



**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.
AND AFFILIATES**

**FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
OMB CIRCULAR A-133
JUNE 30, 2012 AND 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

NEIGHBORHOOD OF AFFORDABLE HOUSING INC. AND AFFILIATES

CONTENTS
JUNE 30, 2012 AND 2011

	<u>PAGES</u>
UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NOT-FOR-PROFIT ORGANIZATION	1 - 1A
FINANCIAL STATEMENTS:	
Combined Statements of Financial Position.....	2 - 3
Combined Statements of Activities.....	4 - 5
Combined Statements of Changes in Net Assets	6
Combined Statements of Cash Flows.....	7 - 8
Combined Statements of Functional Expenses	9 - 10
Notes to Combined Financial Statements.....	11 - 39
SUPPLEMENTARY COMBINING STATEMENTS OF OPERATING PROGRAMS:	
Combining Statements of Financial Position	40 - 41
Combining Statements of Activities.....	42 - 43
Combining Statements of Changes in Net Assets	44
Combining Statements of Cash Flows	45 - 46
SUPPLEMENTARY COMBINING STATEMENTS OF RENTAL PROGRAMS:	
Combining Statements of Financial Position	47 - 48
Combining Statements of Activities.....	49
Combining Statements of Changes in Net Assets	50
Combining Statements of Cash Flows	51 - 52
Combining Statements of Functional Expenses	53

NEIGHBORHOOD OF AFFORDABLE HOUSING INC. AND AFFILIATES

CONTENTS
JUNE 30, 2012 AND 2011
(Continued)

	<u>PAGES</u>
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NOT-FOR-PROFIT ORGANIZATION	54 - 54A
SUPPLEMENTARY SCHEDULE OF NEIGHBORWORKS AMERICA'S RESTRICTED NET ASSETS	54B
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	55 - 56
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	57 - 58
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	59 - 60



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**UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION**

Independent Auditor's Report

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates:

We have audited the combined accompanying statements of financial position of Neighborhood of Affordable Housing, Inc. (a Massachusetts corporation, not for profit) (NOAH) and Affiliates as of June 30, 2012 and 2011, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the years then ended. These combined financial statements are the responsibility of NOAH's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood of Affordable Housing, Inc. and Affiliates as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, on our consideration of NOAH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 considered in assessing the results of our audit.

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates
Page II

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The accompanying supplementary information on pages 40 through 53 for the years ended June 30, 2012 and 2011, is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Also, the accompanying supplementary schedule of expenditures of federal awards – not-for-profit organization is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic combined financial statements or to the basic combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information on pages 40 through 53 and the supplementary schedule of expenditures of federal awards – not-for-profit organization are fairly stated in all material respects in relation to the basic combined financial statements as a whole.

Alexander, Cronson, Finning & Co., P.C.
Wellesley, Massachusetts
November 15, 2012

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

<u>ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash	\$ 860,388	\$ 335,093	\$ -	\$ 1,195,481
Current portion of restricted deposits	104,980	418,789	-	523,769
Current portion of contracts, loans and other receivables	414,957	145,983	-	560,940
Current portion of due from affiliates	325,148	-	(325,148)	-
Prepaid expenses and other	10,724	32,127	-	42,851
Total current assets	<u>1,716,197</u>	<u>931,992</u>	<u>(325,148)</u>	<u>2,323,041</u>
RESTRICTED DEPOSITS, net of current portion	17,100	447,748	-	464,848
CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts	232,476	-	-	232,476
DUE FROM AFFILIATES, net of current portion	-	65,410	(65,410)	-
FINANCING AND TAX CREDIT FEES, net	-	87,699	-	87,699
PROJECTS UNDER DEVELOPMENT	1,334,188	-	-	1,334,188
PROPERTY AND EQUIPMENT, net	<u>2,229,325</u>	<u>17,473,971</u>	<u>-</u>	<u>19,703,296</u>
Total assets	<u>\$ 5,529,286</u>	<u>\$ 19,006,820</u>	<u>\$ (390,558)</u>	<u>\$ 24,145,548</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Current portion of mortgages and notes payable	\$ 348,932	\$ 1,072,724	\$ -	\$ 1,421,656
Current portion of accrued interest	11,517	-	-	11,517
Current portion of capital lease obligation	13,056	-	-	13,056
Accounts payable and other liabilities	257,078	302,078	-	559,156
Current portion of developer fee payable	-	325,148	(325,148)	-
Deferred revenue	-	3,990	-	3,990
Total current liabilities	<u>630,583</u>	<u>1,703,940</u>	<u>(325,148)</u>	<u>2,009,375</u>
LONG-TERM LIABILITIES:				
Mortgages and notes payable, net of current portion	2,384,253	7,419,503	-	9,803,756
Due to affiliates	65,410	260,360	(325,770)	-
Capital lease obligation, net of current portion	25,067	-	-	25,067
Accrued interest	35,785	1,037,618	-	1,073,403
Developer fee payable, net of current portion	-	216,993	(216,993)	-
Contingent loans and advances	-	5,734,547	-	5,734,547
Total long-term liabilities	<u>2,510,515</u>	<u>14,669,021</u>	<u>(542,763)</u>	<u>16,636,773</u>
Total liabilities	<u>3,141,098</u>	<u>16,372,961</u>	<u>(867,911)</u>	<u>18,646,148</u>
NET ASSETS:				
Unrestricted:				
Operating	989,176	358,610	477,353	1,825,139
Development	(9,879)	-	-	(9,879)
Property and equipment	(212,458)	(1,070,909)	-	(1,283,367)
Total unrestricted	<u>766,839</u>	<u>(712,299)</u>	<u>477,353</u>	<u>531,893</u>
Temporarily restricted	411,989	100,000	-	511,989
Permanently restricted - NW capital funds	<u>1,261,659</u>	<u>307,108</u>	<u>-</u>	<u>1,568,767</u>
Total net assets attributable to NOAH	<u>2,440,487</u>	<u>(305,191)</u>	<u>477,353</u>	<u>2,612,649</u>
Non-controlling interest in consolidated subsidiaries	<u>(52,299)</u>	<u>2,939,050</u>	<u>-</u>	<u>2,886,751</u>
Total net assets	<u>2,388,188</u>	<u>2,633,859</u>	<u>477,353</u>	<u>5,499,400</u>
Total liabilities and net assets	<u>\$ 5,529,286</u>	<u>\$ 19,006,820</u>	<u>\$ (390,558)</u>	<u>\$ 24,145,548</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

<u>ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash	\$ 990,472	\$ 312,329	\$ -	\$ 1,302,801
Current portion of restricted deposits	192,717	113,967	-	306,684
Current portion of contracts, loans and other receivables	493,520	14,785	-	508,305
Current portion of due from affiliates	33,500	-	(33,500)	-
Prepaid expenses and other	12,139	26,991	-	39,130
Total current assets	<u>1,722,348</u>	<u>468,072</u>	<u>(33,500)</u>	<u>2,156,920</u>
RESTRICTED DEPOSITS, net of current portion	18,811	434,713	-	453,524
CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts	285,725	-	-	285,725
PROJECTS UNDER DEVELOPMENT	7,623,300	-	-	7,623,300
PROPERTY AND EQUIPMENT, net	<u>2,420,881</u>	<u>8,352,302</u>	<u>-</u>	<u>10,773,183</u>
Total assets	<u>\$ 12,071,065</u>	<u>\$ 9,255,087</u>	<u>\$ (33,500)</u>	<u>\$ 21,292,652</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Current portion of mortgages and notes payable	\$ 313,547	\$ 77,524	\$ -	\$ 391,071
Current portion of capital lease obligation	7,917	-	-	7,917
Accounts payable and other liabilities	897,087	215,375	-	1,112,462
Deferred revenue	-	2,042	-	2,042
Current portion of due to affiliates	-	33,500	(33,500)	-
Total current liabilities	<u>1,218,551</u>	<u>328,441</u>	<u>(33,500)</u>	<u>1,513,492</u>
LONG-TERM LIABILITIES:				
Mortgages and notes payable, net of current portion	5,368,734	6,024,553	-	11,393,287
Due to affiliates, net of current portion	-	287,736	(287,736)	-
Accrued interest	33,630	818,302	-	851,932
Developer fee payable	-	111,593	(111,593)	-
Contingent loans and advances	<u>3,034,388</u>	<u>2,073,501</u>	<u>-</u>	<u>5,107,889</u>
Total long-term liabilities	<u>8,436,752</u>	<u>9,315,685</u>	<u>(399,329)</u>	<u>17,353,108</u>
Total liabilities	<u>9,655,303</u>	<u>9,644,126</u>	<u>(432,829)</u>	<u>18,866,600</u>
NET ASSETS:				
Unrestricted:				
Operating	889,038	250,655	399,329	1,539,022
Development	(4,598)	-	-	(4,598)
Property and equipment	<u>(170,179)</u>	<u>(936,903)</u>	<u>-</u>	<u>(1,107,082)</u>
Total unrestricted	714,261	(686,248)	399,329	427,342
Temporarily restricted	588,869	100,000	-	688,869
Permanently restricted - NW capital funds	<u>1,151,036</u>	<u>307,108</u>	<u>-</u>	<u>1,458,144</u>
Total net assets attributable to NOAH	2,454,166	(279,140)	399,329	2,574,355
Non-controlling interest in consolidated subsidiaries	<u>(38,404)</u>	<u>(109,899)</u>	<u>-</u>	<u>(148,303)</u>
Total net assets	<u>2,415,762</u>	<u>(389,039)</u>	<u>399,329</u>	<u>2,426,052</u>
Total liabilities and net assets	<u>\$ 12,071,065</u>	<u>\$ 9,255,087</u>	<u>\$ (33,500)</u>	<u>\$ 21,292,652</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

<u>UNRESTRICTED NET ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
OPERATING REVENUES:				
Rental income	\$ 38,199	\$ 1,347,916	\$ -	\$ 1,386,115
Contracts, grants and other fees	698,860	-	-	698,860
Project management and developer fees	258,218	-	78,024	336,242
Interest income and other	81,482	9,944	-	91,426
Property management fees	326,451	-	(314,091)	12,360
Net assets released from purpose restrictions	697,339	-	-	697,339
Total operating revenues	<u>2,100,549</u>	<u>1,357,860</u>	<u>(236,067)</u>	<u>3,222,342</u>
OPERATING EXPENSES:				
Operating Programs	2,062,414	-	-	2,062,414
Rental Programs	-	1,693,029	(314,091)	1,378,938
Total operating expenses	<u>2,062,414</u>	<u>1,693,029</u>	<u>(314,091)</u>	<u>3,441,352</u>
Changes in unrestricted net assets from operations	<u>38,135</u>	<u>(335,169)</u>	<u>78,024</u>	<u>(219,010)</u>
NON-OPERATING REVENUES (EXPENSES):				
Marketing and rent-up costs	-	(100,815)	-	(100,815)
Proceeds from sale of historic state tax credits	-	92,660	-	92,660
Total non-operating revenues (expenses)	-	(8,155)	-	(8,155)
Changes in unrestricted net assets	<u>38,135</u>	<u>(343,324)</u>	<u>78,024</u>	<u>(227,165)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>				
GRANTS AND CONTRIBUTIONS	520,459	-	-	520,459
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	(697,339)	-	-	(697,339)
Changes in temporarily restricted net assets	<u>(176,880)</u>	<u>-</u>	<u>-</u>	<u>(176,880)</u>
<u>PERMANENTLY RESTRICTED NET ASSETS</u>				
GRANTS AND CONTRIBUTIONS	150,000	-	-	150,000
PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS	(39,377)	-	-	(39,377)
Changes in permanently restricted net assets	<u>110,623</u>	<u>-</u>	<u>-</u>	<u>110,623</u>
<u>CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</u>				
Non-controlling interest attributable to consolidated subsidiaries	13,895	317,821	-	331,716
Changes in net assets attributable to NOAH and Affiliates	<u>\$ (14,227)</u>	<u>\$ (25,503)</u>	<u>\$ 78,024</u>	<u>\$ 38,294</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

<u>UNRESTRICTED NET ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
OPERATING REVENUES:				
Rental income	\$ 72,692	\$ 1,147,753	\$ -	\$ 1,220,445
Contracts, grants and other fees	723,501	-	-	723,501
Project management and developer fees	430,417	-	-	430,417
Interest income and other	100,531	12,337	-	112,868
Property management fees	335,557	-	(318,362)	17,195
Net assets released from purpose restrictions	847,913	-	-	847,913
	<u>2,510,611</u>	<u>1,160,090</u>	<u>(318,362)</u>	<u>3,352,339</u>
OPERATING EXPENSES:				
Operating Programs	2,388,176	-	-	2,388,176
Rental Programs	-	1,332,891	(361,492)	971,399
	<u>2,388,176</u>	<u>1,332,891</u>	<u>(361,492)</u>	<u>3,359,575</u>
Changes in unrestricted net assets from operations	<u>122,435</u>	<u>(172,801)</u>	<u>43,130</u>	<u>(7,236)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>				
GRANTS AND CONTRIBUTIONS	862,316	-	-	862,316
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	<u>(847,913)</u>	<u>-</u>	<u>-</u>	<u>(847,913)</u>
Changes in temporarily restricted net assets	<u>14,403</u>	<u>-</u>	<u>-</u>	<u>14,403</u>
Changes in net assets	136,838	(172,801)	43,130	7,167
<u>CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</u>				
Non-controlling interest attributable to consolidated subsidiary	<u>12,525</u>	<u>118,945</u>	<u>-</u>	<u>131,470</u>
Changes in net assets attributable to NOAH and Affiliates	<u>\$ 149,363</u>	<u>\$ (53,856)</u>	<u>\$ 43,130</u>	<u>\$ 138,637</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	NOAH AND AFFILIATES			NON- CONTROLLING INTEREST	TOTAL
	OPERATING	RENTAL PROGRAMS	ELIMI- NATIONS		
NET ASSETS, June 30, 2010	\$ 2,304,803	\$ (225,293)	\$ (8,359)	\$ -	\$ 2,071,151
Adoption of accounting principal	-	9	364,558	(16,833)	347,734
Changes in net assets	<u>149,363</u>	<u>(53,856)</u>	<u>43,130</u>	<u>(131,470)</u>	<u>7,167</u>
NET ASSETS, June 30, 2011	2,454,166	(279,140)	399,329	(148,303)	2,426,052
Net asset transfer	548	(548)	-	-	-
Capital contribution	-	-	-	3,496,270	3,496,270
Syndication costs	-	-	-	(129,500)	(129,500)
Changes in net assets	<u>(14,227)</u>	<u>(25,503)</u>	<u>78,024</u>	<u>(331,716)</u>	<u>(293,422)</u>
NET ASSETS, June 30, 2012	<u>\$ 2,440,487</u>	<u>\$ (305,191)</u>	<u>\$ 477,353</u>	<u>\$ 2,886,751</u>	<u>\$ 5,499,400</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in unrestricted net assets from operations	\$ 38,135	\$ (335,169)	\$ 78,024	\$ (219,010)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:				
Depreciation and amortization	71,742	394,686	-	466,428
Bad debt	113,276	6,847	(105,400)	14,723
Provision for valuation allowance on NW Fund investments	(39,377)	-	-	(39,377)
Write-off of projects under development	232,424	-	-	232,424
Changes in operating assets and liabilities:				
Contracts, loans and other receivables	18,536	(29,680)	-	(11,144)
Prepaid expenses and other	1,415	(5,136)	-	(3,721)
Accounts payable and other liabilities	(68,647)	(84,319)	-	(152,966)
Deferred revenue	-	1,948	-	1,948
Accrued interest	13,672	141,636	-	155,308
Net decrease in temporarily restricted net assets	(176,880)	-	-	(176,880)
Net cash provided by (used in) operating activities	<u>204,296</u>	<u>90,813</u>	<u>(27,376)</u>	<u>267,733</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in projects under development	(214,460)	-	(325,148)	(539,608)
Financing fees	-	(91,482)	-	(91,482)
Rent up and marketing costs	-	(100,815)	-	(100,815)
Increase in restricted deposits	16,288	(244,697)	-	(228,409)
Acquisition of property and equipment	(11,759)	(3,187,896)	-	(3,199,655)
Net cash used in investing activities	<u>(209,931)</u>	<u>(3,624,890)</u>	<u>(325,148)</u>	<u>(4,159,969)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Due from affiliates	(357,058)	-	357,058	-
Due to affiliates	65,410	(60,876)	(4,534)	-
Principal payments of mortgages and notes payable	(910,859)	(1,825,587)	-	(2,736,446)
Proceeds from mortgages and notes payable	940,284	1,983,874	-	2,924,158
Capital contribution	-	3,496,270	-	3,496,270
Proceeds from sale of historic state tax credits	-	92,660	-	92,660
Syndication costs	-	(129,500)	-	(129,500)
Principal payments on capital lease obligation	(12,226)	-	-	(12,226)
Proceeds of NW capital funds	150,000	-	-	150,000
Net cash provided by financing activities	<u>(124,449)</u>	<u>3,556,841</u>	<u>352,524</u>	<u>3,784,916</u>
NET INCREASE (DECREASE) IN CASH	(130,084)	22,764	-	(107,320)
CASH, beginning of year	990,472	312,329	-	1,302,801
CASH, end of year	<u>\$ 860,388</u>	<u>\$ 335,093</u>	<u>\$ -</u>	<u>\$ 1,195,481</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	<u>\$ 56,464</u>	<u>\$ 66,527</u>	<u>\$ -</u>	<u>\$ 122,991</u>
Capitalized interest	<u>\$ -</u>	<u>\$ 207,082</u>	<u>\$ -</u>	<u>\$ 207,082</u>
Property and equipment acquired by capital lease	<u>\$ 42,432</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,432</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in unrestricted net assets from operations	\$ 122,435	\$ (172,801)	\$ 43,130	\$ (7,236)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:				
Depreciation	77,524	266,409	-	343,933
Bad debt	105,806	11,478	-	117,284
Changes in operating assets and liabilities:				
Contracts, loans and other receivables	(145,262)	(7,510)	-	(152,772)
Prepaid expenses and other	5,747	41,374	-	47,121
Accounts payable and other liabilities	(331,203)	81,727	-	(249,476)
Deferred revenue	(10,397)	992	-	(9,405)
Accrued interest	7,844	105,198	-	113,042
Net increase in temporarily restricted net assets	14,403	-	-	14,403
Net cash provided by (used in) operating activities	<u>(153,103)</u>	<u>326,867</u>	<u>43,130</u>	<u>216,894</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in projects under development	(3,863,829)	-	-	(3,863,829)
Acquisition of property and equipment	(8,544)	(735,780)	-	(744,324)
(Increase) decrease in restricted deposits	307,724	(182,238)	-	125,486
Net cash used in investing activities	<u>(3,564,649)</u>	<u>(918,018)</u>	<u>-</u>	<u>(4,482,667)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:				
Due from affiliates	35,245	-	(35,245)	-
Due to affiliates	-	7,885	(7,885)	-
Principal payments of mortgages and notes payable	(41,606)	(250,759)	-	(292,365)
Proceeds from mortgages and notes payable	3,291,078	1,044,469	-	4,335,547
Proceeds from contingent loan advance	676,660	-	-	676,660
Principal payments of capital lease obligation	(13,574)	-	-	(13,574)
Net cash provided by (used in) financing activities	<u>3,947,803</u>	<u>801,595</u>	<u>(43,130)</u>	<u>4,706,268</u>
NET INCREASE (DECREASE) IN CASH	230,051	210,444	-	440,495
CASH, beginning of year	760,421	101,885	-	862,306
CASH, end of year	<u>\$ 990,472</u>	<u>\$ 312,329</u>	<u>\$ -</u>	<u>\$ 1,302,801</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Cash paid for interest	<u>\$ 74,696</u>	<u>\$ 176,296</u>	<u>\$ -</u>	<u>\$ 250,992</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

OPERATING

	CENTRAL ADMINISTRATION	SENIOR HOME REPAIR	HOUSING COUNSELING	COMMUNITY SERVICES	HOMEBUYER SERVICES PROGRAM	REAL ESTATE AND ECONOMIC DEVELOPMENT	PROPERTY MANAGEMENT	NOAH CDPL	ELIM-NATIONS	TOTAL OPERATING PROGRAMS	RENTAL PROGRAMS	ELIM-NATIONS	TOTAL
PERSONNEL AND RELATED COSTS:													
Salaries	\$ 192,011	\$ 64,103	\$ 28,620	\$ 259,426	\$ 280,802	\$ 159,198	\$ 130,473	\$ 6,895	\$ -	\$ 1,121,628	\$ -	\$ -	\$ 1,121,628
Consulting and contract labor	8,316	5,400	-	10,170	-	-	53,932	-	-	77,818	94,951	-	172,769
Employee benefits	22,821	15,361	710	49,456	46,986	15,024	5,793	797	-	156,948	-	-	156,948
Payroll taxes	16,356	6,056	2,746	25,641	28,547	13,720	12,518	587	-	106,171	-	-	106,171
Total personnel and related costs	239,504	90,920	32,076	344,693	356,335	187,942	202,816	8,279	-	1,462,565	94,951	-	1,557,516
OTHER:													
Interest expense and bank fees	6,273	-	-	3	-	6,497	-	150	(8,225)	4,698	347,988	-	352,686
Insurance and taxes	4,202	8,109	332	3,075	6,904	3,135	4,641	3,623	-	34,021	192,451	-	226,472
Special events and other program expenses	9,595	39,549	107	18,678	34,813	36,481	573	-	-	139,796	27,724	-	167,520
Professional fees	28,652	2,516	2,101	11,150	13,954	6,241	7,626	2,252	-	74,492	187,688	(105,201)	156,979
Telephone and utilities	3,055	1,897	610	4,921	5,843	1,696	3,906	-	-	21,928	129,017	-	150,945
Facility	41,540	18,765	7,146	63,894	62,481	42,177	34,030	-	(128,628)	141,405	-	-	141,405
Condo fee	-	-	-	-	-	-	-	-	-	-	51,817	-	51,817
Repairs, maintenance and security	4,815	1,894	1,011	8,134	7,218	2,528	4,690	-	-	30,280	229,803	(208,890)	51,193
Travel and conferences	3,855	1,992	14	461	2,023	5,560	4,668	-	-	18,373	8,330	-	26,903
Miscellaneous	4,653	-	-	975	-	1,098	546	53	-	7,325	15,077	-	22,402
Supplies and general office	4,885	539	1,048	3,526	7,001	2,432	2,795	54	-	22,280	-	-	22,280
Bad debt	7,500	-	-	-	-	8,601	-	-	-	7,876	6,847	-	14,723
Equipment rental and purchases	294	138	72	2,492	514	567	306	-	-	4,383	6,650	-	11,033
Dues and subscriptions	9,200	48	25	503	179	469	102	250	-	10,776	-	-	10,776
Advertising	100	1,944	-	-	8,230	-	-	-	-	10,274	-	-	10,274
Total other	128,619	77,381	12,466	117,812	149,160	117,452	63,883	6,382	(145,078)	538,107	1,203,392	(314,091)	1,417,408
Total expenses before depreciation	368,123	168,301	44,542	462,505	505,495	305,424	266,699	14,661	(145,078)	1,990,672	1,298,343	(314,091)	2,974,924
DEPRECIATION AND AMORTIZATION													
	10,972	5,224	1,383	14,355	15,690	15,840	8,278	-	-	71,742	394,686	-	466,428
Total	\$ 379,095	\$ 173,525	\$ 45,925	\$ 476,860	\$ 521,185	\$ 321,264	\$ 274,977	\$ 14,661	\$ (145,078)	\$ 2,062,414	\$ 1,693,029	\$ (314,091)	\$ 3,441,352

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	OPERATING PROGRAMS										TOTAL	
	CENTRAL ADMINISTRATION	SENIOR HOME REPAIR	HOUSING COUNSELING	COMMUNITY SERVICES	BOUYER SERVICES	DEVELOPMENT	PROPERTY MANAGEMENT	NOAH CDEI	ELIM-NATIONS	TOTAL OPERATING PROGRAMS		
PERSONNEL AND RELATED COSTS:												
Salaries	\$ 188,191	\$ 65,798	\$ 23,775	\$ 271,579	\$ 279,580	\$ 174,459	\$ 134,581	\$ 8,111	\$ -	\$ 1,144,074	\$ -	\$ 1,144,074
Employee benefits	29,029	14,959	1,232	29,594	39,794	15,189	12,227	568	-	142,592	-	142,592
Consulting and contract labor	9,623	610	-	24,910	6,324	8,037	55,225	-	-	104,729	-	138,856
Payroll taxes	18,163	6,554	2,785	28,221	29,251	15,664	15,313	797	-	116,748	-	116,748
Total personnel and related costs	245,006	85,921	27,792	354,304	354,949	213,349	217,346	9,476	-	1,508,143	-	1,542,270
OTHER:												
Interest expense and bank fees	8,967	-	294	-	7,107	6,937	-	73	(8,225)	7,752	265,818	273,570
Insurance and taxes	8,593	10,422	99	3,379	23,707	3,422	6,589	3,605	-	43,411	162,285	205,696
Special events and other program expenses	10,763	54,074	99	155,084	23,707	1,629	798	-	-	246,154	21,298	267,452
Professional fees	31,212	811	454	3,407	4,485	56,258	2,666	5,075	-	104,368	(104,969)	158,926
Telephone and utilities	2,795	1,887	513	3,786	5,614	1,469	3,793	-	-	19,857	118,267	138,124
Facility	44,654	19,197	6,822	69,892	65,925	35,807	37,800	-	(137,379)	142,718	-	142,718
Condo fee	-	-	-	-	6,404	2,262	3,643	-	-	-	38,814	38,814
Repairs, maintenance and security	3,315	1,323	789	5,843	6,404	2,262	3,643	-	-	23,779	238,348	45,522
Travel and conferences	2,275	1,309	7	1,376	5,223	5,428	3,700	-	-	19,318	8,330	27,648
Miscellaneous	3,742	67	-	162	25	3,656	461	3,440	-	11,553	10,058	21,611
Supplies and general office	6,291	727	805	4,539	7,814	7,856	5,111	79	-	33,222	-	33,222
Bad debt	67,746	-	-	-	-	67,140	-	-	(8,225)	126,661	11,478	88,221
Equipment rental and purchases	2,205	189	98	848	1,606	281	451	-	-	5,678	8,132	13,810
Dues and subscriptions	6,547	89	46	497	550	445	213	250	-	8,617	-	8,617
Advertising	981	580	-	1,280	6,479	101	-	-	-	9,421	-	9,421
Total other	200,086	90,875	9,927	250,093	134,919	192,691	65,225	12,522	(153,829)	802,509	1,032,355	1,473,372
Total expenses before depreciation	445,092	176,796	37,719	604,397	489,868	406,040	282,571	21,998	(153,829)	2,310,652	1,066,482	3,015,642
DEPRECIATION AND AMORTIZATION												
	14,439	5,634	1,202	19,259	15,609	12,377	9,004	-	-	77,524	266,409	343,933
	\$ 459,531	\$ 182,430	\$ 38,921	\$ 623,656	\$ 505,477	\$ 418,417	\$ 291,575	\$ 21,998	\$ (153,829)	\$ 2,388,176	\$ 1,332,891	\$ 3,359,575

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Neighborhood of Affordable Housing, Inc. (NOAH) was formed to provide services, undertake activities, make loans to homeowners, and oversee developments relating to housing needs, economic development and community services in East Boston, Massachusetts and the surrounding areas. The Affiliates include NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc., Trinity House LLC, Siachain Properties LP, Pace Border LLC, Amani Properties LLC and Stevens Corner LP (see Note 2). NOAH and its Affiliates share common management, facilities and Board membership.

NOAH is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NOAH is also exempt from state income taxes. Contributions are deductible by donors within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

NOAH prepares its combined financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Estimates

The preparation of combined financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination

The combined financial statements include the net assets of NOAH and Affiliates (see Note 2). The accounts of wholly-owned and majority-owned subsidiary corporations, including the general partners of NOAH's developments, have been consolidated with NOAH in the accompanying combined financial statements (see Note 2). The non-controlling interests of majority-owned subsidiaries and other affiliates, where material, have been reflected as non-controlling interest as a component of net assets in the accompanying combined statements of financial position (see page 15).

The subsidiaries include General Partners and Managing Members of limited partnerships and limited liability companies (collectively, LP's and LLC's) that own real estate projects that have been completed and placed in operation. The General Partners and Managing Members exercise management control over the LP's and LLC's operations. Accordingly, the LP's and LLC's are consolidated with the General Partners and Managing Members and, therefore, included in the combined financial statements of the Agency. The net assets and equity of the LP's and LLC's have been combined into the combined financial statements as of July 1, 2011, on the accompanying combined statement of changes in entities' equity (deficit) and are reflected as adoption of accounting principle.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of Combination (Continued)

As a result of this change in accounting principal in 2011, the financial statements of Siochain (see Note 2) were required to be consolidated with those of NOAH. The net impact of applying this change as of the beginning of the year ended June 30, 2011 is presented in the accompanying combined statements of changes in net assets and in the table below.

All significant balances between classes of equity, intercompany balances, and transactions have been eliminated in the accompanying combined financial statements.

The adoption of accounting principal consists of the following at June 30, 2011:

	<u>NOAH Share</u>	<u>Non-controlling Interest Share</u>	<u>Total</u>
Impact of adoption of non-controlling interest standards - Pace Border	\$ -	\$(25,879)	\$ (25,879)
Impact of consolidation of Siochain financial statements	9	9,046	9,055
Share of intercompany eliminations	<u>364,558</u>	<u>-</u>	<u>364,558</u>
Total	<u>\$364,567</u>	<u>\$(16,833)</u>	<u>\$347,734</u>

Cash

NOAH considers all highly liquid investments originated with a maturity of three months or less, and that are available for current operations, to be cash for purposes of the combined statements of cash flows. Those highly liquid resources that are not generally available for current operations or otherwise restricted are classified as restricted deposits (see Note 3).

Contracts, Loans and Other Receivables and Allowance for Doubtful Accounts

Contracts, loans and other receivables are shown net of allowance for doubtful accounts. This allowance is recorded based on management's analysis of specific accounts and their estimate of amounts that may become uncollectible. Accounts are written off against the allowance when they are determined to be uncollectible.

Projects Under Development

All project-related costs incurred during construction are capitalized for developments currently owned by Peace Properties, Inc. as of June 30, 2012. These include construction, soft costs, overhead, interest, and others and are reflected in projects under development (see Note 7) in the accompanying combined financial statements.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, Equipment and Depreciation

Property and equipment are recorded at cost. Improvements and major repairs are capitalized while ordinary repairs and maintenance are expensed as incurred (see Note 8). Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25 – 40 years
Furniture, fixtures and equipment	5 – 7 years
Leasehold improvements	Life of lease

Depreciation expense for the years ended June 30, 2012 and 2011 was \$462,465 and \$343,933, respectively.

NOAH and affiliates account for the carrying value of their property and equipment and projects under development in accordance with the requirements of U.S. GAAP standards for *Impairment or Disposal of Long-Lived Assets*. As of June 30, 2012 and 2011, NOAH and its affiliates have not recognized any reduction in the carrying value of its property and equipment when considering this standard.

Financing and Tax Credit Fees

Financing and tax credit fees consist of legal and other costs totaling \$91,482 incurred in connection with the financing of rental properties. These have been capitalized and are being amortized on the straight-line basis over the term of the related financings or tax credit compliance period. Accumulated amortization and amortization expense was \$3,783 as of June 30, 2012.

Revenue Recognition

Rental income is recognized in the period the related facilities are occupied by the tenants. Property management fees and project management and developer fees are recognized as revenue when such services are rendered. However, due to the contingent nature of certain developer fees, some are not recognized until received or when collection is assured. Contracts and other fees are recognized over the term of the contract as services are provided. Interest income is recognized as earned. In general, NOAH reports grants and contributions when received or unconditionally committed by the donor as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.

When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combined statements of activities as net assets released from restrictions.

Allocation Method

Expenses related directly to a program or function are distributed to that program or function. Central administration expenses are allocated based upon management's estimate of the percentage attributable to each function.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

NOAH receives donated goods and services in various aspects of its programs. These goods and services are reflected in the accompanying combined financial statements based upon the estimated value assigned to them by donating volunteers, agencies, or by management.

Net Asset Classifications

Unrestricted Net Assets

NOAH and its Affiliates classify unrestricted net assets into three categories:

- ◆ Operating net assets represent that portion of each net asset group that is considered substantially liquid and is available for general operations.
- ◆ Development net assets include those assets and liabilities related to NOAH and its Affiliates' project developments, completed and uncompleted, that are not expected to be available for operations for at least one year from the date of the combined statements of financial position.
- ◆ Property and equipment net assets represent that portion of resources, invested into long-term productive fixed assets, net of related liabilities and non-controlling interest in consolidated subsidiaries (see page 15).

Temporarily restricted net assets consist of those net resources not yet released from their donor-designated purpose restriction. At June 30, 2012 and 2011, temporarily restricted net assets were restricted for the following:

	<u>2012</u>	<u>2011</u>
Homebuyer and homeowner services	\$305,132	\$368,685
Community services	106,857	210,184
Rental housing	100,000	100,000
Other	<u>-</u>	<u>10,000</u>
	<u>\$511,989</u>	<u>\$688,869</u>

Generally, those resources restricted for rental housing, community services and homebuyer and homeowner services are treated as released from restriction when they are spent on expenses of those specific activities.

Included in temporarily restricted grants are capital grant proceeds which have been invested into rental housing (see Note 7). It is NOAH's policy to release these net assets from restriction upon final disposition of the particular project.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Permanently restricted net assets consist of capital grant proceeds from NeighborWorks America © (NW). These grants are for use as a permanent capital resource for NOAH's development projects and other initiatives. The terms of these grants allow NOAH to use them for capitalized costs associated with development projects, but not for operating costs. NOAH may use these funds to pay for certain development costs which, in some cases, may be collected from the project on deferred terms.

When the timing of collection is deferred or uncertain, the value of the underlying asset may be reduced by a valuation allowance. In these circumstances, NW funds are reduced by a valuation allowance. When valuation allowances are reduced by later recoveries or because collection is assured, NW restricted net assets will be increased.

NW's permanently restricted net assets were as follows as of June 30, 2012 and 2011:

Cumulative capital grants received, net of authorized write-offs (see above and Note 9)	\$1,743,573	\$1,593,573
Cumulative valuation allowance	(791,380)	(634,503)
Add – Inter-company elimination	<u>616,574</u>	<u>499,074</u>
	<u>\$1,568,767</u>	<u>\$1,458,144</u>

Non-controlling interest represents unrelated investors' non-controlling interests in Pace Border, Siochain and Stevens Corner (see Note 2). The unrelated investors shares of income/loss in Pace Border, Siochain and Stevens Corner are reflected as changes in net assets attributable to the non-controlling interest on the accompanying combined statements of activities.

Fair Value

NOAH and its affiliates follow the *Fair Value Measurements and Disclosures* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. This policy establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value. A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Income Taxes

NOAH and its Affiliates follow the U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes*, which requires NOAH and its Affiliates to report any uncertain tax positions and to adjust their combined financial statements for the impact thereof. As of June 30, 2012, NOAH and its Affiliates determined that they had no material unrecognized tax benefits to report. NOAH and its Affiliates file returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through November 15, 2012, which is the date the combined financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combined financial statements.

(2) RELATED PARTY TRANSACTIONS

Combined Entities

NOAH's combined financial statements include the following entities:

Operating

These entities represent core operations:

Peace Properties, Inc. (Peace Properties) was formed in 1992 as a non-profit 501(c)(3) affiliate of NOAH for the purpose of developing low to moderate income housing and is treated as a non-profit for income tax purposes.

NOAH CDFI (see page 17) advanced Peace Properties capital funds to invest in its real estate development activities. During fiscal years 2012 and 2011, NOAH CDFI advanced Peace Properties \$476,000 and \$252,395, respectively, for various projects. There were \$476,000 and \$379,310 outstanding at June 30, 2012 and 2011, respectively, and are eliminated in the operating column in the accompanying combined statement of financial position. These advances are non-interest bearing and are due at construction closing of projects (see Note 7).

As of June 30, 2012 and 2011, Peace Properties owes Stevens Corner \$65,410 for cash advances. These amounts are included in due to affiliates and due from affiliates in the accompanying combined statements of financial position at June 30, 2012 and 2011. As of June 30, 2012 and 2011, Peace Properties also owed NOAH \$16,019 for cash advances. This amount is fully reserved by NOAH because the amount is not expected to be realized in the near term.

Peace Properties has an equity investment in Pace Border. Peace Properties records its investment under the equity method of accounting. As of June 30, 2012 and 2011, Peace Properties' investment in Pace Border had been reduced to zero.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Operating (Continued)

Peace Properties, Inc. (Peace Properties) (Continued)

Peace Properties owns land, which it leases to Amani Properties (see below) under a ground lease agreement. Amani Properties had developed fourteen condominium units known as Border Falcon Condominium units on this land. The ground lease agreement expires July, 2015, with an option to extend the original term of the lease for one additional period of ninety-nine years. Monthly ground lease rent is \$1,329, which will be collected by Peace Properties from the purchasers of the condominium units. Monthly ground lease rent is calculated to equal 105% of the monthly payments of principal and interest necessary to amortize the Local Initiatives Support Corporation (LISC) loan (see Note 5) over the term of the loan. Upon paying the LISC loan in full, Peace Properties will continue to collect ground lease rent until the \$70,000 of NW funds borrowed from NOAH (see Note 6) is repaid.

Amani Properties Limited Liability Corporation (Amani Properties) was formed in June, 2006, as a limited liability company for the purpose of engaging in the development, management and conveyance of interests in the real properties located at 10 Border Street and 427-429 Falcon Street in East Boston, Massachusetts. Amani is treated as a limited liability company for income tax purposes. NOAH is the sole member of Amani Properties. NOAH CDFI loaned Amani Properties capital funds to invest in its real estate development activities. There was \$126,215 outstanding at June 30, 2011, for the 278 Maynard North Road project (see Note 7). There was no amount outstanding as of June 30, 2012.

NOAH Community Development Fund, Inc. (NOAH CDFI) was formed in 2001 as a non-profit affiliate of NOAH to provide loans and counseling for homeownership to low to moderate income residents (see Note 9). NOAH CDFI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC.

NOAH CDFI loaned Peace Properties and Amani Properties capital funds to invest in their real estate development activities (see above and page 16).

Pace Border Limited Liability Company (Pace Border) was formed as a limited liability company for the purpose of acquiring and developing a commercial property located at 143 Border Street, East Boston. Pace Border is treated as a partnership for income tax purposes. The commercial property consists of two condominium units, one of which was sold in August, 2004. The remaining unit is occupied by NOAH as a tenant. Rental income from NOAH was \$128,628 and \$137,369 for the years ended June 30, 2012 and 2011, respectively.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Operating (Continued)

Pace Border Limited Liability Company (Pace Border) (Continued)

Pace Border's fiscal year end is December 31st. The financial statements of Pace Border are reflected as of and for the years ended December 31, 2011 and 2010. However, subsequent to December 31, 2011, and prior to June 30, 2012, Pace Border paid off its original mortgage for \$688,522 (see Note 5) and entered into a new loan agreement for \$825,000. Pace Border used the additional proceeds to pay down their deferred developer fee (see below) that was owed to NOAH. The statement of financial position has been updated to encompass these significant events.

In April, 2009, Peace Properties loaned \$65,410 to Pace Border to pay down a loan due to LISC of \$50,000 plus accrued interest. This amount is fully reserved by Peace Properties because it is not expected to be realized in the near term.

143 Border Street Inc., wholly-owned by Peace Properties, is the Managing Member of Pace Border.

Pace Border has a \$235,000 note payable to Peace Properties (see Note 5). The note bears interest at 3.5% and is due March 31, 2034. There was an outstanding principal balance of \$235,000 as of June 30, 2012 and 2011, and accrued interest of \$68,538 and \$60,313 at June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, Pace Border also owed NOAH \$9,013 and \$136,062 respectively for developer fees. These amounts are fully reserved by NOAH because they are not expected to be realized in the near term. During fiscal year 2012, NOAH recouped \$127,049 of this fee from Pace Border's additional proceeds from the new mortgage (see above).

Rental Programs

Shalom Properties, Inc. (Shalom) was formed in 1997 as a non-profit 501(c)(2) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. Shalom is treated as a non-profit for income tax purposes. During the years ended June 30, 2012 and 2011, NOAH billed Shalom \$104,007, for management, administrative and maintenance expenses.

As of June 30, 2012 and 2011, Shalom owed NOAH \$51,473 and \$57,989, respectively, of management fees which are included in due to affiliates in the accompanying combined statements of financial position. This amount is fully reserved by NOAH because it is not expected to be realized in the near term.

Paz Properties, Inc. (Paz) was formed in 1993 as a non-profit 501(c)(2) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. Paz is treated as non-profit for income tax purposes. During the years ended June 30, 2012 and 2011, NOAH billed Paz \$135,580 for management, administrative and maintenance expenses. As of June 30, 2012 and 2011, there was no amount due to NOAH for these expenses.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Rental Programs (Continued)

Trinity House LLC (Trinity House) is a Massachusetts limited liability company. Trinity House is treated as a limited liability company for income tax purposes. Effective July 9, 2009, Trinity House holds a 99% interest in the capital, income, losses and cash flow of NOAH Trinity after acquiring NEF's interest. During fiscal year 2012, NOAH billed Trinity House \$31,549 for management fees. There were no amounts due as of June 30, 2012.

Siochain Properties Limited Partnership (Siochain) was formed on October 29, 1999 as a Massachusetts limited partnership for the purposes of acquiring, rehabilitating and operating rental housing projects. Siochain is treated as a non-profit for income tax purposes. There was no amount due from Siochain as of June 30, 2012 and 2011.

Stevens Corner Limited Partnership (Stevens Corner) was formed in October, 2009, as a Massachusetts limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project known as the Stevens Corner project (see Note 7). Stevens Corner is treated as a partnership for income tax purposes. NOAH held a 99.99% ownership interest in Stevens Corner until June, 2010, when NOAH closed on construction financing and syndication of Stevens Corner. Effective June 14, 2010, Stevens Corner GP, Inc. (see page 20) and Massachusetts Housing Investment Corporation (a Massachusetts not-for-profit organization) held 61.98% and 38% ownership interests, respectively, in Stevens Corner as the initial limited partners. NOAH holds a 0.01% interest as the special limited partner and Stevens Corner GP, Inc. also holds 0.01% general partner. During fiscal year 2012, the initial limited partner transferred their 99.98% ownership interests to MHEF XVII, LLC (the Investor), a tax creditor investor, when construction was completed. Stevens Corner was placed in service in December, 2011. Accordingly, Stevens Corner's statement of financial position is included with rental programs as of June 30, 2012.

The Investor has committed \$4,370,337 in capital contributions to Stevens Corner, payable in five installments, as specified in the Stevens Corner operating agreement. As of June 30, 2012, the Investor has made a total contribution of \$3,496,270 to Stevens Corner of which the proceeds were used to pay in full a bridge note payable to the Investor. The Investor's capital contributions are subject to an upward or downward adjustment if the LIHTC is greater than or less than the projected LIHTC as specified in the Operating Agreement. Stevens Corner is expecting a downward adjustment of approximately \$29,000 as of June 30, 2012, which will reduce the Investor's capital contribution.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Stevens Corner Limited Partnership (Stevens Corner) (Continued)

NOAH, as the sponsor of Stevens Corner, is entitled to a developer fee and overhead reimbursement for services provided during the development of the project. Stevens Corner's maximum obligation under this agreement is \$930,546. As of June 30, 2012, NOAH had earned all of the developer fee and overhead reimbursement, of which \$430,546 is owed to NOAH as of June 30, 2012. The entire outstanding balance, together with any accrued interest is due and payable on December 20, 2020. If the developer fee is not paid in full by December 20, 2020, the Stevens Corner general partner is required to make additional capital contributions to Stevens Corner sufficient to pay in full any outstanding developer fees. The developer fee is secured by a shared third mortgage on the property. NOAH reserved \$105,400 of this fee as it is not expected to be realized in the near-term. This amount has been netted against the developer fee on the accompanying combined statement of activities as of June 30, 2012.

NOAH has issued guarantees to fund Stevens Corner's operating deficits if the general partner fails to make any operating deficit contributions during the period before Stevens Corner achieves five consecutive twelve-month periods of break-even operations as specified in the agreement. NOAH's liability under this guarantee is limited to \$242,000 (see Note 10).

Other Entities

NOAH also maintains the following interest in other general partners:

- Siochain Properties, Inc., 0.01% General Partner of Siochain (see page 19).
- Stevens Corner GP, Inc., .01% General Partner of Stevens Corner. This Corporation is also one of the initial limited investors of Stevens Corner Limited Partnership (see above). NOAH owns 79% of this corporation's common stock.
- Cutler Heights Housing, LLC, 0.01% General Partner of Cutler Heights, LP. NOAH owns 36% of the corporation's common stock.

The financial activities of these entities are not included as they are not material to the accompanying combined financial statements.

NOAH performs property management services for NOAH's related rental property entities. These properties are directly billed management fees for NOAH's staff assigned to the property, along with related expenses.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Transactions between NOAH and these combined entities were as follows:

	<u>2012</u>		<u>2011</u>	
	<u>Operating</u>	<u>Rental Programs</u>	<u>Operating</u>	<u>Rental Programs</u>
Property management fees	\$ -	\$314,091	\$ -	\$311,574
Developer fees	127,050	337,095	266,037	-
Rent charged for use of space	128,628	-	137,379	-
Interest expense	8,225	-	8,225	-
Bad debt	8,225	-	8,225	49,918
	<u>\$272,128</u>	<u>\$651,186</u>	<u>\$419,866</u>	<u>\$361,492</u>

Balances between these entities as of June 30, 2012, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>NOAH CDFI</u>	<u>Pace Border LLC</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivables	\$ -	\$ 443,958	\$186,234	\$ 9,012	\$783,721	\$1,422,925
Peace Properties receivables	-	-	-	368,948	18,780	387,728
NOAH CDFI receivable	45,000	519,568	-	-	-	564,568
Stevens Corner LP	-	65,410	-	-	-	65,410
Subtotal	<u>\$45,000</u>	<u>\$1,028,936</u>	<u>\$186,234</u>	<u>\$377,960</u>	<u>\$802,501</u>	2,440,631
Less - allowances for doubtful accounts						<u>1,055,230</u>
Total						<u>\$1,385,401</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Balances between these entities as of June 30, 2011, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>NOAH CDFI</u>	<u>Stevens Corner LP</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivables	\$ -	\$210,729	\$186,234	\$194,207	\$550,111	\$1,141,281
Peace Properties receivables	-	-	-	-	379,503	379,503
NOAH CDFI receivable	45,000	505,525	-	-	-	550,525
Stevens Corner LP	-	65,410	-	-	-	65,410
Subtotal	<u>\$45,000</u>	<u>\$781,664</u>	<u>\$186,234</u>	<u>\$194,207</u>	<u>\$929,614</u>	2,136,719
Less - allowances for doubtful accounts						<u>978,531</u>
Total						<u>\$1,158,188</u>

Uncombined Entity

NOAH combined financial statements include transactions with the following related entity:

143-153 Border Street Condominium Trust (the Trust) was created as the "Organization of Unit Owners" as required by the provisions of Chapter 183A of the Massachusetts General Laws for the purpose of managing and regulating the 143-153 Border Street Condominium established and created by a Master Deed executed by Peace Properties. One condominium unit is occupied by NOAH and Affiliates and the other is occupied by another organization. NOAH is the manager of the Trust. NOAH earned \$12,360 in management fees for the years ended June 30, 2012 and 2011. There was \$3,160 due from the Trust at June 30, 2011. There were no amounts due at June 30, 2012.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

(Continued)

(3) RESTRICTED DEPOSITS

The balance of restricted deposits includes the following as of June 30:

	<u>2012</u>	<u>2011</u>
Operating:		
NOAH, Inc.:		
Reserves for capital projects	\$ -	\$ 50,000
Pace Border LLC:		
Other operating escrows	<u>15,000</u>	<u>15,000</u>
NOAH CDFI:		
Revolving loan fund capital	89,980	54,557
Loan reserve	<u>17,100</u>	<u>18,811</u>
Sub-total NOAH CDFI	<u>107,080</u>	<u>73,368</u>
Stevens Corner, LP		
Construction escrow	<u>-</u>	<u>73,160</u>
Total Operating	<u>122,080</u>	<u>211,528</u>
Rental Programs:		
Shalom Properties, Inc.:		
Operating escrows	17,423	19,418
Tenant security deposit	27,485	24,573
Replacement reserve	<u>30,153</u>	<u>28,387</u>
Sub-total Shalom Properties, Inc.	<u>75,061</u>	<u>72,378</u>
Paz Properties, Inc.:		
Operating escrows	24,840	25,920
Tenant security deposit	27,285	28,006
Replacement reserve	<u>284,688</u>	<u>382,767</u>
Sub-total Paz Properties, Inc.	<u>336,813</u>	<u>436,693</u>
Trinity House LLC:		
Operating escrows	77,530	-
Tenant Security Deposit	5,637	5,148
Replacement Reserve	<u>29,813</u>	<u>-</u>
Sub-total Trinity House LLC	<u>112,980</u>	<u>5,148</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(3) RESTRICTED DEPOSITS (Continued)

The balance of restricted deposits includes the following as of June 30 (continued):

	<u>2012</u>	<u>2011</u>
Rental Programs: (Continued)		
Siochain LP:		
Operating escrows	23,564	23,559
Tenant Security Deposit	9,949	10,902
Replacement Reserve	<u>2,000</u>	<u>-</u>
Sub-total Siochain LP	<u>35,513</u>	<u>34,461</u>
Stevens Corner:		
Insurance Escrow	18,344	-
Tenant Security Deposit	17,502	-
Construction escrow	<u>270,324</u>	<u>-</u>
Sub-total Stevens Corner	<u>306,170</u>	<u>-</u>
Sub-total Rental	<u>866,537</u>	<u>548,680</u>
Total restricted deposits	988,617	760,208
Less - current portion	<u>523,769</u>	<u>306,684</u>
Non-current portion	<u>\$464,848</u>	<u>\$453,524</u>

(4) MORTGAGE NOTES PAYABLE

Mortgage notes payable consist of the following as of June 30:

	<u>2012</u>	<u>2011</u>
<u>Shalom Properties, Inc.</u> (see Note 2)		
Note payable to Massachusetts Housing Partnership (MHP), bearing interest at 7.97% per annum, due and payable October 6, 2017. This note is secured by a mortgage on the properties. Principal and interest are due in monthly installments of \$5,756 based on a twenty-year amortization schedule. There is a balloon payment of the remaining balance due on October 6, 2017.	\$ 487,788	\$ 516,718
Notes payable to Dovenmuehle Mortgage/CCO, bearing interest at 5.375%, due in monthly installments of \$2,772, principal and interest, through December 1, 2033. These notes are secured by a mortgage on the properties.	423,783	433,943

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

<u>Shalom Properties, Inc.</u> (see Note 2) (Continued)	<u>2012</u>	<u>2011</u>
Non-interest bearing note payable to MHP, due and payable October 6, 2017. This note is secured by a mortgage on the properties.	245,339	245,339
Non-interest bearing note payable to the City of Boston, due and payable October 6, 2017, secured by a mortgage on the properties.	<u>245,339</u>	<u>245,339</u>
Sub-total Shalom Properties	<u>1,402,249</u>	<u>1,441,339</u>
 <u>Paz Properties, Inc.</u> (see Note 2)		
Non-interest bearing note payable to MHP, due and payable October 3, 2031, secured by second mortgages on 115 and 109 Everett Street and 376 Summer Street.	561,316	561,316
Non-interest bearing note payable to MHP, due and payable October 3, 2031, secured by a second mortgage on 115 Everett Street.	452,369	452,369
Non-interest bearing note payable to MHP, due and payable October 3, 2021, secured by a second mortgage on 115 Everett Street.	400,000	400,000
Note payable to MHP for rehabilitation of 115 Everett Street, original amount of note was \$412,200, bearing interest at 6.27% per annum, due and payable October 3, 2021. Principal and interest are due in monthly installments of \$2,328 based on a thirty-year amortization schedule. This note is secured by a first mortgage on 115 Everett Street.	346,762	355,639
Note payable to MHP bearing interest at 5.80% per annum for the first five-year term ending August 9, 2015. Thereafter, the interest rate for the next five-year term ending August 9, 2020, will be the prevailing rate in effect under the agreement on August 9, 2015. Principal and interest are due in monthly installments of \$3,520 beginning October 1, 2010, through August 9, 2015. During the second five-year term, principal and interest will be due in monthly installments based on a thirty year amortization.	586,319	594,306
Note payable to Boston Community Loan Fund (BCLF) for Eutaw and Meridian Street project, bearing interest at 7% per annum, due and payable March 31, 2013. Principal and interest are due in monthly installments of \$726 based on a fourteen-year amortization schedule. This note is secured by a mortgage on Eutaw and Meridian Street project.	<u>6,550</u>	<u>14,491</u>
Sub-total Paz Properties, Inc.	<u>2,353,316</u>	<u>2,378,121</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

<u>Trinity House LLC</u> (see Note 2)	<u>2012</u>	<u>2011</u>
<p>Second mortgage note originated on August 6, 1992, and held by the City of Boston, Department of Public Facilities as agent for the Neighborhood Housing Trust Fund, in the original amount of \$418,170. The note bears simple interest at 1% per annum. Interest only is due annually on each of the anniversary date of the note based on net available cash flows. The City of Boston has deferred payments due on the note until maturity. Principal and accrued and unpaid interest is due on the earliest of thirty years or if the property fails to continue to provide affordable housing to low and moderate income families. Accrued interest totaled \$85,376 and \$81,194 as of June 30, 2012 and 2011, respectively. The note is secured by a mortgage on 406 Meridian Street and assignment of leases.</p>	418,170	418,170
<p>A non-recourse mortgage note, which was originated on May 19, 2000, is held by the City of Boston, Public Facilities Department in the original amount of \$131,880. The note accrues interest at 1% per year, compounded annually. Accrued interest totaled \$33,340 and \$22,561 as of June 30, 2012 and 2011, respectively. During fiscal year 2012, the note was amended to increase the note's balance. Principal and interest are due May 19, 2030, or upon acceleration of the note under specified conditions. The note is secured by a first mortgage on 406 Meridian Street and assignment of leases and rents.</p>	<u>862,094</u>	<u>805,325</u>
Sub-total Trinity House LLC	<u>1,280,264</u>	<u>1,223,495</u>
<u>Siochain Properties LP</u> (see Note 2)		
<p>A promissory note, which originated on March 15, 2001, is held by the Commonwealth of Massachusetts, Department of Housing and Community Development (DHCD) in the amount of \$380,000. The note accrues interest at 5.58% per annum, compounded annually. Accrued interest totaled \$303,726 and \$267,114 as of June 30, 2012 and 2011, respectively. Final payment is due March, 2031. The note is collateralized by investment in real estate.</p>	380,000	380,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

<u>Siochain Properties LP (see Note 2) (Continued)</u>	<u>2012</u>	<u>2011</u>
A promissory note, which originated on August 22, 2000, is held by the City of Boston, Public Facilities Department in the amount of \$380,000. The note accrues interest at 7.6% per year, compounded annually. Payments are due annually beginning October 1, 2003, in an amount equal to 50% of Siochain's cash flow. No amounts are due as of June 30, 2012. Accrued interest totaled \$509,196 and \$447,659 as of June 30, 2012 and 2011, respectively. Final payment is due October, 2030. The note is collateralized by investment in real estate.	380,000	380,000
A mortgage note, which originated on July 9, 2002, is held by the Boston Community Loan Fund (BCLF) in the original amount of \$232,597. Monthly installments of principal and interest are based on a twenty-five year amortization of the original note balance. The note has a stated interest rate of 7% and is payable by Siochain in the amount of \$1,634 each month through July, 2022, at which time the balance of \$102,143 is payable. The note is collateralized (first mortgage) by investment in real estate.	190,438	196,269
A mortgage note, which originated on July 9, 2002, is held by Local Initiatives Support Corporation (LISC) in the original amount of \$161,791. Monthly installments of principal and interest are based on a twenty-year amortization of the original note balance. The note has a stated interest of 3.5% and is payable by Siochain in the amount of \$938 each month through July, 2022. The note is collateralized (second mortgage) by investment in real estate.	<u>95,128</u>	<u>102,853</u>
Sub-total Siochain Properties LP	<u>1,045,566</u>	<u>1,059,122</u>
Plus Stevens Corner (transferred to rental in 2012, see page 29)	<u>2,410,832</u>	<u>-</u>
Total Rental Programs	<u>\$8,492,227</u>	<u>\$6,102,077</u>

Maturities of mortgage notes payable over the next five years are as follows:

2013	\$ 1,072,724
2014	\$ 79,392
2015	\$ 84,803
2016	\$ 639,885
2017	\$ 86,145

The mortgage notes payable agreements contain various covenants with which NOAH and Affiliates must comply. NOAH and Affiliates were in compliance with these covenants at June 30, 2012 and 2011.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(5) NOTES PAYABLE

Notes payable consist of the following as of June 30:

<u>NOAH, Inc.</u>	<u>2012</u>	<u>2011</u>
Line of credit payable to BCLF, bearing interest at 7.5%, due September, 2013. This note is secured by all assets of NOAH and a lien on Eutaw and Meridian Street property. Interest and principal are due in monthly installments of \$3,687.	\$ 52,985	\$ 91,570
Note payable to Community Economic Development Assistance Corporation (CEDAC), bearing interest at 7.0%, due when funds are disbursed at construction closing of the Benfield Farms, \$40,038 and Sitkowski School, \$105,175, which is expected to occur by December 31, 2012. Accrued interest at June 30, 2012 and 2011, totaled \$11,517 and \$2,580, respectively (see Note 7).	<u>133,696</u>	<u>118,412</u>
Sub-total NOAH, Inc.	<u>186,681</u>	<u>209,982</u>
 <u>Peace Properties, Inc.</u> (see Note 2)		
Note payable to LISC, for the Border Falcon Condo Project, bearing interest at 4% per annum. Interest and principal are due in monthly installments of \$1,266, with principal due no later than the maturity date in September, 2025. This note is secured by the ground lease (see Note 2).	156,050	164,802
Note payable to NeighborWorks Capital Corp., bearing interest at 4% per annum, compounded quarterly, due and payable on December 24, 2012. This note is secured by the Benfield Farms project (see Note 7).	150,000	150,000
Note payable to NeighborWorks Capital Corp., bearing interest at 4.5% per annum, compounded quarterly, due and payable on August 4, 2013. This note is secured by the Sitkowski School project (see Note 7).	400,000	300,000
Non-interest bearing note payable to Vesta Corporation. This note was used to fund pre-development costs associated with the Benfield Farms project (see Note 7) and was due at construction closing. During fiscal year 2012, this was paid in full.	<u>-</u>	<u>175,000</u>
Sub-total Peace Properties, Inc.	<u>706,050</u>	<u>789,802</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(5) NOTES PAYABLE (Continued)

<u>Stevens Corner Limited Partnership</u> (see Note 2)	<u>2012</u>	<u>2011</u>
Construction note payable to TD Bank, N.A. up to \$4,000,000, bearing interest at the British Bankers' Association (BBA) London Interbank Offered Rate (LIBOR) (0.295% at June 30, 2012), plus 4.00%, with a minimum interest rate of 5.00% annually. Interest only is due and payable monthly through the earlier of assigning the note to Massachusetts Housing Partnership (MHP) or June 15, 2012. As of June 30, 2012, interest incurred was \$135,967 of which \$66,527 was capitalized and the remaining balance of \$69,440 was expensed and included in interest in the accompanying combined statements of functional expenses for the year ended June 30, 2012. As of June 30, 2012, Stevens Corner and MHP have a commitment agreement to assign the note to MHP and closed is expected before the calendar year-end. Subsequent to June 30, 2012 upon assignment to MHP, the note will be paid down to \$1,419,000 and will be due in monthly principal and interest installments, with interest at 7.04%, amortized over a thirty year period through February 14, 2032. This note is secured by a first mortgage on the Property, and assignment of leases and rents (see Note 2). This note will also be secured by an operating and debt service reserve which is expected to be fully funded in fiscal year 2013.	2,410,832	1,230,385
Non-interest bearing note payable to the Investor (see Note 2) for the Stevens Corner Project and was due on December 31, 2011. During fiscal year 2012, the note was paid in full with proceeds from the Investor's capital contributions to Stevens Corner (see Note 2). This note is secured by a Pledge, Assignment and Security Agreement.	-	1,748,136
Sub-total Stevens Corner Limited Partnership	<u>2,410,832</u>	<u>2,978,521</u>
 <u>Pace Border LLC</u> (see Note 2)		
Note payable to MHIC New Markets CDE LLC Series I (MHIC New Markets), due March 1, 2034. Interest only is due monthly at the rate of 1.98% through March 1, 2014. Additional interest accrues monthly at .695% through maturity. A payment of \$100,000 of principal and \$50,000 of accrued interest is due March 1, 2014. The remaining principal balance outstanding and accrued interest are due March 1, 2034. This note is secured by a second mortgage on Pace Border's building.	815,454	815,454
Note payable to MHIC New Markets bore interest at 6.144% and due June 1, 2012. Interest only was due in monthly installments through maturity. This note was secured by a first mortgage on the building. During fiscal year 2012, the note was paid in full with the proceeds of the note from Cambridge Savings Bank (see page 30).	-	688,522

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(5) NOTES PAYABLE (Continued)

<u>Pace Border LLC</u> (see Note 2)	<u>2012</u>	<u>2011</u>
Note payable to Cambridge Savings Bank, bearing interest at 4.75% through the maturity date of May 31, 2022. Payments of principal and interest of \$4,303 are due monthly based on a thirty year amortization schedule. This note is secured by a first mortgage on the building plus assignment of rents and leases.	825,000	-
Note payable to Peace Properties for 143 Border Street, bearing interest at 3.5% per annum, compounded annually. Principal and interest are due if certain cash flows are achieved. There was no payment due at June 30, 2012 and 2011. Principal and accrued interest are due March 31, 2034.	235,000	235,000
Note payable to MHIC New Markets, bearing interest at 2.5% through March 1, 2011, and thereafter 4% through March 1, 2024. Interest only was due in monthly installments in an amount equal to the lesser of interest rate times outstanding principal balance or 50% of available cash flow through March 1, 2011. Beginning April 1, 2011 through March 1, 2016, interest only is due in monthly installments at the rate of 4% through March 1, 2016. Thereafter, principal and interest are due in monthly installments through maturity. All outstanding principal balance and accrued interest are due March 1, 2024. This note is secured by a third mortgage on Pace Border's building.	<u>200,000</u>	<u>200,000</u>
Sub-total Pace Border LLC	<u>2,075,454</u>	<u>1,938,976</u>
Less – inter-affiliate eliminations	<u>235,000</u>	<u>235,000</u>
Total Pace Border LLC	1,840,454	1,703,976
Less – Stevens Corner transfer to rental program (see Page 19)	<u>(2,410,832)</u>	<u>-</u>
Total notes payable	<u>\$ 2,733,185</u>	<u>\$5,682,281</u>

Maturities of notes payable over the next five years are as follows:

2013	\$348,932
2014	\$533,867
2015	\$ 23,887
2016	\$ 24,969
2017	\$ 24,791

The note payable agreements contain various covenants with which NOAH must comply. NOAH is in compliance with these covenants at June 30, 2012 and 2011.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(6) CONTINGENT LOANS AND ADVANCES

NOAH and Affiliates have received several contingent loans from various organizations to help in the development of projects. These loans and advances generally are not required to be repaid unless the projects fail to maintain their status as low-income housing or default on other covenants as described in the agreements. It is the intention of the Board of Directors and management of NOAH to maintain these properties as low-income housing and to meet other conditions. Therefore, these loans have been classified as contingent loans and no interest has been accrued on them.

Contingent loans and advances are as follows as of June 30:

<u>Operating</u>	<u>2012</u>	<u>2011</u>
<u>Amani Properties LLC</u>		
Contingent Advance from the Town of Sudbury. To offset the write-off of predevelopment costs related to 278 Maynard North Road project (see Note 7), during fiscal year 2012, the loan was forgiven by the Town of Sudbury.	\$ -	\$ 120,000
Sub-total Operating	\$ -	\$ 120,000
<u>Rental Programs</u>		
<u>Paz Properties, Inc.</u>		
Note payable to City of Boston for improvements at 357-363 Meridian and Eutaw Street, bearing interest at 5% per annum, compounded annually, originally due June 23, 2012. NOAH is currently negotiating with the City on refinancing this loan. Principal and interest are due in annual installments equal to the lesser of 100% of certain cash flow achieved as defined in the note agreement or the amount due or payable based upon amortization of this note on a fifteen-year direct reduction basis plus any amount that may be due and unpaid from a prior year. This note is secured by the Paz building. Management has begun negotiations for an extension or refinance of the note's terms. As such, it is presented as long-term debt in the accompanying financial statements.	727,245	727,245
Note payable to the City of Boston for improvements at 49-55 Putnam Street, bearing interest at 1% per annum, compounded annually, due August 10, 2070. Annual payments of principal and interest are due within ninety days of the close of the fiscal year end and equal amounts set forth in the note agreement. This note is secured by the Paz building	472,325	472,325

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(6) CONTINGENT LOANS AND ADVANCES (Continued)

<u>Rental Programs</u> (Continued)	<u>2012</u>	<u>2011</u>
<u>Paz Properties, Inc.</u> (Continued)		
Note payable to City of Boston for improvements at 108-110 White Street, bearing interest at 1% per annum, compounded annually, due and payable August 10, 2070. Annual payments of principal and interest are due within ninety days of the close of the fiscal year end and equal amounts set forth in the note agreement. This note is secured by a second mortgage on 108-110 White Street and assignment of rents and leases.	355,120	355,120
Note payable to City of Boston for improvements at 449-451 Saratoga Street, bearing interest at 1% per annum, compounded annually, due August 10, 2070. Annual payments of principal and interest are due within 90 days of the close of the fiscal year end and equal amounts set forth in the note agreement. This note is secured by a second mortgage on 449-451 Saratoga Street and assignment of rents and leases.	<u>354,811</u>	<u>354,811</u>
Sub-total Paz Properties, Inc.	<u>1,909,501</u>	<u>1,909,501</u>
<u>Shalom Properties, Inc.</u>		
Note payable to City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due December, 2022.	<u>164,000</u>	<u>164,000</u>
<u>Steven Corner Limited Partnership</u>		
Non-interest bearing note payable to DHCD, under the Affordable Housing Trust Fund Statute (AHT). This note is due on August 14, 2041, and is secured by a shared second mortgage on the Property. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	985,000	985,000
3.00 % note payable to DHCD, under the Housing Stabilization Fund Statute (HSF). This note is due on August 14, 2061, and is secured by a shared second mortgage on the Property. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	725,000	580,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(6) CONTINGENT LOANS AND ADVANCES (Continued)

<u>Rental Programs</u> (Continued)	<u>2012</u>	<u>2011</u>
<u>Steven Corner Limited Partnership</u> (Continued)		
3.00% note payable to the Town of North Andover. Accrued interest and principal is due on August 14, 2041. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provide Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	1,338,581	781,661
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC), under the Community-Based Housing Fund Program (CBH). Principal is due and payable annually based on certain levels of cash flow being attained as defined in the agreement or fully at August 14, 2014. Stevens Corner has the option to extend the maturity date of the note for an additional ten years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. This note is secured by a shared second mortgage on the Property.	362,465	342,727
3.00% note payable to the North Shore HOME Consortium. Accrued interest and principal is due on August 14, 2041. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. This note is secured by a shared second mortgage on the property.	175,000	157,500
3.00% note payable to the Town of Andover through the North Shore HOME Consortium. Accrued interest and principal is due on August 14, 2041. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement. This note is secured by a shared second mortgage on the property.	<u>75,000</u>	<u>67,500</u>
Sub-total Stevens Corner	3,661,046	2,914,388
Less-Stevens Corner transfer to rental	<u>-</u>	<u>2,914,388</u>
Total Rental	<u>\$5,734,547</u>	<u>\$2,073,501</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(7) PROJECTS UNDER DEVELOPMENT

Substantially all real estate and economic development activity is carried in Peace Properties and Amani Properties. These construction and development projects, including completed and active projects, include housing projects for low and moderate income families, commercial projects, as well as activity related to improvement projects for properties held as Rental Property and those that have been spun off as limited partnerships. The assets in these companies consist of projects under development, receivables for project management fees and construction costs, loans receivable from and advances to various limited partnerships that operate the low-income housing projects developed by NOAH.

Stevens Corner

Stevens Corner is a family development of a forty-two (42) unit affordable rental housing project located in North Andover, Massachusetts. The project mix consists of five one bedroom and five three bedroom, and thirty-two two bedroom units.

The project was awarded \$607,052 in Federal and \$195,000 in state low-income housing tax credits under Internal Revenue Code Section 42 from the Commonwealth of Massachusetts DHCD. Massachusetts Housing Investment Corporation (MHIC) funded the Federal tax credit financing for the project and Claremont Properties funded the state tax credits. MHP has provided permanent financing and TD Bank provided a \$4 million construction loan to the project. Stevens Corner LP also has additional financing from CEDAC, MHP, the Town of North Andover's Community Preservation Committee, DHCD, and the North Shore Home Consortium (see Note 5). Construction was completed in December 2011; full occupancy of all 42 units was achieved as of June 30, 2012.

The Project has allocated 100% of the State LIHTC to NOAH. NOAH has entered into an agreement with an unrelated third party to sell the State LIHTC for \$633,750, subject to the terms and conditions of the State Tax Credit Purchase and Transfer Agreement, dated June 15, 2010. NOAH will use the sale proceeds to make a sponsor loan to Stevens Corner (see Note 3). This has not happened as of June 30, 2012.

Benfield Farms – Carlisle, MA

Benfield Farms is the development of twenty-six housing (26) units for senior independent living located in Carlisle, Massachusetts. The units consist of seventeen one bedroom units and nine two bedroom units. The property is owned by the Carlisle Housing Authority and will be leased to the developer under a 99 year lease under the terms of a regulatory agreement. The project is permitted under the provisions of M.G.L c. 40B under a decision issued by the Carlisle Board of Appeals, which was filed July 16, 2010. Financing for the project will be through an application to DHCD for low income housing tax credits, AHFF, HSF, and HOME funds. DHCD approved funding for the project in May 2012. The Carlisle Housing Authority has also pledged \$425,000 of the Community Preservation Act (CPA) funds for the project. Permanent financing will be provided by MHP and a construction loan may come from Citizens Bank or Middlesex Savings Bank. The total development cost of the project is approximately \$9 million. Predevelopment costs relating to the project have been funded with pre-development loans from CEDAC (\$400,000) and Neighbor Works Capital (\$150,000) (see page 18). Bank of America has been selected as an Investor for the tax credit equity and construction loan. Construction financing is scheduled to close in December 2012.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(7) PROJECTS UNDER DEVELOPMENT (Continued)

A.J. Sitkowski School – Webster, MA

The A.J. Sitkowski School Project is the development of sixty-six housing units for senior independent living located in Webster, Massachusetts. The units will consist of fourteen two-bedroom units and forty-six one-bedroom units, and a new senior center. NOAH received developer designation letter from the Town of Webster in April, 2009.

The project was approved by the Webster Planning Board February 8, 2010, under a Redevelopment Overlay District Special Permit and Site Plan Approval. Financing for the project will be through an application to DHCD for low income housing tax credits, AHTF, and HSF, funds. During fiscal years 2010, 2011, and 2012, NOAH submitted four One Stop Applications for funding. The project did not get an allocation from DHCD in fiscal year 2012. A 4% bond deal through MassHousing with additional subsidy is yet to be determined. MassHousing may be providing additional soft loan funds after we establish the amount needed (approximately, \$1.8 million). Mass Housing requires a 25% Deferred Fee (\$450,000) which NOAH is currently negotiating. A One Stop application is due to DHCD on October 12, 2012. NOAH also applied for Historic Tax Credits from the Massachusetts Historic Commission, which has awarded a total of \$1,200,000 of historic credits so far. An application for additional credits was submitted August 31, requesting a total of \$2 million. The Town of Webster has also pledged \$700,000 of CDBG funds for the development. DHCD awarded the Town \$430,000 of CDBG funds in July 2011. Permanent financing will be provided by MHP and a construction loan may come from Citizens Bank. The total development cost of the project is expected to be \$19.1 million. NOAH terminated its partnership with Vesta Corporation during 2012.

278 Maynard North Road – Sudbury, MA

The 278 Maynard North Road Project has been suspended due to actions by the Sudbury Housing Trust (the Trust), the project sponsor. The project was expected to consist of six affordable two-bedroom homeownership units on a one acre site in Sudbury, Massachusetts. NOAH was selected as developer by the Trust, for the development of six units in June, 2009. The one acre site was purchased by the Trust and was to be donated at no cost to Peace Properties. The project was permitted under a Comprehensive Permit under M.G.L. c40B through the Board of Appeals on November 8, 2010.

The Trust changed the size of the project from 6 units to 3 units during the Board of Appeals review due to neighborhood concerns about density. The developer worked with the Trust to complete plans and specifications for the approved project and put it out to bid to six contractors in January, 2011. As expected, the construction costs came in significantly higher than the source of funds available for development. The Trust allocated only \$440,000 of CPA funds for the project and was not willing to increase the funding to meet the final project cost. The project will not move forward as of June 30, 2012. As such, the Town of Sudbury agreed to forgive a pre-development loan of \$120,000 (see Note 6). NOAH settled with the Town of Sudbury for an additional \$110,000 to cover remaining out of pocket costs and overhead.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(7) PROJECTS UNDER DEVELOPMENT (Continued)

Coppersmith Village – East Boston, MA

The Coppersmith Village project is a 56,000 square foot site located in East Boston, Massachusetts. The owners of the building have accepted a verbal offer from NOAH to purchase the site. No purchase and sale has been executed. The project will consist of 75 housing units and some commercial/retail space.

Projects under development as of June 30, 2012 and 2011 consist of:

	<u>2012</u>	<u>2011</u>
A.J. Sitkowski School - Webster, MA	\$1,020,865	\$ 781,864
Benfield Farms - Carlisle, MA	385,684	349,950
Other	36,611	6,500
Stevens Corner - North Andover, MA	-	6,569,425
278 Maynard North Road - Sudbury, MA	-	<u>198,538</u>
	1,443,160	7,906,277
Less - elimination	<u>108,972</u>	<u>282,977</u>
Total projects under development	<u>\$1,334,188</u>	<u>\$7,623,300</u>

(8) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2012</u>	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Rental buildings and improvements	\$2,188,529	\$20,587,269		\$22,775,798
Land and improvements	603,946	697,437		1,301,383
Office furniture, fixtures and equipment	195,079	-		195,079
Rental furniture and equipment	23,331	-		23,331
Leasehold improvements	18,599	-		18,599
	<u>3,029,484</u>	<u>21,284,706</u>		<u>24,314,190</u>
Less - accumulated depreciation	<u>626,154</u>	<u>3,810,735</u>		<u>4,436,889</u>
Less - elimination	<u>174,005</u>	<u>-</u>		<u>174,005</u>
	<u>\$2,229,325</u>	<u>\$17,473,971</u>		<u>\$19,703,296</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

(Continued)

(8) PROPERTY AND EQUIPMENT (Continued)

	<u>2011</u>	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Rental buildings and improvements	\$2,186,430	\$11,293,967	\$13,478,847	\$13,478,847
Land and improvements	603,946	478,171	1,082,117	1,082,117
Office furniture, fixtures and equipment	180,488	-	180,488	180,488
Rental furniture and equipment	23,331	-	23,331	23,331
Leasehold improvements	18,599	-	18,599	18,599
	<u>3,012,794</u>	<u>11,772,138</u>	<u>14,783,382</u>	<u>14,783,382</u>
Less - accumulated depreciation	<u>591,913</u>	<u>3,419,836</u>	<u>4,011,749</u>	<u>4,011,749</u>
	<u>\$2,420,881</u>	<u>\$ 8,352,302</u>	<u>\$10,773,183</u>	<u>\$10,773,183</u>

There are restrictions imposed by lenders on the use and sale of certain land, buildings and building improvements (see Notes 4, 5 and 6).

(9) LOANS RECEIVABLE

NOAH CDFI has outstanding loans receivable from local residents for purchase and/or rehabilitation of low to moderate income housing of \$890,618 and \$932,452 respectively, less an allowance for doubtful accounts of \$174,806 and \$133,691 as of June 30, 2012 and 2011, respectively. These amounts are included in contracts, loans and other receivables in the accompanying combined financial statements. Interest rates range from 5% to 6.5% and maturity dates range from ten to thirty years. Loans are secured by a second or third lien on the property purchased or improved.

Loans receivable, net of allowances for doubtful accounts as of June 30, consist of the following:

<u>Funding Source</u>	<u>2012</u>			
	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
NW (see Note 1)	8	\$375,058	\$174,806	\$200,252
CDFI	1	39,560	-	39,560
Other - inter-company - NW	<u>1</u>	<u>476,000</u>	<u>-</u>	<u>476,000</u>
Subtotal	<u>10</u>	<u>\$890,618</u>	<u>\$174,806</u>	<u>\$715,812</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
 JUNE 30, 2012 AND 2011
 (Continued)

(9) LOANS RECEIVABLE (Continued)

Loans receivable, net of allowances for doubtful accounts as of June 30, consist of the following:

<u>Funding Source</u>	<u>Number of Loans</u>	<u>2011</u>		
		<u>Loans Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
NW (see Note 1)	8	\$385,474	\$133,691	\$251,783
CDFI	1	40,750	-	40,750
Other - inter-company - NW	<u>2</u>	<u>506,228</u>	<u>-</u>	<u>506,228</u>
Subtotal	<u>11</u>	<u>\$932,452</u>	<u>\$133,691</u>	<u>\$798,761</u>

Maturities of loans receivable over the next five years are as follows:

2013	\$212,336
2014	\$253,502
2015	\$ 33,377
2016	\$ 8,581
2017	\$ 9,021

As of June 30, 2012, there were three delinquent loans which totaled \$39,377. These loans are behind on monthly payments and have been reserved per the lending policy. One of these loans totaling \$24,055 was bought out and NOAH CDFI was only able to recover \$4,250. The remainder has been fully reserved. Subsequent to June 30, 2012, NW approved a write down of NW's capital funds for this loan. As of June 30, 2011, there were two delinquent loans which totaled \$18,691. There is also a \$115,000 development loan to Cutler Heights LP. This loan is secured by Cutler Heights, LP's building and is due December, 2039. This loan was fully reserved By NOAH CDFI because the amount is not expected to be realized in the near term.

Special Tax-Credit Lending

As of June 30, 2010, NOAH had entered into an arrangement to act as the non-profit intermediary to improve the economic value of Massachusetts historic and state low-income tax credits of the Maple Ridge Apartment Project (the Project). NOAH received a donation of tax credits from the Project's sponsor with the restriction that NOAH will make a loan from the proceeds of NOAH's resale of the credits to an outside investor. The loan is a non-interest bearing note with a 40 year term. As part of the arrangement, NOAH receives a fee of \$50,000, of which \$25,000 was recognized as of June 30, 2010 and the remaining \$25,000 was recognized during fiscal year 2012. This loan has specific restrictions surrounding the use and due to its long-term deferred nature and likelihood of collectibility, the loan is fully reserved as of June 30, 2012.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)

(10) COMMITMENTS AND CONTINGENCIES

As discussed in Notes 1 and 2, NOAH has acted as sponsor and developer for various low-income and affordable housing developments. Most of these developments have received various forms of funding through NOAH or directly 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, as defined. If such status is not maintained, NOAH may be obligated to remedy any defaults in the requirements and may be liable to repay certain amounts to the funders.

In addition, NOAH, as project sponsor, in some cases, has agreed to advance funds to the partnerships as a guarantor of the general partners' obligation to fund operating deficits, subsidy contract shortfalls, development cost overruns, payments for reduced tax benefits to limited partner investors, and other circumstances affecting the partnerships, as defined in the partnership agreements. As of the date of this report, NOAH is obligated up to \$242,000 for Stevens Corner (see Note 2).

(11) CAPITAL LEASES

NOAH leases certain equipment under a capital lease agreement, which expires April, 2015. Future minimum lease payments of principal and interest over the next three years are as follows:

2013	\$13,056
2014	13,056
2015	<u>12,011</u>
Subtotal	38,123
Less current portion	<u>13,056</u>
Long-term capital lease	<u>\$25,067</u>

(12) RETIREMENT PLAN

NOAH maintains a qualified salary reduction 403(b) retirement plan. The salary reduction plan covers substantially all employees who have met the eligibility requirements. NOAH does not contribute to the plan.

(13) RECLASSIFICATIONS

Certain amounts in the 2011 combined financial statements have been reclassified to conform with the 2012 presentation.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - OPERATING
 JUNE 30, 2012

ASSETS	NOAH, INC.	PEACE AND AMANTY PROPERTIES	NOAH CDFL	PACE BORDER LLC	EIDL-NATIONS	TOTAL
CURRENT ASSETS:						
Cash	\$ 798,689	\$ 6,005	\$ 30,020	\$ 25,674	\$ -	\$ 860,388
Current portion of restricted deposits	-	-	89,980	15,000	-	104,980
Current portion of contracts, loans and other receivables	390,721	-	212,336	16,900	(205,000)	414,957
Current portion of due from affiliates	325,148	-	-	-	-	325,148
Prepaid expenses and other	8,338	-	1,251	1,135	-	10,724
Total current assets	<u>1,522,896</u>	<u>6,005</u>	<u>333,587</u>	<u>58,709</u>	<u>(205,000)</u>	<u>1,716,197</u>
RESTRICTED DEPOSITS, net of current portion	-	-	17,100	-	-	17,100
CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts of \$174,806	-	-	503,476	-	(271,000)	232,476
DUE FROM AFFILIATES, net of current portion	430,275	-	88,568	-	(318,843)	-
PROJECTS UNDER DEVELOPMENT	-	1,443,160	-	-	(108,972)	1,334,188
PROPERTY AND EQUIPMENT	56,995	405,000	-	1,941,335	(174,005)	2,229,325
Total assets	<u>\$ 2,010,166</u>	<u>\$ 1,854,165</u>	<u>\$ 942,731</u>	<u>\$ 2,000,044</u>	<u>\$ (1,277,820)</u>	<u>\$ 5,529,286</u>

LIABILITIES AND NET ASSETS	NOAH, INC.	PEACE AND AMANTY PROPERTIES	NOAH CDFL	PACE BORDER LLC	EIDL-NATIONS	TOTAL
CURRENT LIABILITIES:						
Current portion of mortgages and notes payable	\$ 175,666	\$ 139,031	\$ -	\$ 14,235	\$ -	\$ 348,932
Current portion of accrued interest	11,517	-	-	-	-	11,517
Current portion of capital lease obligation	13,056	-	-	-	-	13,056
Accounts payable and other liabilities	151,190	97,547	2,000	6,341	-	257,078
Current portion of due to affiliates	-	205,000	-	-	-	(205,000)
Total current liabilities	<u>351,429</u>	<u>461,578</u>	<u>2,000</u>	<u>20,576</u>	<u>(205,000)</u>	<u>630,583</u>
LONG-TERM LIABILITIES:						
Mortgages and notes payable, net of current portion	11,015	547,019	-	2,061,219	(235,000)	2,384,253
Due to affiliates, net of current portion	45,000	823,936	186,234	65,410	(1,055,170)	65,410
Capital lease obligation, net of current portion	25,067	-	-	-	-	25,067
Deferred developer fees payable	-	-	-	9,012	(9,012)	-
Accrued interest, net of current portion	-	-	-	104,323	(68,538)	35,785
Total long-term liabilities	<u>81,082</u>	<u>1,370,955</u>	<u>186,234</u>	<u>2,239,964</u>	<u>(1,367,720)</u>	<u>2,510,515</u>
Total liabilities	<u>432,511</u>	<u>1,832,533</u>	<u>188,234</u>	<u>2,260,540</u>	<u>(1,572,720)</u>	<u>3,141,098</u>
NET ASSETS:						
Unrestricted:						
Operating	964,294	-	309,188	37,368	(321,674)	989,176
Development	100,000	(95,644)	-	(14,235)	-	(9,879)
Property and equipment	18,872	-	-	(231,330)	-	(212,458)
Total unrestricted	<u>1,083,166</u>	<u>(95,644)</u>	<u>309,188</u>	<u>(208,197)</u>	<u>(321,674)</u>	<u>766,839</u>
Temporarily restricted	411,989	-	-	-	-	411,989
Permanently restricted - NW capital funds	82,500	117,276	445,309	-	616,574	1,261,659
Total net assets	<u>1,577,655</u>	<u>21,652</u>	<u>754,497</u>	<u>(208,197)</u>	<u>294,900</u>	<u>2,440,487</u>
Non-controlling interest in consolidated subsidiary	-	-	-	(52,299)	-	(52,299)
Total liabilities and net assets	<u>\$ 2,010,166</u>	<u>\$ 1,854,165</u>	<u>\$ 942,731</u>	<u>\$ 2,000,044</u>	<u>\$ (1,277,820)</u>	<u>\$ 5,529,286</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - OPERATING
JUNE 30, 2011

<u>ASSETS</u>	NOAH, INC.	PEACE AND AMANI PROPERTIES	STEVENS CORNER LP	NOAH CDEL	PACE BORDER LLC	ELIMI- NATIONS	TOTAL
CURRENT ASSETS:							
Cash	\$ 886,576	\$ 70,443	\$ -	\$ 25,976	\$ 7,527	\$ -	\$ 990,472
Current portion of restricted deposits	50,000	-	73,160	54,557	15,000	-	192,717
Current portion of contracts, loans and other receivables	459,172	-	-	513,036	26,837	(505,525)	493,520
Current portion of due from affiliates	227,707	-	-	-	-	(194,207)	33,500
Prepaid expenses and other	9,777	-	-	1,233	1,129	-	12,139
Total current assets	<u>1,633,182</u>	<u>70,443</u>	<u>73,160</u>	<u>594,802</u>	<u>50,493</u>	<u>(699,732)</u>	<u>1,722,348</u>
RESTRICTED DEPOSITS, net of current portion CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts of \$133,601	-	-	-	18,811	-	-	18,811
DUE FROM AFFILIATES, net of current portion	270,978	-	65,410	285,725	-	(424,956)	285,725
PROJECTS UNDER DEVELOPMENT	-	1,336,852	6,589,425	-	-	(282,977)	7,623,300
PROPERTY AND EQUIPMENT	20,394	405,000	-	-	1,995,487	-	2,420,881
Total assets	<u>\$ 1,924,554</u>	<u>\$ 1,812,295</u>	<u>\$ 6,707,995</u>	<u>\$ 987,906</u>	<u>\$ 2,045,980</u>	<u>\$ (1,407,665)</u>	<u>\$ 12,071,065</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Current portion of mortgages and notes payable	\$ 154,773	\$ 158,774	\$ -	\$ -	\$ -	\$ -	\$ 313,547
Current portion of capital lease obligation	7,917	-	-	-	-	-	7,917
Accounts payable and other liabilities	159,604	107,603	621,427	3,000	5,453	-	897,087
Developer fee payable	-	-	194,207	-	-	(194,207)	-
Current portion of due to affiliates	-	505,825	-	-	-	(505,825)	-
Total current liabilities	<u>322,294</u>	<u>771,902</u>	<u>815,634</u>	<u>3,000</u>	<u>5,453</u>	<u>(699,732)</u>	<u>1,218,551</u>
LONG-TERM LIABILITIES:							
Mortgages and notes payable, net of current portion	55,209	631,028	2,978,521	-	1,938,976	(235,000)	5,368,734
Due to affiliates, net of current portion	45,000	276,139	-	186,234	65,410	(572,783)	-
Deferred developer fees payable	-	-	-	-	136,062	(136,062)	-
Accrued interest	2,844	-	-	-	91,099	(60,313)	33,630
Contingent loans and advances	-	120,000	2,914,388	-	-	-	3,034,388
Total long-term liabilities	<u>103,053</u>	<u>1,027,167</u>	<u>5,892,909</u>	<u>186,234</u>	<u>2,231,547</u>	<u>(1,004,158)</u>	<u>8,436,752</u>
Total liabilities	<u>425,347</u>	<u>1,799,069</u>	<u>6,708,543</u>	<u>189,234</u>	<u>2,237,000</u>	<u>(1,703,890)</u>	<u>9,655,303</u>
NET ASSETS:							
Unrestricted:							
Operating	747,861	-	-	313,986	30,040	(202,849)	889,038
Development	100,000	(104,050)	(548)	-	-	-	(4,598)
Property and equipment	12,477	-	-	-	(182,656)	-	(170,179)
Total unrestricted	<u>860,338</u>	<u>(104,050)</u>	<u>(548)</u>	<u>313,986</u>	<u>(152,616)</u>	<u>(202,849)</u>	<u>714,261</u>
Temporarily restricted	588,869	-	-	-	-	-	588,869
Permanently restricted - NW capital funds	50,000	117,276	-	484,686	-	499,074	1,151,036
Total net assets	<u>1,499,207</u>	<u>13,226</u>	<u>(548)</u>	<u>798,672</u>	<u>(152,616)</u>	<u>296,225</u>	<u>2,454,166</u>
Non-controlling interest in consolidated subsidiary	-	-	-	-	(38,404)	-	(38,404)
Total liabilities and net assets	<u>\$ 1,924,554</u>	<u>\$ 1,812,295</u>	<u>\$ 6,707,995</u>	<u>\$ 987,906</u>	<u>\$ 2,045,980</u>	<u>\$ (1,407,665)</u>	<u>\$ 12,071,065</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 SUPPLEMENTARY COMBINING STATEMENT OF ACTIVITIES - OPERATING
 FOR THE YEAR ENDED JUNE 30, 2012

	NOAH, INC.	PEACE AND AMANI PROPERTIES	NOAH CDFI	PACE BORDER IJC	ELIMI- NATIONS	TOTAL
UNRESTRICTED NET ASSETS						
OPERATING REVENUES:						
Rental income	\$ 22,049	\$ 16,150	\$ -	\$ 128,628	\$ (128,628)	\$ 38,199
Contracts, grants and other fees	698,860	-	-	-	-	698,860
Project management and developer fees	385,268	-	-	-	(127,050)	258,218
Interest income and other	71,462	8,382	9,863	-	(8,225)	81,482
Property management fees	326,451	-	-	-	-	326,451
Net assets released from purpose restrictions	697,339	-	-	-	-	697,339
Total operating revenues	<u>2,201,429</u>	<u>24,532</u>	<u>9,863</u>	<u>128,628</u>	<u>(263,903)</u>	<u>2,100,549</u>
OPERATING EXPENSES:						
Central Administration	346,153	-	-	32,942	(19,787)	359,308
Senior Home Repair	159,328	-	-	14,197	(8,939)	164,586
Housing Counseling	42,168	-	-	3,757	(3,404)	42,521
Community Services	437,844	-	-	39,016	(30,435)	446,425
Homebuyer Services	478,542	-	-	42,643	(29,762)	491,423
Real Estate and Economic Development	262,087	16,126	-	43,051	(36,541)	284,723
Property Management	252,479	-	-	22,498	(16,210)	258,767
NOAH CDFI	-	-	14,661	-	-	14,661
Total operating expenses	<u>1,978,601</u>	<u>16,126</u>	<u>14,661</u>	<u>198,104</u>	<u>(145,078)</u>	<u>2,062,414</u>
Changes in unrestricted net assets from operations	<u>222,828</u>	<u>8,406</u>	<u>(4,798)</u>	<u>(69,476)</u>	<u>(118,825)</u>	<u>38,195</u>
TEMPORARILY RESTRICTED NET ASSETS						
GRANTS AND CONTRIBUTIONS	520,459	-	-	-	-	520,459
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	<u>(697,339)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(697,339)</u>
Changes in temporarily restricted net assets	<u>(176,880)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(176,880)</u>
PERMANENTLY RESTRICTED NET ASSETS						
GRANTS AND CONTRIBUTIONS	150,000	-	-	-	-	150,000
PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS	<u>(117,500)</u>	<u>-</u>	<u>(39,377)</u>	<u>-</u>	<u>117,500</u>	<u>(39,377)</u>
Changes in permanently restricted net assets	<u>32,500</u>	<u>-</u>	<u>(39,377)</u>	<u>-</u>	<u>117,500</u>	<u>110,623</u>
CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS						
Non-controlling interest attributable to consolidated subsidiaries	-	-	-	13,895	-	13,895
Changes in net assets attributable to NOAH	<u>\$ 78,448</u>	<u>\$ 8,406</u>	<u>\$ (44,175)</u>	<u>\$ (55,581)</u>	<u>\$ (1,325)</u>	<u>\$ (14,227)</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 SUPPLEMENTARY COMBINING STATEMENT OF ACTIVITIES - OPERATING
 FOR THE YEAR ENDED JUNE 30, 2011

	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>STEVENS CORNER LP</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<u>UNRESTRICTED NET ASSETS</u>							
<u>OPERATING REVENUES:</u>							
Rental income	\$ 56,792	\$ 15,900	\$ -	\$ -	\$ 137,379	\$ (137,379)	\$ 72,692
Contracts, grants and other fees	723,501	-	-	-	-	-	723,501
Project management and developer fees	460,216	-	-	-	-	(29,799)	430,417
Interest income and other	66,898	16,096	-	27,392	-	(9,855)	100,531
Property management fees	335,557	-	-	-	-	-	335,557
Net assets released from purpose restrictions	847,913	-	-	-	-	-	847,913
Total operating revenues	<u>2,490,877</u>	<u>31,996</u>	<u>-</u>	<u>27,392</u>	<u>137,379</u>	<u>(177,033)</u>	<u>2,510,611</u>
<u>OPERATING EXPENSES:</u>							
Central Administration	421,198	520	548	-	37,265	(21,901)	437,630
Senior Home Repair	167,896	-	-	-	14,534	(9,416)	173,014
Housing Counseling	35,821	-	-	-	3,100	(3,346)	35,575
Community Services	573,976	-	-	-	49,680	(34,280)	589,376
Homebuyer Services	465,210	-	-	-	40,267	(32,334)	473,143
Real Estate and Economic Development	350,187	36,302	-	-	31,928	(34,012)	384,405
Property Management	268,345	-	-	-	23,230	(18,540)	273,035
NOAH CDFI	-	-	-	21,998	-	-	21,998
Total operating expenses	<u>2,282,633</u>	<u>36,822</u>	<u>548</u>	<u>21,998</u>	<u>200,004</u>	<u>(153,829)</u>	<u>2,388,176</u>
Changes in unrestricted net assets from operations	<u>208,244</u>	<u>(4,826)</u>	<u>(548)</u>	<u>5,394</u>	<u>(62,625)</u>	<u>(23,204)</u>	<u>122,435</u>
<u>TEMPORARILY RESTRICTED NET ASSETS</u>							
GRANTS AND CONTRIBUTIONS	862,316	-	-	-	-	-	862,316
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	<u>(847,913)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(847,913)</u>
Changes in temporarily restricted net assets	<u>14,403</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,403</u>
Changes in net assets	<u>222,647</u>	<u>(4,826)</u>	<u>(548)</u>	<u>5,394</u>	<u>(62,625)</u>	<u>(23,204)</u>	<u>136,838</u>
<u>CHANGES IN NET ASSETS ATTRIBUTABLE TO THE NON-CONTROLLING INTEREST</u>							
Non-controlling interest attributable to consolidated subsidiary	-	-	-	-	12,525	-	12,525
Changes in net assets	<u>\$ 222,647</u>	<u>\$ (4,826)</u>	<u>\$ (548)</u>	<u>\$ 5,394</u>	<u>\$ (50,100)</u>	<u>\$ (23,204)</u>	<u>\$ 149,363</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 SUPPLEMENTARY COMBINING STATEMENTS OF CHANGES IN NET ASSETS - OPERATING
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	NOAH, INC.	PEACE AND AMANI PROPERTIES	STEVENS CORNER LP	NOAH CDFI	PACE BORDER I/LC	ELIMI- NATIONS	TOTAL	NON- CONTROLLING INTEREST	TOTAL
NET ASSETS, June 30, 2010	\$ 1,276,560	\$ 18,052	\$ -	\$ 793,278	\$ (102,516)	\$ 319,429	\$ 2,304,803	\$ -	\$ 2,304,803
Adoption of accounting principal	-	-	-	-	-	-	-	(25,879)	(25,879)
Changes in net assets	<u>222,647</u>	<u>(4,826)</u>	<u>(548)</u>	<u>5,394</u>	<u>(50,100)</u>	<u>(23,204)</u>	<u>149,363</u>	<u>(12,525)</u>	<u>136,838</u>
NET ASSETS, June 30, 2011	1,499,207	13,226	(548)	798,672	(152,616)	296,225	2,454,166	(38,404)	2,415,762
Net asset transfer	-	-	548	-	-	-	548	-	548
Changes in net assets	<u>78,448</u>	<u>8,406</u>	<u>-</u>	<u>(44,175)</u>	<u>(55,581)</u>	<u>(1,325)</u>	<u>(14,227)</u>	<u>(13,895)</u>	<u>(28,122)</u>
NET ASSETS, June 30, 2012	<u>\$ 1,577,655</u>	<u>\$ 21,632</u>	<u>\$ -</u>	<u>\$ 754,497</u>	<u>\$ (208,197)</u>	<u>\$ 294,900</u>	<u>\$ 2,440,487</u>	<u>\$ (52,299)</u>	<u>\$ 2,388,188</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - OPERATING
FOR THE YEAR ENDED JUNE 30, 2012

	NOAH, INC.	PEACE AND AMANI PROPERTIES	NOAH CDFI	PACE BORDER, LLC	ELIM- NATIONS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:						
Changes in unrestricted net assets from operations	\$ 222,828	\$ 8,406	\$ (4,798)	\$ (69,476)	\$ (118,825)	\$ 38,135
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:						
Depreciation and amortization	17,590	-	-	54,152	-	71,742
Bad debt	113,276	-	-	-	-	113,276
Provision for valuation allowance on NW Fund investments	(117,500)	-	(39,377)	-	117,500	(39,377)
Write off of projects under development	-	232,424	-	-	-	232,424
Changes in operating assets and liabilities:						
Contracts, loans and other receivables	(44,825)	-	82,949	9,937	(29,525)	18,536
Prepaid expenses and other	1,439	-	(18)	(6)	-	1,415
Accounts payable and other liabilities	(8,414)	(60,121)	(1,000)	888	-	(68,647)
Accrued interest	8,673	-	-	13,224	(8,225)	13,672
Net decrease in temporarily restricted net assets	(176,880)	-	-	-	-	(176,880)
Net cash provided by (used in) operating activities	<u>16,187</u>	<u>180,709</u>	<u>37,756</u>	<u>8,719</u>	<u>(39,075)</u>	<u>204,296</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Increase in projects under development	-	(408,667)	-	-	194,207	(214,460)
(Increase) decrease in restricted deposits	50,000	-	(33,712)	-	-	16,288
Acquisition of property and equipment	(11,759)	-	-	-	-	(11,759)
Net cash provided by (used in) investing activities	<u>38,241</u>	<u>(408,667)</u>	<u>(33,712)</u>	<u>-</u>	<u>194,207</u>	<u>(209,931)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Due from affiliates	(256,738)	-	-	-	(100,320)	(357,058)
Due to affiliates	-	247,272	-	(127,050)	(54,812)	65,410
Principal payments of mortgages and notes payable	(38,585)	(183,752)	-	(688,522)	-	(910,859)
Proceeds from mortgages and notes payable	15,284	100,000	-	825,000	-	940,284
Principal payments of capital lease obligation	(12,226)	-	-	-	-	(12,226)
Proceeds of NW capital funds	150,000	-	-	-	-	150,000
Net cash provided by (used in) financing activities	<u>(142,265)</u>	<u>163,520</u>	<u>-</u>	<u>9,428</u>	<u>(155,132)</u>	<u>(124,449)</u>
NET INCREASE (DECREASE) IN CASH	<u>(87,837)</u>	<u>(64,438)</u>	<u>4,044</u>	<u>18,147</u>	<u>-</u>	<u>(130,084)</u>
CASH, beginning of year	<u>886,526</u>	<u>70,443</u>	<u>25,976</u>	<u>7,527</u>	<u>-</u>	<u>990,472</u>
CASH, end of year	<u>\$ 798,689</u>	<u>\$ 6,005</u>	<u>\$ 30,020</u>	<u>\$ 25,674</u>	<u>\$ -</u>	<u>\$ 860,388</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:						
Cash paid for interest, net capitalized interest	\$ -	\$ -	\$ -	\$ 56,464	\$ -	\$ 56,464
Property and equipment acquired by capital lease	\$ 42,432	\$ -	\$ -	\$ -	\$ -	\$ 42,432

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - OPERATING
FOR THE YEAR ENDED JUNE 30, 2011

	NOAH, INC.	PEACE AND AMANI PROPERTIES	STEVENS CORNER LLP	NOAH CDFI	PACE BORDER LLC	ELIMI- NATIONS	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:							
Changes in unrestricted net assets from operations	\$ 208,244	\$ (4,826)	\$ (548)	\$ 5,394	\$ (62,625)	\$ (23,204)	\$ 122,435
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:							
Depreciation	18,492	-	-	-	59,032	-	77,524
Bad debt	105,806	-	-	-	-	-	105,806
Changes in operating assets and liabilities -							
Contracts, loans and other receivables	(139,580)	-	-	(301,269)	(12,423)	308,010	(145,262)
Prepaid expenses and other	5,774	-	-	-	(27)	-	5,747
Accounts payable and other liabilities	7,412	(319,049)	-	(17,826)	(2,197)	457	(331,203)
Deferred revenue	-	-	-	(10,397)	-	-	(10,397)
Accrued interest	2,844	-	-	-	13,225	(8,225)	7,844
Net increase in temporarily restricted net assets	14,403	-	-	-	-	-	14,403
Net cash provided by (used in) operating activities	<u>223,395</u>	<u>(323,875)</u>	<u>(548)</u>	<u>(324,098)</u>	<u>(5,015)</u>	<u>277,038</u>	<u>(153,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Increase in projects under development	-	(559,654)	(3,333,974)	-	-	29,799	(3,863,829)
Acquisition of property and equipment	(8,544)	-	-	-	-	-	(8,544)
Decrease in restricted deposits	-	-	-	307,724	-	-	307,724
Net cash provided by (used in) investing activities	<u>(8,544)</u>	<u>(559,654)</u>	<u>(3,333,974)</u>	<u>307,724</u>	<u>-</u>	<u>29,799</u>	<u>(3,564,649)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Due from affiliates	(32,097)	457	-	14,326	5,692	46,867	35,245
Due to affiliates	(5,692)	361,396	-	-	(2,000)	(353,704)	-
Developer fee receivable	(17,857)	-	-	-	-	17,857	-
Principal payments of mortgages and notes payable	(33,196)	(8,410)	-	-	-	-	(41,606)
Proceeds from mortgages and notes payable	56,073	475,000	2,760,005	-	-	-	3,291,078
Developer fee payable	-	-	17,857	-	-	(17,857)	-
Principal payments of capital lease obligation	(13,574)	-	-	-	-	-	(13,574)
Proceeds from contingent loan advance	-	120,000	556,660	-	-	-	676,660
Net cash provided by (used in) financing activities	<u>(46,343)</u>	<u>948,443</u>	<u>3,334,522</u>	<u>14,326</u>	<u>3,692</u>	<u>(306,837)</u>	<u>3,947,803</u>
NET INCREASE (DECREASE) IN CASH	168,508	64,914	-	(2,048)	(1,323)	-	230,051
CASH, beginning of year	718,018	5,529	-	28,024	8,850	-	760,421
CASH, end of year	<u>\$ 886,526</u>	<u>\$ 70,443</u>	<u>\$ -</u>	<u>\$ 25,976</u>	<u>\$ 7,527</u>	<u>\$ -</u>	<u>\$ 990,472</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:							
Cash paid for interest, net capitalized	\$ 8,461	\$ 6,771	\$ -	\$ -	\$ 59,464	\$ -	\$ 74,696

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS
JUNE 30, 2012

<u>ASSETS</u>	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TRINITY HOUSE LLC	SIOCHAIN PROPERTIES LP	STEVENS CORNER LP	TOTAL
CURRENT ASSETS:						
Cash	\$ 19,287	\$ 92,730	\$ 145,629	\$ 29,454	\$ 47,993	\$ 335,093
Current portion of restricted deposits	44,908	52,125	5,637	9,949	306,170	418,789
Contracts, loans and other receivables	4,413	8,939	8,044	4,742	119,845	145,983
Prepaid expenses and other	12,227	12,678	3,607	3,615	-	32,127
Total current assets	80,835	166,472	162,917	47,760	474,008	931,992
RESTRICTED DEPOSITS, net of current portion	30,153	284,688	107,343	25,564	-	447,748
DUE FROM AFFILIATES	-	-	-	-	65,410	65,410
FINANCING AND TAX CREDIT FEES, net	-	-	-	-	87,699	87,699
PROPERTY AND EQUIPMENT, net	1,759,965	3,402,640	1,331,148	1,752,006	9,228,212	17,473,971
Total assets	<u>\$ 1,870,953</u>	<u>\$ 3,853,800</u>	<u>\$ 1,601,408</u>	<u>\$ 1,825,330</u>	<u>\$ 9,855,329</u>	<u>\$ 19,006,820</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Current portion of mortgages and notes payable	\$ 42,084	\$ 24,463	\$ -	\$ 14,345	\$ 991,832	\$ 1,072,724
Accounts payable and other liabilities	45,179	42,871	28,545	14,461	171,022	302,078
Deferred revenue	-	980	-	-	3,010	3,990
Developer fee payable	-	-	-	-	325,148	325,148
Total current liabilities	87,263	68,314	28,545	28,806	1,491,012	1,703,940
LONG-TERM DEBT:						
Mortgages and notes payable, net of current portion	1,360,165	2,328,853	1,280,264	1,031,221	1,419,000	7,419,503
Due to affiliates, net of current portion	51,473	-	132,686	76,201	-	260,360
Accrued interest	-	-	118,716	812,922	105,980	1,037,618
Deferred developer fee	-	-	-	111,593	105,400	216,993
Contingent loans and advances	164,000	1,909,501	-	-	3,661,046	5,734,547
Total long-term debt	1,575,638	4,238,354	1,531,666	2,031,937	5,291,426	14,669,021
Total liabilities	1,662,901	4,306,668	1,560,211	2,060,743	6,782,438	16,372,961
NET ASSETS:						
Unrestricted:						
Operating	35,656	122,621	134,372	33,299	32,662	358,610
Property and equipment	(27,604)	(782,597)	(93,175)	(33,315)	(134,218)	(1,070,909)
Total unrestricted	8,052	(659,976)	41,197	(16)	(101,556)	(712,299)
Temporarily restricted	100,000	-	-	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	-	-	307,108
Total net assets attributable to NOAH	208,052	(452,868)	41,197	(16)	(101,556)	(305,191)
Non-controlling interest	-	-	-	(235,397)	3,174,447	2,939,050
Total liabilities and net assets	<u>\$ 1,870,953</u>	<u>\$ 3,853,800</u>	<u>\$ 1,601,408</u>	<u>\$ 1,825,330</u>	<u>\$ 9,855,329</u>	<u>\$ 19,006,820</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS
JUNE 30, 2011**

<u>ASSETS</u>	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TRINITY HOUSE LLC</u>	<u>SIOCHAIN PROPERTIES LP</u>	<u>TOTAL</u>
CURRENT ASSETS:					
Cash	\$ 28,344	\$ 60,185	\$ 208,918	\$ 14,882	\$ 312,329
Current portion of restricted deposits	43,991	53,926	5,148	10,902	113,967
Contracts, loans and other receivables	5,821	2,512	5,433	1,019	14,785
Prepaid expenses and other	6,164	14,303	3,529	2,995	26,991
Total current assets	84,320	130,926	223,028	29,798	468,072
RESTRICTED DEPOSITS, net of current portion	28,387	382,767	-	23,559	434,713
PROPERTY AND EQUIPMENT	1,790,084	3,391,943	1,360,252	1,810,023	8,352,302
Total assets	<u>\$ 1,902,791</u>	<u>\$ 3,905,636</u>	<u>\$ 1,583,280</u>	<u>\$ 1,863,380</u>	<u>\$ 9,255,087</u>
<u>LIABILITIES AND NET ASSETS</u>					
CURRENT LIABILITIES:					
Current portion of mortgages and notes payable	\$ 39,130	\$ 24,806	\$ -	\$ 13,588	\$ 77,524
Accounts payable and other liabilities	37,848	50,781	115,153	11,593	215,375
Deferred revenue	-	2,042	-	-	2,042
Current portion of due to affiliates	-	-	33,500	-	33,500
Total current liabilities	76,978	77,629	148,653	25,181	328,441
LONG-TERM DEBT:					
Mortgages and notes payable, net of current portion	1,402,209	2,353,315	1,223,495	1,045,534	6,024,553
Due to affiliates, net of current portion	78,849	-	132,686	76,201	287,736
Accrued interest	-	-	103,529	714,773	818,302
Developer fee payable	-	-	-	111,593	111,593
Contingent loans and advances	164,000	1,909,501	-	-	2,073,501
Total long-term debt	1,645,058	4,262,816	1,459,710	1,948,101	9,315,685
Total liabilities	1,722,036	4,340,445	1,608,363	1,973,282	9,644,126
NET ASSETS:					
Unrestricted:					
Operating	46,472	78,103	107,875	18,205	250,655
Property and equipment	(65,717)	(720,020)	(132,958)	(13,208)	(936,903)
Total unrestricted	(19,245)	(641,917)	(25,083)	(3)	(686,248)
Temporarily restricted	100,000	-	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	-	307,108
Total net assets attributable to NOAH	180,755	(434,809)	(25,083)	(3)	(279,140)
Non-controlling interest	-	-	-	(109,899)	(109,899)
Total liabilities and net assets	<u>\$ 1,902,791</u>	<u>\$ 3,905,636</u>	<u>\$ 1,583,280</u>	<u>\$ 1,863,380</u>	<u>\$ 9,255,087</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY COMBINING STATEMENTS OF ACTIVITIES - RENTAL PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012						2011					
	SHALOM PROPERTIES, INC.	FAZ PROPERTIES, INC.	TRINITY HOUSE J.L.C.	SIOCHAIN PROPERTIES L.P.	STEVENS CORNER I.P.	TOTAL	SHALOM PROPERTIES, INC.	FAZ PROPERTIES, INC.	TRINITY HOUSE J.L.C.	SIOCHAIN PROPERTIES L.P.	TOTAL	
UNRESTRICTED NET ASSETS:												
OPERATING REVENUES:												
Rental income, net of vacancies	\$ 407,897	\$ 450,363	\$ 171,451	\$ 159,462	\$ 158,743	\$ 1,347,916	\$ 393,291	\$ 444,692	\$ 153,024	\$ 154,746	\$ 1,147,753	
Interest income and other	3,663	4,587	849	31	814	9,944	3,765	5,742	2,794	36	12,337	
Total operating revenues	411,560	454,950	172,300	159,493	159,557	1,357,860	397,056	450,434	157,818	154,782	1,160,090	
OPERATING EXPENSES:												
Rental Programs	384,263	473,009	198,680	285,004	352,073	1,693,029	390,734	476,140	192,278	273,739	1,332,891	
Changes in unrestricted net assets from operations	27,297	(18,059)	(26,380)	(125,511)	(192,516)	(335,169)	6,322	(25,706)	(34,460)	(118,957)	(172,801)	
NON-OPERATING REVENUE (EXPENSES):												
Non-capitalized development costs	-	-	-	-	(100,815)	(100,815)	-	-	-	-	-	
Proceeds from sale of historic state tax credits	-	-	92,660	-	-	92,660	-	-	-	-	-	
Total non-operating revenues (expenses)	-	-	92,660	-	(100,815)	(8,155)	-	-	-	-	-	
Changes in unrestricted net assets	27,297	(18,059)	66,280	(125,511)	(293,331)	(345,324)	6,322	(25,706)	(34,460)	(118,957)	(172,801)	
LESS CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTEREST	-	-	-	125,498	192,323	317,821	-	-	-	118,945	118,945	
Changes in net assets attributable to NOAH	\$ 27,297	\$ (18,059)	\$ 66,280	\$ (13)	\$ (101,008)	\$ (25,503)	\$ 6,322	\$ (25,706)	\$ (34,460)	\$ (12)	\$ (59,856)	

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY COMBINING STATEMENTS OF CHANGES IN NET ASSETS -
RENTAL PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TRINITY HOUSE LLC	SIOCHAIN PROPERTIES LP	STEVENS CORNER LP	NON- CONTROLLING INTEREST	TOTAL
NET ASSETS, June 30, 2010	\$ 174,433	\$ (409,103)	\$ 9,377	\$ -	\$ -	\$ -	\$ (225,293)
Adoption of accounting principal	-	-	-	9	-	9,046	9,055
Changes in net assets	<u>6,322</u>	<u>(25,706)</u>	<u>(34,460)</u>	<u>(12)</u>	<u>-</u>	<u>(118,945)</u>	<u>(172,801)</u>
NET ASSETS, June 30, 2011	180,755	(434,809)	(25,083)	(3)	-	(109,899)	(389,039)
Net asset transfer	-	-	-	-	(548)	-	(548)
Capital contribution	-	-	-	-	-	3,496,270	3,496,270
Syndication costs	-	-	-	-	-	(129,500)	(129,500)
Changes in net assets	<u>27,297</u>	<u>(18,059)</u>	<u>66,280</u>	<u>(13)</u>	<u>(101,008)</u>	<u>(317,821)</u>	<u>(343,324)</u>
NET ASSETS, June 30, 2012	<u>\$ 208,052</u>	<u>\$ (452,868)</u>	<u>\$ 41,197</u>	<u>\$ (16)</u>	<u>\$ (101,556)</u>	<u>\$ 2,939,050</u>	<u>\$ 2,633,859</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TRINITY HOUSE LLC</u>	<u>SIOCHAIN PROPERTIES, LP</u>	<u>STEVENS CORNER LP</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:						
Changes in unrestricted net assets from operations	\$ 27,297	\$ (18,059)	\$ (26,380)	\$ (125,511)	\$ (192,516)	\$ (335,169)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:						
Depreciation and amortization	55,780	117,827	50,407	59,383	111,289	394,686
Bad debt	2,953	3,150	744	-	-	6,847
Changes in operating assets and liabilities:						
Contracts, loans and other receivables	(1,545)	(9,577)	(3,355)	(3,723)	(11,480)	(29,680)
Prepaid expenses and other	(6,063)	1,625	(78)	(620)	-	(5,136)
Accounts payable and other liabilities	7,331	(7,910)	(86,608)	2,868	-	(84,319)
Deferred revenue	-	(1,062)	-	-	3,010	1,948
Accrued interest	-	-	15,187	98,149	28,300	141,636
Net cash provided by (used in) operating activities	<u>85,753</u>	<u>85,994</u>	<u>(50,083)</u>	<u>30,546</u>	<u>(61,397)</u>	<u>90,813</u>
CASH FLOWS FROM INVESTING ACTIVITIES:						
Acquisition of property and equipment	(25,661)	(128,524)	(21,303)	(1,366)	(3,011,042)	(3,187,896)
Financing and tax credit fees	-	-	-	-	(91,482)	(91,482)
Non-capitalized development costs	-	-	-	-	(100,815)	(100,815)
(Increase) decrease in restricted deposits	<u>(2,683)</u>	<u>99,880</u>	<u>(107,832)</u>	<u>(1,052)</u>	<u>(233,010)</u>	<u>(244,697)</u>
Net cash used in investing activities	<u>(28,344)</u>	<u>(28,644)</u>	<u>(129,135)</u>	<u>(2,418)</u>	<u>(3,436,349)</u>	<u>(3,624,890)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:						
Due to affiliates	(27,376)	-	(33,500)	-	-	(60,876)
Proceeds from notes payable	-	-	56,769	-	1,927,105	1,983,874
Proceeds for sale of state historic tax credits	-	-	92,660	-	-	92,660
Capital contribution	-	-	-	-	3,496,270	3,496,270
Syndication costs	-	-	-	-	(129,500)	(129,500)
Principal payments of mortgages and notes payable	<u>(39,090)</u>	<u>(24,805)</u>	<u>-</u>	<u>(13,556)</u>	<u>(1,748,136)</u>	<u>(1,825,587)</u>
Net cash provided by (used in) financing activities	<u>(66,466)</u>	<u>(24,805)</u>	<u>115,929</u>	<u>(13,556)</u>	<u>3,545,739</u>	<u>3,556,841</u>
NET INCREASE (DECREASE) IN CASH	(9,057)	32,545	(63,289)	14,572	47,993	22,764
CASH, beginning of year	<u>28,344</u>	<u>60,185</u>	<u>208,918</u>	<u>14,882</u>	<u>-</u>	<u>312,329</u>
CASH, end of year	<u>\$ 19,287</u>	<u>\$ 92,730</u>	<u>\$ 145,629</u>	<u>\$ 29,454</u>	<u>\$ 47,993</u>	<u>\$ 335,093</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -						
Cash paid for interest - capitalized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,527</u>	<u>\$ 66,527</u>
Cash paid for interest expensed	<u>\$ 63,241</u>	<u>\$ 57,082</u>	<u>\$ -</u>	<u>\$ 17,319</u>	<u>\$ 69,440</u>	<u>\$ 207,082</u>
Capitalized interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 144,207</u>	<u>\$ 144,207</u>
Fixed assets financed with accounts payable, developer fee developer fee payable and accrued interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,084</u>	<u>\$ 108,084</u>
Fixed assets financed with insurance proceeds receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 108,365</u>	<u>\$ 108,365</u>
Project under development reclassified to property and equipment	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,569,425</u>	<u>\$ 6,569,425</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TRINITY HOUSE LLC</u>	<u>SIOCHAIN PROPERTIES, LP</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in unrestricted net assets from operations	\$ 6,322	\$ (25,706)	\$ (34,460)	\$ (118,957)	\$ (172,801)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:					
Depreciation	55,447	111,889	39,837	59,236	266,409
Bad debt	7,504	1,229	2,507	238	11,478
Changes in operating assets and liabilities:					
Contracts, loans and other receivables	(9,503)	(2,002)	1,079	2,916	(7,510)
Prepaid expenses and other	15,667	24,775	1,043	(111)	41,374
Accounts payable and other liabilities	(10,425)	(1,745)	92,015	1,882	81,727
Deferred revenue	-	992	-	-	992
Accrued interest	-	-	15,471	89,727	105,198
Net cash provided by operating activities	<u>65,012</u>	<u>109,432</u>	<u>117,492</u>	<u>34,931</u>	<u>326,867</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Acquisition of property and equipment	(2,500)	(173,243)	(560,037)	-	(735,780)
(Increase) decrease in restricted deposits	(2,655)	(257,728)	87,348	(9,203)	(182,238)
Net cash used in investing activities	<u>(5,155)</u>	<u>(430,971)</u>	<u>(472,689)</u>	<u>(9,203)</u>	<u>(918,018)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Due to affiliates	(6,788)	(14,326)	28,999	-	7,885
Proceeds from notes payable	-	364,669	679,800	-	1,044,469
Principal payments of mortgages and notes payable	(36,349)	(15,740)	(186,056)	(12,614)	(250,759)
Net cash provided by (used in) financing activities	<u>(43,137)</u>	<u>334,603</u>	<u>522,743</u>	<u>(12,614)</u>	<u>801,595</u>
NET INCREASE IN CASH	16,720	13,064	167,546	13,114	210,444
CASH, beginning of year	<u>11,624</u>	<u>47,121</u>	<u>41,372</u>	<u>1,768</u>	<u>101,885</u>
CASH, end of year	<u>\$ 28,344</u>	<u>\$ 60,185</u>	<u>\$ 208,918</u>	<u>\$ 14,882</u>	<u>\$ 312,329</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -					
Cash paid for interest	<u>\$ 64,982</u>	<u>\$ 72,872</u>	<u>\$ 18,184</u>	<u>\$ 20,258</u>	<u>\$ 176,296</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 SUPPLEMENTARY COMBINING STATEMENTS OF FUNCTIONAL EXPENSES - RENTAL PROGRAMS
 FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012				2011						
	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TRINITY HOUSE U.I.C.	SIOCHAIN PROPERTIES I.P.	STEVENS CORNER I.P.	TOTAL	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TRINITY HOUSE U.I.C.	SIOCHAIN PROPERTIES I.P.	TOTAL
PERSONNEL AND RELATED COSTS:											
Consulting and contract labor	\$ 16,446	\$ 17,962	\$ 3,739	\$ 6,120	\$ 50,684	\$ 94,951	\$ 9,678	\$ 10,791	\$ 7,283	\$ 6,375	\$ 34,127
OTHER EXPENSES:											
Repairs, maintenance and security	77,419	94,649	22,998	27,876	6,861	229,803	80,089	95,631	23,759	28,869	228,348
Insurance and taxes	59,295	64,543	17,943	22,764	27,906	192,451	57,097	65,105	17,393	22,690	162,285
Interest expense and bank fees	63,287	57,082	14,411	115,468	97,740	347,988	66,020	72,872	18,184	108,742	265,818
Telephone and utilities	42,135	36,931	16,682	16,967	16,302	129,017	45,560	36,751	18,815	17,141	118,267
Professional fees	45,462	57,241	19,304	34,602	31,079	187,688	46,236	58,603	26,253	28,435	159,527
Special events and other program expenses	5,902	11,302	5,847	-	4,673	27,724	5,902	10,445	4,951	-	21,298
Condo fee and resident services	12,912	-	38,905	-	-	51,817	13,984	-	24,830	-	38,814
Travel and conferences	1,551	6,779	-	-	-	8,330	1,551	6,779	-	-	8,330
Miscellaneous	745	469	7,700	624	5,539	15,077	394	385	8,466	813	10,058
Equipment rental and purchases	376	5,074	-	1,200	-	6,650	1,272	5,660	-	1,200	8,132
Bad debt	2,953	3,150	744	-	-	6,847	7,504	1,229	2,507	238	11,478
Total other expenses	312,037	337,220	144,534	219,501	190,100	1,203,392	325,609	353,460	145,158	208,128	1,032,355
Total expenses before depreciation and amortization	328,483	355,182	148,273	225,621	240,784	1,298,343	335,287	364,251	152,441	214,503	1,066,482
DEPRECIATION AND AMORTIZATION	55,780	117,827	50,407	59,383	111,289	394,686	55,447	111,889	39,837	59,236	266,409
	\$ 384,263	\$ 473,009	\$ 198,680	\$ 285,004	\$ 352,073	\$ 1,693,029	\$ 390,734	\$ 476,140	\$ 192,278	\$ 273,739	\$ 1,332,891

NEIGHBORHOOD OF AFFORDABLE HOUSING INC. AND AFFILIATES
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2012

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY OR PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Passed through the City of Boston – Department of Neighborhood Development			
Community Development Block Grants/ Entitlement Grants *	14.218	N/A	\$1,321,591
Home Investment Partnerships Program	14.239	N/A	1,179,614
Rent Supplements – Rental Housing for Lower Income Families	14.149	N/A	226,834
Passed through Boston Housing Authority –			
Demolition and Revitalization of Severely Distressed Public Housing	14.866	N/A	46,753
<u>U.S. Department of Treasury:</u>			
Passed through Neighborworks ® America Enabling Legislation –			
Permanent Capital Funds	21.000	N/A	1,743,573
Expendable Grants	21.000	N/A	<u>231,868</u>
Total CFDA 21.000			<u>1,975,441</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$4,750,233</u>

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards – Not-For-Profit Organization includes the Federal assistance activity of NOAH and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

* CDBG-Entitlement Grants Cluster

NEIGHBORHOOD OF AFFORDABLE HOUSING INC. AND AFFILIATES
SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -
NOT-FOR-PROFIT ORGANIZATION
FOR THE YEAR ENDED JUNE 30, 2012
(Continued)

NOTE 2. LOANS OUTSTANDING

The Community Development Block Grants/Entitlement Grants contain loans totaling \$1,119,423 at June 30, 2012.

The HOME Investment Partnerships Program represents the balance due on a loan at June 30, 2012.

The Rent Supplements – Rental Housing for Lower Income Families represents the balance due on loans at June 30, 2012.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY SCHEDULE OF
NEIGHBORWORKS AMERICA'S RESTRICTED NET ASSETS
JUNE 30, 2012

	<u>CAPITAL</u> <u>INVESTED</u>	<u>LESS</u> <u>VALUATION</u> <u>ALLOWANCE</u>	<u>ELIMI-</u> <u>NATIONS</u>	<u>RESTRICTED</u> <u>NET ASSETS</u>
RESTRICTED DEPOSITS -				
NOAH CDFI	\$ 47,542	\$ -	\$ -	\$ 47,542
NOAH	-	-	-	-
CONTRACTS, LOANS AND OTHER RECEIVABLES:				
NOAH CDFI - loan receivable from Peace Properties and Amani Properties	197,515	-	-	197,515
NOAH CDFI - loans receivable - Homeownership program	260,058	(59,806)	-	200,252
NOAH CDFI - loans receivable from Cutler Heights Housing LP	115,000	(115,000)	-	-
NOAH - loan receivable from Peace Properties - Sitowski School	200,000	(117,500)	117,500	200,000
INVESTMENT -				
Peace Properties investment in Pace Border LLC	452,000	(429,074)	429,074	452,000
PROPERTY AND EQUIPMENT:				
Shalom Properties	100,000	-	-	100,000
Paz Properties	207,108	-	-	207,108
PROJECT UNDER DEVELOPMENT:				
Peace Properties - Border Falcon Street	109,000	(70,000)	70,000	109,000
Peace Properties - 332 Meridian Street	55,350	-	-	55,350
Total assets	<u>\$ 1,743,573</u>	<u>\$ (791,380)</u>	<u>\$ 616,574</u>	<u>\$ 1,568,767</u>

NOTE: This schedule has been prepared for the purpose of providing additional information to certain users of the accompanying combined financial statements and to comply with requirements of agreements with NeighborWorks America (NW). Please refer to Note 1 for additional information concerning accounting for NW restricted net assets. This schedule is intended to be used by management and NW and should not be used by anyone other than these parties.



**Alexander
Aronson
Finning**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
COMBINED FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates:

We have audited the combined financial statements of Neighborhood of Affordable Housing, Inc. and Affiliates (collectively, NOAH) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 15, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOAH's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of NOAH's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NOAH's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of NOAH's combined financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates
Page II

This report is intended solely for the information and use of the Board of Directors, management, others within NOAH, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander, Brown, Finney & Co., P.C.

Wellesley, Massachusetts
November 15, 2012



CERTIFIED PUBLIC ACCOUNTANTS
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**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates:

Compliance

We have audited Neighborhood of Affordable Housing, Inc. and Affiliates' (collectively, NOAH's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NOAH's major Federal programs for the year ended June 30, 2012. NOAH's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of NOAH's management. Our responsibility is to express an opinion on NOAH's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about NOAH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of NOAH's compliance with those requirements.

In our opinion, NOAH complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of NOAH is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered NOAH's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NOAH's internal control over compliance.

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates
Page II

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Alexander, Aronson, Fanning & Co., P.C.

Wellesley, Massachusetts
November 15, 2012

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Combined Financial Statements

An unqualified opinion was issued on the combined financial statements of the auditee.

Internal control over financial reporting:

- Material weakness(es) identified? Yes No

- Significant deficiency(ies) identified Yes None reported

- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No

- Significant deficiency (ies) identified Yes None reported

An unqualified opinion was issued on compliance for major programs.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Home Investment Partnerships Program	14.239
Neighborworks America ®	21.000

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

Auditee qualified as low-risk auditee? Yes No

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

(Continued)

II. FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONS COSTS FOR FEDERAL AWARDS

None