



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

**COMBINED FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133  
DECEMBER 31, 2013  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

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

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DECEMBER 31, 2013**

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**UNMODIFIED OPINION ON COMBINED FINANCIAL STATEMENTS  
ACCOMPANIED BY OTHER INFORMATION –  
NOT-FOR-PROFIT ENTITY**

Independent Auditor's Report

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

**Report on the Combined Financial Statements**

We have audited the accompanying combined financial statements of Neighborhood of Affordable Housing, Inc. and Affiliates (a Massachusetts corporation, not for profit) (collectively, NOAH) which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the eighteen months then ended, and the related notes to the combined financial statements.

***Management's Responsibility for the Combined Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

***Opinion***

In our opinion, the combined financial statements referred to on page one present fairly, in all material respects, the combined financial position of Neighborhood of Affordable Housing, Inc. and Affiliates as of December 31, 2013, and the changes in their net assets and their cash flows for the eighteen months then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplementary information on pages 31 through 41 as of and for the eighteen months ended December 31, 2013, is presented for the purposes of additional analysis and is not a required part of the basic combined financial statements. In addition, the Schedule of Expenditures of Federal Awards for the eighteen months ended December 31, 2013, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combined financial statements or to the 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 information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2014, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOAH's internal control over financial reporting and compliance.

*Alexander, Cronson, Finning & CO, P.C.*

Boston, Massachusetts  
May 15, 2014

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2013

<u>ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>				
Cash - operating	\$ 653,849	\$ 423,320	\$ -	\$ 1,077,169
Cash - development	475,798	19,353	-	495,151
Current portion of restricted deposits	127,594	153,311	-	280,905
Current portion of contracts, loans and other receivables	218,618	32,479	(52,749)	198,348
Current portion of due from affiliates	26,156	-	(26,156)	-
Prepaid expenses and other	6,685	73,388	-	80,073
Total current assets	<u>1,508,700</u>	<u>701,851</u>	<u>(78,905)</u>	<u>2,131,646</u>
<b>RESTRICTED DEPOSITS, net of current portion</b>	-	670,544	-	670,544
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES, net of</b>				
current portion and allowance for doubtful accounts	184,701	-	-	184,701
<b>DUE FROM AFFILIATES, net of current portion</b>	442,005	-	(442,005)	-
<b>FINANCING AND TAX CREDIT FEES, net</b>	10,156	95,696	-	105,852
<b>PROJECTS UNDER DEVELOPMENT</b>	2,693,993	8,691,913	-	11,385,906
<b>PROPERTY AND EQUIPMENT, net</b>	<u>2,268,051</u>	<u>16,918,038</u>	<u>(169,655)</u>	<u>19,016,434</u>
Total assets	<u>\$ 7,107,606</u>	<u>\$ 27,078,042</u>	<u>\$ (690,565)</u>	<u>\$ 33,495,083</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of mortgages and notes payable	\$ 740,256	\$ 119,983	\$ (22,661)	\$ 837,578
Current portion of accrued interest	40,493	30,088	(30,088)	40,493
Current portion of capital lease obligation	13,056	-	-	13,056
Accounts payable and other liabilities	279,058	193,630	-	472,688
Deferred revenue	-	6,920	-	6,920
Current portion of due to affiliates	-	26,156	(26,156)	-
Total current liabilities	<u>1,072,863</u>	<u>376,777</u>	<u>(78,905)</u>	<u>1,370,735</u>
<b>LONG-TERM LIABILITIES:</b>				
Mortgages and notes payable, net of current portion	1,535,146	11,272,917	(511,179)	12,296,884
Due to affiliates, net of current portion	65,410	244,111	(309,521)	-
Capital lease obligation, net of current portion	5,483	-	-	5,483
Construction payable	584,034	2,275,198	-	2,859,232
Accrued interest, net of current portion	-	1,318,634	-	1,318,634
Developer fee payable, net of current portion	-	553,598	(553,598)	-
Contingent loans and advances	-	8,138,602	-	8,138,602
Total long-term liabilities	<u>2,190,073</u>	<u>23,803,060</u>	<u>(1,374,298)</u>	<u>24,618,835</u>
Total liabilities	<u>3,262,936</u>	<u>24,179,837</u>	<u>(1,453,203)</u>	<u>25,989,570</u>
<b>NET ASSETS:</b>				
Unrestricted:				
Operating	2,116,808	455,792	222,300	2,794,900
Development	316,512	-	-	316,512
Property and equipment	(42,257)	2,035,305	(2,655,185)	(662,137)
Total unrestricted	<u>2,391,063</u>	<u>2,491,097</u>	<u>(2,432,885)</u>	<u>2,449,275</u>
Temporarily restricted	547,708	100,000	-	647,708
Permanently restricted - NW capital funds	905,899	307,108	-	1,213,007
Total net assets attributable to NOAH	<u>3,844,670</u>	<u>2,898,205</u>	<u>(2,432,885)</u>	<u>4,309,990</u>
Non-controlling interest in combined subsidiaries	-	-	3,195,523	3,195,523
Total net assets	<u>3,844,670</u>	<u>2,898,205</u>	<u>762,638</u>	<u>7,505,513</u>
Total liabilities and net assets	<u>\$ 7,107,606</u>	<u>\$ 27,078,042</u>	<u>\$ (690,565)</u>	<u>\$ 33,495,083</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 EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

<b><u>UNRESTRICTED NET ASSETS</u></b>	<b><u>OPERATING</u></b>	<b><u>RENTAL PROGRAMS</u></b>	<b><u>ELIMI- NATIONS</u></b>	<b><u>TOTAL</u></b>
<b>OPERATING REVENUES:</b>				
Rental income, net of vacancies	\$ 136,626	\$ 2,635,630	\$ -	\$ 2,772,256
Project management and developer fees	1,149,419	-	(121,649)	1,027,770
Contracts, grants and other fees	880,616	-	-	880,616
Interest income and other	92,645	31,800	-	124,445
Property management fees	545,624	-	(525,493)	20,131
Net assets released from purpose restrictions	1,064,644	-	-	1,064,644
	<u>3,869,574</u>	<u>2,667,430</u>	<u>(647,142)</u>	<u>5,889,862</u>
Total operating revenues				
<b>OPERATING EXPENSES:</b>				
Operating Programs	3,408,088	-	-	3,408,088
Rental Programs	-	3,306,712	(529,843)	2,776,869
	<u>3,408,088</u>	<u>3,306,712</u>	<u>(529,843)</u>	<u>6,184,957</u>
Total operating expenses				
Changes in unrestricted net assets from operations	<u>461,486</u>	<u>(639,282)</u>	<u>(117,299)</u>	<u>(295,095)</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Proceeds from sale of tax credits	633,750	63,244	-	696,994
Forgiveness of debt and accrued interest, net	578,461	70,386	-	648,847
Provision for allowance on related party loans and advances	(511,179)	(65,410)	576,589	-
Net assets released from capital restriction	340,000	-	-	340,000
	<u>1,041,032</u>	<u>68,220</u>	<u>576,589</u>	<u>1,685,841</u>
Total non-operating revenues (expenses)				
Changes in unrestricted net assets	<u>1,502,518</u>	<u>(571,062)</u>	<u>459,290</u>	<u>1,390,746</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>				
<b>GRANTS AND CONTRIBUTIONS</b>	1,200,363	-	-	1,200,363
<b>NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS</b>	<u>(1,064,644)</u>	<u>-</u>	<u>-</u>	<u>(1,064,644)</u>
Changes in temporarily restricted net assets	<u>135,719</u>	<u>-</u>	<u>-</u>	<u>135,719</u>
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>				
<b>PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS</b>	(15,760)	-	-	(15,760)
<b>NW FUND INVESTMENTS RELEASED FROM RESTRICTION</b>	<u>(340,000)</u>	<u>-</u>	<u>-</u>	<u>(340,000)</u>
Changes in permanently restricted net assets	<u>(355,760)</u>	<u>-</u>	<u>-</u>	<u>(355,760)</u>
Changes in net assets	<u>1,282,477</u>	<u>(571,062)</u>	<u>459,290</u>	<u>1,170,705</u>
<b><u>CHANGES IN NET ASSETS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</u></b>				
Non-controlling interest attributable to combined subsidiaries	<u>(52,299)</u>	<u>578,935</u>	<u>-</u>	<u>526,636</u>
Changes in net assets attributable to NOAH	<u>\$ 1,230,178</u>	<u>\$ 7,873</u>	<u>\$ 459,290</u>	<u>\$ 1,697,341</u>

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

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

**COMBINED STATEMENT OF CHANGES IN NET ASSETS  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<b>NOAH AND AFFILIATES</b>					
	<u><b>OPERATING</b></u>	<u><b>RENTAL PROGRAMS</b></u>	<u><b>ELIMI- NATIONS</b></u>	<u><b>TOTAL</b></u>	<u><b>NON- CONTROLLING INTEREST</b></u>	<u><b>TOTAL</b></u>
<b>NET ASSETS, June 30, 2012</b>	\$ 2,562,193	\$2,633,859	\$ (2,583,403)	\$ 2,612,649	\$ 2,886,751	\$ 5,499,400
Capital contributions	-	835,408	(835,408)	-	835,408	835,408
Changes in net assets	<u>1,282,477</u>	<u>(571,062)</u>	<u>985,926</u>	<u>1,697,341</u>	<u>(526,636)</u>	<u>1,170,705</u>
<b>NET ASSETS, December 31, 2013</b>	<u><u>\$ 3,844,670</u></u>	<u><u>\$2,898,205</u></u>	<u><u>\$ (2,432,885)</u></u>	<u><u>\$ 4,309,990</u></u>	<u><u>\$ 3,195,523</u></u>	<u><u>\$ 7,505,513</u></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 EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Changes in unrestricted net assets from operations	\$ 461,486	\$ (639,282)	\$ (117,299)	\$ (295,095)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:				
Depreciation and amortization	141,961	830,023	(4,350)	967,634
Bad debt	15,326	21,178	-	36,504
Changes in operating assets and liabilities:				
Contracts, loans and other receivables	70,520	92,326	-	162,846
Prepaid expenses and other	3,638	(41,261)	-	(37,623)
Accounts payable and other liabilities	113,520	(108,448)	-	5,072
Deferred revenue	-	2,930	-	2,930
Developer fee payable	-	11,457	(11,457)	-
Accrued interest	28,976	311,104	-	340,080
Due to affiliates	-	9,907	(9,907)	-
Due from affiliates	(143,013)	-	143,013	-
Net decrease in temporarily restricted net assets	135,719	-	-	135,719
	<u>828,133</u>	<u>489,934</u>	<u>-</u>	<u>1,318,067</u>
Net cash provided by operating activities				
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Increase in projects under development	(857,148)	(6,416,715)	-	(7,273,863)
Financing fees	-	(23,193)	-	(23,193)
Issuance of notes receivable	(511,179)	-	-	(511,179)
Capital contributions	-	835,408	-	835,408
Increase (decrease) in restricted deposits	(5,514)	42,682	-	37,168
Acquisition of property and equipment	(6,870)	(258,894)	-	(265,764)
	<u>(1,380,711)</u>	<u>(5,820,712)</u>	<u>-</u>	<u>(7,201,423)</u>
Net cash used in investing activities				
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Principal payments of mortgages and notes payable	(235,220)	(2,597,225)	-	(2,832,445)
Proceeds from mortgages and notes payable and contingent loans and advances	442,891	7,972,339	-	8,415,230
Proceeds from sale of tax credits	633,750	63,244	-	696,994
Principal payments on capital lease obligation	(19,584)	-	-	(19,584)
	<u>821,837</u>	<u>5,438,358</u>	<u>-</u>	<u>6,260,195</u>
Net cash provided by financing activities				
<b>NET INCREASE IN CASH</b>	<b>269,259</b>	<b>107,580</b>	<b>-</b>	<b>376,839</b>
<b>CASH, beginning of year</b>	<b>860,388</b>	<b>335,093</b>	<b>-</b>	<b>1,195,481</b>
<b>CASH, end of year</b>	<b>\$ 1,129,647</b>	<b>\$ 442,673</b>	<b>\$ -</b>	<b>\$ 1,572,320</b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Cash paid for interest	<u>\$ 66,243</u>	<u>\$ 344,908</u>	<u>\$ -</u>	<u>\$ 411,151</u>
Capitalized interest	<u>\$ -</u>	<u>\$ 224,108</u>	<u>\$ -</u>	<u>\$ 224,108</u>
Projects under development financed with accounts payable and developer fee payable	<u>\$ 948,988</u>	<u>\$ 2,717,203</u>	<u>\$ -</u>	<u>\$ 3,666,191</u>
Forgiveness of debt	<u>\$ 1,239,917</u>	<u>\$ 70,386</u>	<u>\$ -</u>	<u>\$ 1,310,303</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 EIGHTEEN MONTHS ENDED DECEMBER 31, 2013

	OPERATING												
	CENTRAL ADMINIS- TRATION	SENIOR HOME REPAIR	HOUSING COUNSELING	COMMUNITY SERVICES	HOMEBUYER SERVICES PROGRAM	REAL ESTATE AND ECONOMIC DEVELOPMENT	PROPERTY MANAGEMENT	NOAH CDFI	ELIMI- NATIONS	TOTAL OPERATING PROGRAMS	RENTAL PROGRAMS	ELIMI- NATIONS	TOTAL
<b>PERSONNEL AND RELATED COSTS:</b>													
Salaries	\$ 314,615	\$ 99,241	\$ 41,932	\$ 324,599	\$ 411,620	\$ 324,702	\$ 231,907	\$ 10,179	\$ -	\$ 1,758,795	\$ -	\$ -	\$ 1,758,795
Employee benefits	36,910	24,741	4,128	45,959	63,952	41,860	6,886	1,279	-	225,715	-	-	225,715
Payroll taxes	25,666	8,983	3,920	30,336	35,941	27,112	21,005	843	-	153,806	-	-	153,806
Total personnel and related costs	<u>377,191</u>	<u>132,965</u>	<u>49,980</u>	<u>400,894</u>	<u>511,513</u>	<u>393,674</u>	<u>259,798</u>	<u>12,301</u>	<u>-</u>	<u>2,138,316</u>	<u>-</u>	<u>-</u>	<u>2,138,316</u>
<b>OTHER:</b>													
Interest expense and bank fees	3,956	-	-	12	791	9,046	-	-	-	13,805	656,012	-	669,817
Special events and other program expenses	47,002	205,538	-	21,981	82,557	2,340	3,312	-	-	362,730	161,878	(98,317)	426,291
Consulting and contract labor	2,792	12,269	-	7,275	-	-	85,990	-	-	108,326	290,018	-	398,344
Insurance and taxes	13,065	12,548	454	3,589	9,854	5,513	7,726	5,517	-	58,266	324,880	-	383,146
Telephone and utilities	4,348	2,978	900	6,274	9,357	3,177	6,998	-	-	34,032	295,149	-	329,181
Facility	87,890	34,881	9,783	71,406	88,497	85,503	51,614	-	(179,225)	250,349	-	-	250,349
Professional fees	41,758	3,982	2,181	12,602	17,464	13,800	13,583	1,501	-	106,871	108,169	-	215,040
Repairs, maintenance and security	7,778	3,071	1,188	12,054	9,313	3,858	6,475	-	-	43,737	549,277	(427,176)	165,838
Travel and conferences	6,746	3,194	678	3,268	6,942	7,072	8,661	-	-	36,561	13,357	-	49,918
Supplies and general office	15,317	974	1,137	4,079	5,795	8,617	6,017	41	-	41,977	-	-	41,977
Bad debt	373	-	6,038	335	-	-	8,580	-	-	15,326	21,178	-	36,504
Advertising	3,075	1,830	25	30	22,733	-	25	-	-	27,718	-	-	27,718
Equipment rental and purchases	431	206	98	873	1,075	350	1,669	-	-	4,702	21,159	-	25,861
Dues and subscriptions	17,094	182	81	570	657	952	440	400	-	20,376	-	-	20,376
Condo fee	-	-	-	-	-	-	-	-	-	-	19,368	-	19,368
Miscellaneous	1,527	-	-	-	60	1,131	170	147	-	3,035	16,244	-	19,279
Total other	<u>253,152</u>	<u>281,653</u>	<u>22,563</u>	<u>144,348</u>	<u>255,095</u>	<u>141,359</u>	<u>201,260</u>	<u>7,606</u>	<u>(179,225)</u>	<u>1,127,811</u>	<u>2,476,689</u>	<u>(525,493)</u>	<u>3,079,007</u>
Total expenses before depreciation and amortization	630,343	414,618	72,543	545,242	766,608	535,033	461,058	19,907	(179,225)	3,266,127	2,476,689	(525,493)	5,217,323
<b>DEPRECIATION AND AMORTIZATION</b>	<u>35,093</u>	<u>12,813</u>	<u>2,248</u>	<u>16,850</u>	<u>23,691</u>	<u>37,018</u>	<u>14,248</u>	<u>-</u>	<u>-</u>	<u>141,961</u>	<u>830,023</u>	<u>(4,350)</u>	<u>967,634</u>
Total expenses	<u>\$ 665,436</u>	<u>\$ 427,431</u>	<u>\$ 74,791</u>	<u>\$ 562,092</u>	<u>\$ 790,299</u>	<u>\$ 572,051</u>	<u>\$ 475,306</u>	<u>\$ 19,907</u>	<u>\$ (179,225)</u>	<u>\$ 3,408,088</u>	<u>\$ 3,306,712</u>	<u>\$ (529,843)</u>	<u>\$ 6,184,957</u>

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

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2013

#### (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, Siochain Properties LP, Pace Border LLC, Amani Properties LLC, Stevens Corner LP, and Benfield Farms LP (collectively referred to as NOAH and Affiliates) (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.

The Board of Directors approved changing the fiscal year-end of NOAH and Affiliates from June 30<sup>th</sup> to December 31<sup>st</sup> to better align with operations. Accordingly, the combined financial statements as of December 31, 2013, include the eighteen months then ended.

##### **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. 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 statement of financial position (see page 11).

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 NOAH and Affiliates.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash - Development

NOAH and Affiliates consider 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 statement 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).

Cash - development consists of cash accounts designated for projects under development.

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., Benfield Farms LP, and Sitkowski LP as of December 31, 2013. These include construction, soft costs, overhead, interest, and others and are reflected in projects under development (see Note 6) in the accompanying combined financial statements.

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 7). 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 eighteen months ended December 31, 2013, was \$929,197.

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 December 31, 2013, NOAH and 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 \$152,422 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 was \$46,570 as of December 31, 2013. Amortization expense for the eighteen months ended December 31, 2013, was \$42,787.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

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

#### **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### 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 and Affiliates report 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 statement 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.

##### Donated Goods and Services

NOAH and Affiliates receive 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 Affiliates' real estate project developments, completed and uncompleted, and which resources are not expected to be available for operations for at least one year from the date of the combined statement of financial position.
- ◆ **Property and equipment** net assets represent that portion of resources, invested into long-term productive fixed assets, net of related liabilities.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Net Asset Classifications (Continued)

**Temporarily restricted net assets** consist of those net resources not yet released from their donor-designated purpose restriction. At December 31, 2013, temporarily restricted net assets were restricted for the following:

Homebuyer and homeowner services	\$477,037
Community services	70,671
Rental housing	<u>100,000</u>
	<u>\$647,708</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.

**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.

During 2013, NW approved a release of \$340,000 from its capital fund. This amount is shown as net assets released from capital restriction and NW fund investments released from restriction in the accompanying combined statement of activities.

NW's permanently restricted net assets were as follows as of December 31, 2013:

Cumulative capital grants received, net of authorized write-offs (see Note 8)	\$1,362,457
Cumulative valuation allowance	(766,024)
Add – Inter-company elimination	<u>616,574</u>
	<u>\$1,213,007</u>

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

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

##### **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

###### Net Asset Classifications (Continued)

**Non-controlling interest** represents unrelated investors' non-controlling interests in 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 statement of activities. During 2013, the investor member of Pace Border exited Pace Border (see page 13).

###### Fair Value

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. The standards establish a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

The three levels of the fair value hierarchy are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Instruments which are generally included in this category include equity and debt securities publicly traded on an exchange.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable and which require significant judgment or estimation.

An 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 Affiliates account for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combined financial statements regarding a tax position taken or expected to be taken in a tax return. NOAH and Affiliates have determined that there are no uncertain tax positions, which qualify for either recognition or disclosure in the combined financial statements at December 31, 2013. NOAH and Affiliates' information returns are subject to examination by the Federal and state jurisdictions and generally remain open for the most recent three years.

###### Subsequent Events

Subsequent events have been evaluated through May 15, 2014, 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.

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

#### (2) RELATED PARTY TRANSACTIONS

##### Combined Entities

NOAH and Affiliates' 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 advanced Peace Properties capital funds to invest in its real estate development activities. During the eighteen months ended December 31, 2013, NOAH CDFI advanced Peace Properties \$200,761 for various projects. There was \$483,974 outstanding at December 31, 2013, and is eliminated in the operating column in the accompanying combined statement of financial position. These advances are non-interest bearing with the exception of one advance that bears 3% interest, and are due at construction closing of projects (see Note 6).

As of December 31, 2013, Peace Properties owes Stevens Corner \$65,410 for cash advances. As of December 31, 2013, Peace Properties also owed NOAH \$16,019 for cash advances. These amounts are fully reserved because the amounts are not expected to be realized in the near term.

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 in 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 5) 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. NOAH is the sole member of Amani Properties. Amani Properties is treated as a disregarded entity for income tax purposes. NOAH CDFI loaned Amani Properties capital funds to invest in its real estate development activities. There were no amounts outstanding as of December 31, 2013.



## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

#### (2) RELATED PARTY TRANSACTIONS (Continued)

##### Combined Entities (Continued)

##### Operating (Continued)

**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 8). 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 11).

**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, Massachusetts. Pace Border was 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 \$179,225 for the eighteen months ended December 31, 2013.

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

During 2013, the investor member (which held a 31.55% ownership) exited Pace Border. As part of the exit, the investor member assigned its second mortgage note of \$815,454 plus accrued interest, which were due from Pace Border, to NOAH in full satisfaction of NOAH's leverage loan of \$338,748 plus accrued interest, which were due from the investor member's 99.99% member. All the assets of Pace Border were transferred to Peace Properties, including assumption of all debt by Peace Properties (see Note 4), and Pace Border terminated operations during 2013. As part of the transfer, the intercompany loan of \$235,000 between Peace Properties and Pace Border was written off. The \$815,454 note and accrued interest assigned to NOAH were forgiven and the leverage loan plus accrued interest were written off. The net of the debt forgiveness and receivables and other assets written off is shown as forgiveness of debt, net in the accompanying combined statement of activities.

##### 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. During the eighteen months ended December 31, 2013, NOAH billed Shalom \$156,011 for management, administrative and maintenance expenses.

As of December 31, 2013, Shalom owed NOAH \$51,473 of management fees, which are included in due to affiliates in the accompanying combined statement of financial position. This amount is fully reserved by NOAH because it is not expected to be realized in the near term.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(2) **RELATED PARTY TRANSACTIONS** (Continued)

Combined Entities (Continued)

**Rental Programs** (Continued)

**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. During the eighteen months ended December 31, 2013, NOAH billed Paz \$203,370 for management, administrative and maintenance expenses. As of December 31, 2013, there was no amount due to NOAH for these expenses.

**Trinity House LLC (Trinity House)** is a Massachusetts limited liability company. NOAH is the sole owner of Trinity House. Trinity House is treated as a disregarded entity for income tax purposes. During the eighteen months ended December 31, 2013, NOAH billed Trinity House \$47,323 for management fees. There were no amounts due as of December 31, 2013.

**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 partnership for income tax purposes. NOAH billed Siochain \$64,433 for management, administrative, and maintenance expenses for the eighteen months ended December 31, 2013. There was no amount due from Siochain as of December 31, 2013.

**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. Stevens Corner is treated as a partnership for income tax purposes. NOAH holds a 0.01% interest as the special limited partner and Stevens Corner GP, Inc. also holds 0.01% interest as a general partner. MHEF XVII, LLC (the Investor) holds a 99.98% ownership interest.

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 December 31, 2013, the Investor has made a total contribution of \$4,331,677 to Stevens Corner, of which the proceeds were used to pay in full a bridge note payable to the Investor. The remaining capital contribution of \$10,000 was made in February, 2014.

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 December 31, 2013, NOAH had earned and received all of the developer fee and overhead reimbursement.

NOAH receives partnership management fees and incentive management fees that are distributable based on cash flow, per the terms of the agreement. During the eighteen months ended December 31, 2013, NOAH earned \$54,356 of fees. As of December 31, 2013, \$26,156 remains unpaid and is included in due to and due from affiliates in the accompanying combined statement of financial position.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

(2) **RELATED PARTY TRANSACTIONS** (Continued)

Combined Entities (Continued)

**Rental Programs** (Continued)

**Stevens Corner Limited Partnership (Stevens Corner)** (Continued)

Stevens Corner was awarded Massachusetts low-income housing tax credits. These tax credits were sold by NOAH to an outside investor during the eighteen months ended December 31, 2013, for \$633,750, which are reflected as proceeds from sale of tax credit in the accompanying combined statement of activities. NOAH used the sale proceeds to make a sponsor loan to Stevens Corner (see Note 5). NOAH has fully reserved the loan because it is not expected to be realized in the near term.

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.

**Other Entities**

NOAH also maintains the following interest in other general partners:

- Siochain Properties, Inc., 0.01% General Partner of Siochain. NOAH owns 100% of this corporation's common stock.
- Stevens Corner GP, Inc., 0.01% General Partner of Stevens Corner. 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.
- 143 Border Street, Inc., was the 68.45% Managing Member of Pace Border. NOAH owns 100% of this 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.

Transactions between NOAH and these combined entities were as follows:

	<b><u>Operating</u></b>	<b><u>Rental Programs</u></b>
Developer fees	\$1,149,419	\$ -
Rent charged for use of space	179,225	-
Property management fees	<u>-</u>	<u>525,493</u>
	<b><u>\$1,328,644</u></b>	<b><u>\$525,493</u></b>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(2) RELATED PARTY TRANSACTIONS** (Continued)

Combined Entities (Continued)

Balances between these entities as of December 31, 2013, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>NOAH CDFI</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivables	\$ -	\$1,127,148	\$186,234	\$1,369,013	\$2,682,395
Peace Properties receivables	18,291	-	-	18,780	37,071
NOAH CDFI receivable	45,000	552,335	-	-	597,335
Stevens Corner LP	<u>-</u>	<u>65,410</u>	<u>-</u>	<u>-</u>	<u>65,410</u>
Subtotal	<u>\$63,291</u>	<u>\$1,744,893</u>	<u>\$186,234</u>	<u>\$1,387,793</u>	3,382,211
Less - allowances for doubtful accounts					<u>1,039,742</u>
Total					<u>\$2,342,469</u>

Uncombined Entity

NOAH and Affiliates' 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 \$20,131 in management fees for the eighteen months ended December 31, 2013. There was \$3,090 due at December 31, 2013.

**(3) RESTRICTED DEPOSITS**

The balance of restricted deposits includes the following as of December 31, 2013:

**Operating:**

**NOAH, Inc.:**

Reserves for capital projects \$ 45,537

**NOAH CDFI:**

Revolving loan fund capital 82,057

Total Operating 127,594

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(3) RESTRICTED DEPOSITS (Continued)**

**Rental Programs:**

**Shalom Properties, Inc.:**

Operating escrows	14,644
Tenant security deposit	24,969
Replacement reserve	<u>18,824</u>

Sub-total Shalom Properties, Inc. 58,437

**Paz Properties, Inc.:**

Operating escrows	12,465
Tenant security deposit	31,833
Replacement reserve	<u>309,598</u>

Sub-total Paz Properties, Inc. 353,896

**Trinity House LLC:**

Operating reserve	89,351
Tenant security deposit	7,048
Replacement reserve	<u>37,312</u>

Sub-total Trinity House LLC 133,711

**Siochain LP:**

Operating reserve	23,569
Tenant security deposit	10,030
Replacement reserve	<u>3,401</u>

Sub-total Siochain LP 37,000

**Stevens Corner:**

Operating reserve and escrow	202,737
Tenant security deposit	21,006
Replacement reserves	<u>17,068</u>

Sub-total Stevens Corner 240,811

Sub-total Rental 823,855

Total restricted deposits 951,449

Less - current portion 280,905

Non-current portion \$670,544

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(4) MORTGAGE AND NOTES PAYABLE**

Mortgage and notes payable consist of the following as of December 31, 2013:

**NOAH, Inc.**

Note payable to Community Economic Development Assistance Corporation (CEDAC), bearing interest at 7.0%, due when funds are disbursed at construction closing of the Sitkowski School, which occurred on January 15, 2014 (see Note 6). Accrued interest at December 31, 2013, totaled \$40,493. \$ 326,587

Note payable to Life Initiatives Support Corporation (LISC), bearing interest at 5.0%, principal and interest are due monthly commencing in June, 2014, through maturity date of June 1, 2022. 150,000

Sub-total NOAH, Inc. 476,587

**Peace Properties, Inc.**

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 143 Border Street building, plus an assignment of rents and leases. The note was assumed by Peace Properties as part of the transfer of Pace Border's assets to Peace Properties (see Note 2). 806,567

Note payable to NeighborWorks Capital Corp. (NCC), bearing interest at 4.5% per annum, compounded quarterly, due and payable on August 4, 2013. This note was extended through February 10, 2014, and was paid subsequent to year-end. This note is secured by the Sitkowski School project (see Note 6). 400,000

Note payable to NCC, bearing interest at 4% per annum, compounded quarterly, due and payable on January 31, 2015. This note is secured by the Coppersmith Village project (see Note 6). 250,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(4) **MORTGAGE AND NOTES PAYABLE** (Continued)

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

Notes payable to City of Boston, formerly MHIC New Market CDE LLC Service I, bearing interest at 2.5% through March 1, 2011, and thereafter 4% through March 1, 2024. Interest-only is due in monthly installments in an amount equal to the lesser of the 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 and accrued interest are due on March 1, 2024. This note is secured by a third mortgage on the 143 Border Street building. This note was assumed by Peace Properties as part of the transfer of Pace Border's assets to Peace Properties (see Note 2).

200,000

Note payable to LISC for the Border Falcon Condo Project, bearing interest at 4% per annum. Principal and interest are due in monthly installments of \$1,266, with principal due no later than the maturity date of September, 2025. This note is secured by the ground lease (see Note 2).

142,248

Sub-total Peace Properties, Inc.

1,798,815

**Shalom Properties, Inc.**

Note payable to Massachusetts Housing Partnership (MHP), bearing interest at 7.97% per annum, due and payable on 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.

439,848

Notes payable to CCO Mortgage, a division of RBS Citizens, bearing interest at 5.375%, due in monthly installments of principal and interest of \$2,772, through December 1, 2033. These notes are secured by a mortgage on the properties.

407,396

Non-interest bearing note payable to MHP, due and payable on October 6, 2017. This note is secured by a mortgage on the properties.

245,339

Non-interest bearing note payable to the City of Boston, due and payable on October 6, 2017, secured by a mortgage on the properties.

245,339

Sub-total Shalom Properties

1,337,922

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(4) **MORTGAGE AND NOTES PAYABLE** (Continued)

**Paz Properties, Inc.**

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 on June 23, 2012. NOAH is currently negotiating with the City of Boston 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 a long-term liability in the accompanying combined financial statements.	727,245
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.	573,439
Non-interest bearing note payable to MHP, due and payable on October 3, 2031, secured by second mortgages on 115 and 109 Everett Street and 376 Summer Street.	561,316
Non-interest bearing note payable to MHP, due and payable on October 3, 2031, secured by a second mortgage on 115 Everett Street.	452,369
Non-interest bearing note payable to MHP, due and payable on October 3, 2021, secured by a second mortgage on 115 Everett Street.	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 on 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.	<u>332,357</u>
Sub-total Paz Properties, Inc.	<u>3,046,726</u>



NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(4) **MORTGAGE AND NOTES PAYABLE** (Continued)

**Siochain Properties LP**

A mortgage note, which originated on July 9, 2002, is held by 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 principal and interest are due in monthly installments of \$1,634 through July, 2022, at which time a balloon payment of \$102,143 is due in full. The note is collateralized (first mortgage) by investment in real estate.

180,875

A mortgage note, which originated on July 9, 2002, is held by 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 rate 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.

83,014

Sub-total Siochain Properties LP

263,889

**Stevens Corner LP**

Note payable to NOAH, bearing interest at 5% through the maturity date of August 15, 2041. Principal and interest are due and payable solely to the extent of available cash flow as set forth in the operating agreement. The note may be prepaid in whole or in part at any time without penalty. The note is secured by a third mortgage on the property. Deferred interest on this note was \$29,961 as of December 31, 2013. There was \$99,910 of principal and \$10,563 of interest due in 2013 based on 2012 cash flow, which was paid in full during 2013. There is \$22,661 of principal and \$29,961 of interest due in 2014 based on 2013 cash flow.

533,840

A mortgage note, which originated on August 28, 2012, is held by MHP in the original amount of \$1,419,000. Principal and interest are due in monthly installments, with interest at 7.04%, amortized over a thirty-year period through August 23, 2032. This note is secured by a first mortgage on the Property, and an assignment of leases and rents (see Note 2).

1,400,961

1,934,801

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(4) **MORTGAGE AND NOTES PAYABLE** (Continued)

**Benfield Farms Limited Partnership**

Construction note payable to Bank of America, up to \$6,650,000, bearing interest at the London Interbank Offered Rate (LIBOR) Daily Rate plus 3.25%, with a minimum interest rate of 5% annually. Interest-only is due monthly through the earlier of assigning the note to MHP or December 1, 2014. As of December 31, 2013, interest accrued was \$23,634, which was capitalized. As of December 31, 2013, Benfield and MHP have a commitment agreement to assign the note to MHP and is expected to close on the financing at the end of 2016. Subsequent to December 31, 2013, there was a pay down of \$1,500,000 on the loan.

4,809,563

Total

\$13,668,303

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

2014	\$ 837,578
2015	\$5,742,296
2016	\$ 126,202
2017	\$ 413,368
2018	\$ 94,771

The mortgage and notes payable agreements contain various covenants with which NOAH and Affiliates must comply. NOAH and Affiliates were in compliance with these covenants at December 31, 2013.

(5) **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.

Contingent loans and advances are as follows as of December 31, 2013:

**Rental Programs**

**Shalom Properties, Inc.**

Note payable to the City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due December, 2022. \$ 164,000

Note payable the City of Boston through its lead paint abatement program. The note is non-interest bearing, maturing on August 21, 2017, and is due and payable on sale or transfer of property. If conditions are met for a period of five years, the entire amount will be forgiven. 29,525

Sub-total Shalom Properties, Inc.

193,525

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2013

(Continued)

(5) CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs

Paz Properties, Inc.

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

438,637

Note payable to the City of Boston for improvements at 108-110 White 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 a second mortgage on 108-110 White Street and an assignment of rents and leases. Payments are due based on cash flows as outlined in the agreement. There were no amounts due as of December 31, 2013.

343,339

Note payable to the 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 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 449-451 Saratoga Street and an assignment of rents and leases. Payments are due based on cash flows as outlined in the agreement. There were no amounts due as of December 31, 2013.

329,895

Note payable to the City of Boston through its lead paint abatement program. The note is non-interest bearing, maturing on August 21, 2017, and is due and payable on sale or transfer of property. If certain conditions are met for a period of five years, the entire amount will be forgiven.

13,951

Sub-total Paz Properties, Inc. 1,125,822

Trinity House LLC

A non-recourse mortgage note payable to the City of Boston, Public Facilities Department in the original amount of \$873,515. The note accrues interest at 1% per annum, compounded annually. Accrued interest totaled \$49,710 as of December 31, 2013. Principal and interest are due on 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 an assignment of leases and rents.

862,094

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(5) CONTINGENT LOANS AND ADVANCES (Continued)**

**Rental Programs (Continued)**

**Trinity House LLC (Continued)**

Second mortgage note, which originated on August 6, 1992, is held by the City of Boston, Public Facilities Department 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 are 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 \$89,558 as of December 31, 2013. The note is secured by a mortgage on 406 Meridian Street and an assignment of leases.

418,170

Sub-total Trinity House LLC

1,280,264

**Siochain Properties LP**

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 \$360,926 as of December 31, 2013. Final payment is due in March, 2031. The note is collateralized by investment in real estate.

380,000

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 annum, 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 December 31, 2013. Accrued interest totaled \$609,722 as of December 31, 2013. Final payment is due in October, 2030. The note is collateralized by investment in real estate.

380,000

Sub-total Siochain Properties LP

760,000

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**  
(Continued)

(5) **CONTINGENT LOANS AND ADVANCES** (Continued)

**Rental Programs** (Continued)

**Stevens Corner Limited Partnership**

<p>3.00% note payable to the Town of North Andover. Accrued interest and principal are 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. The note is secured by a shared second mortgage on the property.</p>	1,338,581
<p>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.</p>	985,000
<p>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. A payment of \$56,228 was made in 2013 based on cost savings from development of the property. There is no payment due in 2014 based on 2013 cash flow.</p>	668,772
<p>Non-interest bearing note payable to 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. A payment of \$10,327 was made in 2013 based on 2012 cash flow. There is no payment due in 2014 based on 2013 cash flow.</p>	352,138
<p>3.00% note payable to the North Shore HOME Consortium. Accrued interest and principal are 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.</p>	175,000

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(5) CONTINGENT LOANS AND ADVANCES (Continued)**

**Rental Programs (Continued)**

**Stevens Corner Limited Partnership (Continued)**

3.00% note payable to the Town of Andover through the North Shore HOME Consortium. Accrued interest and principal are 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.

75,000

Sub-total Stevens Corner

3,594,491

**Benfield Farms Limited Partnership**

Non-interest bearing note payable for borrowings up to \$495,000 to DHCD (the Commonwealth of Massachusetts). The note is secured by the Benfield Farms Project (the Project) (see Note 6) and is due on January 5, 2044, with the option to extend the maturity date for a period up to the original term of the note in order to maintain the affordability restriction on the Project.

467,500

Non-interest bearing note payable to the Town of Carlisle, AHT, for the Project. The note is secured by the Project and is due on January 5, 2044, with the option to extend the maturity date for a period up to the original term of the note in order to maintain the affordability restriction on the Project.

425,000

Non-interest bearing note payable for borrowings up to \$495,000 to MHP through the Commonwealth of Massachusetts, acting as agent for the Housing Stabilization Fund (HSF), for the Project, due and payable on January 5, 2064, with the option to extend the maturity date for a period up to the original term of the note in order to maintain the affordability restriction on the Project.

292,000

Sub-total Benfield Farms

1,184,500

Total Rental

\$8,138,602

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(6) PROJECTS UNDER DEVELOPMENT**

Projects under development consist of projects still under development and in the pre-development stage. All costs related to these projects have been capitalized and include the acquisition price and pre-development and developments costs. Once these projects are complete, the developments will become rental properties.

The following projects were under development during the eighteen months ended December 31, 2013:

**Benfield Farms – Carlisle, MA**

Benfield Farms Project is the development of twenty-six (26) housing units for senior independent living (the Project) located in Carlisle, Massachusetts. The units consist of seventeen one-bedroom units and nine two-bedroom units. The land is owned by the Carlisle Housing Authority and is leased to the developer (NOAH) under a ninety-nine (99) year lease under the terms of a regulatory agreement. Financing for the Project will be through an application to DHCD for LIHTC, AHTF, HSF, and HOME funds (see Note 9). 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 from Bank of America. The total development cost of the Project is approximately \$9 million. Bank of America has been selected as an Investor for the tax credit equity and construction loan. Construction financing closed in May, 2013.

**A.J. Sitkowski School – Webster, MA**

The A.J. Sitkowski School project is the development of sixty-six (66) housing units for senior independent living located in Webster, Massachusetts. The project will consist of fourteen (14) two-bedroom units and forty-six (46) one-bedroom units, and a new senior center. DHCD is expected to provide tax credits and plans to fund a portion of the development costs of the project. Permanent financing will be provided by MassHousing and a construction loan from Citizens Bank. The total development cost of the project is expected to be \$20.5 million. The project closed on construction financing on January 15, 2014 (see Note 9).

**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 site have accepted a verbal offer from NOAH to purchase the site. No purchase and sale agreement has been executed. The project will consist of seventy-five (75) housing units and some commercial/retail space.

Projects under development as of December 31, 2013, consist of:

Benfield Farms	\$ 8,691,913
A.J. Sitkowski School	2,302,178
Coppersmith Village	348,184
Other	<u>43,631</u>
Total projects under development	<u>\$11,385,906</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(7) PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2013:

	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Rental buildings and improvements	\$2,564,200	\$20,833,237	\$23,397,437
Land and improvements	198,946	710,366	909,312
Office furniture, fixtures and equipment	202,199	-	202,199
Rental furniture and equipment	23,331	-	23,331
Leasehold improvements	<u>18,598</u>	<u>-</u>	<u>18,598</u>
	3,007,274	21,543,603	24,550,877
Less - accumulated depreciation	739,223	4,625,565	5,364,788
Less - elimination	<u>-</u>	<u>169,655</u>	<u>169,655</u>
	<u>\$2,268,051</u>	<u>\$16,748,383</u>	<u>\$19,016,434</u>

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

**(8) LOANS RECEIVABLE**

NOAH CDFI has outstanding loans receivable from local residents for purchase and/or rehabilitation of low to moderate income housing of \$341,091, less an allowance for doubtful accounts of \$149,451 as of December 31, 2013. In addition, NOAH CDFI has a loan outstanding for \$483,974 from Peace Properties. 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 December 31, 2013:

<u>Funding Source</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
NW (see Note 1)	7	\$341,091	\$149,451	\$191,640
Other - inter-company	<u>1</u>	<u>483,974</u>	<u>-</u>	<u>483,974</u>
Subtotal	<u>8</u>	<u>\$825,065</u>	<u>\$149,451</u>	675,614
Less - elimination				<u>483,974</u>
Total				<u>\$191,640</u>



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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(8) LOANS RECEIVABLE** (Continued)

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

2014	\$279,630
2015	\$ 6,990
2016	\$218,335
2017	\$ 7,737
2018	\$ 8,124

In July, 2012, NW approved a capital write-down of \$41,115 for a delinquent loan that was not recoverable. 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 in December, 2039. This loan is fully reserved by NOAH CDFI because the amount is not expected to be realized in the near term.

**(9) COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS**

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).

NOAH has been notified of the following financing commitments as of December 31, 2013, and subsequent to year-end:

- Non-interest bearing note payable to DHCD, through the Commonwealth of Massachusetts, acting as agent for the Affordable Housing Trust Fund (AHTF), for Benfield Farms LP. The note allows for borrowings up to \$850,000, is secured by the Project (see Note 6), and is due on January 5, 2044.
- 4.32% note payable to MHP for Benfield Farms LP. The note allows for borrowings up to \$1,450,000 and is due on March 30, 2034.
- 2% note payable to DHCD for Sitkowski LP. The note allows for borrowings up to \$715,000 and has a term of thirty months.
- 5% note payable to Massachusetts Housing Finance Agency (MHFA) for Sitkowski LP. The note allows for borrowings up to \$1,750,000.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013**

(Continued)

**(9) COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)**

- 3.32% sponsor loan from NOAH funded by State LIHTC tax credit equity for Sitkowski LP. The note allows for borrowings up to \$2,700,000.
- 3.32% sponsor loan from NOAH funded by State Historic tax credit equity for Sitkowski LP. The note allows for borrowings up to \$1,691,000.
- 2% note payable to MassHousing for Sitkowski LP. The note allows for borrowings up to \$2,006,047.
- 1% note payable to NCC for the Coppersmith Village project. The note allows for borrowings up to \$250,000.

**(10) CAPITAL LEASES**

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

2014	\$13,056
2015	<u>5,483</u>
	18,539
Less - current portion	<u>13,056</u>
Long-term capital lease	<u>\$ 5,483</u>

**(11) 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.

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

**SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - OPERATING  
DECEMBER 31, 2013**

<u>ASSETS</u>	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>					
Cash - operating	\$ 557,294	\$ 20,481	\$ 76,074	\$ -	\$ 653,849
Cash - development	326,587	149,211	-	-	475,798
Current portion of restricted deposits	45,537	-	82,057	-	127,594
Current portion of contracts, loans and other receivables	211,988	18,291	279,630	(291,291)	218,618
Current portion of due from affiliates	813,252	-	24,793	(811,889)	26,156
Prepaid expenses and other	3,707	895	2,083	-	6,685
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	1,958,365	188,878	464,637	(1,103,180)	1,508,700
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES, net of</b>					
current portion and allowance for doubtful accounts of \$641,803	-	-	395,984	(211,283)	184,701
<b>DUE FROM AFFILIATES, net of current portion and</b>					
allowance for doubtful accounts of \$441,991	860,533	-	88,568	(507,096)	442,005
<b>FINANCING AND TAX CREDIT FEES, net</b>					
	-	10,156	-	-	10,156
<b>PROJECTS UNDER DEVELOPMENT</b>					
	-	2,693,993	-	-	2,693,993
<b>PROPERTY AND EQUIPMENT, net</b>					
	34,544	2,233,507	-	-	2,268,051
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 2,853,442</u>	<u>\$ 5,126,534</u>	<u>\$ 949,189</u>	<u>\$ (1,821,559)</u>	<u>\$ 7,107,606</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>					
<b>CURRENT LIABILITIES:</b>					
Current portion of mortgages and notes payable	\$ 326,587	\$ 413,669	\$ -	\$ -	\$ 740,256
Current portion of accrued interest	40,493	-	-	-	40,493
Current portion of capital lease obligation	13,056	-	-	-	13,056
Accounts payable and other liabilities	167,916	109,247	1,895	-	279,058
Developer fee payable	-	364,954	-	(364,954)	-
Current portion of due to affiliates	18,291	719,935	-	(738,226)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	566,343	1,607,805	1,895	(1,103,180)	1,072,863
<b>LONG-TERM LIABILITIES:</b>					
Mortgages and notes payable, net of current portion	150,000	1,385,146	-	-	1,535,146
Due to affiliates, net of current portion	45,000	660,004	186,234	(825,828)	65,410
Capital lease obligation, net of current portion	5,483	-	-	-	5,483
Construction payable	-	584,034	-	-	584,034
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total long-term liabilities	200,483	2,629,184	186,234	(825,828)	2,190,073
Total liabilities	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	766,826	4,236,989	188,129	(1,929,008)	3,262,936
<b>NET ASSETS:</b>					
Unrestricted:					
Operating	1,553,952	(69,580)	648,455	(16,019)	2,116,808
Development	(90,493)	407,005	-	-	316,512
Property and equipment	16,005	434,844	-	(493,106)	(42,257)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted	1,479,464	772,269	648,455	(509,125)	2,391,063
Temporarily restricted					
	547,708	-	-	-	547,708
Permanently restricted - NW capital funds					
	59,444	117,276	112,605	616,574	905,899
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	2,086,616	889,545	761,060	107,449	3,844,670
Total liabilities and net assets	<u>\$ 2,853,442</u>	<u>\$ 5,126,534</u>	<u>\$ 949,189</u>	<u>\$ (1,821,559)</u>	<u>\$ 7,107,606</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENT OF ACTIVITIES - OPERATING**  
**FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

<b><u>UNRESTRICTED NET ASSETS</u></b>	<b><u>NOAH, INC.</u></b>	<b><u>PEACE AND AMANI PROPERTIES</u></b>	<b><u>NOAH CDFI</u></b>	<b><u>PACE BORDER LLC</u></b>	<b><u>ELIMI- NATIONS</u></b>	<b><u>TOTAL</u></b>
<b>OPERATING REVENUES:</b>						
Rental income	\$ 53,280	\$ 111,965	\$ -	\$ 150,606	\$ (179,225)	\$ 136,626
Project management and developer fees	1,149,419	-	-	-	-	1,149,419
Contracts, grants and other fees	880,616	-	-	-	-	880,616
Interest income and other	50,029	386	42,230	-	-	92,645
Property management fees	545,624	-	-	-	-	545,624
Net assets released from purpose restrictions	<u>1,064,644</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,064,644</u>
Total operating revenues	<u>3,743,612</u>	<u>112,351</u>	<u>42,230</u>	<u>150,606</u>	<u>(179,225)</u>	<u>3,869,574</u>
<b>OPERATING EXPENSES:</b>						
Central Administration	607,438	-	-	57,998	(36,669)	628,767
Senior Home Repair	406,255	-	-	21,176	(14,553)	412,878
Housing Counseling	71,076	-	-	3,715	(4,082)	70,709
Community Services	534,244	-	-	27,848	(29,792)	532,300
Homebuyer Services	751,145	-	-	39,154	(36,922)	753,377
Real Estate and Economic Development	371,025	139,847	-	61,179	(35,673)	536,378
Property Management	451,758	-	-	23,548	(21,534)	453,772
NOAH CDFI	<u>-</u>	<u>-</u>	<u>19,907</u>	<u>-</u>	<u>-</u>	<u>19,907</u>
Total operating expenses	<u>3,192,941</u>	<u>139,847</u>	<u>19,907</u>	<u>234,618</u>	<u>(179,225)</u>	<u>3,408,088</u>
Changes in unrestricted net assets from operations	<u>550,671</u>	<u>(27,496)</u>	<u>22,323</u>	<u>(84,012)</u>	<u>-</u>	<u>461,486</u>
<b>NON-OPERATING REVENUES (EXPENSE):</b>						
Forgiveness of debt and accrued interest, net	(300,000)	1,239,917	-	-	(361,456)	578,461
Proceeds from sale of tax credits	633,750	-	-	-	-	633,750
Provision for allowance on related party loans and advances	(511,179)	-	-	-	-	(511,179)
Net assets released from capital restriction	<u>23,056</u>	<u>-</u>	<u>316,944</u>	<u>-</u>	<u>-</u>	<u>340,000</u>
Total non-operating revenues (expenses)	<u>(154,373)</u>	<u>1,239,917</u>	<u>316,944</u>	<u>-</u>	<u>(361,456)</u>	<u>1,041,032</u>
Changes in unrestricted net assets	<u>396,298</u>	<u>1,212,421</u>	<u>339,267</u>	<u>(84,012)</u>	<u>(361,456)</u>	<u>1,502,518</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>						
<b>GRANTS AND CONTRIBUTIONS</b>	1,200,363	-	-	-	-	1,200,363
<b>NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS</b>	<u>(1,064,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,064,644)</u>
Changes in temporarily restricted net assets	<u>135,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,719</u>
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>						
<b>PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS</b>	-	-	(15,760)	-	-	(15,760)
<b>NW FUND INVESTMENTS RELEASED FROM RESTRICTION</b>	<u>(23,056)</u>	<u>-</u>	<u>(316,944)</u>	<u>-</u>	<u>-</u>	<u>(340,000)</u>
Changes in permanently restricted net assets	<u>(23,056)</u>	<u>-</u>	<u>(332,704)</u>	<u>-</u>	<u>-</u>	<u>(355,760)</u>
Changes in net assets	<u>\$ 508,961</u>	<u>\$ 1,212,421</u>	<u>\$ 6,563</u>	<u>\$ (84,012)</u>	<u>\$ (361,456)</u>	<u>\$ 1,282,477</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF CHANGES IN NET ASSETS - OPERATING  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>NET ASSETS, June 30, 2012</b>	\$ 1,577,655	\$ 21,632	\$ 754,497	\$ (260,496)	\$ 468,905	\$ 2,562,193
Net asset transfer	-	(344,508)	-	344,508	-	-
Changes in net assets	<u>508,961</u>	<u>1,212,421</u>	<u>6,563</u>	<u>(84,012)</u>	<u>(361,456)</u>	<u>1,282,477</u>
<b>NET ASSETS, December 31, 2013</b>	<u><u>\$ 2,086,616</u></u>	<u><u>\$ 889,545</u></u>	<u><u>\$ 761,060</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 107,449</u></u>	<u><u>\$ 3,844,670</u></u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - OPERATING  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Changes in unrestricted net assets from operations	\$ 550,671	\$ (27,496)	\$ 22,323	\$ (84,012)	\$ -	\$ 461,486
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:						
Depreciation and amortization	29,321	47,143	-	65,497	-	141,961
Bad debt	15,326	-	-	-	-	15,326
Changes in operating assets and liabilities:						
Contracts, loans and other receivables	13,407	(18,291)	24,438	16,900	34,066	70,520
Prepaid expenses and other	4,631	(895)	(832)	734	-	3,638
Accounts payable and other liabilities	16,726	109,247	(105)	(12,348)	-	113,520
Developer fee payable	-	-	-	(9,012)	9,012	-
Accrued interest	28,976	-	-	-	-	28,976
Due from affiliates	(918,362)	-	(24,793)	-	800,142	(143,013)
Net decrease in temporarily restricted net assets	<u>135,719</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>135,719</u>
Net cash provided by (used in) operating activities	<u>(123,585)</u>	<u>109,708</u>	<u>21,031</u>	<u>(22,241)</u>	<u>843,220</u>	<u>828,133</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>						
Increase in projects under development	-	(383,222)	-	-	(473,926)	(857,148)
Issuance of notes receivable	(511,179)	-	-	-	-	(511,179)
(Increase) decrease in restricted deposits	(45,537)	-	25,023	15,000	-	(5,514)
Acquisition of property and equipment	<u>(6,870)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,870)</u>
Net cash provided by (used in) investing activities	<u>(563,586)</u>	<u>(383,222)</u>	<u>25,023</u>	<u>15,000</u>	<u>(473,926)</u>	<u>(1,380,711)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>						
Due to affiliates	18,291	351,003	-	-	(369,294)	-
Principal payments of mortgages and notes payable	(52,985)	(163,802)	-	(18,433)	-	(235,220)
Proceeds from mortgages and notes payable	192,891	250,000	-	-	-	442,891
Proceeds from sale of tax credits	633,750	-	-	-	-	633,750
Principal payments of capital lease obligation	<u>(19,584)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,584)</u>
Net cash provided by (used in) financing activities	<u>772,363</u>	<u>437,201</u>	<u>-</u>	<u>(18,433)</u>	<u>(369,294)</u>	<u>821,837</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>85,192</b>	<b>163,687</b>	<b>46,054</b>	<b>(25,674)</b>	<b>-</b>	<b>269,259</b>
<b>CASH, beginning of year</b>	<u>798,689</u>	<u>6,005</u>	<u>30,020</u>	<u>25,674</u>	<u>-</u>	<u>860,388</u>
<b>CASH, end of year</b>	<u>\$ 883,881</u>	<u>\$ 169,692</u>	<u>\$ 76,074</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,647</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>						
Cash paid for interest	<u>\$ 27,819</u>	<u>\$ 38,424</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,243</u>
Projects under development financed with accounts payable and developer fee payable	<u>\$ -</u>	<u>\$ 948,988</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 948,988</u>
Forgiveness of debt	<u>\$ -</u>	<u>\$ 1,239,917</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,239,917</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS  
DECEMBER 31, 2013

<u>ASSETS</u>	<u>NON-SYNDICATED PROGRAMS</u>			<u>SYNDICATED PROGRAMS</u>			<u>TOTAL</u>
	<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>BENFIELD FARMS LP</u>	
<b>CURRENT ASSETS:</b>							
Cash - operating	\$ 33,525	\$ 172,715	\$ 109,403	\$ 48,013	\$ 59,664	\$ -	\$ 423,320
Cash - development	-	-	-	-	-	19,353	19,353
Current portion of restricted deposits	39,613	44,298	7,048	10,030	52,322	-	153,311
Contracts, loans and other receivables	2,709	6,540	3,425	8,098	11,707	-	32,479
Prepaid expenses and other	24,386	29,834	11,931	1,727	5,510	-	73,388
Total current assets	100,233	253,387	131,807	67,868	129,203	19,353	701,851
<b>RESTRICTED DEPOSITS, net of current portion</b>	18,824	309,598	126,663	26,970	188,489	-	670,544
<b>FINANCING AND TAX CREDIT FEES, net</b>	-	-	-	-	95,696	-	95,696
<b>PROJECTS UNDER DEVELOPMENT</b>	-	-	-	-	-	8,691,913	8,691,913
<b>PROPERTY AND EQUIPMENT, net</b>	1,763,964	3,266,636	1,253,218	1,674,778	8,959,442	-	16,918,038
Total assets	<u>\$ 1,883,021</u>	<u>\$ 3,829,621</u>	<u>\$ 1,511,688</u>	<u>\$ 1,769,616</u>	<u>\$ 9,372,830</u>	<u>\$ 8,711,266</u>	<u>\$ 27,078,042</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>							
<b>CURRENT LIABILITIES:</b>							
Current portion of mortgages and notes payable	\$ 46,641	\$ 19,610	\$ -	\$ 15,455	\$ 38,277	\$ -	\$ 119,983
Current portion of accrued interest	-	-	-	-	30,088	-	30,088
Accounts payable and other liabilities	51,264	52,286	23,982	24,804	41,294	-	193,630
Deferred revenue	-	241	772	-	5,907	-	6,920
Current portion of due to affiliates	-	-	-	-	26,156	-	26,156
Total current liabilities	97,905	72,137	24,754	40,259	141,722	-	376,777
<b>LONG-TERM LIABILITIES:</b>							
Mortgages and notes payable, net of current portion	1,291,281	3,027,115	-	248,434	1,896,524	4,809,563	11,272,917
Due to affiliates, net of current portion	51,473	-	116,437	76,201	-	-	244,111
Construction payable	-	-	-	-	-	2,275,198	2,275,198
Accrued interest, net of current portion	-	-	139,268	970,648	208,718	-	1,318,634
Developer fee payable	-	-	-	111,593	-	442,005	553,598
Contingent loans and advances	193,525	1,125,822	1,280,264	760,000	3,594,491	1,184,500	8,138,602
Total long-term liabilities	1,536,279	4,152,937	1,535,969	2,166,876	5,699,733	8,711,266	23,803,060
Total liabilities	1,634,184	4,225,074	1,560,723	2,207,135	5,841,455	8,711,266	24,179,837
<b>NET ASSETS:</b>							
Unrestricted:							
Operating	48,969	200,860	107,053	43,064	55,846	-	455,792
Property and equipment	(132)	(803,421)	(156,088)	(480,583)	3,475,529	-	2,035,305
Total unrestricted	48,837	(602,561)	(49,035)	(437,519)	3,531,375	-	2,491,097
Temporarily restricted	100,000	-	-	-	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	-	-	-	307,108
Total net assets	248,837	(395,453)	(49,035)	(437,519)	3,531,375	-	2,898,205
Total liabilities and net assets	<u>\$ 1,883,021</u>	<u>\$ 3,829,621</u>	<u>\$ 1,511,688</u>	<u>\$ 1,769,616</u>	<u>\$ 9,372,830</u>	<u>\$ 8,711,266</u>	<u>\$ 27,078,042</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF ACTIVITIES - RENTAL PROGRAMS  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<u>NON-SYNDICATED PROGRAMS</u>			<u>SYNDICATED PROGRAMS</u>		
	<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>
<b><u>UNRESTRICTED NET ASSETS:</u></b>						
<b>OPERATING REVENUES:</b>						
Rental income, net of vacancies	\$ 617,901	\$ 706,073	\$ 241,857	\$ 251,573	\$ 818,226	\$ 2,635,630
Interest income and other	<u>5,228</u>	<u>10,946</u>	<u>129</u>	<u>1,186</u>	<u>14,311</u>	<u>31,800</u>
Total operating revenues	623,129	717,019	241,986	252,759	832,537	2,667,430
<b>OPERATING EXPENSES:</b>						
Rental Programs	<u>582,344</u>	<u>729,990</u>	<u>332,218</u>	<u>454,865</u>	<u>1,207,295</u>	<u>3,306,712</u>
Changes in unrestricted net assets from operations	<u>40,785</u>	<u>(12,971)</u>	<u>(90,232)</u>	<u>(202,106)</u>	<u>(374,758)</u>	<u>(639,282)</u>
<b>NON-OPERATING REVENUE (EXPENSES):</b>						
Forgiveness of debt	-	70,386	-	-	-	70,386
Proceeds from sale of tax credits	-	-	-	-	63,244	63,244
Provision for allowance on related party loans and advances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(65,410)</u>	<u>(65,410)</u>
Total non-operating revenues (expenses)	<u>-</u>	<u>70,386</u>	<u>-</u>	<u>-</u>	<u>(2,166)</u>	<u>68,220</u>
Changes in net assets	<u>\$ 40,785</u>	<u>\$ 57,415</u>	<u>\$ (90,232)</u>	<u>\$ (202,106)</u>	<u>\$ (376,924)</u>	<u>\$ (571,062)</u>



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

**SUPPLEMENTARY COMBINING STATEMENT OF CHANGES IN NET ASSETS -  
RENTAL PROGRAMS  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<u>NON-SYNDICATED PROGRAMS</u>			<u>SYNDICATED PROGRAMS</u>		<u>TOTAL</u>
	<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>	
<b>NET ASSETS, June 30, 2012</b>	\$ 208,052	\$ (452,868)	\$ 41,197	\$ (235,413)	\$ 3,072,891	\$ 2,633,859
Capital contributions	-	-	-	-	835,408	835,408
Changes in net assets	<u>40,785</u>	<u>57,415</u>	<u>(90,232)</u>	<u>(202,106)</u>	<u>(376,924)</u>	<u>(571,062)</u>
<b>NET ASSETS, December 31, 2013</b>	<u>\$ 248,837</u>	<u>\$ (395,453)</u>	<u>\$ (49,035)</u>	<u>\$ (437,519)</u>	<u>\$ 3,531,375</u>	<u>\$ 2,898,205</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - RENTAL PROGRAMS  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	NON-SYNDICATED PROGRAMS			SYNDICATED PROGRAMS			TOTAL
	SHALOM	PAZ	TRINITY	SIOCHAIN	STEVENS	BENFIELD	
	PROPERTIES, INC.	PROPERTIES, INC.	HOUSE LLC	PROPERTIES, LP	CORNER LP	FARMS LP	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Changes in unrestricted net assets from operations	\$ 40,785	\$ (12,971)	\$ (90,232)	\$ (202,106)	\$ (374,758)	\$ -	\$ (639,282)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:							
Depreciation and amortization	85,262	181,741	94,573	89,814	378,633	-	830,023
Bad debt	2,475	7,922	3,758	7,023	-	-	21,178
Changes in operating assets and liabilities:							
Contracts, loans and other receivables	(771)	(5,523)	861	(10,379)	108,138	-	92,326
Prepaid expenses and other	(12,159)	(17,156)	(8,324)	1,888	(5,510)	-	(41,261)
Accounts payable and other liabilities	6,085	9,415	(4,563)	10,343	(129,728)	-	(108,448)
Deferred revenue	-	(739)	772	-	2,897	-	2,930
Developer fee payable	-	-	-	-	(430,548)	442,005	11,457
Accrued interest	-	-	20,552	157,726	132,826	-	311,104
Due to affiliates	-	-	(16,249)	-	26,156	-	9,907
Net cash provided by (used in) operating activities	<u>121,677</u>	<u>162,689</u>	<u>1,148</u>	<u>54,309</u>	<u>(291,894)</u>	<u>442,005</u>	<u>489,934</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Increase in projects under development	-	-	-	-	-	(6,416,715)	(6,416,715)
Financing fees	-	-	-	-	(23,193)	-	(23,193)
Capital contributions	-	-	-	-	835,408	-	835,408
(Increase) decrease in restricted deposits	16,624	(17,083)	(20,731)	(1,487)	65,359	-	42,682
Acquisition of property and equipment	(89,261)	(45,737)	(16,643)	(12,586)	(94,667)	-	(258,894)
Net cash provided by (used in) investing activities	<u>(72,637)</u>	<u>(62,820)</u>	<u>(37,374)</u>	<u>(14,073)</u>	<u>782,907</u>	<u>(6,416,715)</u>	<u>(5,820,712)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Principal payments of mortgages and notes payable	(64,327)	(33,834)	-	(21,677)	(2,477,387)	-	(2,597,225)
Proceeds from mortgages and notes payable and contingent loans and advances	29,525	13,950	-	-	1,934,801	5,994,063	7,972,339
Proceeds for sale of tax credits	-	-	-	-	63,244	-	63,244
Net cash provided by (used in) financing activities	<u>(34,802)</u>	<u>(19,884)</u>	<u>-</u>	<u>(21,677)</u>	<u>(479,342)</u>	<u>5,994,063</u>	<u>5,438,358</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>14,238</b>	<b>79,985</b>	<b>(36,226)</b>	<b>18,559</b>	<b>11,671</b>	<b>19,353</b>	<b>107,580</b>
<b>CASH, beginning of year</b>	<b>19,287</b>	<b>92,730</b>	<b>145,629</b>	<b>29,454</b>	<b>47,993</b>	<b>-</b>	<b>335,093</b>
<b>CASH, end of year</b>	<b><u>\$ 33,525</u></b>	<b><u>\$ 172,715</u></b>	<b><u>\$ 109,403</u></b>	<b><u>\$ 48,013</u></b>	<b><u>\$ 59,664</u></b>	<b><u>\$ 19,353</u></b>	<b><u>\$ 442,673</u></b>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -</b>							
Cash paid for interest	<u>\$ 89,186</u>	<u>\$ 82,663</u>	<u>\$ 1,270</u>	<u>\$ 27,350</u>	<u>\$ 144,439</u>	<u>\$ -</u>	<u>\$ 344,908</u>
Capitalized interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,108</u>	<u>\$ 224,108</u>
Projects under development financed with accounts payable and developer fee payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,717,203</u>	<u>\$ 2,717,203</u>
Forgiveness of debt	<u>\$ -</u>	<u>\$ 70,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,386</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF FUNCTIONAL EXPENSES - RENTAL PROGRAMS  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

	<u>NON-SYNDICATED PROGRAMS</u>			<u>SYNDICATED PROGRAMS</u>		
	<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>
<b>PERSONNEL AND RELATED COSTS:</b>						
Consulting and contract labor	\$ 26,965	\$ 28,831	\$ 27,052	\$ 13,107	\$ 194,063	\$ 290,018
<b>OTHER EXPENSES:</b>						
Interest expense and bank fees	89,186	82,663	21,822	185,076	277,265	656,012
Repairs, maintenance and security	166,906	209,169	56,176	68,750	48,276	549,277
Insurance and taxes	91,282	96,105	27,023	35,095	75,375	324,880
Telephone and utilities	69,490	67,936	27,250	23,926	106,547	295,149
Program expenses	10,367	21,164	51,289	6,060	72,998	161,878
Professional fees	14,975	16,500	19,799	22,925	33,970	108,169
Bad debt	2,475	7,922	3,758	7,023	-	21,178
Equipment rental and purchases	2,256	6,366	409	1,900	10,228	21,159
Condo fee	19,368	-	-	-	-	19,368
Miscellaneous	1,486	1,425	3,067	1,189	9,077	16,244
Travel and conferences	2,326	10,168	-	-	863	13,357
Total other expenses	<u>470,117</u>	<u>519,418</u>	<u>210,593</u>	<u>351,944</u>	<u>634,599</u>	<u>2,186,671</u>
Total expenses before depreciation and amortization	497,082	548,249	237,645	365,051	828,662	2,476,689
<b>DEPRECIATION AND AMORTIZATION</b>	<u>85,262</u>	<u>181,741</u>	<u>94,573</u>	<u>89,814</u>	<u>378,633</u>	<u>830,023</u>
Total expenses	<u>\$ 582,344</u>	<u>\$ 729,990</u>	<u>\$ 332,218</u>	<u>\$ 454,865</u>	<u>\$ 1,207,295</u>	<u>\$ 3,306,712</u>

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

**SUPPLEMENTARY SCHEDULE OF  
NEIGHBORWORKS AMERICA'S RESTRICTED NET ASSETS  
DECEMBER 31, 2013**

	<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>
<b>RESTRICTED DEPOSITS:</b>				
NOAH CDFI	\$ 1,204	\$ -	\$ -	\$ 1,204
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES:</b>				
NOAH CDFI - loan receivable from Peace Properties and Amani Properties	94,350	-	-	94,350
NOAH CDFI - loans receivable - Homeownership program	145,851	(34,450)	-	111,401
NOAH CDFI - loans receivable from Cutler Heights Housing LP	115,000	(115,000)	-	-
NOAH - loan receivable from Peace Properties - Sitowski School	176,944	(117,500)	117,500	176,944
<b>INVESTMENT:</b>				
Peace Properties investment	452,000	(429,074)	429,074	452,000
<b>PROPERTY AND EQUIPMENT:</b>				
Shalom Properties	100,000	-	-	100,000
Paz Properties	207,108	-	-	207,108
<b>PROJECT UNDER DEVELOPMENT:</b>				
Peace Properties - Border Falcon Street	<u>70,000</u>	<u>(70,000)</u>	<u>70,000</u>	<u>70,000</u>
Total assets	<u>\$ 1,362,457</u>	<u>\$ (766,024)</u>	<u>\$ 616,574</u>	<u>\$ 1,213,007</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.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE EIGHTEEN MONTHS ENDED DECEMBER 31, 2013**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY OR PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Passed through the City of Boston - Department of Neighborhood Development:			
Community Development Block Grants/Entitlement Grants*	14.218	N/A	\$ 1,385,874
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	11,184
<b><u>U.S. Department of Treasury:</u></b>			
Passed through Neighborworks @ America Enabling Legislation:			
Permanent Capital Funds	21.000	N/A	1,362,457
Expendable Grants	21.000	N/A	<u>342,187</u>
Total CFDA 21.000			<u>1,704,644</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$ 4,508,150</u></b>

\* CDBG-Entitlement Grants Cluster

\*\* HOPE VI Cluster

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal assistance activity of NOAH and Affiliates 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.

NOAH's combined financial statements include the operations of Siochain LP and Stevens Corner LP which are not included in the accompanying Schedule of Expenditures of Federal Awards during the eighteen months ended December 31, 2013 since the component units are not subject to OMB Circular A-133.

**NOTE 2. LOANS OUTSTANDING**

The Community Development Block Grants/Entitlement Grants contain loans totaling \$1,119,423 at December 31, 2013.

The HOME Investment Partnerships Program represents the balance due on a loan at December 31, 2013.

The Rent Supplements - Rental Housing for Lower Income Families represents the balance due on loans at December 31, 2013.

**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**

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of Neighborhood of Affordable Housing, Inc. and Affiliates (collectively, NOAH), which comprise the combined statement of financial position as of December 31, 2013, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the eighteen months then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 15, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the combined financial statements, we considered NOAH's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of NOAH's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NOAH's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

### **Purpose of this Report**

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

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

Boston, Massachusetts  
May 15, 2014

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

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

**Report on Compliance for Each Major Federal Program**

We have audited Neighborhood of Affordable Housing, Inc. and Affiliates' (collectively, NOAH) 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 NOAH's major Federal program for the eighteen months ended December 31, 2013. NOAH's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its Federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for NOAH's major Federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for its major Federal program. However, our audit does not provide a legal determination of NOAH's compliance.

**Opinion on Each Major Federal Program**

In our opinion, NOAH complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program for the eighteen months ended December 31, 2013.



### **Report on Internal Control Over Compliance**

Management of NOAH is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NOAH's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program 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.

*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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Alexander, Gronson, Fanning & CO., P.C.*

Boston, Massachusetts  
May 15, 2014

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2013**

**I. SUMMARY OF AUDITOR'S RESULTS**

*Combined Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?           Yes              X   No
- Significant deficiency(ies) identified?           Yes              X   None reported
- Noncompliance material to combined financial statements noted?           Yes              X   No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?           Yes              X   No
- Significant deficiency(ies) identified?           Yes              X   None reported

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

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

Identification of major programs:

<u><b>Program or Cluster Title</b></u>	<u><b>Federal CFDA Number</b></u>
Community Development Block Grants/Entitlement Grants	14.218

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.

Auditee qualified as low-risk auditee?      X   Yes                   No

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**DECEMBER 31, 2013**  
(Continued)

**II. COMBINED FINANCIAL STATEMENT FINDINGS**

None

**III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None