446,106
Other receivables	5,109
Prepaid expenses	38,951
Total Current Assets	2,382,968

Restricted Cash

Cash - permanently restricted (Note 5)	57,595
Restricted reserves (Note 12)	166,093
Tenant security deposits held in trust	35,201
Total Restricted Cash	258,889

Property and equipment, at cost -

net of accumulated depreciation (Note 2)	4,450,369
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Noncurrent Assets

Projects under development (Note 3)	5,000
Development fees receivable (Note 6)	213,952
Notes and operating advances receivable - related parties (Note 6)	843,818
Investments in partnerships (Note 6)	196,855
Loan finance fees, net of accumulated amortization (Note 16)	9,520
Total Noncurrent Assets	1,269,145

Total Assets	\$ 8,361,371
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See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015

LIABILITIES AND NET ASSETS

Current Liabilities	
Current portion of long-term debt (Note 7)	\$ 210,275
Accounts payable	18,536
Prepaid rent	6,083
Accrued wages and other expenses	87,300
Total Current Liabilities	<u>322,194</u>
Long-term Liabilities	
Long-term debt, less current portion shown above (Note 7)	2,000,967
Equity equivalent investment (Note 15)	110,000
Tenant security deposits payable	34,859
Total Long Term Liabilities	<u>2,145,826</u>
 Total Liabilities	 <u>2,468,020</u>
Net Assets	
Unrestricted	3,674,918
Temporarily restricted (Note 4)	656,788
Permanently restricted (Note 5)	1,561,645
Total Net Assets	<u>5,893,351</u>
 Total Liabilities and Net Assets	 <u>\$ 8,361,371</u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Other Operating Programs	Property Development	Total Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	Total
Revenue and Other Support						
Membership dues	\$ 18,051	\$ -	\$ 18,051	\$ -	\$ -	\$ 18,051
Contributions	10,882	-	10,882	-	-	10,882
Grants (Note 10)	88,050	-	88,050	433,202	100,000	621,252
Resident service fees (Note 6)	19,656	-	19,656	-	-	19,656
Rental income and land lease revenue	547,687	-	547,687	-	-	547,687
Developer fees (Note 6)	-	277,400	277,400	-	-	277,400
Management incentive fees (Note 6)	-	8,079	8,079	-	-	8,079
Net assets released from restrictions:	544,092	-	544,092	(206,869)	(337,223)	-
Total Revenue and Support	<u>1,228,418</u>	<u>285,479</u>	<u>1,513,897</u>	<u>226,333</u>	<u>(237,223)</u>	<u>1,503,007</u>
Functional Expenses (Note 11)						
Program Services:						
Transitional Services	46,502	-	46,502	-	-	46,502
Tenant Support	37,785	-	37,785	-	-	37,785
Affordable Housing Production	-	251,400	251,400	-	-	251,400
Rental Properties	598,315	-	598,315	-	-	598,315
Asset Management	128,910	-	128,910	-	-	128,910
Homeownership Center	17,588	-	17,588	-	-	17,588
Supporting Services:						
Fundraising	82,065	-	82,065	-	-	82,065
General and Administrative	76,254	-	76,254	-	-	76,254
Total Functional Expenses	<u>987,417</u>	<u>251,400</u>	<u>1,238,817</u>	<u>-</u>	<u>-</u>	<u>1,238,817</u>
Change in Net Assets Before Non-operating Income and Expenses	241,001	34,079	275,080	226,333	(237,223)	264,190
Non-operating Income (Expenses)						
Investment income	21,484	-	21,484	-	-	21,484
Discount on notes receivable (Note 6)	(287,567)	-	(287,567)	-	-	(287,567)
Total Non-operating Income (Expenses)	<u>(266,083)</u>	<u>-</u>	<u>(266,083)</u>	<u>-</u>	<u>-</u>	<u>(266,083)</u>
Change in Net Assets	(25,082)	34,079	8,997	226,333	(237,223)	(1,893)
Net Assets, beginning of year	3,665,921	-	3,665,921	430,455	1,798,868	5,895,244
Transfers	7,364	(7,364)	-	-	-	-
Net Assets, end of year	<u>\$ 3,648,203</u>	<u>\$ -</u>	<u>\$ 3,674,918</u>	<u>\$ 656,788</u>	<u>\$ 1,561,645</u>	<u>\$ 5,893,351</u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services							Fundraising	General and Administrative	Total Functional Expenses
	Transitional Services	Tenant Support	Affordable Housing Production	Rental Properties	Home-Ownership Center	Asset Management	Total Program Services			
Salaries and wages	\$ 33,127	\$ 26,104	\$ 187,059	\$ -	\$ 14,042	\$ 97,834	\$ 358,166	\$ 58,789	\$ 56,236	\$ 473,191
Payroll taxes and benefits	5,930	4,673	33,485	-	2,514	17,513	64,114	10,524	10,067	84,704
Training and education	242	297	1,526	-	34	441	2,539	415	323	3,277
Insurance	314	218	1,004	27,449	44	572	29,600	538	420	30,557
Advertising	-	-	-	2,093	-	-	2,093	-	-	2,093
Professional fees	2,333	1,617	7,461	8,764	323	4,250	24,749	3,996	3,118	31,863
Management fees	-	-	-	50,640	-	-	50,640	-	-	50,640
Depreciation and amortization (Notes 2 & 16)	961	666	3,073	105,063	133	1,751	111,647	1,646	1,285	114,578
Bad debt expense	-	-	-	10,988	-	-	10,988	-	-	10,988
Interest expense	333	231	1,066	23,570	46	607	25,854	571	446	26,870
Repairs and maintenance	258	179	824	187,063	36	470	188,829	441	345	189,615
Utilities	447	310	1,429	42,053	62	814	45,114	765	597	46,476
Snow and trash removal	97	68	312	23,870	14	178	24,538	167	130	24,835
Property taxes	538	373	1,722	77,026	75	981	80,714	922	720	82,356
Water and sewer	72	50	231	38,290	10	132	38,785	124	97	39,005
Miscellaneous	532	689	1,701	1,446	74	969	5,410	911	711	7,031
Postage	170	118	542	-	24	309	1,162	290	227	1,679
Dues and subscriptions	28	19	89	-	4	51	191	48	37	276
Supplies	686	475	2,193	-	95	1,249	4,697	1,174	916	6,788
Telephone	388	269	1,240	-	54	707	2,657	664	518	3,840
Discount on note payable (Note 7)	-	-	6,027	-	-	-	6,027	-	-	6,027
Travel	46	1,431	418	-	6	85	1,986	80	62	2,128
Total Functional Expenses	\$ 46,502	\$ 37,785	\$ 251,400	\$ 598,315	\$ 17,588	\$ 128,910	\$ 1,080,499	\$ 82,065	\$ 76,254	\$ 1,238,817

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

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Cash Flows From Operating Activities	
Change in net assets	\$ (1,893)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	114,578
Discount on note payable	6,027
Discount on note receivable	287,567
(Increase) decrease in the following assets:	
Tenant rents receivable	63
Grants and contributions receivable	(132,843)
Other receivables	(5,109)
Prepaid expenses	(4,379)
Tenant security deposits	(1,409)
Increase (decrease) in the following liabilities:	
Accounts payable and accrued expenses	(75,632)
Prepaid rents	(2,203)
Tenant security deposits	1,198
Net Cash Provided By Operating Activities	<u>185,965</u>
 Cash Flows From Investing Activities	
Transfers to/from escrows and reserves, net	(10,941)
Projects under development	(5,000)
Purchase of property, equipment and other assets	<u>(235,894)</u>
Net Cash Used In Investing Activities	<u>(251,835)</u>
 Cash Flows From Financing Activities	
Development fees receivable	152,326
Notes receivable from related parties	481,446
Repayment of mortgages and notes	<u>(143,394)</u>
Net Cash Provided By Financing Activities	<u>490,378</u>
 Net Increase In Cash	424,508
 Cash, beginning of year	<u>1,521,609</u>
 Cash, end of year	<u><u>\$ 1,946,117</u></u>
 Cash Paid During The Year For:	
Interest	<u><u>\$ 26,977</u></u>

See accompanying notes

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

Program Mission

Laconia Area Community Land Trust, Inc.'s ("LACL T") 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

LACL T 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. LACL T serves the community through six programs as follows:

Transitional Services

LACL T'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

LACL T 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

LACL T develops affordable housing with new construction, gut rehabilitation, historic preservation, urban infill, brownfield, and adaptive reuse production, and preserves it as permanently affordable through the unique mechanisms of the community land trust model.

Rental Properties and Asset Management

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

Homeownership Center

LACL T 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

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

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

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

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (continued)

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 28, 2016 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.

Advertising

LACLT expenses advertising costs as they are incurred.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

1. Summary of Significant Accounting Policies (continued)

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 year ended December 31, 2015 was \$113,502.

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

	2015
Land	\$1,133,430
Building and Improvements	4,156,155
Equipment	83,135
Total	<u>5,372,720</u>
Less: accumulated depreciation	922,351
Property and Equipment, net	<u>\$4,450,369</u>

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, 2015, LACLT incurred expenses related to an affordable housing project, Gilford Village Knolls Phase III, see Note 17. The outstanding project under development balance at December 31, 2015 was \$5,000.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

4. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consisted of assets whose use was restricted to payments for a particular purpose and time period. At December 31, 2015, temporarily restricted net assets were \$656,788.

5. Permanently Restricted Net Assets

At December 31, 2015, permanently restricted net assets consisted of the following:

NeighborWorks America Capital Fund:

	2015
Cash	\$ 57,595
Office Building	41,064
Building Improvements	590,382
Long-term Loan – Capital Projects	872,604
Net Assets	\$ 1,561,645

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 \$100,000 in grant funds from the NeighborWorks America Capital Reinvestment Fund during the year ended December 31, 2015. LACLT received a release from its Capital Fund Agreement during the year ended December 31, 2015 in the amount of \$337,223.

6. Related Party Transactions

Notes Receivable and Operating Advances

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, 2015 was \$30,000. The accrued interest receivable balance at December 31, 2015 was \$14,542.

LACLT advanced funds to MFH Limited Partnership to pay certain invoices of the property. The balance outstanding at December 31, 2015 was \$3,600.

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, 2015 was \$17,000. The accrued interest receivable balance at December 31, 2015 was \$2,040.

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, 2015 was \$150,228.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. Related Party Transactions (continued)

Notes Receivable and Operating Advances (continued)

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, 2015 was \$187,102.

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 \$20,200 at December 31, 2015. The balance of deferred interest payable at December 31, 2015 was \$1,497.

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, 2015 was \$32,000.

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, 2015 was \$230,990.

LACLT entered into a \$439,000 promissory note agreement with River’s Edge Laconia Limited Partnership during the year ended December 31, 2015. The loan accrues interest at 5% per annum with payments due at 50% of annual cash surplus. The entire outstanding balance of the note shall be due and payable in full on May 3, 2045. The loan has been discounted to its present value using an implied interest rate of 4%. The discounted note receivable balance at December 31, 2015 was \$135,352. The balance of deferred interest payable at December 31, 2015 was \$14,633.

Resident Service Fees

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

	2015
LNI, LP	\$ 4,104
MFH, LP	3,888
HHAHLP	5,184
Harriman Hill II, LP	5,184
Mechanic School, LP	1,296
	\$ 19,656

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

6. Related Party Transactions (continued)

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 year ended December 31, 2015 are as follows:

	2015
LNI, LP	\$ 2,979
MFH, LP	-
Mechanic School LP	5,100
	\$ 8,079

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 at December 31, 2015. 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, 2015 was \$4,634.

LACLT 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. LACLT was owed \$10,591 at December 31, 2015.

LACLT entered into a development services agreement with River's Edge Laconia Limited Partnership. The agreement calls for payment of a fee in the amount of \$584,000 for the development services on a project located in Laconia, New Hampshire. LACLT earned \$277,400 of the fee during the year ended December 31, 2015. LACLT was owed \$174,400 at December 31, 2015.

Investments in Partnerships

LACLT maintains the following investments in partnerships which have been recorded at cost as of December 31, 2015:

Partnership	Ownership %	2015
LNI LP	.01%	\$ 196,755
Harriman Hill AH LP	.009%	100
		\$ 196,855

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. Long-term Debt

Long-term debt consisted of the following at December 31, 2015:

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 original loan amount was \$150,000. The balance outstanding at December 31, 2015 was \$12,499.

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 original loan amount was \$66,900. The balance outstanding at December 31, 2015 was \$29,460.

5% note payable to Bank of New Hampshire assumed by LACLT 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 original loan amount was \$262,000. The balance outstanding at December 31, 2015 was \$57,657.

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 original loan amount was \$55,900. The balance outstanding at December 31, 2015 was \$24,615.

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 original loan amount was \$659,705. The balance outstanding at December 31, 2015 was \$570,412.

Non-interest bearing note payable to Meredith Village Savings Bank in the amount of \$400,000. The loan has been discounted using an imputed interest rate of 4.0%, which resulted in a discount of \$244,952 at December 31, 2015. 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, 2024. The balance outstanding at December 31, 2015 was \$156,689.

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 original loan amount and balance outstanding at December 31, 2015 was \$350,000.

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 original loan amount and balance outstanding at December 31, 2015 was \$585,000.

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

7. Long-term Debt (continued)

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 original loan amount and balance outstanding at December 31, 2015 was \$234,072.

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 original loan amount and balance outstanding at December 31, 2015 was \$154,938.

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 original loan amount and balance outstanding at December 31, 2015 was \$35,900.

Maturities of long-term debt are as follows:

<u>December 31,</u>	
2016	\$ 210,275
2017	44,603
2018	280,482
2019	27,136
2020	28,056
Thereafter	<u>1,620,690</u>
	<u>\$ 2,211,242</u>

LACONIA AREA COMMUNITY LAND TRUST, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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.

Contracts entered into as of December 31, 2015 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 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

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 year ended December 31, 2015.

10. Grants and Awards

LACLT received \$621,252 in grants and awards during the year ended December 31, 2015. 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 FINANCIAL STATEMENTS
DECEMBER 31, 2015

12. Restricted Cash

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, 2015 were as follows:

Replacement reserve	\$ 58,040
Operating reserve	22,928
Real estate tax escrow	235
Insurance escrow	3,379
Residual receipts reserve	111
	<u>\$ 84,693</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 \$625 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, 2015 were as follows:

Replacement reserve	\$ 69,676
Operating reserve	8,645
Tax and insurance escrow	3,079
	<u>\$ 81,400</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, 2015 were FDIC insured, or collateralized by the bank's assets.

LACLT receives approximately 41% 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 FINANCIAL STATEMENTS
DECEMBER 31, 2015

15. 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, 2015 was \$110,000.

16. 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 fess of \$4,343 which are amortized over 40 years. Amortization expense for the year ended December 31, 2015 was \$1,076.

17. 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.

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, 2015.

LACLT has entered into an unconditional guaranty related to the River's Edge Laconia project. During the development phase of the project, LACLT has an obligation to repay the construction loan in full at its maturity, December 1, 2016, if conditions for capital contributions to be used to pay-off such loan have not been met. The loan has a maximum borrowing amount of \$3,500,000. The balance of the loan at December 31, 2015 was \$59,958.

LACONIA AREA COMMUNITY LAND TRUST, INC.
SUPPLEMENTAL SCHEDULE OF RENTAL INCOME AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	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	\$ 17,311	\$ 20,066	\$ 18,890	\$ 21,012	\$ 20,805	\$ 17,477	\$ 21,107	\$ 34,207	\$ 33,533	\$ 74,688	\$ 10,250	\$ 103,417	\$ 154,624	\$ 547,387
Operating Expenses														
Insurance	1,807	951	836	1,140	951	836	1,044	1,873	1,873	3,159	380	4,875	7,724	27,449
Advertising	3	1	1	2	21	1	1	3	4	-	-	10	2,046	2,093
Professional fees	451	541	555	555	556	555	511	555	1,817	-	-	1,425	1,243	8,764
Depreciation and amortization	8,874	4,316	5,359	3,426	2,706	5,455	4,730	4,416	5,068	15,817	3,492	26,313	15,091	105,063
Bad debt expense	1,529	-	-	-	-	-	147	-	7,047	-	-	1,538	727	10,988
Repairs and maintenance	17,629	2,206	6,146	6,654	5,679	2,665	11,999	8,627	16,002	4,233	854	44,082	60,287	187,063
Utilities	6,687	1,078	2,329	469	1,006	985	505	4,173	5,860	1,119	320	1,777	15,745	42,053
Snow and trash removal	1,218	473	473	691	812	723	454	1,210	1,135	6,775	-	4,801	5,105	23,870
Property taxes	4,569	3,754	3,245	4,128	3,157	2,909	3,981	3,213	3,365	9,003	2,673	15,436	17,593	77,026
Water and sewer	1,786	1,207	900	1,469	1,557	783	1,089	1,646	2,151	6,035	-	8,048	11,619	38,290
Miscellaneous	137	15	34	23	23	15	53	57	125	26	-	629	309	1,446
Management fees	2,880	1,440	1,440	2,160	2,160	1,440	1,440	3,600	3,600	7,440	-	10,080	12,960	50,640
Interest	1,279	1,068	-	-	-	-	-	279	279	17,360	-	-	3,305	23,570
Total Operating Expenses	48,849	17,050	21,318	20,717	18,628	16,367	25,954	29,652	48,326	70,967	7,719	119,014	153,754	598,315
Income (Loss)	\$ (31,538)	\$ 3,016	\$ (2,428)	\$ 295	\$ 2,177	\$ 1,110	\$ (4,847)	\$ 4,555	\$ (14,793)	\$ 3,721	\$ 2,531	\$ (15,597)	\$ 870	\$ (50,928)
Supplemental Information:														
Principal repayment of loans	4,186	3,497	-	-	-	-	-	6,151	6,151	16,009	-	-	17,400	35,994
Depreciation and amortization	8,874	4,316	5,359	3,426	2,706	5,455	4,730	4,416	5,068	15,817	3,492	26,313	15,091	105,063

See accompanying notes