



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

**COMBINED FINANCIAL STATEMENTS IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
DECEMBER 31, 2015**

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

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December 31, 2015 and 2014

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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 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 and Affiliates) which comprise the combined statements of financial position as of December 31, 2015 and 2014, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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

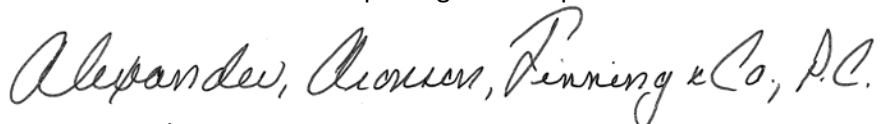
In our opinion, the combined financial statements referred on page 1 present fairly, in all material respects, the combined financial position of Neighborhood of Affordable Housing, Inc. and Affiliates as of December 31, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying information shown on pages 42 through 58 is presented for purposes of additional analysis and is not a required part of the combined financial statements. In addition, the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2015, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 19, 2016, on our consideration of the NOAH and Affiliates' 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 the NOAH and Affiliates' internal control over financial reporting and compliance.



Boston, Massachusetts
May 19, 2016

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Financial Position
 December 31, 2015

Assets	Operating (Exhibit A)	Rental Programs (Exhibit H)	Eliminations	Total
Current Assets:				
Cash - operating	\$ 2,377,440	\$ 474,040	\$ -	\$ 2,851,480
Cash - development	511,279	3,522,252	-	4,033,531
Current portion of restricted deposits	484,546	267,205	-	751,751
Contracts, loans and other receivables, net	285,600	65,392	(25,867)	325,125
Current portion of due from affiliates	605,809	-	(605,809)	-
Prepaid expenses and other	7,417	128,370	-	135,787
Total current assets	4,272,091	4,457,259	(631,676)	8,097,674
Certificate of Deposit	114,654	-	-	114,654
Restricted Deposits, net of current portion	283,603	1,280,467	-	1,564,070
Due from Affiliates, net of current portion and allowance for doubtful accounts	100	-	(100)	-
Capitalized Costs, net	10,993	602,055	-	613,048
Projects Under Development	2,892,170	4,993,057	-	7,885,227
Property and Equipment, net	2,157,693	43,991,637	(160,955)	45,988,375
Total assets	\$ 9,731,304	\$ 55,324,475	\$ (792,731)	\$ 64,263,048
Liabilities and Net Assets				
Current Liabilities:				
Current portion of mortgages and notes payable	\$ 42,139	\$ 111,695	\$ -	\$ 153,834
Current portion of accrued interest	18,999	29,561	(25,867)	22,693
Accounts payable and other liabilities	224,710	374,096	-	598,806
Current portion of developer fee payable	-	698,827	(581,250)	117,577
Current portion of due to affiliates	-	24,559	(24,559)	-
Total current liabilities	285,848	1,238,738	(631,676)	892,910
Long-Term Liabilities:				
Mortgages and notes payable, net of current portion	4,510,867	25,253,234	(4,082,379)	25,681,722
Due to affiliates, net of current portion	65,410	741,969	(807,379)	-
Construction payable	44,102	1,486,017	-	1,530,119
Accrued interest, net of current portion	-	1,793,949	(25,979)	1,767,970
Developer fee payable, net of current portion	-	261,593	(261,593)	-
Contingent loans and advances	-	12,556,107	-	12,556,107
Total long-term liabilities	4,620,379	42,092,869	(5,177,330)	41,535,918
Total liabilities	4,906,227	43,331,607	(5,809,006)	42,428,828
Net Assets:				
Unrestricted:				
Operating	3,081,333	506,941	45,275	3,633,549
Development	104,644	-	-	104,644
Property and equipment	355,469	11,078,819	(8,343,736)	3,090,552
Total unrestricted	3,541,446	11,585,760	(8,298,461)	6,828,745
Temporarily restricted	554,676	100,000	-	654,676
Permanently restricted - NW capital funds	728,955	307,108	251,944	1,288,007
Total net assets attributable to NOAH	4,825,077	11,992,868	(8,046,517)	8,771,428
Non-controlling interest in combined subsidiaries	-	-	13,062,792	13,062,792
Total net assets	4,825,077	11,992,868	5,016,275	21,834,220
Total liabilities and net assets	\$ 9,731,304	\$ 55,324,475	\$ (792,731)	\$ 64,263,048

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Financial Position
 December 31, 2014

Assets	Operating (Exhibit B)	Rental Programs (Exhibit I)	Eliminations	Total
Current Assets:				
Cash - operating	\$ 1,428,363	\$ 432,461	\$ -	\$ 1,860,824
Cash - development	413,304	194,782	-	608,086
Current portion of restricted deposits	190,877	185,112	-	375,989
Current portion of contracts, loans and other receivables	159,282	70,111	(25,867)	203,526
Current portion of due from affiliates	730,216	-	(730,216)	-
Prepaid expenses and other	6,798	83,822	-	90,620
Total current assets	2,928,840	966,288	(756,083)	3,139,045
Certificate of Deposit	114,295	-	-	114,295
Restricted Deposits, net of current portion	498,668	1,044,234	-	1,542,902
Contracts, Loans and Other Receivables, net of current portion and allowance for doubtful accounts	150,664	-	-	150,664
Due from Affiliates, net of current portion	182,143	-	(182,143)	-
Capitalized Costs, net	13,199	237,514	-	250,713
Projects Under Development	2,794,164	16,553,747	-	19,347,911
Property and Equipment, net	2,193,975	25,753,716	(165,305)	27,782,386
Total assets	\$ 8,875,948	\$ 44,555,499	\$ (1,103,531)	\$ 52,327,916
Liabilities and Net Assets				
Current Liabilities:				
Current portion of mortgages and notes payable	\$ 188,861	\$ 92,788	\$ -	\$ 281,649
Current portion of accrued interest	4,594	159,466	(25,867)	138,193
Accounts payable and other liabilities	201,196	354,401	-	555,597
Current portion of developer fee payable	-	710,278	(710,278)	-
Current portion of due to affiliates	-	19,938	(19,938)	-
Total current liabilities	394,651	1,336,871	(756,083)	975,439
Long-Term Liabilities:				
Mortgages and notes payable, net of current portion	4,102,550	16,940,443	(511,179)	20,531,814
Due to affiliates, net of current portion and allowance for doubtful accounts	65,410	427,771	(493,181)	-
Construction payable	71,527	2,731,160	-	2,802,687
Accrued interest, net of current portion	-	1,518,169	-	1,518,169
Developer fee payable, net of current portion	-	211,593	(211,593)	-
Contingent loans and advances	-	15,488,293	-	15,488,293
Total long-term liabilities	4,239,487	37,317,429	(1,215,953)	40,340,963
Total liabilities	4,634,138	38,654,300	(1,972,036)	41,316,402
Net Assets:				
Unrestricted:				
Operating	2,137,899	364,300	170,826	2,673,025
Development	687,298	(2,055)	-	685,243
Property and equipment	2,187	5,131,846	(6,088,190)	(954,157)
Total unrestricted	2,827,384	5,494,091	(5,917,364)	2,404,111
Temporarily restricted	508,527	100,000	-	608,527
Permanently restricted - NW capital funds	905,899	307,108	75,000	1,288,007
Total net assets attributable to NOAH	4,241,810	5,901,199	(5,842,364)	4,300,645
Non-controlling interest in combined subsidiaries	-	-	6,710,869	6,710,869
Total net assets	4,241,810	5,901,199	868,505	11,011,514
Total liabilities and net assets	\$ 8,875,948	\$ 44,555,499	\$ (1,103,531)	\$ 52,327,916

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Activities
 For the Year Ended December 31, 2015

	Operating (Exhibit C)	Rental Programs (Exhibit J)	Eliminations	Total
Unrestricted Net Assets:				
Operating revenues:				
Rental income, net of vacancies	\$ 53,803	\$ 2,335,162	\$ -	\$ 2,388,965
Contracts, grants and other fees, net	955,452	-	319,297	1,274,749
Project management and developer fees, net	1,150,368	-	-	1,150,368
Interest income and other, net	15,845	43,890	-	59,735
Property management fees, net	341,023	-	(328,663)	12,360
Net assets released from purpose restrictions	714,615	-	-	714,615
Total operating revenues	3,231,106	2,379,052	(9,366)	5,600,792
Operating expenses:				
Operating programs	2,509,913	-	-	2,509,913
Rental programs	-	2,513,920	(328,663)	2,185,257
Depreciation and amortization	74,631	1,129,452	(4,350)	1,199,733
Total operating expenses	2,584,544	3,643,372	(333,013)	5,894,903
Changes in unrestricted net assets from operations	646,562	(1,264,320)	323,647	(294,111)
Non-operating revenue (expenses):				
Proceeds from sale of tax credits	3,571,200	-	-	3,571,200
Provision against related party receivables	67,500	-	50,000	117,500
Provision against affiliate loans receivable	(3,571,200)	-	3,571,200	-
Rent-up and marketing	-	(42,230)	-	(42,230)
Deferred interest	-	(275,779)	25,979	(249,800)
Total non-operating revenue (expenses)	67,500	(318,009)	3,647,179	3,396,670
Changes in unrestricted net assets	714,062	(1,582,329)	3,970,826	3,102,559
Temporarily Restricted Net Assets:				
Grants and contributions	760,764	-	-	760,764
Net assets released from purpose restrictions	(714,615)	-	-	(714,615)
Changes in temporarily restricted net assets	46,149	-	-	46,149
Permanently Restricted Net Assets:				
Grants and contributions	25,000	-	-	25,000
NW Fund investment released from restriction	(25,000)	-	-	(25,000)
Provision from valuation allowance on NW Fund investments	(176,944)	-	176,944	-
Changes in permanently restricted net assets	(176,944)	-	176,944	-
Changes in net assets	583,267	(1,582,329)	4,147,770	3,148,708
Changes to Net Assets Attributable to Non-Controlling Interest:				
Non-controlling interest attributable to combined subsidiaries	-	1,322,075	-	1,322,075
Changes in net assets attributable to NOAH and Affiliates	\$ 583,267	\$ (260,254)	\$ 4,147,770	\$ 4,470,783

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Combined Statement of Activities
For the Year Ended December 31, 2014

	<u>Operating</u> (Exhibit D)	<u>Rental</u> <u>Programs</u> (Exhibit K)	<u>Eliminations</u>	<u>Total</u>
Unrestricted Net Assets:				
Operating revenues:				
Rental income, net of vacancies	\$ 50,062	\$ 2,013,216	\$ -	\$ 2,063,278
Contracts, grants and other fees, net	790,736	-	-	790,736
Project management and developer fees, net	855,989	-	26,716	882,705
Interest income and other	96,443	40,734	(26,066)	111,111
Property management fees	351,389	-	(339,029)	12,360
Net assets released from purpose restrictions	647,384	-	-	647,384
	<u>2,792,003</u>	<u>2,053,950</u>	<u>(338,379)</u>	<u>4,507,574</u>
Total operating revenues				
Operating expenses:				
Operating programs	2,279,649	-	-	2,279,649
Rental programs	-	1,911,134	(339,029)	1,572,105
Depreciation and amortization	76,033	757,714	(4,350)	829,397
	<u>2,355,682</u>	<u>2,668,848</u>	<u>(343,379)</u>	<u>4,681,151</u>
Total operating expenses				
Changes in unrestricted net assets from operations	<u>436,321</u>	<u>(614,898)</u>	<u>5,000</u>	<u>(173,577)</u>
Non-operating expenses:				
Rent-up and marketing	-	(142,880)	-	(142,880)
Deferred interest	-	(225,275)	25,867	(199,408)
	<u>-</u>	<u>(368,155)</u>	<u>25,867</u>	<u>(342,288)</u>
Total non-operating expenses				
Changes in unrestricted net assets	<u>436,321</u>	<u>(983,053)</u>	<u>30,867</u>	<u>(515,865)</u>
Temporarily Restricted Net Assets:				
Grants and contributions	608,203	-	-	608,203
Net assets released from purpose restrictions	(647,384)	-	-	(647,384)
	<u>(39,181)</u>	<u>-</u>	<u>-</u>	<u>(39,181)</u>
Changes in temporarily restricted net assets				
Permanently Restricted Net Assets:				
Grants and contributions	75,000	-	-	75,000
Provision from valuation allowance on NW Fund investments	(75,000)	-	75,000	-
	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Changes in permanently restricted net assets				
Changes in net assets	397,140	(983,053)	105,867	(480,046)
Changes to Net Assets Attributable to Non-Controlling Interest:				
Non-controlling interest attributable to combined subsidiaries	-	806,542	-	806,542
	<u>-</u>	<u>806,542</u>	<u>-</u>	<u>806,542</u>
Changes in net assets attributable to NOAH and Affiliates				
	<u>\$ 397,140</u>	<u>\$ (176,511)</u>	<u>\$ 105,867</u>	<u>\$ 326,496</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Combined Statements of Changes in Net Assets
For the Years Ended December 31, 2015 and 2014

	NOAH and Affiliates				Non- Controlling Interest	Total
	Operating (Exhibit E)	Rental Programs (Exhibit L)	Eliminations	Total		
Net Assets , December 31, 2013	\$ 3,844,670	\$ 2,898,215	\$ (2,432,885)	\$ 4,310,000	\$ 3,195,523	\$ 7,505,523
Capital contributions	-	4,061,287	(4,061,287)	-	4,061,287	4,061,287
Syndication fees	-	(75,250)	75,250	-	(75,250)	(75,250)
Transfer of non-controlling interest	-	-	(335,851)	(335,851)	335,851	-
Changes in net assets	397,140	(983,053)	912,409	326,496	(806,542)	(480,046)
Net Assets , December 31, 2014	4,241,810	5,901,199	(5,842,364)	4,300,645	6,710,869	11,011,514
Capital contributions	-	7,673,998	(7,673,998)	-	7,673,998	7,673,998
Changes in net assets	583,267	(1,582,329)	5,469,845	4,470,783	(1,322,075)	3,148,708
Net Assets , December 31, 2015	\$ 4,825,077	\$ 11,992,868	\$ (8,046,517)	\$ 8,771,428	\$ 13,062,792	\$ 21,834,220

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Cash Flows
 For the Year Ended December 31, 2015

	<u>Operating</u>	<u>Rental</u>	<u>Eliminations</u>	<u>Total</u>
	(Exhibit F)	Programs (Exhibit M)		
Cash Flows from Operating Activities:				
Changes in net assets	\$ 583,267	\$ (1,582,329)	\$ 4,147,770	\$ 3,148,708
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:				
Depreciation and amortization	74,631	1,129,452	(4,350)	1,199,733
Deferred interest	-	275,779	-	275,779
Bad debts	3,110	20,490	-	23,600
Provision against related party receivables valuation allowance on NW Fund investments	109,444	-	(109,444)	-
Changes in operating assets and liabilities:				
Restricted deposits	(293,669)	(82,093)	-	(375,762)
Contracts, loans and other receivables	21,236	(15,771)	-	5,465
Due from affiliates	197,006	-	(197,006)	-
Prepaid expenses and other	(619)	(44,548)	-	(45,167)
Accrued interest	14,405	(129,905)	(25,979)	(141,479)
Accounts payable and other liabilities	23,514	19,695	-	43,209
Due to affiliates	-	99,621	(318,819)	(219,198)
Net cash provided by (used in) operating activities	<u>732,325</u>	<u>(309,609)</u>	<u>3,492,172</u>	<u>3,914,888</u>
Cash Flows from Investing Activities:				
Net increase in projects under development	(902,696)	(2,475,203)	-	(3,377,899)
Cash paid for capitalized costs	-	(384,560)	-	(384,560)
(Increase) decrease in restricted deposits	215,065	(236,233)	-	(21,168)
Interest earned on certificate of deposit	(359)	-	-	(359)
Cash transfer	(221,015)	221,015	-	-
Acquisition of property and equipment	(36,143)	(5,213,100)	-	(5,249,243)
Net cash used in investing activities	<u>(945,148)</u>	<u>(8,088,081)</u>	<u>-</u>	<u>(9,033,229)</u>
Cash Flows from Financing Activities:				
Principal payments on mortgages and notes payable	(188,405)	(8,645,702)	-	(8,834,107)
Capital contributions	-	3,551,656	-	3,551,656
Developer fee payable	-	(527,690)	79,028	(448,662)
Due to affiliates	-	219,198	-	219,198
Proceeds from contingent loans and advances	-	1,190,156	-	1,190,156
Proceeds from mortgages and notes payable	1,448,280	15,979,121	(3,571,200)	13,856,201
Net cash provided by financing activities	<u>1,259,875</u>	<u>11,766,739</u>	<u>(3,492,172)</u>	<u>9,315,244</u>
Net Change in Cash	1,047,052	3,369,049	-	4,196,903
Cash:				
Beginning of year	<u>1,841,667</u>	<u>627,243</u>	<u>-</u>	<u>2,468,910</u>
End of year	<u>\$ 2,888,719</u>	<u>\$ 3,996,292</u>	<u>\$ -</u>	<u>\$ 6,885,011</u>
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest - expensed	<u>\$ 69,687</u>	<u>\$ 444,789</u>	<u>\$ -</u>	<u>\$ 514,476</u>
Cash paid for interest - capitalized	<u>\$ -</u>	<u>\$ 363,570</u>	<u>\$ -</u>	<u>\$ 363,570</u>
Project under development placed in service	<u>\$ -</u>	<u>\$ 16,553,747</u>	<u>\$ -</u>	<u>\$ 16,553,747</u>
Contingent loans and advances converted to capital contributions	<u>\$ -</u>	<u>\$ 4,122,342</u>	<u>\$ -</u>	<u>\$ 4,122,342</u>
Projects under development financed with accounts payable	<u>\$ 44,102</u>	<u>\$ 1,486,017</u>	<u>\$ -</u>	<u>\$ 1,530,119</u>
Projects under development financed with developer fee payable	<u>\$ -</u>	<u>\$ 662,739</u>	<u>\$ -</u>	<u>\$ 662,739</u>
Project under development transferred	<u>\$ 777,265</u>	<u>\$ (777,265)</u>	<u>\$ -</u>	<u>\$ -</u>
Long-term debt (assigned) assumed	<u>\$ (998,280)</u>	<u>\$ 998,280</u>	<u>\$ -</u>	<u>\$ -</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Cash Flows
 For the Year Ended December 31, 2014

	<u>Operating</u> (Exhibit G)	<u>Rental Programs</u> (Exhibit N)	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Changes in net assets	\$ 397,140	\$ (983,053)	\$ 105,867	\$ (480,046)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:				
Depreciation and amortization	76,033	757,714	(4,350)	829,397
Deferred interest	-	225,275	-	225,275
Bad debts	2,935	23,520	-	26,455
Changes in operating assets and liabilities:				
Contracts, loans and other receivables	43,980	(61,152)	(26,882)	(44,054)
Due from affiliates	(444,198)	-	444,198	-
Prepaid expenses and other	(113)	(10,434)	-	(10,547)
Accrued interest	(30,416)	133,599	4,221	107,404
Accounts payable and other liabilities	(36,887)	84,748	-	47,861
Deferred revenue	-	1,098	-	1,098
Due to affiliates	-	177,442	(177,442)	-
Deferred interest payments	-	(29,961)	-	(29,961)
Net cash provided by operating activities	<u>8,474</u>	<u>318,796</u>	<u>345,612</u>	<u>672,882</u>
Cash Flows from Investing Activities:				
Net increase in projects under development	(612,678)	(13,726,087)	(368,273)	(14,707,038)
Increase in restricted deposits	(561,951)	(381,180)	-	(943,131)
Purchase of certificate of deposit	(114,295)	-	-	(114,295)
Financing fees	(5,000)	(157,661)	-	(162,661)
Acquisition of property and equipment	-	(2,845,358)	-	(2,845,358)
Net cash used in investing activities	<u>(1,293,924)</u>	<u>(17,110,286)</u>	<u>(368,273)</u>	<u>(18,772,483)</u>
Cash Flows from Financing Activities:				
Principal payments on mortgages and notes payable	(1,007,632)	(3,547,425)	22,661	(4,532,396)
Capital contributions	-	4,061,287	-	4,061,287
Syndication fees	-	(75,250)	-	(75,250)
Proceeds from contingent loans and advances	3,023,641	6,159,192	-	9,182,833
Proceeds from mortgages and notes payable	-	10,378,256	-	10,378,256
Principal payments on capital lease obligation	(18,539)	-	-	(18,539)
Net cash provided by financing activities	<u>1,997,470</u>	<u>16,976,060</u>	<u>22,661</u>	<u>18,996,191</u>
Net Change in Cash	712,020	184,570	-	896,590
Cash:				
Beginning of year	<u>1,129,647</u>	<u>442,673</u>	<u>-</u>	<u>1,572,320</u>
End of year	<u>\$ 1,841,667</u>	<u>\$ 627,243</u>	<u>\$ -</u>	<u>\$ 2,468,910</u>
Supplemental Disclosure of Cash Flow Information:				
Cash paid for interest	<u>\$ 65,494</u>	<u>\$ 298,320</u>	<u>\$ -</u>	<u>\$ 363,814</u>
Project under development placed in service	<u>\$ -</u>	<u>\$ 5,974,710</u>	<u>\$ -</u>	<u>\$ 5,974,710</u>
Projects under development financed with accounts payable	<u>\$ 71,527</u>	<u>\$ 2,731,160</u>	<u>\$ -</u>	<u>\$ 2,802,687</u>
Projects under development financed with developer fee payable	<u>\$ -</u>	<u>\$ 810,278</u>	<u>\$ -</u>	<u>\$ 810,278</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Functional Expenses
 For the Year Ended December 31, 2015

	Operating Programs									Rental Programs (Exhibit O)	Eliminations	Total	
	Central Adminis- tration	Senior Home Repair	Housing Counseling	Community Services	Homebuyer Services Program	Real Estate and Economic Development	Property Management	NOAH CDFI	Eliminations				Total Operating Programs
Personnel and Related:													
Salaries	\$ 240,334	\$ 69,052	\$ 46,239	\$ 209,591	\$ 332,235	\$ 250,849	\$ 159,118	\$ -	\$ -	\$ 1,307,418	\$ -	\$ -	\$ 1,307,418
Consulting and contract labor	821	18,682	-	17,700	9,420	-	68,789	-	-	115,412	436,450	-	551,862
Employee benefits	26,426	18,637	1,746	23,305	57,903	19,207	8,498	-	-	155,722	-	-	155,722
Payroll taxes	19,228	5,981	3,882	18,375	27,838	19,703	13,758	-	-	108,765	-	-	108,765
Total personnel and related	286,809	112,352	51,867	268,971	427,396	289,759	250,163	-	-	1,687,317	436,450	-	2,123,767
Other:													
Interest expense and bank fees	37,548	1,161	582	2,600	4,883	29,343	2,337	60	(11,595)	66,919	444,789	-	511,708
Telephone and utilities	2,726	1,972	804	3,924	6,927	3,468	5,943	-	-	25,764	426,846	-	452,610
Special events and other program expenses	12,757	39,909	25,738	70,053	121,190	2,508	1,033	-	-	273,188	96,285	-	369,473
Insurance and taxes	11,940	8,591	411	4,111	7,120	2,570	4,426	3,519	-	42,688	316,034	-	358,722
Professional fees	39,087	2,943	2,816	8,227	16,037	115,505	9,497	7,250	-	201,362	153,191	-	354,553
Repairs, maintenance and security	9,172	1,755	1,128	5,679	7,873	3,588	5,745	-	-	34,940	399,041	(240,761)	193,220
Management fees	-	-	-	-	-	-	-	-	-	-	151,341	(87,902)	63,439
Facility	16,043	7,322	4,507	21,642	31,333	50,436	19,261	-	(95,010)	55,534	-	-	55,534
Travel and conferences	6,849	2,490	728	4,819	6,785	14,175	7,031	-	-	42,877	10,245	-	53,122
Supplies and general office	11,788	519	539	2,446	7,305	6,393	4,459	-	-	33,449	18,870	-	52,319
Miscellaneous	1,132	-	-	8,400	225	1,568	79	42	-	11,446	20,504	-	31,950
Bad debts	1,860	-	-	1,250	-	-	-	-	-	3,110	20,490	-	23,600
Equipment rental and purchases	264	126	81	577	558	383	360	-	-	2,349	19,834	-	22,183
Advertising	166	784	950	-	15,251	-	25	-	-	17,176	-	-	17,176
Dues and subscriptions	8,094	132	85	414	613	1,944	362	150	-	11,794	-	-	11,794
Total other	159,426	67,704	38,369	134,142	226,100	231,881	60,558	11,021	(106,605)	822,596	2,077,470	(328,663)	2,571,403
Total expenses before depreciation and amortization	446,235	180,056	90,236	403,113	653,496	521,640	310,721	11,021	(106,605)	2,509,913	2,513,920	(328,663)	4,695,170
Depreciation and Amortization	5,199	2,014	1,009	4,417	7,311	50,625	4,056	-	-	74,631	1,129,452	(4,350)	1,199,733
Total expenses	\$ 451,434	\$ 182,070	\$ 91,245	\$ 407,530	\$ 660,807	\$ 572,265	\$ 314,777	\$ 11,021	\$ (106,605)	\$ 2,584,544	\$ 3,643,372	\$ (333,013)	\$ 5,894,903

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

 Combined Statement of Functional Expenses
 For the Year Ended December 31, 2014

	Operating Programs								Total Operating Programs	Rental Programs (Exhibit P)	Eliminations	Total	
	Central Adminis- tration	Senior Home Repair	Housing Counseling	Community Services	Homebuyer Services Program	Real Estate and Economic Development	Property Management	NOAH CDFI					
Personnel and Related:													
Salaries	\$ 238,803	\$ 70,406	\$ 33,402	\$ 175,769	\$ 317,525	\$ 251,875	\$ 185,748	\$ 2,873	\$ -	\$ 1,276,401	\$ -	\$ -	\$ 1,276,401
Consulting and contract labor	5,650	7,635	-	4,200	2,025	865	60,579	-	-	80,954	200,858	-	281,812
Employee benefits	28,664	23,281	3,133	20,678	52,435	18,003	12,017	383	-	158,594	-	-	158,594
Payroll taxes	20,050	6,405	3,251	16,714	28,012	21,113	17,309	284	-	113,138	-	-	113,138
Total personnel and related	293,167	107,727	39,786	217,361	399,997	291,856	275,653	3,540	-	1,629,087	200,858	-	1,829,945
Other:													
Interest expense and bank fees	26,921	-	-	-	598	5,566	-	-	-	33,085	383,574	-	416,659
Telephone and utilities	2,538	2,009	665	3,691	6,612	3,519	5,672	-	-	24,706	301,486	-	326,192
Special events and other program expenses	12,057	85,371	120	13,537	76,842	2,481	2,503	150	-	193,061	89,910	-	282,971
Insurance and taxes	7,071	3,168	269	1,629	6,674	3,610	1,738	3,737	-	27,896	256,188	-	284,084
Professional fees	45,780	2,799	2,071	6,413	13,871	15,722	10,421	6,930	-	104,007	119,404	-	223,411
Repairs, maintenance and security	14,789	2,529	804	4,480	6,516	3,472	5,160	-	-	37,750	309,187	(233,600)	113,337
Management fees	-	-	-	-	-	-	-	-	-	-	160,100	(105,429)	54,671
Facility	30,948	14,079	5,331	27,180	45,613	31,041	32,616	-	(92,993)	93,815	-	-	93,815
Travel and conferences	3,160	2,309	691	413	15,804	8,194	7,474	-	-	38,045	8,417	-	46,462
Supplies and general office	9,574	791	473	2,216	3,983	6,600	3,597	-	-	27,234	13,821	-	41,055
Miscellaneous	1,402	-	-	3,600	220	1,369	-	55	-	6,646	21,034	-	27,680
Bad debts	1,172	-	-	1,718	45	-	-	-	-	2,935	23,520	-	26,455
Equipment rental and purchases	297	129	73	369	500	284	371	-	-	2,023	23,635	-	25,658
Advertising	68	2,047	-	-	44,910	852	-	-	-	47,877	-	-	47,877
Dues and subscriptions	8,204	128	64	367	586	1,771	362	-	-	11,482	-	-	11,482
Total other	163,981	115,359	10,561	65,613	222,774	84,481	69,914	10,872	(92,993)	650,562	1,710,276	(339,029)	2,021,809
Total expenses before depreciation and amortization	457,148	223,086	50,347	282,974	622,771	376,337	345,567	14,412	(92,993)	2,279,649	1,911,134	(339,029)	3,851,754
Depreciation and Amortization	29,961	4,914	1,109	6,154	13,719	10,912	9,264	-	-	76,033	757,714	(4,350)	829,397
Total expenses	\$ 487,109	\$ 228,000	\$ 51,456	\$ 289,128	\$ 636,490	\$ 387,249	\$ 354,831	\$ 14,412	\$ (92,993)	\$ 2,355,682	\$ 2,668,848	\$ (343,379)	\$ 4,681,151

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

1. OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

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.

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 made to NOAH are deductible by donors within the requirements of the IRC.

SIGNIFICANT ACCOUNTING POLICIES

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

Principles of Combination

The combined financial statements include the net assets of NOAH and Affiliates. The Affiliates include NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc., Trinity House LLC, Siochain Properties Limited Partnership, Stevens Corner Limited Partnership, Sitkowski Limited Partnership, Shoe Shop LLC, and Benfield Farms Limited Partnership (collectively referred to as NOAH and Affiliates) (see Note 2). NOAH and Affiliates share common management, facilities and Board membership.

The net assets 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 the majority-owned subsidiaries and other affiliates, where material, have been reflected as non-controlling interest as a component of net assets in the accompanying combined statements of financial position (see page 14).

The Affiliates also include General Partners and Managing Members of limited partnerships and limited liability companies (collectively, LPs and LLCs) that own real estate projects which 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 LPs and LLCs are consolidated with the General Partners and Managing Members and, therefore, included in the accompanying combined financial statements of NOAH and Affiliates.

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.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

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 statements of cash flows. Those highly liquid resources that are not generally available for current operations or otherwise restricted are classified as restricted deposits (see Note 4).

Cash - development consists of cash accounts designated for projects under development and is included in cash for purposes of the combined statements of cash flows.

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. The allowance for doubtful accounts as of December 31, 2015 and 2014, was \$5,296,274 and \$1,423,931, respectively.

Projects Under Development

All project-related costs incurred during construction are capitalized for developments currently owned by NOAH and Affiliates as of December 31, 2015 and 2014. These include construction, soft costs, overhead, interest, and others and are reflected as projects under development (see Note 7) 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 8). Depreciation is calculated using the straight-line method over the following estimated useful lives:

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

Depreciation expense for the years ended December 31, 2015 and 2014, was \$1,178,713 and \$811,597, respectively.

NOAH and Affiliates account for the carrying value of their property and equipment and projects under development in accordance with standards pertaining to ASC Topic, *Property, Plant and Equipment*, under U.S. GAAP. The carrying value is evaluated annually for impairment and no impairment loss was recognized during 2015 and 2014. As of December 31, 2015 and 2014, NOAH and Affiliates have not recognized any reduction in the carrying value of their property and equipment when considering this standard.

Capitalized Costs

Capitalized costs represent financing and tax credit fees incurred in connection with the financing of rental properties. These costs have been capitalized and are being amortized on the straight-line basis over the term of the related financings or tax credit compliance period (see Note 9).

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

NOAH and Affiliates receive donated goods and services in various aspects of their 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.

Leases

The Non-Syndicated Rental Properties and Syndicated Rental Properties lease residential and commercial units to tenants under operating leases. The terms of the leases are for one year and are renewable annually. NOAH leases a commercial unit to a tenant under an operating lease agreement with a five year term.

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 collection is assured. Contracts, grants 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 reported in the combined statements of activities as net assets released from restrictions.

Net Asset Classifications

Unrestricted Net Assets

NOAH and 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 property and equipment, net of related liabilities.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

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. Temporarily restricted net assets were as follows for the years ended December 31:

	<u>2015</u>	<u>2014</u>
Community services	\$ 404,550	\$ 252,218
Homebuyer and homeowner services	150,126	256,309
Rental housing	<u>100,000</u>	<u>100,000</u>
	<u>\$ 654,676</u>	<u>\$ 608,527</u>

Generally, those resources restricted for homebuyer and homeowner services, community services, and rental housing 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.

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

	<u>2015</u>	<u>2014</u>
Cumulative capital grants received, net of authorized write-offs (see Note 10)	\$ 1,437,457	\$ 1,437,457
Cumulative valuation allowance	(900,468)	(841,024)
Add - Intercompany elimination	<u>751,018</u>	<u>691,574</u>
	<u>\$ 1,288,007</u>	<u>\$ 1,288,007</u>

Non-controlling interest represents unrelated investors' non-controlling interests in Benfield Farms, Stevens Corner and Sitkowski (see Note 2). The unrelated investors' shares of income/loss in Benfield Farms, Stevens Corner and Sitkowski are reflected as changes in net assets attributable to non-controlling interest in the accompanying combined statements of activities. Siochain Properties Limited Partnership was owned 99.99% by an unrelated investor. During 2014, the investor transferred its ownership interest to NOAH. This transfer of equity is represented as a transfer of non-controlling interest in the 2014 combined statement of changes in net assets.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements

NOAH and Affiliates follow the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that NOAH and Affiliates would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

NOAH and Affiliates use a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of NOAH and Affiliates. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices 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, 2015 and 2014.

As discussed on page 11, NOAH is exempt from income taxes under Section 501(c)(3) of the IRC. NOAH has for-profit corporate subsidiaries (see Note 2). The corporate subsidiaries had, for Federal and state income tax purposes, net operating loss carryforwards (NOLs) of approximately \$30,545 and \$22,689 available to offset future taxable income as of December 31, 2015 and 2014, respectively. This standard does not have a material effect on the combined financial statements for 2015 and 2014, since the tax benefit of the NOLs have been fully reserved. The Federal NOLs expire at various dates through 2035.

NOAH and Affiliates' income tax returns are subject to examination by the appropriate tax jurisdictions.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

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.

Subsequent Events

Subsequent events have been evaluated through May 19, 2016, which is the date the combined financial statements were available to be issued. There were subsequent events that met the criteria for recognition and disclosure in the combined financial statements (see Note 11).

Combined Statements of Activities

Transactions deemed by management to be ongoing, major, or central to the provision of affordable housing related services are reported as operating revenues and operating expenses in the accompanying combined statements of activities. Peripheral or incidental transactions are reported as other revenues (expenses). Other revenues (expenses), consistent with industry practice, includes capital grants for long-lived assets, forgiveness of long-term debt, loss on sale of property, provision against affiliate loan receivables and related party receivables, and deferred interest on contingent debt.

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 (see page 17) advanced Peace Properties capital funds to invest in its real estate development activities. During the years ended December 31, 2015 and 2014, NOAH CDFI advanced Peace Properties \$339,423 and \$273,672, respectively, for various projects. There was \$106,481 and \$400,072 outstanding at December 31, 2015 and 2014, respectively, which are eliminated within the operating column in the accompanying combined statements of financial position. These advances are non-interest bearing with the exception of one advance that bears 3% interest, and are due at project construction closing (see Note 7).

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

2. RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Operating (Continued)

Peace Properties owns land on which it developed fourteen condominium units known as Border Falcon Condominium units. The ground lease agreement with the purchasers of the condominium units expires in July 2105, 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 is repaid.

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 and moderate-income residents (see Note 9). NOAH CDFI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC.

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 years ended December 31, 2015 and 2014 NOAH billed Shalom \$107,126 and \$104,007, respectively, for management, administrative, and maintenance expenses. As of December 31, 2015 and 2014, there was no amount due to NOAH for these expenses.

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 years ended December 31, 2015 and 2014, NOAH billed Paz \$139,646 and \$135,580, respectively, for management, administrative, and maintenance expenses. As of December 31, 2015 and 2014, 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 years ended December 31, 2015 and 2014, NOAH billed Trinity House \$32,496 and \$31,549, respectively, for management fees. There were no amounts due as of December 31, 2015 and 2014.

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 \$44,245 and \$42,955 for management, administrative, and maintenance expenses for the years ended December 31, 2015 and 2014, respectively. There was no amount due from Siochain as of December 31, 2015 and 2014.

Stevens Corner Limited Partnership (Stevens Corner), a Massachusetts limited partnership, owns and operates 42 units of affordable housing for low and moderate-income families and individuals. 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.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

2. RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Rental Programs (Continued)

NOAH receives partnership management fees and incentive management fees that are distributable based on cash flow, per the terms of the agreement. During the year ended December 31 2014, NOAH earned \$19,938 of fees. There were no fees earned during 2015. As of December 31, 2015 and 2014, \$14,409 and \$19,938, respectively, remains unpaid and is included in due to and due from affiliates in the accompanying combined statements of financial position.

Stevens Corner was awarded Massachusetts low-income housing tax credits (State LIHTC). These tax credits were sold by NOAH to an outside investor for \$633,750. NOAH used the sale proceeds to make a sponsor loan to Stevens Corner (see Note 5). Interest payments of \$25,867 were due in 2015 based on 2014 cash flows and remain outstanding as of December 31, 2015. There were no cash flow payments due in 2016 based on 2015 cash flow.

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.

Benfield Farms Limited Partnership (Benfield), a Massachusetts limited partnership, owns and operates 26 units of affordable housing for low and moderate-income seniors over 62 years of age in Carlisle, Massachusetts. Benfield is treated as a partnership for income tax purposes. NOAH is a special limited partner and holds no interest in the capital, profits, losses, credits, and cash flow of Benfield. NOAH owns 100% of the interest of the general partner, Benfield GP, LLC, which holds a 0.01% interest in the capital, profits, losses, credits, and cash flow of Benfield.

The Investor Limited Partner has committed \$5,099,490 in capital contributions to Benfield, payable in seven installments, as specified in the partnership agreement. During the years ended December 31, 2015 and 2014, the Investor Limited Partner made capital contributions of \$1,162,491 and \$3,976,037, respectively. The 2015 installment included an upward adjuster of \$39,038 based on final tax credit basis. In addition to these capital contributions, in 2014, the Investor Limited Partner has funded a special capital contribution of \$75,250 to fund legal and other professional costs incurred in connection with the Investor Limited Partner's admission to Benfield. This amount is shown as syndication fees in the accompanying 2014 combined statement of changes in net assets.

NOAH, as the sponsor of Benfield, is entitled to a developer fee and overhead reimbursement for services provided during the development of Benfield's housing units. Benfield's maximum obligation under this agreement is \$1,019,700. As of December 31, 2014, NOAH had earned the entire developer fee. As of December 31, 2015 and 2014, Benfield owed NOAH \$196,238 and \$713,788, respectively, related to the developer fee and overhead reimbursement. NOAH is expected to receive \$46,238 of the fee in 2016 from the proceeds of the Investor Limited Partner's remaining capital contributions (see above). The remaining balance of \$150,000 is deferred and bears interest at 3.36%, the long-term applicable Federal rate for the month the Benfield Farms Project was completed. The deferred developer fee will be paid from net cash flow or is due and payable in full in March 2027. As of December 31, 2015 and 2014, NOAH has reserved the outstanding deferred developer fee.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

2. RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Rental Programs (Continued)

NOAH is entitled to receive an annual incentive management fee of \$5,000 per annum, increasing 3% annually. Payments commence on the date the Benfield Farms Project is placed in service for rendering services in connection with the day-to-day activities of the Benfield Farms Project, as defined in the Operating Agreement. The fee is only due and payable to the extent that surplus cash allows, as defined in the Operating Agreement. If there is not enough surplus cash, this fee is cumulative. There was \$5,150 outstanding and is included in accounts payable in the 2014 combined statement of financial position.

Benfield was awarded State LIHTC. These tax credits were sold to an unrelated third-party for \$871,200. NOAH used the sale proceeds to make a sponsor loan to Benfield (see Note 5).

NOAH has issued guarantees to fund Benfield's operating deficits, if Benfield GP, LLC fails to make any operating deficit contributions during the period before Benfield achieves five consecutive twelve-month periods of break-even operations as specified in the agreement. NOAH's liability under this guaranty agreement is limited to \$175,000.

Sitkowski Limited Partnership (Sitkowski), a Massachusetts limited partnership, owns and operates 66 units of affordable housing for low-income seniors, as well as a dedicated space for a senior center serving a mixed-income population. Sitkowski is treated as a partnership for income tax purposes. NOAH holds a 79% interest in the capital, profits, losses, credits, and cash flows of the general partner, Sitkowski GP, LLC.

The Investor Limited Partners collectively hold a 99.99% interest in the capital, profits, losses, credits, and cash flows of Sitkowski. The Investor Limited Partners have committed \$9,368,973 in capital contributions to Sitkowski, payable in five installments, as specified in the partnership agreement. As of December 31, 2015, the Investor Limited Partners had funded \$6,511,428 of capital contributions. The remaining installments are expected to be paid during 2016. The Investor Limited Partners have the right to a downward adjustment of their capital contributions if the amount of low-income credits is less than projected. Sitkowski is expecting a downward adjustment of approximately \$82,000, which will reduce the Investor Limited Partners' capital contributions. A portion of the initial capital contributions was funded through the conversion of two non-interest bearing bridge notes payable to the Investor Limited Partners totaling \$4,122,342 (see Note 6).

NOAH, as the sponsor of Sitkowski, is entitled to a developer fee and overhead reimbursement for services provided during the development of the Property. Sitkowski's maximum obligation under this agreement is \$1,824,766. As of December 31, 2015, NOAH had earned the entire developer fee. As of December 31, 2015, Sitkowski owed NOAH \$408,167 related to the developer fee and overhead reimbursement, of which the entire amount of \$408,167 is expected to be paid with development cost savings.

NOAH made a sponsor loan of \$2,700,000 to Sitkowski with proceeds from the sale of the State LIHTC (see Note 5). NOAH has also committed to making an additional sponsor loan with proceeds from the sale of Massachusetts Historic Rehabilitation Credits (MHRC). NOAH expects to sell the MHRC during 2016.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

2. RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Rental Programs (Continued)

NOAH has issued guarantees to fund Sitkowski's operating deficits, if the general partner fails to make any operating deficit contributions during the period before Sitkowski achieves five consecutive twelve-month periods of break-even operations, as specified in the agreement. NOAH's liability under this guarantee agreement is limited to \$350,000.

Shoe Shop Limited Partnership (Shoe Shop), a Massachusetts limited partnership, was founded in October 2014 for the purpose of acquiring, rehabilitating, and operating a 25-unit affordable housing project known as Shoe Shop Place in Middleboro, Massachusetts (see Note 7). Shoe Shop is treated as a partnership for income tax purposes. NOAH is currently the 99% limited partner and NOAH and The Neighborhood Corporation (TNC) are the members of the 1% general partner.

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.
- Benfield GP, LLC, 0.01% General Partner of Benfield. NOAH owns 100% of this corporation's common stock.
- Sitkowski GP, LLC, 0.01% General Partner of Sitkowski. NOAH owns 79% of this corporation's common stock.
- Shoe Shop GP, LLC, 1% General Partner of Shoe Shop. NOAH owns 51% and The Neighborhood Corporation owns 49% 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 during 2015 and 2014 were as follows:

	<u>2015</u>		<u>2014</u>	
	<u>Operating</u>	<u>Rental Programs</u>	<u>Operating</u>	<u>Rental Programs</u>
Developer fees, net of allowance	\$ 1,150,368	\$ -	\$ 882,705	\$ -
Rent charged for use of space	95,010	-	92,993	-
Deferred interest on sponsor loan	25,979	-	25,867	-
Property management fees	-	328,663	-	339,029
	<u>\$ 1,231,357</u>	<u>\$ 328,663</u>	<u>\$ 1,001,565</u>	<u>\$ 339,029</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

2. RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Balances between these entities as of December 31, 2015, were as follows:

	<u>NOAH</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivable	\$ -	\$ 334,044	\$ 186,234	\$ 5,724,816	\$ 6,245,094
Peace Properties receivable	-	-	-	18,780	18,780
NOAH CDFI receivable	45,000	150,049	-	-	195,049
Stevens Corner LP receivable	-	65,410	-	-	65,410
Subtotal	<u>\$ 45,000</u>	<u>\$ 549,503</u>	<u>\$ 186,234</u>	<u>\$ 5,743,596</u>	6,524,333
Less - allowances for doubtful accounts					<u>5,296,274</u>
Total					<u>\$ 1,228,059</u>

Balances between these entities as of December 31, 2014, were as follows:

	<u>NOAH</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivable	\$ -	\$ 311,749	\$ 186,234	\$ 1,887,846	\$ 2,385,829
Peace Properties receivable	-	-	-	18,780	18,780
NOAH CDFI receivable	45,000	443,640	-	-	488,640
Stevens Corner LP receivable	-	65,410	-	-	65,410
Subtotal	<u>\$ 45,000</u>	<u>\$ 820,799</u>	<u>\$ 186,234</u>	<u>\$ 1,906,626</u>	2,958,659
Less - allowances for doubtful accounts					<u>1,423,931</u>
Total					<u>\$ 1,534,728</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, which was established and created by a Master Deed executed by Peace Properties. One condominium unit is occupied by NOAH and Affiliates and the other is occupied by another organization. NOAH is the manager of the Trust. NOAH earned \$12,360 in management fees for the years ended December 31, 2015 and 2014. There was \$4,120 and \$7,210 due at December 31, 2015 and 2014, respectively.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

3. CERTIFICATE OF DEPOSIT

NOAH has a six-month certificate of deposit (CD) that matures on September 18, 2016, and accrues interest at 0.35% per annum. The fair value of the CD, which approximates the cost basis, was \$114,654 and \$114,295 as of December 31, 2015 and 2014, respectively. This CD is collateral for the NeighborWorks Salt Lake (NWSL) 2012 AHMI Fund, LLC note payable (see Note 5) and management intends to continue to renew the CD through the earliest of either the full payment of the note payable, or the maturity date of February 1, 2019. Accordingly, this CD is reflected as a non-current asset in the accompanying combined statements of financial position.

4. RESTRICTED DEPOSITS

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

Operating:	<u>2015</u>	<u>2014</u>
NOAH, Inc.:		
Loan loss reserve	\$ 25,000	\$ 25,000
Restricted cash - current development projects	<u>258,603</u>	<u>473,668</u>
Sub-total NOAH, Inc.	283,603	498,668
NOAH CDFI:		
Revolving loan fund capital	<u>484,546</u>	<u>190,877</u>
Total Operating	<u>768,149</u>	<u>689,545</u>
Rental Programs:		
Shalom Properties, Inc.:		
Operating escrows	25,655	24,089
Tenant security deposit	27,610	29,360
Replacement reserve	<u>162,359</u>	<u>318,879</u>
Sub-total Shalom Properties, Inc.	<u>215,624</u>	<u>372,328</u>
Paz Properties, Inc.:		
Operating escrows	45,324	11,491
Tenant security deposit	32,679	30,783
Replacement reserve	<u>311,050</u>	<u>328,176</u>
Sub-total Paz Properties, Inc.	<u>389,053</u>	<u>370,450</u>
Trinity House LLC:		
Operating reserve	103,517	96,699
Tenant security deposit	8,682	5,763
Replacement reserve	<u>47,809</u>	<u>42,473</u>
Sub-total Trinity House LLC	<u>160,008</u>	<u>144,935</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

4. RESTRICTED DEPOSITS (Continued)

Rental Programs: (Continued)	<u>2015</u>	<u>2014</u>
Siochain Properties LP:		
Operating reserve	23,574	23,561
Tenant security deposit	12,466	12,455
Replacement reserve	<u>10,602</u>	<u>6,991</u>
Sub-total Siochain LP	<u>46,642</u>	<u>43,007</u>
Stevens Corner LP:		
Operating reserve	171,708	171,515
Operating escrows	21,462	25,869
Tenant security deposit	21,000	21,000
Replacement reserves	<u>27,794</u>	<u>23,272</u>
Sub-total Stevens Corner	<u>241,964</u>	<u>241,656</u>
Benfield Farms LP:		
Operating/special reserves	274,764	32,668
Operating escrows	30,778	-
Tenant security deposit	26,293	24,302
Replacement reserve	<u>6,070</u>	<u>-</u>
Sub-total Benfield Farms	<u>337,905</u>	<u>56,970</u>
Sitkowski LP:		
Operating reserve	107,137	-
Operating escrows	11,708	-
Tenant security deposit	31,631	-
Replacement reserve	<u>6,000</u>	<u>-</u>
Sub-total Sitkowski	<u>156,746</u>	<u>-</u>
Total Rental Programs	<u>1,547,672</u>	<u>1,229,346</u>
Total restricted deposits	2,315,821	1,918,891
Less - current portion	<u>751,751</u>	<u>375,989</u>
Non-current portion	<u>\$ 1,564,070</u>	<u>\$ 1,542,902</u>

Operating escrows and other escrows with short-term purposes are classified as current in the accompanying combined statements of financial position. Replacement reserves, operating reserves, other reserves – holdback, and a portion of restricted loan funds are classified as non-current in the accompanying combined statements of financial position.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE

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

Operating	<u>2015</u>	<u>2014</u>
<i>NOAH, Inc.</i>		
Note payable to NWSL 2012 AHMI Fund, LLC, bearing interest at 5.25%, with interest due quarterly through February 1, 2019, at which time the entire principal balance and accrued and unpaid interest are due and payable in full. This note is collateralized by a CD (see Note 3). Interest expense for the years ended December 31, 2015 and 2014, was \$26,615 and \$21,875, respectively.	\$ 500,000	\$ 500,000
Unsecured note payable to LISC, bearing interest at 5%. Principal and interest are due monthly commencing in June 2014 through maturity date of June 1, 2022. Interest expense for the years ended December 31, 2015 and 2014, was \$6,742 and \$4,144, respectively.	125,732	141,710
Note payable to Community Economic Development Assistance Corporation (CEDAC) for borrowings up to \$400,000, with an authorized amount of \$264,000 as of December 31, 2015 and 2014, bearing interest at 3%. This note was paid off in full at construction closing in August 2015 for the Shoe Shop Place (see Note 7).	<u>-</u>	<u>148,641</u>
Sub-total NOAH, Inc.	<u>625,732</u>	<u>790,351</u>
<i>Peace Properties, Inc.</i>		
Note payable to Community Housing Capital, Inc. for the acquisition of Coppersmith Village (see Note 7), bearing interest at 5.5%, with interest-only payments due monthly. The outstanding principal and interest will be due at the earliest of either the date of construction closing, or May 22, 2018, the maturity date, or an earlier date on which the note becomes due and payable by acceleration or otherwise. This note is secured by a mortgage on the Coppersmith Village Project (see Note 7), plus an assignment of rents and leases. Capitalized interest at December 31, 2015 and 2014, was \$90,616 and \$56,444, respectively.	1,625,000	1,625,000
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. Interest expense was \$37,912 and \$38,557 for the years ended December 31, 2015 and 2014, respectively.	779,750	793,481

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE (Continued)

Operating (Continued)	<u>2015</u>	<u>2014</u>
<i>Peace Properties, Inc.</i> (Continued)		
Note payable to NeighborWorks Capital Corporation (NCC), bearing interest at 5.5%, for the Coppersmith Village project (see Note 7), with interest due quarterly through June 30, 2018, at which time the entire principal balance and accrued and unpaid interest are due and payable in full. This note has maximum borrowings up to \$1,200,000 and is secured by the pledge in developer fees from the Sitkowski School Project. NOAH also fully guarantees the note. Capitalized interest at December 31, 2015 and 2014, was \$59,021 and \$32,740, respectively.	1,200,000	750,000
Notes payable to City of Boston, bearing interest at 4% through March 1, 2024. Interest-only payments are due in monthly installments through March 1, 2016, based on available cash flow. Thereafter, principal and interest are due in monthly installments through maturity. All outstanding principal and accrued and unpaid interest are due on March 1, 2024. This note is secured by a third mortgage on the 143 Border Street building. No interest payment was due and payable in 2015 and 2014.	200,000	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). Interest expense was \$5,126 and \$5,512 for the years ended December 31, 2015 and 2014, respectively.	<u>122,524</u>	<u>132,579</u>
Sub-total Peace Properties, Inc.	<u>3,927,274</u>	<u>3,501,060</u>
Sub-total operating	<u>4,553,006</u>	<u>4,291,411</u>

Rental Programs

Shalom Properties, Inc.

Note payable to Massachusetts Housing Partnership (MHP), bearing interest at 3.83% per annum, due in monthly installments of \$4,606 based on a thirty-year amortization schedule. This note is due and payable on July 24, 2019, and is secured by a mortgage on the properties and an assignment of leases and rents. This note has an additional five-year option through July 2024. Interest expense was \$37,185 and \$35,372 for the years ended December 31, 2015 and 2014, respectively.	961,056	979,149
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NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Shalom Properties, Inc.</i> (Continued)		
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. Interest expense was \$20,949 and \$21,592 for the years ended December 31, 2015 and 2014, respectively.	383,412	395,725
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	245,339
Non-interest bearing note payable to the City of Boston, due and payable on October 6, 2017. This note is secured by a mortgage on the properties.	<u>245,339</u>	<u>245,339</u>
Sub-total Shalom Properties, Inc.	<u>1,835,146</u>	<u>1,865,552</u>
<i>Paz Properties, Inc.</i>		
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. 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 is in negotiation for an extension or a refinancing of the note's terms. As such, it is presented as a long-term liability in the accompanying combined financial statements. There was no interest expense in 2015. Interest expense for the year ended December 31, 2014, was \$10,819.	727,245	727,245
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	561,316
Note payable to MHP, bearing interest at 5.8% per annum for the first five-year term which ended on August 9, 2015. The interest rate was reset in October 2015. The interest rate for the next five-year term ending on July 24, 2019, is 4.8%. Principal and interest are due in monthly installments of \$2,913. Interest expense for the years ended December 31, 2015 and 2014, was \$32,004 and \$33,017, respectively.	554,575	564,209

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Paz Properties, Inc.</i> (Continued)		
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	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	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. Interest expense for the years ended December 31, 2015 and 2014, was \$19,874 and \$20,543, respectively.	<u>310,926</u>	<u>321,977</u>
Sub-total Paz Properties, Inc.	<u>3,006,431</u>	<u>3,027,116</u>
<i>Siochain Properties LP</i>		
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. Interest expense was \$12,096 and \$12,609 for the years ended December 31, 2015 and 2014, respectively.	166,354	173,872
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. Interest expense was \$2,504 and \$2,809 for the years ended December 31, 2015 and 2014, respectively.	<u>65,805</u>	<u>74,562</u>
Sub-total Siochain Properties LP	<u>232,159</u>	<u>248,434</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Stevens Corner LP</i>		
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. Interest expense was \$96,995 and \$98,130 for the years ended December 31, 2015 and 2014, respectively.	1,368,595	1,385,346
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 expense and payable on this note was \$51,427 and \$25,867 as of December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, there is \$25,867 of interest due in 2015 based on 2014 cash flow.	<u>511,179</u>	<u>511,179</u>
Sub-total Stevens Corner LP	<u>1,879,774</u>	<u>1,896,525</u>
<i>Sitkowski LP</i>		
1.5% note payable to MassHousing, with interest only due monthly until maturity. This note is due on June 23, 2016, and is secured by a first lien on the property (see page 29). This loan will be paid in full with the proceeds from capital contributions and a permanent loan of \$1,750,000 from MassHousing and other development sources of funds. Interest expense and accrued interest for the year ended December 31, 2015, was \$3,694. Closing on the permanent loan is anticipated to be completed during 2016.	9,850,000	-
3.32% sponsor note payable to NOAH of \$2,700,000, with principal and any accrued or unpaid interest due on December 30, 2053. The note requires annual payments solely from net cash flow. The note is secured by a shared second mortgage on the property. Interest expense and accrued interest were \$244 for the year ended December 31, 2015.	2,700,000	-

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Sitkowski LP (Continued)</i>		
Construction note payable to RBS Citizens National Association up to \$10,100,000, bearing interest at the London Interbank Offered Rate (LIBOR) Advantage Rate(0.01695% at December 21, 2014) plus 225 points, with a maximum rate of 5.5%. Interest-only payments are due monthly. The note was paid down in December 2015, with proceeds from MassHousing note (see page 28). The note was secured by a first mortgage on the property (see Note 7).	-	<u>7,486,041</u>
Sub-total Sitkowski LP	<u>12,550,000</u>	<u>7,486,041</u>
<i>Benfield Farms LP</i>		
Note payable to MHP in the original amount of \$1,450,000, bearing interest at 4.32% per annum, due and payable on March 30, 2034. This note is secured by a first mortgage on the property, the reserve accounts (see Note 4), and an assignment of leases and rents. Principal and interest are due in monthly installments of \$7,193 based on a thirty-year amortization schedule. There is a balloon payment of \$759,110 due at maturity. Interest expense was \$50,428 for the year ended December 31, 2015.	1,434,018	-
0.01% interest bearing note payable to NOAH with a maturity date of April 5, 2058. 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 second mortgage on the property. There are no payments due in 2016 based on 2015 cash flow.	871,200	-
Construction note payable to Bank of America up to \$6,650,000, bearing interest at LIBOR. Permanent financing occurred on March 15, 2015. During 2015, the construction note was paid down to a balance of \$1,450,000, which was assigned to MHP (see above). Interest expense was \$16,404 and \$148,550 for the years ended December 31, 2015 and 2014, respectively. Accrued interest as of December 31, 2014, was \$135,599.	-	<u>2,509,563</u>
Sub-total Benfield Farms LP	<u>2,305,218</u>	<u>2,509,563</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

5. MORTGAGE AND NOTES PAYABLE (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Shoe Shop LP</i>		
Construction note payable up to \$7,200,000 to Bank of America, due April 10, 2017, bearing interest at LIBOR, plus 2.25% daily floating. The note is secured by a first mortgage on the property. There was \$144,946 of capitalized interest during 2015.	<u>3,556,201</u>	<u>-</u>
Sub-total rental programs	<u>25,364,929</u>	<u>17,033,231</u>
Total	29,917,935	21,324,642
Less - current portion	153,834	281,649
Less - eliminations	<u>4,082,379</u>	<u>511,179</u>
	<u>\$ 25,681,722</u>	<u>\$ 20,531,814</u>

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

2016	\$ 153,834
2017	\$ 4,270,347
2018	\$ 1,370,216
2019	\$ 3,703,169
2020	\$ 155,987

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, 2015 and 2014.

6. CONTINGENT LOANS AND ADVANCES

NOAH and Affiliates have received several contingent loans and advances 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:

Rental Programs	<u>2015</u>	<u>2014</u>
<i>Shalom Properties, Inc.</i>		
Note payable to the City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due in December 2022.	\$ 164,000	\$ 164,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

6. CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Shalom Properties, Inc.</i> (Continued)		
Four notes payable with the City of Boston through its lead paint abatement program. These notes are non-interest bearing, mature at various dates during 2018, and are due and payable on sale or transfer of property. If conditions are met for a period of five years, the entire amounts will be forgiven.	<u>33,325</u>	<u>33,325</u>
Sub-total Shalom Properties, Inc.	<u>197,325</u>	<u>197,325</u>
<i>Paz Properties, Inc.</i>		
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 49-55 Putnam Street.	438,637	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, 2015 and 2014.	343,339	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, 2015 and 2014.	329,895	329,895

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

6. CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Paz Properties, Inc.</i> (Continued)		
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 the property. If certain conditions are met for a period of five years, the entire amount will be forgiven.	<u>13,951</u>	<u>13,951</u>
Sub-total Paz Properties, Inc.	<u>1,125,822</u>	<u>1,125,822</u>
<i>Trinity House LLC</i>		
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 \$70,790 and \$60,198 as of December 31, 2015 and 2014, respectively. 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.	<u>862,094</u>	<u>862,094</u>
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 through August, 2022. The City of Boston has deferred payments due on the note until maturity. Principal and accrued and unpaid interest are due on the earlier of August 6, 2022, or if the property fails to continue to provide affordable housing to low and moderate-income families. Accrued interest totaled \$97,921 and \$93,739 as of December 31, 2015 and 2014, respectively. The note is secured by a mortgage on 406 Meridian Street and an assignment of leases.	<u>418,170</u>	<u>418,170</u>
Sub-total Trinity House LLC	<u>1,280,264</u>	<u>1,280,264</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

6. CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Siochain Properties LP</i>		
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 \$445,915 and \$402,269 as of December 31, 2015 and 2014, respectively. Final payment is due in March 2031. The note is collateralized by investment in real estate.	380,000	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 on October 1, 2003, in an amount equal to 50% of Siochain's cash flow. No amounts are due as of December 31, 2015 and 2014. Accrued interest totaled \$766,830 and \$685,398 as of December 31, 2015 and 2014, respectively. Final payment is due in October 2030. The note is collateralized by investment in real estate.	<u>380,000</u>	<u>380,000</u>
Sub-total Siochain Properties LP	<u>760,000</u>	<u>760,000</u>
<i>Stevens Corner LP</i>		
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. Accrued interest totaled \$198,458 and \$158,301 as of December 31, 2015 and 2014, respectively.	1,338,580	1,338,580
Non-interest bearing note payable to DHCD under the Affordable Housing Trust Fund Statute (AHTF). This note is due on August 14, 2041, and is secured by a shared second mortgage on the property. Stevens Corner has the option to extend the maturity date of the note for up to an additional forty years provided Stevens Corner continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	985,000	985,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

6. CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Stevens Corner LP (Continued)</i>		
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. Accrued interest totaled \$108,313 and \$88,250 as of December 31, 2015 and 2014, respectively.	668,772	668,772
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 flows being attained as defined in the agreement or fully at August 14, 2041. 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. There is no payment due in 2016 based on 2015 cash flows.	352,138	352,138
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. Accrued interest totaled \$27,530 and \$22,280 as of December 31, 2015 and 2014, respectively.	175,000	175,000
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. Accrued interest totaled \$9,984 and \$7,734 as of December 31, 2015 and 2014, respectively.	<u>75,000</u>	<u>75,000</u>
Sub-total Stevens Corner LP	<u>3,594,490</u>	<u>3,594,490</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

6. CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Benfield Farms LP</i>		
Non-interest bearing note payable to DHCD - AHTF. The note is due on January 5, 2044, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note for up to an additional thirty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	850,000	850,000
Non-interest bearing note payable to DHCD - HSF. This note is due on January 5, 2064, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note for up to an additional fifty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	550,000	550,000
Non-interest bearing note payable to DHCD - HOME. This note is due on January 5, 2044, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note for up to an additional thirty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	550,000	550,000
Non-interest bearing note payable to the Town of Carlisle Affordable Housing Trust. This note is due on January 5, 2044, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Benfield has the option to extend the maturity date of the note for up to an additional thirty years provided Benfield continues to comply with certain affordable housing restrictions as set forth in the affordable housing restriction agreement.	<u>425,000</u>	<u>425,000</u>
Sub-total Benfield Farms LP	<u>2,375,000</u>	<u>2,375,000</u>
<i>Sitkowski LP</i>		
Note payable to DHCD - AHTF, bearing simple interest at 1% per annum, due and payable on February 28, 2044. This note is secured by a shared second mortgage on the property and an assignment of leases and rents. Sitkowski has the option to extend the maturity date of the note for a period up to the original term in order to maintain the affordability of the property. Accrued interest on the note was \$19,589 as of December 31, 2015. There was no accrued interest as of December 31, 2014.	1,000,000	1,000,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

6. CONTINGENT LOANS AND ADVANCES (Continued)

Rental Programs (Continued)	<u>2015</u>	<u>2014</u>
<i>Sitkowski LP (Continued)</i>		
Non-interest bearing note payable to DHCD - HSF with borrowings for up to \$1,000,000. This note is due on February 28, 2064, and is secured by a shared second mortgage on the property and an assignment of leases and rents. Sitkowski has the option to extend the maturity date of the note for a period up to the original term in order to maintain the affordability of the property.	1,000,000	400,000
Note payable to DHCD - HOME for borrowings up to \$715,000, bearing simple interest at 2% per annum, due and payable on February 28, 2044. This note is secured by a shared second mortgage on the property and an assignment of leases and rents. Sitkowski has the option to extend the maturity date of the note for a period up to the original term in order to maintain the affordability of the property. Accrued interest was \$22,610 as of December 31, 2015. There was no accrued interest as of December 31, 2014.	715,000	633,050
2% deferred payment note payable to MassHousing up to \$1,645,434 (originally \$2,066,047). The entire outstanding principal balance and any accrued interest are due at maturity in December 2055. This note is secured by a third mortgage on the property. Accrued interest was \$204 as of December 31, 2015. There was no accrued interest as of December 31, 2014.	408,206	-
Non-interest bearing bridge notes payable to MHEF XVIII LLC and MHEF XX LLC (the Investor Limited Partners) up to \$4,965,549. These notes converted to a capital contribution upon the admission of the Investor Limited Partners in 2015 (see Note 2).	-	4,122,342
<i>Sub-total Sitkowski LP</i>	<u>3,123,206</u>	<u>6,155,392</u>
<i>Shoe Shop LP</i>		
Non-interest bearing note payable to Greater Attleboro/ Taunton Consortium HOME Program, for the Shoe Shop Project. The note is secured by the project and is due on July 12, 2046, with the option to extend the maturity date for an additional forty years in order to maintain the affordability of the property.	<u>100,000</u>	-
Total	<u>\$ 12,556,107</u>	<u>\$ 15,488,293</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

7. 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. Sitkowski was under development at December 31, 2014, and was completed during 2015.

The following projects were under development during the years ended December 31, 2015 and 2014:

Coppersmith Village – East Boston, MA

The Coppersmith Village project is a 56,000 square foot site located at 75 - 109 Border Street, East Boston, Massachusetts. Peace Properties purchased the site for \$1,625,000 in May 2014. The project will consist of seventy-one (71) housing units and some commercial/retail space. The construction budget for the project is approximately \$37,500,000.

Shoe Shop Place – Middleboro, MA

NOAH is partnering with TNC for the development of Shoe Shop Place. The project involves the purchase of a dilapidated former shoe factory to convert it into an affordable rental development. The reuse will create twenty-five (25) new affordable units all at or below 60% of area median income. The project will receive \$1,400,000 of Massachusetts Historic Tax Credits. The Greater Attleboro/Taunton Home Consortium has committed \$100,000 of Local HOME funds to the project and the Town of Middleboro contributed \$40,000 of CPA funds. The construction budget for the project is approximately \$10,000,000.

Projects under development as of December 31, 2015 and 2014, consist of:

	<u>2015</u>	<u>2014</u>
Shoe Shop Place	\$ 4,993,057	\$ 414,614
Coppersmith Village	2,760,229	2,336,239
Other	131,941	43,311
Sitkowski	<u>-</u>	<u>16,553,747</u>
Total projects under development	<u>\$ 7,885,227</u>	<u>\$ 19,347,911</u>

Subsequent to December 31, 2015, NOAH received several finance commitments for the projects under development (see Note 11).

Sitkowski was completed in 2015 (see page 19). Shoe Shop Place was transferred from Peace Properties to Shoe Shop during 2015 once Shoe Shop was formed (see page 20).

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATESNotes to Combined Financial Statements
December 31, 2015 and 2014**8. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at December 31, 2015:

	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Buildings and improvements	\$ 2,159,200	\$ 49,488,951	\$ 51,648,151
Land and improvements	603,947	743,422	1,347,369
Office furniture, fixtures and equipment	196,997	235,910	432,907
Rental furniture and equipment	23,331	-	23,331
Leasehold improvements	<u>18,598</u>	<u>-</u>	<u>18,598</u>
	3,002,073	50,468,283	53,470,356
Less - accumulated depreciation	844,380	6,476,646	7,321,026
Less - elimination	<u>-</u>	<u>-</u>	<u>160,955</u>
	<u>\$ 2,157,693</u>	<u>\$ 43,991,637</u>	<u>\$ 45,988,375</u>

Property and equipment consist of the following at December 31, 2014:

	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Buildings and improvements	\$ 2,564,200	\$ 30,220,588	\$ 32,784,788
Land and improvements	198,946	710,366	909,312
Office furniture, fixtures and equipment	202,199	190,198	392,397
Rental furniture and equipment	23,331	-	23,331
Leasehold improvements	<u>18,598</u>	<u>-</u>	<u>18,598</u>
	3,007,274	31,121,152	34,128,426
Less - accumulated depreciation	813,299	5,367,436	6,180,735
Less - elimination	<u>-</u>	<u>-</u>	<u>165,305</u>
	<u>\$ 2,193,975</u>	<u>\$ 25,753,716</u>	<u>\$ 27,782,386</u>

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

9. CAPITALIZED COSTS

Capitalized costs as of December 31, 2015 and 2014, consist of:

	<u>2015</u>	<u>2014</u>
Total costs incurred	\$ 699,644	\$ 315,084
Less - accumulated amortization	<u>86,596</u>	<u>65,576</u>
Net capitalized costs	<u>\$ 613,048</u>	<u>\$ 250,713</u>

Amortization expense for the years ended December 31, 2015 and 2014, was \$21,020 and \$17,800 respectively.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
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10. LOANS RECEIVABLE

NOAH CDFI has outstanding loans receivable from local residents for purchase and/or rehabilitation of low to moderate-income housing of \$253,238 and \$305,807, respectively, less an allowance for doubtful accounts of \$149,450 as of December 31, 2015 and 2014. In addition, NOAH CDFI has a loan outstanding for \$106,481 and \$400,072 as of December 31, 2015 and 2014, respectively, 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 original 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, 2015:

<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)	5	\$ 253,238	\$ 149,450	\$ 103,788
Other - inter-company	<u>1</u>	<u>106,481</u>	<u>-</u>	<u>106,481</u>
Subtotal	<u>6</u>	<u>\$ 359,719</u>	<u>\$ 149,450</u>	210,269
Less - elimination				<u>106,481</u>
Total				<u>\$ 103,788</u>

Loans receivable, net of allowances for doubtful accounts as of December 31, 2014:

<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)	6	\$ 305,807	\$ 149,450	\$ 156,357
Other - inter-company	<u>1</u>	<u>400,072</u>	<u>-</u>	<u>400,072</u>
Subtotal	<u>7</u>	<u>\$ 705,879</u>	<u>\$ 149,450</u>	556,429
Less - elimination				<u>400,072</u>
Total				<u>\$ 156,357</u>

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

2016	\$ 103,788
2017	\$ 4,392
2018	\$ 4,612
2019	\$ 4,843
2020	\$ 89,941

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

11. 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.

Additionally, a foundation has awarded NOAH a \$660,000 grant, of which \$220,000 was received as of December 31, 2015. The balance of the grant is conditional upon obtaining certain benchmarks and reporting requirements as outlined in the agreement. As such, the remaining balance of the grant is not reflected in the accompanying combined financial statements as of December 31, 2015.

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, subsidize 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. NOAH's obligations under these agreements are limited (see Note 2).

NOAH has been notified of the following financing commitments through May 19, 2016:

- 5% note payable to Massachusetts Housing Finance Agency (MHFA) for Sitkowski. The note allows for borrowings up to \$1,750,000.
- 3.32% sponsor loan from NOAH funded by State historic tax credit equity for Sitkowski. The note allows for borrowings up to \$2,047,000.
- Note payable to City of Boston, Department of Neighborhood Development (DND) for up to \$1,058,025 and \$5,944,000 IDP Funds for the Coppersmith Village project.
- Bond financing for up to \$12,000,000 from Massachusetts Development Finance Agency for the Coppersmith Village project.
- Mass Works Infrastructure Program grant for \$3,869,187 for the Coppersmith Village project.
- DHCD – AHT \$1,000,000, CATNHP \$750,000, FCF \$300,000, HOME \$550,000, and HSF \$1,000,000, for the Coppersmith Village project.
- State LIHTC of \$712,500 and Federal 4% LIHTC of \$635,142 for the Coppersmith Village project.
- DHCD – AHT of \$815,577 for the Shoe Shop Place project.
- Bank of America construction loan up to \$7,200,000 for the Shoe Shop Place project.
- Town of Middleborough CPC funds of \$40,000 for the Shoe Shop Place project.
- Federal 9% LIHTC of \$444,600 for the Shoe Shop Place project.
- State Historic Tax Credits of \$1,500,000 for the Shoe Shop Place project.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Notes to Combined Financial Statements
December 31, 2015 and 2014

12. LEASES

NOAH sub-leases a commercial unit to a tenant under an operating lease agreement with a five year term. Future minimum payments to be received are as follows:

2016	\$ 42,739
2017	\$ 42,739

Lease agreements between related parties are eliminated in the accompanying operating combining statements of activities.

13. CONCENTRATION OF CREDIT

NOAH and Affiliates maintain their cash balances in various banks in Massachusetts. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. NOAH and Affiliates have not experienced any losses in such accounts and believe they are not exposed to any significant credit risk on cash and cash equivalents.

14. 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.

15. RECLASSIFICATIONS

Certain amounts in the December 31, 2014 combined financial statements have been reclassified to conform with the December 31, 2015 presentation.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Financial Position - Operating
December 31, 2015

Assets	NOAH, Inc.	Peace Properties	NOAH CDFI	Eliminations	Total
Current Assets:					
Cash - operating	\$ 2,191,938	\$ 29,944	\$ 155,558	\$ -	\$ 2,377,440
Cash - development	184,088	327,191	-	-	511,279
Current portion of restricted deposits	-	-	484,546	-	484,546
Current portion of contracts, loans and other receivables	396,812	-	103,788	(215,000)	285,600
Current portion of due from affiliates	605,809	-	-	-	605,809
Prepaid expenses and other	5,252	900	1,265	-	7,417
Total current assets	<u>3,383,899</u>	<u>358,035</u>	<u>745,157</u>	<u>(215,000)</u>	<u>4,272,091</u>
Certificate of Deposit	114,654	-	-	-	114,654
Restricted Deposits, net of current portion	283,603	-	-	-	283,603
Contracts, Loans and Other Receivables, net of current portion and allowance for doubtful accounts of \$4,203,425	-	-	106,481	(106,481)	-
Due from Affiliates, net of current portion and allowance for doubtful accounts of \$1,092,849	186,334	-	88,568	(274,802)	100
Capitalized Costs, net	3,250	7,743	-	-	10,993
Projects Under Development	-	2,892,170	-	-	2,892,170
Property and Equipment, net	34,915	2,122,778	-	-	2,157,693
Total assets	<u>\$ 4,006,655</u>	<u>\$ 5,380,726</u>	<u>\$ 940,206</u>	<u>\$ (596,283)</u>	<u>\$ 9,731,304</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of mortgages and notes payable	\$ 16,817	\$ 25,322	\$ -	\$ -	\$ 42,139
Current portion of accrued interest	11,303	7,696	-	-	18,999
Accounts payable and other liabilities	175,183	44,527	5,000	-	224,710
Current portion of due to affiliates	-	215,000	-	(215,000)	-
Total current liabilities	<u>203,303</u>	<u>292,545</u>	<u>5,000</u>	<u>(215,000)</u>	<u>285,848</u>
Long-Term Liabilities:					
Mortgages and notes payable, net of current portion	608,915	3,901,952	-	-	4,510,867
Due to affiliates, net of current portion	45,000	323,217	186,234	(489,041)	65,410
Construction payable	-	44,102	-	-	44,102
Accrued interest, net of current portion	-	11,286	-	(11,286)	-
Total long-term liabilities	<u>653,915</u>	<u>4,280,557</u>	<u>186,234</u>	<u>(500,327)</u>	<u>4,620,379</u>
Total liabilities	<u>857,218</u>	<u>4,573,102</u>	<u>191,234</u>	<u>(715,327)</u>	<u>4,906,227</u>
Net Assets:					
Unrestricted:					
Operating	2,458,649	(13,683)	636,367	-	3,081,333
Development	97,947	6,697	-	-	104,644
Property and equipment	38,165	697,334	-	(380,030)	355,469
Total unrestricted	<u>2,594,761</u>	<u>690,348</u>	<u>636,367</u>	<u>(380,030)</u>	<u>3,541,446</u>
Temporarily restricted	554,676	-	-	-	554,676
Permanently restricted - NW capital funds	-	117,276	112,605	499,074	728,955
Total net assets	<u>3,149,437</u>	<u>807,624</u>	<u>748,972</u>	<u>119,044</u>	<u>4,825,077</u>
Total liabilities and net assets	<u>\$ 4,006,655</u>	<u>\$ 5,380,726</u>	<u>\$ 940,206</u>	<u>\$ (596,283)</u>	<u>\$ 9,731,304</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Financial Position - Operating
December 31, 2014

<u>Assets</u>	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
Current Assets:					
Cash - operating	\$ 1,286,735	\$ 36,518	\$ 105,110	\$ -	\$ 1,428,363
Cash - development	103,575	309,729	-	-	413,304
Current portion of restricted deposits	-	-	190,877	-	190,877
Current portion of contracts, loans and other receivables	153,898	-	201,031	(195,647)	159,282
Current portion of due from affiliates	785,566	-	-	(55,350)	730,216
Prepaid expenses and other	3,802	913	2,083	-	6,798
Total current assets	<u>2,333,576</u>	<u>347,160</u>	<u>499,101</u>	<u>(250,997)</u>	<u>2,928,840</u>
Certificate of Deposit	114,295	-	-	-	114,295
Restricted Deposits, net of current portion	498,668	-	-	-	498,668
Contracts, Loans and Other Receivables, net of current portion and allowance for doubtful accounts of \$877,224	-	-	355,398	(204,734)	150,664
Due from Affiliates, net of current portion and allowance for doubtful accounts of \$546,707	517,018	-	88,568	(423,443)	182,143
Capitalized Costs, net	4,250	8,949	-	-	13,199
Projects Under Development	-	2,794,164	-	-	2,794,164
Property and Equipment, net	15,832	2,178,143	-	-	2,193,975
Total assets	<u>\$ 3,483,639</u>	<u>\$ 5,328,416</u>	<u>\$ 943,067</u>	<u>\$ (879,174)</u>	<u>\$ 8,875,948</u>
Liabilities and Net Assets					
Current Liabilities:					
Current portion of mortgages and notes payable	\$ 164,638	\$ 24,223	\$ -	\$ -	\$ 188,861
Accrued interest	4,594	-	-	-	4,594
Accounts payable and other liabilities	115,257	82,839	3,100	-	201,196
Current portion of due to affiliates	-	250,997	-	(250,997)	-
Total current liabilities	<u>284,489</u>	<u>358,059</u>	<u>3,100</u>	<u>(250,997)</u>	<u>394,651</u>
Long-Term Liabilities:					
Mortgages and notes payable, net of current portion	625,713	3,476,837	-	-	4,102,550
Due to affiliates, net of current portion	45,000	569,802	186,234	(735,626)	65,410
Construction payable	-	71,527	-	-	71,527
Total long-term liabilities	<u>670,713</u>	<u>4,118,166</u>	<u>186,234</u>	<u>(735,626)</u>	<u>4,239,487</u>
Total liabilities	<u>955,202</u>	<u>4,476,225</u>	<u>189,334</u>	<u>(986,623)</u>	<u>4,634,138</u>
Net Assets:					
Unrestricted:					
Operating	1,542,179	(45,408)	641,128	-	2,137,899
Development	398,205	289,093	-	-	687,298
Property and equipment	20,082	491,230	-	(509,125)	2,187
Total unrestricted	<u>1,960,466</u>	<u>734,915</u>	<u>641,128</u>	<u>(509,125)</u>	<u>2,827,384</u>
Temporarily restricted	508,527	-	-	-	508,527
Permanently restricted - NW capital funds	59,444	117,276	112,605	616,574	905,899
Total net assets	<u>2,528,437</u>	<u>852,191</u>	<u>753,733</u>	<u>107,449</u>	<u>4,241,810</u>
Total liabilities and net assets	<u>\$ 3,483,639</u>	<u>\$ 5,328,416</u>	<u>\$ 943,067</u>	<u>\$ (879,174)</u>	<u>\$ 8,875,948</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Activities - Operating
For the Year Ended December 31, 2015

	NOAH, Inc.	Peace Properties	NOAH CDFI	Eliminations	Total
Unrestricted Net Assets:					
Operating revenues:					
Rental income	\$ 38,200	\$ 110,613	\$ -	\$ (95,010)	\$ 53,803
Contracts, grants and other fees, net	955,452	-	-	-	955,452
Project management and developer fees, net	1,150,368	-	-	-	1,150,368
Interest income and other, net	9,577	8	6,260	-	15,845
Property management fees, net	341,023	-	-	-	341,023
Net assets released from purpose restrictions	714,615	-	-	-	714,615
Total operating revenues	<u>3,209,235</u>	<u>110,621</u>	<u>6,260</u>	<u>(95,010)</u>	<u>3,231,106</u>
Operating expenses:					
Central Administration	446,235	-	-	(10,125)	436,110
Senior Home Repair	180,056	-	-	(4,621)	175,435
Housing Counseling	90,236	-	-	(2,844)	87,392
Community Services	403,113	-	-	(13,659)	389,454
Homebuyer Services Program	653,496	-	-	(19,775)	633,721
Real Estate and Economic Development	423,023	98,617	-	(43,425)	478,215
Property Management	310,721	-	-	(12,156)	298,565
NOAH CDFI	-	-	11,021	-	11,021
Depreciation and amortization	18,060	56,571	-	-	74,631
Total operating expenses	<u>2,524,940</u>	<u>155,188</u>	<u>11,021</u>	<u>(106,605)</u>	<u>2,584,544</u>
Changes in unrestricted net assets	<u>684,295</u>	<u>(44,567)</u>	<u>(4,761)</u>	<u>11,595</u>	<u>646,562</u>
Non-operating revenue (expenses):					
Proceeds from sales of tax credits	3,571,200	-	-	-	3,571,200
Provision against related party receivables	(50,000)	-	-	117,500	67,500
Provision against affiliate loans receivable	(3,571,200)	-	-	-	(3,571,200)
Total non-operating revenue (expenses)	<u>(50,000)</u>	<u>-</u>	<u>-</u>	<u>117,500</u>	<u>67,500</u>
Changes in unrestricted net assets	<u>634,295</u>	<u>(44,567)</u>	<u>(4,761)</u>	<u>129,095</u>	<u>714,062</u>
Temporarily Restricted Net Assets:					
Grants and contributions	760,764	-	-	-	760,764
Net assets released from purpose restrictions	(714,615)	-	-	-	(714,615)
Changes in temporarily restricted net assets	<u>46,149</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>46,149</u>
Permanently Restricted Net Assets:					
Grants and contributions	25,000	-	-	-	25,000
NW Fund investment released from restriction	(25,000)	-	-	-	(25,000)
Provision from valuation allowance on NW Fund investments	(59,444)	-	-	(117,500)	(176,944)
Changes in permanently restricted net assets	<u>(59,444)</u>	<u>-</u>	<u>-</u>	<u>(117,500)</u>	<u>(176,944)</u>
Changes in net assets	<u>\$ 621,000</u>	<u>\$ (44,567)</u>	<u>\$ (4,761)</u>	<u>\$ 11,595</u>	<u>\$ 583,267</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Activities - Operating
For the Year Ended December 31, 2014

	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
Unrestricted Net Assets:					
Operating revenues:					
Rental income	\$ 34,110	\$ 108,945	\$ -	\$ (92,993)	\$ 50,062
Contracts, grants and other fees, net	790,736	-	-	-	790,736
Project management and developer fees, net	855,989	-	-	-	855,989
Interest income and other	77,913	11,445	7,085	-	96,443
Property management fees	351,389	-	-	-	351,389
Net assets released from purpose restrictions	647,384	-	-	-	647,384
Total operating revenues	<u>2,757,521</u>	<u>120,390</u>	<u>7,085</u>	<u>(92,993)</u>	<u>2,792,003</u>
Operating expenses:					
Central Administration	457,148	-	-	(15,406)	441,742
Senior Home Repair	223,086	-	-	(7,009)	216,077
Housing Counseling	50,347	-	-	(2,654)	47,693
Community Services	282,974	-	-	(13,530)	269,444
Homebuyer Services Program	622,771	-	-	(22,706)	600,065
Real Estate and Economic Development	275,164	101,173	-	(15,452)	360,885
Property Management	345,567	-	-	(16,236)	329,331
NOAH CDFI	-	-	14,412	-	14,412
Depreciation and amortization	19,462	56,571	-	-	76,033
Total operating expenses	<u>2,276,519</u>	<u>157,744</u>	<u>14,412</u>	<u>(92,993)</u>	<u>2,355,682</u>
Changes in unrestricted net assets	<u>481,002</u>	<u>(37,354)</u>	<u>(7,327)</u>	<u>-</u>	<u>436,321</u>
Temporarily Restricted Net Assets:					
Grants and contributions	608,203	-	-	-	608,203
Net assets released from purpose restrictions	(647,384)	-	-	-	(647,384)
Changes in temporarily restricted net assets	<u>(39,181)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,181)</u>
Permanently Restricted Net Assets:					
Grants and contributions	75,000	-	-	-	75,000
Provision from valuation allowance on NW Fund investments	(75,000)	-	-	-	(75,000)
Changes in permanently restricted net assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	<u>\$ 441,821</u>	<u>\$ (37,354)</u>	<u>\$ (7,327)</u>	<u>\$ -</u>	<u>\$ 397,140</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statements of Changes in Net Assets - Operating
For the Years Ended December 31, 2015 and 2014

	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
Net Assets , December 31, 2013	\$ 2,086,616	\$ 889,545	\$ 761,060	\$ 107,449	\$ 3,844,670
Changes in net assets	<u>441,821</u>	<u>(37,354)</u>	<u>(7,327)</u>	<u>-</u>	<u>397,140</u>
Net Assets , December 31, 2014	2,528,437	852,191	753,733	107,449	4,241,810
Changes in net assets	<u>621,000</u>	<u>(44,567)</u>	<u>(4,761)</u>	<u>11,595</u>	<u>583,267</u>
Net Assets , December 31, 2015	<u><u>\$ 3,149,437</u></u>	<u><u>\$ 807,624</u></u>	<u><u>\$ 748,972</u></u>	<u><u>\$ 119,044</u></u>	<u><u>\$ 4,825,077</u></u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Cash Flows - Operating
For the Year Ended December 31, 2015

	<u>NOAH, Inc.</u>	<u>Peace Properties</u>	<u>NOAH CDFI</u>	<u>Eliminations</u>	<u>Total</u>
Cash Flows from Operating Activities:					
Changes in net assets	\$ 621,000	\$ (44,567)	\$ (4,761)	\$ 11,595	\$ 583,267
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:					
Depreciation and amortization	18,060	56,571	-	-	74,631
Bad debts	3,110	-	-	-	3,110
Provision against related party receivables and valuation allowance on NW Fund investments	109,444	-	-	-	109,444
Changes in operating assets and liabilities:					
Restricted deposits	-	-	(293,669)	-	(293,669)
Contracts, loans and other receivables	(246,024)	-	346,160	(78,900)	21,236
Due from affiliates	400,997	-	-	(203,991)	197,006
Prepaid expenses and other	(1,450)	13	818	-	(619)
Accrued interest	6,709	18,982	-	(11,286)	14,405
Accounts payable and other liabilities	59,926	(38,312)	1,900	-	23,514
Net cash provided by (used in) operating activities	<u>971,772</u>	<u>(7,313)</u>	<u>50,448</u>	<u>(282,582)</u>	<u>732,325</u>
Cash Flows from Investing Activities:					
Net increase in projects under development	-	(902,696)	-	-	(902,696)
Decrease in restricted deposits	215,065	-	-	-	215,065
Interest earned on certificate of deposit	(359)	-	-	-	(359)
Cash transfer	-	(221,015)	-	-	(221,015)
Acquisition of property and equipment	(36,143)	-	-	-	(36,143)
Net cash provided by (used in) investing activities	<u>178,563</u>	<u>(1,123,711)</u>	<u>-</u>	<u>-</u>	<u>(945,148)</u>
Cash Flows from Financing Activities:					
Principal payments of mortgages and notes payable	(164,619)	(23,786)	-	-	(188,405)
Proceeds from mortgages and notes payable	-	1,448,280	-	-	1,448,280
Due to affiliates	-	(282,582)	-	282,582	-
Net cash provided by (used in) financing activities	<u>(164,619)</u>	<u>1,141,912</u>	<u>-</u>	<u>282,582</u>	<u>1,259,875</u>
Net Change in Cash	985,716	10,888	50,448	-	1,047,052
Cash:					
Beginning of year	1,390,310	346,247	105,110	-	1,841,667
End of year	<u>\$ 2,376,026</u>	<u>\$ 357,135</u>	<u>\$ 155,558</u>	<u>\$ -</u>	<u>\$ 2,888,719</u>
Supplemental Disclosure of Cash Flow Information:					
Cash paid for interest	<u>\$ 26,649</u>	<u>\$ 43,038</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,687</u>
Projects under development financed with accounts payable	<u>\$ -</u>	<u>\$ 44,102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,102</u>
Project under development transferred	<u>\$ -</u>	<u>\$ 777,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,265</u>
Long-term debt assigned	<u>\$ -</u>	<u>\$ (998,280)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (998,280)</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Cash Flows - Operating
For the Year Ended December 31, 2014

	NOAH, Inc.	Peace Properties	NOAH CDFI	Eliminations	Total
Cash Flows from Operating Activities:					
Changes in net assets	\$ 441,821	\$ (37,354)	\$ (7,327)	\$ -	\$ 397,140
Adjustments to reconcile changes in net assets to net cash provided by operating activities:					
Depreciation and amortization	19,462	56,571	-	-	76,033
Bad debts	2,935	-	-	-	2,935
Changes in operating assets and liabilities:					
Contracts, loans and other receivables	8,697	18,291	119,185	(102,193)	43,980
Due from affiliates	371,201	-	24,793	(840,192)	(444,198)
Prepaid expenses and other	(95)	(18)	-	-	(113)
Accrued interest	(30,416)	-	-	-	(30,416)
Accounts payable and other liabilities	(11,684)	(26,408)	1,205	-	(36,887)
Net cash provided by operating activities	<u>801,921</u>	<u>11,082</u>	<u>137,856</u>	<u>(942,385)</u>	<u>8,474</u>
Cash Flows from Investing Activities:					
Net increase in projects under development	-	(977,632)	-	364,954	(612,678)
Increase in restricted deposits	(453,131)	-	(108,820)	-	(561,951)
Purchase and interest earned on certificate of deposit	(114,295)	-	-	-	(114,295)
Financing fees	(5,000)	-	-	-	(5,000)
Net cash used in investing activities	<u>(572,426)</u>	<u>(977,632)</u>	<u>(108,820)</u>	<u>364,954</u>	<u>(1,293,924)</u>
Cash Flows from Financing Activities:					
Principal payments of mortgages and notes payable	(334,877)	(672,755)	-	-	(1,007,632)
Proceeds from mortgages and notes payable	648,641	2,375,000	-	-	3,023,641
Principal payments of capital lease obligation	(18,539)	-	-	-	(18,539)
Due to affiliates	(18,291)	(559,140)	-	577,431	-
Net cash provided by financing activities	<u>276,934</u>	<u>1,143,105</u>	<u>-</u>	<u>577,431</u>	<u>1,997,470</u>
Net Change in Cash	506,429	176,555	29,036	-	712,020
Cash:					
Beginning of year	883,881	169,692	76,074	-	1,129,647
End of year	<u>\$ 1,390,310</u>	<u>\$ 346,247</u>	<u>\$ 105,110</u>	<u>\$ -</u>	<u>\$ 1,841,667</u>
Supplemental Disclosure of Cash Flow Information:					
Cash paid for interest	<u>\$ 21,425</u>	<u>\$ 44,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,494</u>
Projects under development financed with accounts payable	<u>\$ -</u>	<u>\$ 71,527</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,527</u>

Supplementary Combining Statement of Financial Position - Rental Programs
December 31, 2015

Assets	Non-Syndicated				Syndicated				Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	Shoe Shop LP	
Current Assets:									
Cash - operating	\$ 17,297	\$ 246,708	\$ 56,000	\$ 65,615	\$ 17,778	\$ 4,362	\$ 56,280	\$ 10,000	\$ 474,040
Cash - development	-	-	-	-	-	142,678	2,985,841	393,733	3,522,252
Current portion of restricted deposits	53,265	49,920	8,682	12,466	42,462	57,071	43,339	-	267,205
Contracts, loans and other receivables	10,839	10,029	21,330	8,229	11,423	3,281	261	-	65,392
Prepaid expenses and other	29,002	31,311	11,876	1,842	7,343	5,324	41,672	-	128,370
Total current assets	110,403	337,968	97,888	88,152	79,006	212,716	3,127,393	403,733	4,457,259
Restricted Deposits, net of current portion	162,359	339,133	151,326	34,176	199,502	280,834	113,137	-	1,280,467
Capitalized Costs, net	47,629	-	-	-	77,904	103,263	373,259	-	602,055
Projects Under Development	-	-	-	-	-	-	-	4,993,057	4,993,057
Property and Equipment, net	2,125,214	3,083,852	1,141,712	1,568,507	8,492,972	8,789,725	18,789,655	-	43,991,637
Total assets	\$ 2,445,605	\$ 3,760,953	\$ 1,390,926	\$ 1,690,835	\$ 8,849,384	\$ 9,386,538	\$ 22,403,444	\$ 5,396,790	\$ 55,324,475
Liabilities and Net Assets									
Current Liabilities:									
Current portion of mortgages and notes payable	\$ 31,440	\$ 20,289	\$ -	\$ 17,146	\$ 17,969	\$ 24,851	\$ -	\$ -	\$ 111,695
Current portion of accrued interest	-	-	-	-	25,867	-	3,694	-	29,561
Accounts payable and other liabilities	57,817	51,360	33,872	29,701	37,556	71,356	92,434	-	374,096
Current portion of developer fee payable	-	-	-	-	-	36,088	408,167	254,572	698,827
Current portion of due to affiliates	-	-	-	-	14,409	10,150	-	-	24,559
Total current liabilities	89,257	71,649	33,872	46,847	95,801	142,445	504,295	254,572	1,238,738
Long-Term Liabilities:									
Mortgages and notes payable, net of current portion	1,803,706	2,986,142	-	215,013	1,861,805	2,280,367	12,550,000	3,556,201	25,253,234
Due to affiliates, net of current portion	75,000	-	94,626	76,201	-	100,000	396,142	-	741,969
Construction payable	-	-	-	-	-	-	-	1,486,017	1,486,017
Accrued interest, net of current portion	-	-	168,711	1,212,745	369,846	-	42,647	-	1,793,949
Developer fee payable, net of current portion	-	-	-	111,593	-	150,000	-	-	261,593
Contingent loans and advances	197,325	1,125,822	1,280,264	760,000	3,594,490	2,375,000	3,123,206	100,000	12,556,107
Total long-term liabilities	2,076,031	4,111,964	1,543,601	2,375,552	5,826,141	4,905,367	16,111,995	5,142,218	42,092,869
Total liabilities	2,165,288	4,183,613	1,577,473	2,422,399	5,921,942	5,047,812	16,616,290	5,396,790	43,331,607
Net Assets:									
Unrestricted:									
Operating	52,586	286,608	64,016	58,451	1,174	(1,318)	45,424	-	506,941
Property and equipment	27,731	(916,376)	(250,563)	(790,015)	2,926,268	4,340,044	5,741,730	-	11,078,819
Total unrestricted	80,317	(629,768)	(186,547)	(731,564)	2,927,442	4,338,726	5,787,154	-	11,585,760
Temporarily restricted	100,000	-	-	-	-	-	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	-	-	-	-	-	307,108
Total net assets	280,317	(422,660)	(186,547)	(731,564)	2,927,442	4,338,726	5,787,154	-	11,992,868
Total liabilities and net assets	\$ 2,445,605	\$ 3,760,953	\$ 1,390,926	\$ 1,690,835	\$ 8,849,384	\$ 9,386,538	\$ 22,403,444	\$ 5,396,790	\$ 55,324,475

Supplementary Combining Statement of Financial Position - Rental Programs
December 31, 2014

Assets	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Current Assets:								
Cash - operating	\$ 37,698	\$ 212,976	\$ 87,914	\$ 43,960	\$ 42,879	\$ 5,034	\$ 2,000	\$ 432,461
Cash - development	-	-	-	-	-	106,547	88,235	194,782
Current portion of restricted deposits	53,449	42,274	5,763	12,455	46,869	24,302	-	185,112
Contracts, loans and other receivables	14,286	15,302	12,764	10,831	13,852	3,076	-	70,111
Prepaid expenses and other	28,343	31,038	11,876	1,803	5,801	4,961	-	83,822
Total current assets	133,776	301,590	118,317	69,049	109,401	143,920	90,235	966,288
Restricted Deposits, net of current portion	318,879	328,176	139,172	30,552	194,787	32,668	-	1,044,234
Capitalized Costs, net	50,716	-	-	-	86,800	99,998	-	237,514
Projects Under Development	-	-	-	-	-	-	16,553,747	16,553,747
Property and Equipment, net	2,025,709	3,160,077	1,201,202	1,622,184	8,725,967	9,018,577	-	25,753,716
Total assets	\$ 2,529,080	\$ 3,789,843	\$ 1,458,691	\$ 1,721,785	\$ 9,116,955	\$ 9,295,163	\$ 16,643,982	\$ 44,555,499
Liabilities and Net Assets								
Current Liabilities:								
Current portion of mortgages and notes payable	\$ 30,075	\$ 11,050	\$ -	\$ 16,316	\$ 17,335	\$ 18,012	\$ -	\$ 92,788
Current portion of accrued interest	-	-	-	-	25,867	133,599	-	159,466
Accounts payable and other liabilities	101,304	49,669	28,654	23,752	47,311	103,711	-	354,401
Current portion of developer fee payable	-	-	-	-	-	613,778	96,500	710,278
Current portion of due to affiliates	-	-	-	-	19,938	-	-	19,938
Total current liabilities	131,379	60,719	28,654	40,068	110,451	869,100	96,500	1,336,871
Long-Term Liabilities:								
Mortgages and notes payable, net of current portion	1,835,477	3,016,066	-	232,118	1,879,190	2,491,551	7,486,041	16,940,443
Due to affiliates, net of current portion	75,000	-	94,626	76,201	-	5,000	176,944	427,771
Construction payable	-	-	-	-	-	-	2,731,160	2,731,160
Accrued interest, net of current portion	-	-	153,937	1,087,667	276,565	-	-	1,518,169
Developer fee payable, net of current portion	-	-	-	111,593	-	100,000	-	211,593
Contingent loans and advances	197,325	1,125,822	1,280,264	760,000	3,594,490	2,375,000	6,155,392	15,488,293
Total long-term liabilities	2,107,802	4,141,888	1,528,827	2,267,579	5,750,245	4,971,551	16,549,537	37,317,429
Total liabilities	2,239,181	4,202,607	1,557,481	2,307,647	5,860,696	5,840,651	16,646,037	38,654,300
Net Assets:								
Unrestricted:								
Operating	32,472	251,921	89,663	45,297	16,285	(71,338)	-	364,300
Development	-	-	-	-	-	-	(2,055)	(2,055)
Property and equipment	57,427	(871,793)	(188,453)	(631,159)	3,239,974	3,525,850	-	5,131,846
Total unrestricted	89,899	(619,872)	(98,790)	(585,862)	3,256,259	3,454,512	(2,055)	5,494,091
Temporarily restricted	100,000	-	-	-	-	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	-	-	-	-	307,108
Total net assets	289,899	(412,764)	(98,790)	(585,862)	3,256,259	3,454,512	(2,055)	5,901,199
Total liabilities and net assets	\$ 2,529,080	\$ 3,789,843	\$ 1,458,691	\$ 1,721,785	\$ 9,116,955	\$ 9,295,163	\$ 16,643,982	\$ 44,555,499

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Activities - Rental Programs
For the Year Ended December 31, 2015

	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Unrestricted Net Assets:								
Operating revenues:								
Rental income, net of vacancies	\$ 425,258	\$ 488,351	\$ 164,560	\$ 178,995	\$ 527,037	\$ 365,256	\$ 185,705	\$ 2,335,162
Interest income and other	5,091	9,341	-	193	7,400	20,929	936	43,890
Total operating revenues	430,349	497,692	164,560	179,188	534,437	386,185	186,641	2,379,052
Operating expenses:								
Rental programs	372,432	384,554	175,746	138,099	521,304	421,442	500,343	2,513,920
Depreciation and amortization	67,499	123,034	61,797	61,713	248,670	243,020	323,719	1,129,452
Total operating expenses	439,931	507,588	237,543	199,812	769,974	664,462	824,062	3,643,372
Changes in unrestricted net assets from operations	(9,582)	(9,896)	(72,983)	(20,624)	(235,537)	(278,277)	(637,421)	(1,264,320)
Non-operating expenses:								
Rent-up and marketing	-	-	-	-	-	-	(42,230)	(42,230)
Deferred interest	-	-	(14,774)	(125,078)	(93,280)	-	(42,647)	(275,779)
Total non-operating expenses	-	-	(14,774)	(125,078)	(93,280)	-	(84,877)	(318,009)
Changes in unrestricted net assets	\$ (9,582)	\$ (9,896)	\$ (87,757)	\$ (145,702)	\$ (328,817)	\$ (278,277)	\$ (722,298)	\$ (1,582,329)

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Activities - Rental Programs
For the Year Ended December 31, 2014

	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Unrestricted Net Assets:								
Operating revenues:								
Rental income, net of vacancies	\$ 428,785	\$ 479,228	\$ 170,161	\$ 171,894	\$ 541,439	\$ 221,709	\$ -	\$ 2,013,216
Interest income and other	4,588	8,782	793	3	9,838	16,730	-	40,734
Total operating revenues	<u>433,373</u>	<u>488,010</u>	<u>170,954</u>	<u>171,897</u>	<u>551,277</u>	<u>238,439</u>	<u>-</u>	<u>2,053,950</u>
Operating expenses:								
Rental programs	330,989	383,546	145,225	141,759	494,612	412,948	2,055	1,911,134
Depreciation and amortization	61,322	121,775	60,815	61,462	248,204	204,136	-	757,714
Total operating expenses	<u>392,311</u>	<u>505,321</u>	<u>206,040</u>	<u>203,221</u>	<u>742,816</u>	<u>617,084</u>	<u>2,055</u>	<u>2,668,848</u>
Changes in unrestricted net assets from operations	<u>41,062</u>	<u>(17,311)</u>	<u>(35,086)</u>	<u>(31,324)</u>	<u>(191,539)</u>	<u>(378,645)</u>	<u>(2,055)</u>	<u>(614,898)</u>
Non-operating expenses:								
Rent-up and marketing	-	-	-	-	-	(142,880)	-	(142,880)
Deferred interest	-	-	(14,669)	(117,019)	(93,587)	-	-	(225,275)
Total non-operating expenses	<u>-</u>	<u>-</u>	<u>(14,669)</u>	<u>(117,019)</u>	<u>(93,587)</u>	<u>(142,880)</u>	<u>-</u>	<u>(368,155)</u>
Changes in unrestricted net assets	<u>\$ 41,062</u>	<u>\$ (17,311)</u>	<u>\$ (49,755)</u>	<u>\$ (148,343)</u>	<u>\$ (285,126)</u>	<u>\$ (521,525)</u>	<u>\$ (2,055)</u>	<u>\$ (983,053)</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statements of Changes in Net Assets - Rental Programs
For the Years Ended December 31, 2015 and 2014

	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Net Assets, December 31, 2013	\$ 248,837	\$ (395,453)	\$ (49,035)	\$ (437,519)	\$ 3,531,385	\$ -	\$ -	\$ 2,898,215
Capital contributions	-	-	-	-	10,000	4,051,287	-	4,061,287
Syndication fees	-	-	-	-	-	(75,250)	-	(75,250)
Changes in net assets	<u>41,062</u>	<u>(17,311)</u>	<u>(49,755)</u>	<u>(148,343)</u>	<u>(285,126)</u>	<u>(521,525)</u>	<u>(2,055)</u>	<u>(983,053)</u>
Net Assets, December 31, 2014	289,899	(412,764)	(98,790)	(585,862)	3,256,259	3,454,512	(2,055)	5,901,199
Capital contributions	-	-	-	-	-	1,162,491	6,511,507	7,673,998
Changes in net assets	<u>(9,582)</u>	<u>(9,896)</u>	<u>(87,757)</u>	<u>(145,702)</u>	<u>(328,817)</u>	<u>(278,277)</u>	<u>(722,298)</u>	<u>(1,582,329)</u>
Net Assets, December 31, 2015	<u>\$ 280,317</u>	<u>\$ (422,660)</u>	<u>\$ (186,547)</u>	<u>\$ (731,564)</u>	<u>\$ 2,927,442</u>	<u>\$ 4,338,726</u>	<u>\$ 5,787,154</u>	<u>\$ 11,992,868</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Cash Flows - Rental Programs
For the Year Ended December 31, 2015

	Non-Syndicated				Syndicated				Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	Shoe Shop LP	
Cash Flows from Operating Activities:									
Changes in net assets	\$ (9,582)	\$ (9,896)	\$ (87,757)	\$ (145,702)	\$ (328,817)	\$ (278,277)	\$ (722,298)	\$ -	\$ (1,582,329)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:									
Depreciation and amortization	67,499	123,034	61,797	61,713	248,670	243,020	323,719	-	1,129,452
Deferred interest	-	-	14,774	125,078	93,280	-	42,647	-	275,779
Bad debts	6,209	4,063	10,060	19	139	-	-	-	20,490
Changes in operating assets and liabilities:									
Restricted deposits	184	(7,646)	(2,919)	(11)	4,407	(32,769)	(43,339)	-	(82,093)
Contracts, loans and other receivables	(2,762)	1,210	(18,626)	2,583	2,290	(205)	(261)	-	(15,771)
Prepaid expenses and other	(659)	(273)	-	(39)	(1,542)	(363)	(41,672)	-	(44,548)
Accrued interest	-	-	-	-	-	(133,599)	3,694	-	(129,905)
Accounts payable and other liabilities	(43,487)	1,691	5,218	5,949	(9,755)	(32,355)	92,434	-	19,695
Due to affiliates	-	-	-	-	(5,529)	105,150	-	-	99,621
Net cash provided by (used in) operating activities	17,402	112,183	(17,453)	49,590	3,143	(129,398)	(345,076)	-	(309,609)
Cash Flows from Investing Activities:									
Net increase in projects under development	-	-	-	-	-	-	-	(2,475,203)	(2,475,203)
Cash paid for capitalized costs	-	-	-	-	-	(9,343)	(375,217)	-	(384,560)
(Increase) decrease in restricted deposits	156,520	(10,957)	(12,154)	(3,624)	(4,715)	(248,166)	(113,137)	-	(236,233)
Acquisition of property and equipment	(163,917)	(46,809)	(2,307)	(8,036)	(6,779)	(8,090)	(4,977,162)	-	(5,213,100)
Net cash used in investing activities	(7,397)	(57,766)	(14,461)	(11,660)	(11,494)	(265,599)	(5,465,516)	(2,475,203)	(8,309,096)
Cash Flows from Financing Activities:									
Principal payments of mortgages and notes payable	(30,406)	(20,685)	-	(16,275)	(16,750)	(1,075,545)	(7,486,041)	-	(8,645,702)
Capital contributions	-	-	-	-	-	1,162,491	2,389,165	-	3,551,656
Developer fee payable	-	-	-	-	-	(527,690)	-	-	(527,690)
Due to affiliates	-	-	-	-	-	-	219,198	-	219,198
Cash transfer	-	-	-	-	-	-	-	221,015	221,015
Proceeds from contingent loans and advances	-	-	-	-	-	-	1,090,156	100,000	1,190,156
Proceeds from mortgages and notes payable	-	-	-	-	-	871,200	12,550,000	2,557,921	15,979,121
Net cash provided by (used in) financing activities	(30,406)	(20,685)	-	(16,275)	(16,750)	430,456	8,762,478	2,878,936	11,987,754
Net Change in Cash	(20,401)	33,732	(31,914)	21,655	(25,101)	35,459	2,951,886	403,733	3,369,049
Cash:									
Beginning of year	37,698	212,976	87,914	43,960	42,879	111,581	90,235	-	627,243
End of year	\$ 17,297	\$ 246,708	\$ 56,000	\$ 65,615	\$ 17,778	\$ 147,040	\$ 3,042,121	\$ 403,733	\$ 3,996,292
Supplemental Disclosure of Cash Flow Information:									
Cash paid for interest - expensed	\$ 58,134	\$ 51,878	\$ -	\$ 14,600	\$ 97,063	\$ 67,073	\$ 156,041	\$ -	\$ 444,789
Cash paid for interest - capitalized	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218,624	\$ 144,946	\$ 363,570
Project under development placed in service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,553,747	\$ -	\$ 16,553,747
Contingent loans and advances converted to capital contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,122,342	\$ -	\$ 4,122,342
Projects under development financed with accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,486,017	\$ 1,486,017
Projects under development financed with developer fee payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408,167	\$ 254,572	\$ 662,739
Project under development transferred	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (777,265)	\$ (777,265)
Long-term debt assumed	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 998,280	\$ 998,280

Supplementary Combining Statement of Cash Flows - Rental Programs
For the Year Ended December 31, 2014

	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Cash Flows from Operating Activities:								
Changes in net assets	\$ 41,062	\$ (17,311)	\$ (49,755)	\$ (148,343)	\$ (285,126)	\$ (521,525)	\$ (2,055)	\$ (983,053)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:								
Depreciation and amortization	61,322	121,775	60,815	61,462	248,204	204,136	-	757,714
Deferred interest	-	-	14,669	117,019	93,587	-	-	225,275
Bad debts	1,202	5,961	5,602	5,890	4,865	-	-	23,520
Changes in operating assets and liabilities:								
Contracts, loans and other receivables	(12,779)	(14,723)	(14,941)	(8,623)	(7,010)	(3,076)	-	(61,152)
Prepaid expenses and other	(3,957)	(1,204)	55	(76)	(291)	(4,961)	-	(10,434)
Accrued interest	-	-	-	-	-	133,599	-	133,599
Accounts payable and other liabilities	6,337	(3,140)	4,166	(1,280)	1,583	77,082	-	84,748
Deferred revenue	-	282	(266)	228	(1,473)	2,327	-	1,098
Due to affiliates	23,527	-	(21,811)	-	(6,218)	5,000	176,944	177,442
Deferred interest payments	-	-	-	-	(29,961)	-	-	(29,961)
Net cash provided by (used in) operating activities	116,714	91,640	(1,466)	26,277	18,160	(107,418)	174,889	318,796
Cash Flows from Investing Activities:								
Net increase in projects under development	-	-	-	-	-	-	(13,726,087)	(13,726,087)
Financing fees	(52,921)	-	-	-	-	(104,740)	-	(157,661)
Increase in restricted deposits	(313,891)	(16,554)	(11,224)	(6,007)	(836)	(32,668)	-	(381,180)
Acquisition of property and equipment	(277,159)	(15,216)	(8,799)	(8,868)	(5,833)	(2,529,483)	-	(2,845,358)
Net cash used in investing activities	(643,971)	(31,770)	(20,023)	(14,875)	(6,669)	(2,666,891)	(13,726,087)	(17,110,286)
Cash Flows from Financing Activities:								
Principal payments of mortgages and notes payable	(457,370)	(19,609)	-	(15,455)	(38,276)	(2,300,000)	(716,715)	(3,547,425)
Capital contributions	-	-	-	-	10,000	4,051,287	-	4,061,287
Syndication fees	-	-	-	-	-	(75,250)	-	(75,250)
Proceeds from contingent loans and advances	3,800	-	-	-	-	-	6,155,392	6,159,192
Proceeds from mortgages and notes payable	985,000	-	-	-	-	1,190,500	8,202,756	10,378,256
Net cash provided by (used in) financing activities	531,430	(19,609)	-	(15,455)	(28,276)	2,866,537	13,641,433	16,976,060
Net Change in Cash	4,173	40,261	(21,489)	(4,053)	(16,785)	92,228	90,235	184,570
Cash:								
Beginning of year	33,525	172,715	109,403	48,013	59,664	19,353	-	442,673
End of year	\$ 37,698	\$ 212,976	\$ 87,914	\$ 43,960	\$ 42,879	\$ 111,581	\$ 90,235	\$ 627,243
Supplemental Disclosure of Cash Flow Information:								
Cash paid for interest	\$ 56,964	\$ 64,379	\$ -	\$ 15,418	\$ 128,091	\$ 33,468	\$ -	\$ 298,320
Construction in process placed in service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,974,710	\$ -	\$ 5,974,710
Projects under development financed with accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,731,160	\$ 2,731,160
Projects under development financed with developer fee payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 713,778	\$ 96,500	\$ 810,278

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Functional Expenses - Rental Programs
For the Year Ended December 31, 2015

	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Personnel and Related:								
Consulting and contract labor	\$ 19,848	\$ 19,371	\$ 17,339	\$ 11,970	\$ 133,753	\$ 89,281	\$ 144,888	\$ 436,450
Other:								
Interest expense and bank fees	58,134	51,878	-	14,600	97,063	67,073	156,041	444,789
Telephone and utilities	53,751	44,202	21,122	16,822	118,689	88,802	83,458	426,846
Repairs, maintenance and security	92,793	107,660	39,016	31,975	51,551	54,185	21,861	399,041
Insurance and taxes	66,795	68,704	17,494	25,196	55,370	53,147	29,328	316,034
Professional fees	22,685	28,833	16,839	10,883	18,959	27,311	27,681	153,191
Management fees	24,884	32,119	5,978	19,771	32,058	27,224	9,307	151,341
Program expenses	20,904	11,165	45,960	2,991	4,759	9,228	1,278	96,285
Miscellaneous	497	540	800	1,074	-	2,959	14,634	20,504
Bad debts	6,209	4,063	10,060	19	139	-	-	20,490
Equipment rental and purchases	4,335	9,037	1,138	2,798	1,730	-	796	19,834
Supplies and general office	-	-	-	-	7,013	2,232	9,625	18,870
Travel and conferences	1,597	6,982	-	-	220	-	1,446	10,245
Total other	352,584	365,183	158,407	126,129	387,551	332,161	355,455	2,077,470
Total expenses before depreciation and amortization	372,432	384,554	175,746	138,099	521,304	421,442	500,343	2,513,920
Depreciation and Amortization	67,499	123,034	61,797	61,713	248,670	243,020	323,719	1,129,452
Total expenses	\$ 439,931	\$ 507,588	\$ 237,543	\$ 199,812	\$ 769,974	\$ 664,462	\$ 824,062	\$ 3,643,372

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Combining Statement of Functional Expenses - Rental Programs
For the Year Ended December 31, 2014

	Non-Syndicated				Syndicated			Total
	Shalom Properties, Inc.	Paz Properties, Inc.	Trinity House LLC	Siochain Properties LP	Stevens Corner LP	Benfield Farms LP	Sitkowski LP	
Personnel and Related:								
Consulting and contract labor	\$ 7,557	\$ 14,346	\$ 8,164	\$ 6,352	\$ 95,345	\$ 69,094	\$ -	\$ 200,858
Other:								
Interest expense and bank fees	57,004	64,400	-	15,449	98,171	148,550	-	383,574
Telephone and utilities	49,792	45,829	22,267	16,857	105,578	61,163	-	301,486
Repairs, maintenance and security	75,962	93,334	36,364	29,284	45,419	28,824	-	309,187
Insurance and taxes	63,269	66,831	17,734	24,408	55,556	28,390	-	256,188
Professional fees	23,938	30,878	14,455	14,647	16,786	18,700	-	119,404
Management fees	24,159	31,183	5,804	19,195	52,535	27,224	-	160,100
Program expenses	20,116	14,566	32,731	5,065	5,031	12,401	-	89,910
Miscellaneous	1,849	878	1,554	1,913	108	12,677	2,055	21,034
Bad debts	1,202	5,961	5,602	5,890	4,865	-	-	23,520
Equipment rental and purchases	4,590	8,561	550	2,699	7,235	-	-	23,635
Supplies and general office	-	-	-	-	7,896	5,925	-	13,821
Travel and conferences	1,551	6,779	-	-	87	-	-	8,417
Total other	323,432	369,200	137,061	135,407	399,267	343,854	2,055	1,710,276
Total expenses before depreciation and amortization	330,989	383,546	145,225	141,759	494,612	412,948	2,055	1,911,134
Depreciation and Amortization	61,322	121,775	60,815	61,462	248,204	204,136	-	757,714
Total expenses	\$ 392,311	\$ 505,321	\$ 206,040	\$ 203,221	\$ 742,816	\$ 617,084	\$ 2,055	\$ 2,668,848

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Supplementary Schedule of NeighborWorks America's Restricted Net Assets
December 31, 2015

	<u>Capital Invested</u>	<u>Less Valuation Allowance</u>	<u>Eliminations</u>	<u>Restricted Net Assets</u>
Contracts, Loans and Other Receivables:				
NOAH CDFI - loan receivable from Peace Properties and Amani Properties	\$ 103,167	\$ -	\$ -	\$ 103,167
NOAH CDFI - loans receivable - Homeownership program	138,238	(34,450)	-	103,788
NOAH CDFI - loans receivable from Cutler Heights Housing LP	115,000	(115,000)	-	-
NOAH - loan receivable from Sitkowski LP	176,944	(176,944)	176,944	176,944
NOAH - loan receivable from Shalom Properties	75,000	(75,000)	75,000	75,000
Investments:				
Peace Properties investment	452,000	(429,074)	429,074	452,000
Property and Equipment:				
Shalom Properties	100,000	-	-	100,000
Paz Properties	207,108	-	-	207,108
Project Under Development:				
Peace Properties - Border Falcon Street	<u>70,000</u>	<u>(70,000)</u>	<u>70,000</u>	<u>70,000</u>
Total assets	<u>\$ 1,437,457</u>	<u>\$ (900,468)</u>	<u>\$ 751,018</u>	<u>\$ 1,288,007</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 Year Ended December 31, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Passed-Through the City of Boston - Department of Neighborhood Development:			
Community Development Block Grants/Entitlement Grants	14.218	DNDC11001	\$ 1,346,200
HOME Investment Partnerships Program	14.239	N/A	1,179,614
Rent Supplements - Rental Housing for Lower Income Families	14.149	N/A	<u>226,834</u>
Total U.S. Department of Housing and Urban Development			<u>2,752,648</u>
U.S. Department of Treasury:			
Passed-Through Neighborworks ® America Enabling Legislation:			
Permanent Capital Funds	21.000	N/A	1,437,457
Expendable Grants	21.000	N/A	<u>318,047</u>
Total U.S. Department of Treasury			<u>1,755,504</u>
U.S. Department of Health and Human Services:			
Passed-Through Boston Public Health Commission:			
Racial and Ethnic Approaches to Community Health: Obesity and Hypertension Demonstration Projects financed solely by Prevention and Public Health Funds	93.743	1U58DP004726-01	<u>6,716</u>
Corporation for National and Community Service			
Americorps Recovery	94.006	N/A	<u>8,400</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 4,523,268</u></u>

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

NOAH's combined financial statements include the operations of Benfield Farms LP, Stevens Corner LP and Sitkowski LP, which are not included in the accompanying Schedule of Expenditures of Federal Awards for the year ended December 31, 2015, since the component entities are not subject to the Uniform Guidance.

Note 2. Loans Outstanding

The Community Development Block Grants/Entitlement Grants (CFDA #14.218) contain loans totaling \$1,119,423 at December 31, 2015.

The HOME Investment Partnerships Program (CFDA #14.239) represents the balance due on a loan at December 31, 2015.

The Rent Supplements - Rental Housing for Lower Income Families (CFDA #14.149) represents the balance due on loans at December 31, 2015.



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**Report on Internal Control Over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Combined Financial Statements Performed in Accordance
With Government Auditing Standards**

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 and Affiliates), which comprise the combined statement of financial position as of December 31, 2015, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the combined financial statements, and have issued our report thereon dated May 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered NOAH and Affiliates' 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 and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of NOAH and Affiliates' 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 and Affiliates' 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 and Affiliates' 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 and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NOAH and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Alexander, Crosser, Fenning & Co., P.C.".

Boston, Massachusetts
May 19, 2016

**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

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 and Affiliates) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on NOAH and Affiliates' major Federal program for the year ended December 31, 2015. NOAH and Affiliates' 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 Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for NOAH and Affiliates' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 and Affiliates' 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 the major Federal program. However, our audit does not provide a legal determination of NOAH and Affiliates' compliance.

Opinion on Each Major Federal Program

In our opinion, NOAH and Affiliates 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 year ended December 31, 2015.

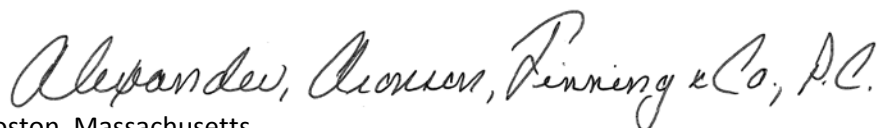
Report on Internal Control Over Compliance

Management of NOAH and Affiliates 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 and Affiliates' 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 the Uniform Guidance, 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 and Affiliates' 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Boston, Massachusetts
May 19, 2016

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs
December 31, 2015

1. SUMMARY OF AUDITOR'S RESULTS

Combined Financial Statements

Type of auditor's report issued on whether the combined financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

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

Noncompliance material to combined financial statements noted? Yes No

Federal Awards

Internal control over major Federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major Federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Neighborworks® America	21.000

Dollar threshold used to distinguish between Type A and Type B programs: **\$750,000.**

Auditee qualified as low-risk auditee? Yes No

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

Schedule of Findings and Questioned Costs
December 31, 2015

2. COMBINED FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None