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ISLAND HOUSING TRUST CORPORATION

Financial Statements

For the Year Ended December 31, 2015

ISLAND HOUSING TRUST CORPORATION

Financial Statements

Year Ended December 31, 2015

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Independent Auditors' Report

To the Board of Directors
Island Housing Trust Corporation
P.O. Box 779
West Tisbury, MA 02575

We have audited the accompanying financial statements of Island Housing Trust Corporation. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flow, and functional expenses for the year then ended, and the related notes to the financial statements.

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 Island Housing Trust Corporation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Island Housing Trust Corporation's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 2, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

NE Kelly & Associates LLC

NE Kelly & Associates, LLC
Boston, Massachusetts
February 19, 2016

ISLAND HOUSING TRUST CORPORATION

Management's Discussion and Analysis

For the Year Ended December 31, 2015

The primary mission of the Island Housing Trust Corporation ('IHT') is to develop and sell affordable homes on the Island of Martha's Vineyard to low and moderate income families and individuals, and provide on-going management of the properties' affordability restrictions through long-term ground leases. The IHT also develops and owns affordable rental housing properties and contracts for property management services. The property and programs are funded in part by private and public sources. The IHT is governed by its Board of Directors consisting of representatives from each of the six Island towns and the Dukes County Regional Housing Authority, the community-at-large, and homeowners that lease land from the IHT.

As financial managers of the IHT, we, the IHT Board of Directors, offer readers of this financial statement an overview and analysis of the IHT. This narrative is designed to assist the reader in focusing on the significant financial issues and identify changes in the IHT's financial position, identify any material deviations from the approved budget documents.

The Management's Discussion and Analysis ('MD&A') is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the financial statements that follow.

FINANCIAL HIGHLIGHTS

The assets of IHT exceeded its liabilities at the close of the fiscal year. The IHT's total net assets increased in 2015 by \$1,324,129. This increase in assets is a result of investments in the development of six rental apartments at 6 Water Street in Vineyard Haven, the renovation of a single family house at 42 Richmond Avenue in Oak Bluffs, and the purchase of a 15-acre parcel of land in the Town of Tisbury. The increase includes the transfer of funds from three rental apartments at 12 Clam Point Road in West Tisbury ("Sepiessa II") and six rental apartments at 14 Village Court from temporarily restricted project funds to unrestricted general funds to reflect IHT's overhead and development fees of \$102,000. Revenues from grants and contributions recognized in 2015 will be offset, in large part, by the cost of development projects once they have been rented or sold.

The renovation of the house at 42 Richmond Avenue in Oak Bluffs is scheduled to be completed in February 2016, and the house sold with affordability restrictions in March 2016. The construction of the Water Street rental apartments in Vineyard Haven is scheduled to be completed by July 2016. Once completed the IHT will rent the apartments at an affordable price to income eligible tenants.

RENTAL PROPERTIES

Rental income is used to defray the IHT's costs for rental and property management of rental apartments. In 2014 rental properties consisted of two rental apartments at Halcyon Way in West Tisbury and six rental apartments at 14 Village Court in Vineyard Haven. In 2015 rental properties consisted of two rental apartments at Halcyon Way and three rental apartments at 12 Clam Point Road, both in West Tisbury, and six rental apartments at 14 Village Court in Vineyard Haven. Property capital reserves increased to a total of \$40,316 in 2015 from a total of \$9,000 in 2014.

FIXED ASSETS

The IHT investment in fixed assets and housing project inventories net of related depreciation and mortgage debt is \$1,743,080 as of December 31, 2015

ISLAND HOUSING TRUST CORPORATION

Management's Discussion and Analysis

For the Year Ended December 31, 2015

HOUSING PROJECT INVENTORY

The IHT investment in housing project inventory as of December 31, 2015, amounts to \$1,167,322. This includes properties under development, including 42 Richmond Avenue in Oak Bluffs, 6 Water Street in Vineyard Haven, and land off State Road in the Town of Tisbury.

GROUND LEASED LAND

The IHT holds the title to land that it ground leases with affordability restrictions to homeowners for 99-years. This investment as of December 31, 2015 amounts to approximately \$1,304,653, including 58 ground leased properties located in the towns of Aquinnah, Edgartown, Oak Bluffs, Tisbury, and West Tisbury.

Ground lease fees generated \$34,750 and \$34,800 for the year ended 2014 and 2015, respectively. These revenues were, used to defray a portion of the IHT's costs for management and stewardship of 58 ground leased properties in 2014 and 2015.

ECONOMIC FACTORS

The financial statements that are a part of this report provide detailed summary of activities and should be read in its entirety with the audited financial statements.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the IHT for those with an interest in the Organization's finances. Questions concerning any of this information provided in this report or requests for additional information should be addressed to the Executive Director, Island Housing Trust, P.O. Box 779, West Tisbury, MA 02575.



Philippe Jordi, Executive Director
Island Housing Trust

ISLAND HOUSING TRUST CORPORATION

Statement of Financial Position

As of December 31, 2015

(With summarized comparative totals as of December 31, 2014)

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 1,130,385	\$ 1,045,612
Cash - Property reserves	40,316	9,000
Accounts receivable	17,613	3,315
Pledges receivable	344,983	254,375
Prepaid expenses	3,146	14,539
Housing project inventories	1,167,322	1,094,750
Land held for development	1,212,190	-
Deposits	150	1,000
Notes receivables	35,000	35,000
Fixed assets, net	1,925,682	1,971,974
Ground leased land	1,304,653	1,235,638
Total assets	\$ 7,181,440	\$ 5,665,203
Liabilities and Net Assets		
Liabilities		
Notes and mortgages payable	\$ 1,349,924	\$ 1,160,243
Accounts payable and accrued expenses	36,171	33,743
Total liabilities	\$ 1,386,095	\$ 1,193,986
Net Assets		
Unrestricted net assets	5,419,862	4,207,842
Temporarily restricted net assets	375,483	263,375
Total net assets	5,795,345	4,471,217
Total assets and liabilities	\$ 7,181,440	\$ 5,665,203

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

ISLAND HOUSING TRUST CORPORATION

Statement of Activities

For the Year Ended December 31, 2015

(with summarized comparative totals for year ended December 31, 2014)

	<i>Unrestricted</i>	<i>Temporarily Restricted</i>	<i>Total 2015</i>	<i>Total 2014</i>
<i>Revenues and other support:</i>				
Grants and contributions	\$ 594,345	\$ 249,779	\$ 844,124	\$ 1,129,347
Tax credit revenue	295,700	-	295,700	220,000
Sales of real estate	600,000	-	600,000	-
Rental income	121,029	-	121,029	45,776
Ground lease income	34,800	-	34,800	34,750
Contributed goods and services	9,547	-	9,547	3,000
Contributed land	-	-	-	380,000
Interest income	2,219	-	2,219	2,086
Other earned revenue	10,485	9,816	20,301	4,151
Net assets released from restrictions	137,670	(147,487)	(9,817)	-
<i>Total revenues and other support</i>	<u>1,805,795</u>	<u>112,108</u>	<u>1,917,903</u>	<u>1,819,110</u>
<i>Expenses:</i>				
Rental property programs	89,673	-	89,673	44,861
Programs and project development	380,220	-	380,220	325,159
Administration	123,882	-	123,882	109,614
<i>Total expenses</i>	<u>593,775</u>	<u>-</u>	<u>593,775</u>	<u>479,634</u>
<i>Change in net assets</i>	<u>1,212,020</u>	<u>112,108</u>	<u>1,324,128</u>	<u>1,339,476</u>
<i>Net assets at beginning of year</i>	<u>4,207,842</u>	<u>263,375</u>	<u>4,471,217</u>	<u>3,131,741</u>
<i>Net assets at end of year</i>	<u>\$ 5,419,862</u>	<u>\$ 375,483</u>	<u>\$ 5,795,345</u>	<u>\$ 4,471,217</u>

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

ISLAND HOUSING TRUST CORPORATION

Statement of Cash Flows

For the Year Ended December 31, 2015

(with summarized comparative totals for year ended December 31, 2014)

	<u>2015</u>	<u>2014</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 1,324,128	\$ 1,339,476
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	58,551	56,525
Change in:		
Accounts receivable	(14,298)	(1,615)
Housing project inventories	(72,572)	(327,779)
Pledge receivables	(90,608)	158,025
Prepaid expenses	11,393	(9,460)
Deposits	850	-
Accounts payable and accrued expenses	2,428	(4,992)
<i>Net cash provided by operating activities</i>	<u>1,219,872</u>	<u>1,210,180</u>
<i>Cash flows from investing activities:</i>		
Investment in fixed assets	(12,259)	(1,880,369)
Investment in land held for development	(1,212,190)	-
Ground leased land	(69,015)	(22,770)
<i>Net cash provided by (used in) investing activities</i>	<u>(1,293,464)</u>	<u>(1,903,139)</u>
<i>Cash flows from financing activities:</i>		
Proceeds from mortgages and notes payable	189,681	957,237
<i>Net cash provided by financing activities</i>	<u>189,681</u>	<u>957,237</u>
<i>Net change in cash and cash equivalents</i>	<u>116,089</u>	<u>264,278</u>
<i>Cash and cash equivalents, at beginning of year</i>	<u>1,054,612</u>	<u>790,334</u>
<i>Cash and cash equivalents, at end of year</i>	<u>\$ 1,170,701</u>	<u>\$ 1,054,612</u>

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

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 1 - Organization

Island Housing Trust Corporation (“the Corporation”) was organized on January 8, 2002 to own and lease land for the purpose of developing, building and maintaining affordable housing on Martha’s Vineyard, Massachusetts. The Corporation was created as a non-profit housing partnership between Island towns, housing organizations and homeowners on Martha’s Vineyard, Massachusetts. The Corporation is supported primarily by contributions of cash and property from Massachusetts residents and project grants from municipal and state governments.

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, *Financial Statements of Not-for-Profit Organizations*. The Corporation 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.

Unrestricted Net Assets - consist of assets, public support and program revenues, which are available and used for operations and programs. Contributions are considered available for unrestricted use unless specifically restricted by the donor.

Temporarily Restricted Net Assets - include funds with donor-imposed restrictions, which permit the Corporation to expend the assets as specified, and are satisfied either by the passage of time or by actions of the Corporation. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds.

Permanently Restricted Net Assets - include resources, which have a permanent donor-imposed restriction, which stipulates that the assets are to be maintained permanently, but permit the Corporation to expend part or all of the income derived from the donated assets. There are no permanently restricted net assets at year end.

Inventories

Inventories consist of housing and land, and are recorded at the lower of cost and market value at the time of purchase or donation.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 2 - Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For financial statement purposes, the Corporation considers all highly liquid investments with maturity of three months or less when purchased to be cash equivalents.

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Major repairs and maintenance over \$1,000 are capitalized as incurred. Depreciation is calculated on a straight-line basis as follows:

Property	39 years
Furniture	3 years
Equipment	5 years

Use of Estimates and Assumptions

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

Contributed Goods and Services

The Corporation records various types of in kind support including contributed facilities and professional services. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as "in kind support" are offset by amounts included in expenses or property and equipment.

The Corporation reports gifts of land, building and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions are recognized as revenue when they are received or unconditionally pledged. The Corporation reports gifts of land, building, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. When a donor restriction expires, temporarily restricted assets are reclassified to unrestricted net assets. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Pledges Receivable

Pledges receivable represent amounts which are due from individual donors which are classified as current if they are scheduled for payment within one year, and non-current when the expected payment date exceeds one year.

Promises to give with expected payment dates that extend beyond one year are discounted to their present value. Management believes that all pledges receivable are collectible, and therefore, no allowance for doubtful pledges has been established. If pledges are determined to be uncollectible in subsequent periods, they will be charged to activities at that time.

Income Taxes

The Corporation is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code (the "Code"), therefore no provision for federal income taxes has been made in the accompanying financial statements. In addition, the Corporation qualifies for the charitable contribution deduction under Section 170(b) (1) (a), and has been classified as an organization that is not a private foundation under Section 509(a) (1) of the Code. The Corporation is also exempt from Massachusetts state taxes.

Advertising

The Corporation expenses advertising expenses as incurred. Advertising expense for the years ended December 31, 2015 and 2014 was \$5,073 and \$2,965 respectively.

Note 3 - Rental Agreement

The Corporation conducts its operations as a tenant-at-will in a facility located in Vineyard Haven, Massachusetts which requires monthly rent payments of \$1,304 as of July 1, 2015. Total rent expense for the years ended December 31, 2015 and 2014, was \$14,048 and \$11,635, respectively.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 4 - Notes and Mortgages Payable

The Corporation has the following notes and mortgages payable at December 31, 2015 and 2014:

- a) The Corporation has a non-interest bearing contingent loan with The Resource Inc. under their Housing Rehabilitation Loan Program for \$28,676 with a maturity date of July 22, 2028. The Note is secured by a Mortgage on the property located at Halcyon Way, West Tisbury, Massachusetts. If the sale of the property takes place prior to the maturity date, the outstanding principal shall be forgiven proportionate to the years remaining until the maturity date at a rate of 1/15th per annum.
- b) The Corporation has a non-interest bearing 30-year note payable in the amount of \$100,000 due to the Massachusetts Housing Finance Agency. The note is restricted for the financing of two units of affordable housing on Halcyon Way, West Tisbury, Massachusetts. The note bears no interest rate and is secured by the related property. There is no installment payment required on the note, which is due in full in 2035. Outstanding balance on the note was \$100,000 as of December 31, 2015 and 2014.
- c) The Corporation has a 30-year 6% interest rate note payable with Martha's Vineyard Saving Bank and is secured by the Corporation's property located on Halcyon Way, West Tisbury, Massachusetts. The loan matures in November 2032. Outstanding balance on the note at December 31, 2015 and 2014 was \$96,733 and \$102,414, respectively.
- d) The Corporation has a mortgage of \$490,000 with Edgartown National Bank with an interest rate of 5.25% for 25 years collateralized by the land with the buildings and improvements whether now existing or hereafter constructed or located at 14 Village Court, Vineyard Haven, Massachusetts. The loan is subject to certain financial covenants. The balance at year end on the principal is \$291,374.
- e) The Corporation has a \$160,000 promissory note for a rental project with the Federal Home Loan Bank of Boston Affordable Housing Program (AHP). The note is secured by the property located at 12 Clam Point Road, West Tisbury, Massachusetts, which is known as Sepiessa II - Rental Housing Project ("the Project"). This is referred to as the AHP Subsidy. This is a contingent loan that will be released after 15 years of operation of the Project. The Project will be subject to deed restriction or other legally enforceable mechanism that incorporates the income-eligibility and affordability restrictions committed to in the approved AHP application.
- f) The Corporation has a non-interest bearing contingent loan with The Resource Inc. under their Housing Rehabilitation Loan Program for \$200,000 with a maturity date of May 29, 2029. The Note is secured by a Mortgage on the property located at 14 Village Court, Tisbury, Massachusetts. If the sale of the property takes place prior to the maturity date, the outstanding principal shall be forgiven proportionate to the years remaining until the maturity date at a rate of 1/15th per annum.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 4 - Notes and Mortgages Payable (continued)

- g) The Corporation entered into a construction line of credit from the Edgartown National Bank for \$600,000 on November 5, 2012 with a one year term bearing an interest rate of 5% per annum and required interest only monthly payment on the outstanding balance. The loan was collateralized by real estate owned at Unit A and B - 619 Edgartown Road, West Tisbury. This loan was discharged on May 9, 2014.
- h) The Corporation has a construction loan with the Edgartown National Bank for \$271,000. This note converted into permanent financing on June 17, 2015 with a 25-year term at an interest rate of 5.15%. The terms are interest only prior to that date. The outstanding balance at year end was \$153,819.41. The note is secured by the property located at 12 Clam Point Road, West Tisbury, Massachusetts which is known as Sepiessa II – Rental Housing Project (“the Project”)
- i) The Corporation has a non-interest bearing contingent loan with The Resource Inc. under their Housing Rehabilitation Loan Program for \$27,886 with a maturity date of August 31, 2030. The Note is secured by a Mortgage on the property located at 42 Richmond Avenue, Oak Bluffs, Massachusetts. If the sale of the property takes place prior to the maturity date, the outstanding principal shall be forgiven proportionate to the years remaining until the maturity date at a rate of 1/15th per annum.
- j) The Corporation has a line of credit with the Edgartown National Bank for \$250,000. The outstanding balance at year end was \$0.
- k) The Corporation has a demand note with the Island Housing Trust Corporation-Farmer Housing Gift (“Ziff Fund”), due in full on or before 120 days from demand by the holder, with an interest rate of four-tenths of one percent (.04%) per annum. The funds were used to purchase a property off State Road in Tisbury, Massachusetts. The outstanding balance at year-end was \$501,785.
- l) The Corporation has a demand note with the Island Housing Trust Corporation-Pinckney Loan Fund, due in full on or before 120 days from demand by the holder, with an interest rate of four-tenths of one percent (.04%) per annum. The funds were used to purchase a property off State Road in Tisbury, Massachusetts. The outstanding balance at year-end was \$100,000.
- m) The Corporation has a construction loan with the Edgartown National Bank for \$600,000. This note will convert into permanent financing on July 18, 2017 with a 25-year term at an interest rate of 5.25%. The terms are interest only prior to that date. The outstanding balance at year end was \$0. The note is secured by the property located at 6 Water Street, Tisbury, Massachusetts which is known as Water Street Apartments (“the Project”)

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 4 - Notes and Mortgages Payable (continued)

Future maturities of the loans for the next five years are as follows:

2016	\$	3,044
2017		3,225
2018		3,425
2019		3,725
Thereafter		1,336,505
	\$	<u>1,349,924</u>

Note 5 - Related Party Relationships

The following is a list of the members of the Board of Directors who from time to time have relationships with other organizations that also do business and/or work for the Corporation:

- A. Tristan Israel, a Board member, is a Selectman for the Town of Tisbury from which the Corporation may receive funds. For the years ending 2015 and 2014 the Corporation received grant funding from the Town of Tisbury of \$110,710 and \$105,650, respectively.
- B. Wendy Swolinzky, Richard Jacobs, Sheetal Reubens, Paul Moreau, Elizabeth Loucks, and Matt Coffey are members or former members of the Board who are also homeowners and lease the land on which their homes are located for an annual rate of \$600.
- C. Dan Seidman, a Board member, is also Board member of the Dukes County Regional Housing Authority (DCRHA) and the Tisbury Affordable Housing Committee (TAHC). The DCRHA leases office to the Corporation (Note 3) and/or decides on issues that may affect the Corporation. For the years ending 2015 and 2014 the Corporation received grant funding from the DCRHA of \$0 and \$30,000, respectively. From time to time the TAHC discusses and/or decides on issues that may affect the Corporation. For the years ending 2015 and 2014 the Corporation received grant funding from the Town of Tisbury of \$110,710 and \$105,650, respectively.
- D. Marie Doubleday, a Board member is a member of the Oak Bluffs Housing Committee ("OBHC"). From time to time the OBHC discusses and/or decides on issues that may affect the Corporation.
- E. Leon Brathwaite, a Board member is a Commissioner for the County of Duke County (CDC). From time to time the CDC discusses and/or decides on issues that may affect the Corporation.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 5 - Related Party Relationships (continued)

- F. Jim Feiner, a Board member, is a member of the Chilmark Housing Committee (“CTHC”). From time to time the CTHC discusses and/or decides on issues that may affect the Corporation. For the years ending 2015 and 2014 the Corporation received grant funding from the Town of Chilmark of \$0 and \$65,000, respectively.

Note 6 - Donated Services, Materials and Facilities

The Corporation received contributions of property consisting of land and houses. Additionally, a number of volunteers have donated substantial amounts of their time to the Corporation. The Corporation received \$3,000 in donated legal services for 2014. In 2015, the total of goods and services donated to the Corporation was \$9,546.

The Corporation received a bequest of property located at 42 Richmond Ave, Oak Bluffs. The appraised value is \$380,000 and is recorded as a contribution of donated property and capitalized on the Statement of Financial Position.

Note 7 - Concentration of Risk

The Corporation maintains cash balances in bank deposit accounts, which at times may exceed federally insured limits. The Corporation has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash accounts.

Note 8 - Land Lease, Rental Income and Real Estate Sales and Acquisitions

The Corporation leases from Dukes County Regional Housing Authority (“DCRHA”), for a nominal fee, a 1.3 acre lot of land located on Halcyon Way in West Tisbury on Martha’s Vineyard. The lease is for approximately 50 years for a base rent of one dollar. The Corporation has a management agreement with DCRHA for the management of the property on the aforementioned land.

The Corporation leases from Dukes County Regional Housing Authority (“DCRHA”), for a nominal fee, a 1.5 acre lot of land located on 12 Clam Point Road in West Tisbury on Martha’s Vineyard. The lease is for approximately 50 years for a base rent of one dollar. The Corporation has a management agreement with DCRHA for the management of the property on the aforementioned land.

During 2015 and 2014, the Corporation acquired and sold various real estate properties. The land of the properties sold were retained by the Corporation and subsequently given as a master ground lease to buyers or related homeowner association or used for the development of rental properties, as applicable. Purchase and sale activity is as follows:

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 8 - Land Lease, Rental Income and Real Estate Sales and Acquisitions (continued)

Purchases for the Year Ended 2015

Kuehn Way, Tisbury, Massachusetts	1,200,000
	<u>\$ 1,200,000</u>

Sales for the Year Ended 2015

Kuehn Way, Tisbury, Massachusetts	600,000
	<u>\$ 600,000</u>

Purchases for the Year Ended 2014

45 Bailey Park	\$ 15,000
14 Village Court, Vineyard Haven, Massachusetts	600,000
	<u>\$ 615,000</u>

Note 9 - Management Agreements

Halcyon Way

The Organization contracted with the Dukes County Housing Authority to provide property management services to for property referred to as Halcyon Way (the "Apartments") located 21 Halcyon Way, West Tisbury, Massachusetts. The agreement is for three years with a start date of December 1, 2012.

Management Agreement

The units are to be leased to qualified households with incomes at or below 80% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 75% median rents for the area.

Rental income is to be allocated as follows:

- | | |
|----------------------------------|----------------------------|
| a. Operating costs | |
| b. Administrative fees | 7% of gross rental income |
| c. Management fees paid to DCRHA | 10% of gross rental income |
| d. Capital reserve requirements | 3% of gross rental income |
| e. Operating reserve account | 5% of gross rental income |

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 9 - Management Agreements (continued)

Sepiessa 11 Apartments, 12 Clam Point Road, West Tisbury

The Organization contracted with the Dukes County Housing Authority to provide property management services for property referred to as Sepiessa II Apartments (the “Apartments”) located off 12 Clam Point Road, West Tisbury, Massachusetts. The agreement is for three years with a start date of July 1, 2014.

Management Agreement

The units are to be leased to qualified households with incomes at or below 50% and 60% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 60% and 50% median rents for the area.

Rental income is to be allocated as follows:

- | | |
|----------------------------------|---------------------------|
| a. Operating costs | |
| b. Administrative fees | 7% of gross rental income |
| c. Management fees paid to DCRHA | 8% of gross rental income |
| d. Capital reserve requirements | 3% of gross rental income |
| e. Operating reserve account | 5% of gross rental income |

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

The Corporation leases from Dukes County Regional Housing Authority (“DCRHA”), for a nominal fee, a 1.5 acre lot of land located on 12 Clam Point Road in West Tisbury on Martha’s Vineyard. The lease is for approximately 50 years for a base rent of one dollar.

14 Village Court, Vineyard Haven, Massachusetts

The Organization contracted with the Dukes County Housing Authority to provide property management services to for property referred to as Village Court (the “Apartments”) located 14 Village Court, Vineyard Haven, Massachusetts. The agreement is for three years with a start date of February 26, 2014.

Management Agreement

The units are to be leased to qualified households with incomes at or below 50% and 60% of the area median income as defined by HUD. The maximum rent for the units shall not exceed HUD 50% and 60% median rents for the area.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 9 - Management Agreements (continued)

Rental income is to be allocated as follows:

- | | |
|----------------------------------|---------------------------|
| a. Operating costs | |
| b. Administrative fees | 7% of gross rental income |
| c. Management fees paid to DCRHA | 8% of gross rental income |
| d. Capital reserve requirements | 3% of gross rental income |
| e. Operating reserve account | 5% of gross rental income |

The term of the agreement is for three (3) years and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated.

Note 10 - Property and Equipment

At December 31, 2015 and 2014 property and equipment consisted of the following:

	<u>2015</u>	<u>2014</u>
Rental property	\$ 2,109,535	\$ 1,824,009
Office equipment	16,436	6,227
	<u>2,125,971</u>	<u>1,830,236</u>
Accumulated depreciation	<u>(200,289)</u>	<u>(56,525)</u>
<i>Property and Equipment, net</i>	<u>\$ 1,925,682</u>	<u>\$ 1,971,974</u>

Depreciation expense for the years ended December 31, 2015 and 2014 was \$58,551 and \$56,525, respectively.

Note 11 - Tax Credits

The Massachusetts Department of Housing and Community Development (“DHCD”) and the Island Housing Trust Corporation entered into an agreement to issue Certified Tax Credit. The DHCD allocated a maximum of \$150,000 in tax credits in 2015 and \$110,000 in 2014. In order to make use of the maximum allocation, the Corporation must secure qualified investments totaling \$300,000 and \$220,000 respectively. All qualified investments by eligible taxpayers shall be applied against the total maximum allocation amount upon DHCD certification. The total amount of revenue which qualified for the tax credits for the year ended December 31, 2015 was \$295,700 and \$220,000 for the year ending December 31, 2014.

Note 12 - Notes Receivable

The Organization has three noninterest bearing notes receivables from three individuals for second mortgages on properties which were sold to them by the Organization. The total notes receivable balance as of December 31, 2014 and December 31, 2015 was \$35,000. The notes are secured by the properties.

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 13 - Temporarily Restricted Net Assets

The temporarily restricted net assets consist of amounts that are restricted as to time and/or purpose. As of December 31, 2014, temporarily restricted net assets were \$263,375 which was made up of pledges receivable and restricted cash of \$9,000. The temporarily restricted net asset for the year ended 2015 is \$385,299 which is pledges receivable, restricted cash of \$30,500 and \$9,816 in funds reserved from operating revenue in accordance with the rental property management agreements in place.

Note 14 - Pledges Receivable

Pledges receivable are recorded after being discounted to the anticipated net present value of the future cash flows. The pledges have been discounted using rates that range from 0.4% to 4.6%. Pledges are expected to be realized in the following periods:

Year Ended December 31, 2014

	<i>Pledge Balances</i>	<i>Discount</i>	<i>Present Value of Pledges Balances</i>
2015	\$ 118,975	\$ -	\$ 118,975
2016	80,534	634	79,900
2017	55,108	758	54,350
2018	1,248	48	1,200
<i>Total</i>	<u>\$ 255,865</u>	<u>\$ 1,440</u>	<u>\$ 254,425</u>

Year Ended December 31, 2015

	<i>Pledge Balances</i>	<i>Discount</i>	<i>Present Value of Pledges Balances</i>
2016	\$ 149,452	\$ -	\$ 149,452
2017	102,260	818	101,442
2018	49,110	695	48,415
2019	47,660	1,986	45,674
<i>Total</i>	<u>\$ 348,482</u>	<u>\$ 3,499</u>	<u>\$ 344,983</u>

ISLAND HOUSING TRUST CORPORATION

Notes to the Financial Statements

For the Year Ended December 31, 2015

(With summarized comparative totals for the year ended December 31, 2014)

Note 15 - Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the current year presentation.

Note 16 - Subsequent Events

FASB ASC 855-10 Subsequent Events defines further disclosure requirements for events that occur after the balance sheet date but before financial statements are issued. In accordance with FASB ASC 855-10, the Organization's management has evaluated events from December 31, 2014 to February 19, 2016, which is the issuance date of this report. The Corporation received \$390,000 in grant funds in February 2016 in order to complete the project at 6 Water Street, Tisbury, Massachusetts.

Note 17 - Schedule of Expenses

	<i>Rental Programs</i>			<i>Program/ Project Expense</i>	<i>General and Administration</i>	<i>2015 Total</i>	<i>2014 Total</i>
	<i>Halycon Way</i>	<i>14 Village Court</i>	<i>Sepiessa II</i>				
Salaries and wages	\$ -	\$ -	\$ -	\$ 151,953	\$ 50,651	\$ 202,604	\$ 169,460
Payroll taxes and fringe benefits	-	-	-	40,727	13,576	54,303	37,339
Professional fees	-	-	-	37,785	12,595	50,380	42,872
Conferences	-	-	-	1,772	591	2,363	2,665
Insurance	2,089	6,171	3,023	3,514	1,171	15,968	5,571
Occupancy	-	-	-	10,536	3,512	14,048	11,635
Fundraising	-	-	-	21,080	7,027	28,107	19,708
Property expenses	-	-	-	34,999	9,270	44,269	25,783
Depreciation	-	-	-	43,913	14,638	58,551	56,525
Legal fees	-	-	-	-	-	-	3,000
Printing and postage	-	-	-	10,070	3,357	13,427	6,843
Administrative management	1,939	4,425	2,244	-	-	8,608	2,348
Property management fee	2,216	5,124	2,568	-	-	9,908	9,159
Interest expense	5,349	15,698	6,894	3,933	1,311	33,185	29,520
Repairs and maintenance	8,160	14,157	5,203	-	-	27,520	18,490
Office supplies	-	-	-	4,875	1,625	6,500	10,660
Software licensing	-	-	-	2,249	750	2,999	3,881
Advertising	-	-	-	3,805	1,268	5,073	2,965
Telephone	-	-	-	2,936	979	3,915	2,245
Travel	-	-	-	1,583	528	2,111	4,839
Utilities	117	2,027	92	771	257	3,264	6,218
Property taxes	411	1,149	617	2,327	776	5,280	2,595
Filing fees	-	-	-	1,392	-	1,392	5,313
Total expenses	\$ 20,281	\$ 48,751	\$ 20,641	\$ 380,220	\$ 123,882	\$ 593,775	\$ 479,634