



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

**COMBINING FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

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JUNE 30, 2007 AND 2006**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying combining statements of financial position of Neighborhood of Affordable Housing, Inc. (a Massachusetts corporation, not for profit) (NOAH) and Affiliates as of June 30, 2007 and 2006, and the related combining statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended. These combining financial statements are the responsibility of the management of NOAH and Affiliates. Our responsibility is to express an opinion on these combining financial statements based on our audits. The financial statements of Pace Border LLC as of December 31, 2005, were audited by another auditor whose report dated February 28, 2006, expressed an unqualified opinion on those financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combining financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combining financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combining financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the combining financial position of Neighborhood of Affordable Housing, Inc. and Affiliates as of June 30, 2007 and 2006, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplementary schedules of rental programs for the years ended June 30, 2007 and 2006, are presented for purposes of additional analysis and are not a required part of the basic combining financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combining financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic combining financial statements taken as a whole.

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
October 5, 2007, except for Notes 1 and 9,
as to which the date is November 26, 2007

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2007

<u>ASSETS</u>	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS:						
Cash	\$ 284,930	\$ 28,334	\$ 51,124	\$ 102,687	\$ -	\$ 467,075
Current portion of restricted deposits	29,890	-	68,586	-	-	98,476
Current portion of contracts, loans and other receivables	209,568	756	39,638	36,838	(60,633)	226,167
Current portion of projects under development	-	4,836,160	-	-	(225,160)	4,611,000
Current portion of due from affiliates	-	46,444	-	114,326	(160,770)	-
Prepaid expenses and other	28,095	971	19,206	1,181	-	49,453
Total current assets	<u>552,483</u>	<u>4,912,665</u>	<u>178,554</u>	<u>255,032</u>	<u>(446,563)</u>	<u>5,452,171</u>
RESTRICTED DEPOSITS, net of current portion	-	-	183,514	476,279	-	659,793
INVESTMENTS, net of reserve of \$71,167	-	79,757	-	-	(79,757)	-
CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts of \$424,182	100,000	-	-	367,165	-	467,165
DUE FROM AFFILIATES, net of current portion	233,413	456	28,324	88,568	(350,761)	-
PROJECTS UNDER DEVELOPMENT, net of current portion	50,000	8,393	-	-	-	58,393
PROPERTY AND EQUIPMENT, net of accumulated depreciation	65,387	-	7,802,084	542	(277,886)	7,590,127
Total assets	<u>\$ 1,001,283</u>	<u>\$ 5,001,271</u>	<u>\$ 8,192,476</u>	<u>\$ 1,187,586</u>	<u>\$ (1,154,967)</u>	<u>\$ 14,227,649</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Current portion of mortgages and notes payable	\$ 50,000	\$ 4,343,162	\$ 79,734	\$ -	\$ (100,000)	\$ 4,372,896
Current portion of capital lease obligations	20,424	-	-	-	-	20,424
Accounts payable and other liabilities	145,557	420,068	102,958	16,142	(60,633)	624,092
Deferred revenue	2,925	-	90	24,938	-	27,953
Current portion of due to affiliates	-	44,444	16,326	-	(60,770)	-
Total current liabilities	<u>218,906</u>	<u>4,807,674</u>	<u>199,108</u>	<u>41,080</u>	<u>(221,403)</u>	<u>5,045,365</u>
LONG-TERM DEBT:						
Mortgages and notes payable, net of current portion	168,627	-	5,657,215	-	(323,587)	5,502,255
Capital lease obligations, net of current portion	27,475	-	-	-	-	27,475
Due to affiliates, net of current portion	45,000	150,605	194,606	216,234	(606,445)	-
Deferred developer fees payable	-	-	136,062	-	(136,062)	-
Accrued interest	-	-	48,101	-	(27,413)	20,688
Contingent loans and advances	-	-	2,073,501	-	-	2,073,501
Noncontrolling interest in consolidated subsidiary	-	-	36,740	-	-	36,740
Total long-term debt	<u>241,102</u>	<u>150,605</u>	<u>8,146,225</u>	<u>216,234</u>	<u>(1,093,507)</u>	<u>7,660,659</u>
Total liabilities	<u>460,008</u>	<u>4,958,279</u>	<u>8,345,333</u>	<u>257,314</u>	<u>(1,314,910)</u>	<u>12,706,024</u>
NET ASSETS:						
Unrestricted -						
Operating	2,485	971	48,088	1,697	212,000	265,241
Development	100,000	(132,085)	-	-	(52,057)	(84,142)
Property and equipment	17,487	-	(608,053)	542	-	(590,024)
Total unrestricted	<u>119,972</u>	<u>(131,114)</u>	<u>(559,965)</u>	<u>2,239</u>	<u>159,943</u>	<u>(408,925)</u>
Temporarily restricted -						
NW capital funds	99,775	174,106	307,108	928,033	-	1,509,022
Other purpose restrictions	321,528	-	100,000	-	-	421,528
Total temporarily restricted	<u>421,303</u>	<u>174,106</u>	<u>407,108</u>	<u>928,033</u>	<u>-</u>	<u>1,930,550</u>
Total net assets	<u>541,275</u>	<u>42,992</u>	<u>(152,857)</u>	<u>930,272</u>	<u>159,943</u>	<u>1,521,625</u>
Total liabilities and net assets	<u>\$ 1,001,283</u>	<u>\$ 5,001,271</u>	<u>\$ 8,192,476</u>	<u>\$ 1,187,586</u>	<u>\$ (1,154,967)</u>	<u>\$ 14,227,649</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2006

<u>ASSETS</u>	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
CURRENT ASSETS:						
Cash	\$ 247,233	\$ 27,115	\$ 89,882	\$ 124,722	\$ -	\$ 488,952
Current portion of restricted deposits	-	-	57,938	4,246	-	62,184
Current portion of contracts, loans and other receivables	323,778	2,718	11,218	18,814	(1,155)	355,373
Current portion of projects under development	-	1,371,921	-	-	-	1,371,921
Current portion of due from affiliates	-	2,000	-	14,326	(16,326)	-
Prepaid expenses and other	5,997	-	19,863	431	-	26,291
Total current assets	<u>577,008</u>	<u>1,403,754</u>	<u>178,901</u>	<u>162,539</u>	<u>(17,481)</u>	<u>2,304,721</u>
RESTRICTED DEPOSITS, net of current portion	-	-	191,441	503,068	-	694,509
INVESTMENTS, net of reserve of \$71,470	-	143,850	-	-	(143,850)	-
CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts of \$350,504	100,000	-	-	757,564	(36,948)	820,616
DUE FROM AFFILIATES, net of current portion	216,234	19,236	28,324	88,568	(333,126)	19,236
PROJECTS UNDER DEVELOPMENT, net of current portion	-	958,228	-	-	-	958,228
PROPERTY AND EQUIPMENT, net of accumulated depreciation	92,972	-	7,987,955	801	(277,866)	7,803,862
Total assets	<u>\$ 986,214</u>	<u>\$ 2,525,068</u>	<u>\$ 8,386,621</u>	<u>\$ 1,512,540</u>	<u>\$ (809,271)</u>	<u>\$ 12,601,172</u>
<u>LIABILITIES AND NET ASSETS</u>						
CURRENT LIABILITIES:						
Current portion of mortgages and notes payable	\$ -	\$ 1,457,061	\$ 108,587	\$ 185,271	\$ -	\$ 1,750,919
Current portion of capital lease obligations	20,424	-	-	-	-	20,424
Accounts payable and other liabilities	135,496	272,736	123,520	9,737	(1,155)	540,334
Deferred revenue	-	-	2,973	30,938	-	33,911
Current portion of due to affiliates	-	-	16,326	-	(16,326)	-
Total current liabilities	<u>155,920</u>	<u>1,729,797</u>	<u>251,406</u>	<u>225,946</u>	<u>(17,481)</u>	<u>2,345,588</u>
LONG-TERM DEBT:						
Mortgages and notes payable, net of current portion	225,000	500,988	5,696,161	-	(335,000)	6,087,149
Capital lease obligations, net of current portion	51,424	-	-	-	-	51,424
Due to affiliates, net of current portion	45,000	452,950	192,392	252,348	(942,690)	-
Deferred developer fees payable	-	-	136,062	-	(136,062)	-
Accrued interest	-	-	24,245	-	(19,189)	5,056
Contingent loans and advances	-	-	2,118,501	-	-	2,118,501
Noncontrolling interest in consolidated subsidiary	-	-	66,277	-	-	66,277
Total long-term debt	<u>321,424</u>	<u>953,938</u>	<u>8,233,638</u>	<u>252,348</u>	<u>(1,432,941)</u>	<u>8,328,407</u>
Total liabilities	<u>477,344</u>	<u>2,683,735</u>	<u>8,485,044</u>	<u>478,294</u>	<u>(1,450,422)</u>	<u>10,673,995</u>
NET ASSETS:						
Unrestricted -						
Operating	62,073	(92,136)	35,131	31,515	192,392	228,975
Development	100,000	(304,731)	-	-	448,759	244,028
Property and equipment	32,546	-	(540,662)	801	-	(507,315)
Total unrestricted	<u>194,619</u>	<u>(396,867)</u>	<u>(505,531)</u>	<u>32,316</u>	<u>641,151</u>	<u>(34,312)</u>
Temporarily restricted -						
NW capital funds	-	238,200	307,108	1,001,930	-	1,547,238
Other purpose restrictions	314,251	-	100,000	-	-	414,251
Total temporarily restricted	<u>314,251</u>	<u>238,200</u>	<u>407,108</u>	<u>1,001,930</u>	<u>-</u>	<u>1,961,489</u>
Total net assets	<u>508,870</u>	<u>(158,667)</u>	<u>(98,423)</u>	<u>1,034,246</u>	<u>641,151</u>	<u>1,927,177</u>
Total liabilities and net assets	<u>\$ 986,214</u>	<u>\$ 2,525,068</u>	<u>\$ 8,386,621</u>	<u>\$ 1,512,540</u>	<u>\$ (809,271)</u>	<u>\$ 12,601,172</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

UNRESTRICTED NET ASSETS:	NOAH, INC.	PEACE AND AMANI PROPERTIES	RENTAL PROGRAMS	NOAH CDFI	ELIMI- NATIONS	TOTAL
OPERATING REVENUES:						
Rental income	\$ 16,934	\$ -	\$ 871,800	\$ -	\$ (93,598)	\$ 795,136
Contracts, grants and other fees	584,660	-	-	8,060	-	592,720
Interest income and other	39,019	12,373	13,521	56,572	(28,994)	92,491
Property management fee	335,894	-	-	-	(246,326)	89,568
Tax abatement refund	-	-	42,776	-	-	42,776
Project management and developer fees	243,205	-	-	-	(225,160)	18,045
Loss on real estate development	-	(83,809)	-	-	-	(83,809)
Net assets released from purpose restrictions	340,465	-	-	73,897	-	414,362
Total operating revenues	<u>1,560,177</u>	<u>(71,436)</u>	<u>928,097</u>	<u>138,529</u>	<u>(594,078)</u>	<u>1,961,289</u>
OPERATING EXPENSES:						
Central Administration	516,268	-	-	-	(22,265)	494,003
Senior Home Repair	173,877	-	-	-	(7,914)	165,963
Housing Counseling	50,156	-	-	-	(4,811)	45,345
Community Services	360,368	-	-	-	(16,270)	344,098
BHA Program	134,609	-	-	-	(13,781)	120,828
Real Estate and Economic Development	103,249	81,911	-	-	(6,197)	178,963
Property Management	225,994	-	-	-	(22,088)	203,906
Rental Programs	-	-	1,057,068	-	(254,550)	802,518
NOAH CDFI	-	-	-	168,606	-	168,606
Total operating expenses	<u>1,564,521</u>	<u>81,911</u>	<u>1,057,068</u>	<u>168,606</u>	<u>(347,876)</u>	<u>2,524,230</u>
Changes in unrestricted net assets from operations	<u>(4,344)</u>	<u>(153,347)</u>	<u>(128,971)</u>	<u>(30,077)</u>	<u>(246,203)</u>	<u>(562,941)</u>
OTHER INCOME (EXPENSES):						
Capital grants loaned to affiliate	(70,000)	-	-	-	70,000	-
Loss on investment	(303)	(64,094)	-	-	64,094	(303)
Forgiveness of debt	-	50,000	45,000	-	-	95,000
Net assets released from purpose restrictions	-	64,094	-	-	-	64,094
Noncontrolling interest in income of consolidated subsidiary	-	-	29,537	-	-	29,537
Total other income (expenses)	<u>(70,303)</u>	<u>50,000</u>	<u>74,537</u>	<u>-</u>	<u>134,094</u>	<u>188,328</u>
Changes in unrestricted net assets	<u>(74,647)</u>	<u>(103,347)</u>	<u>(54,434)</u>	<u>(30,077)</u>	<u>(112,108)</u>	<u>(374,613)</u>
TEMPORARILY RESTRICTED NET ASSETS:						
GRANTS AND CONTRIBUTIONS	447,517	-	-	-	-	447,517
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	<u>(340,465)</u>	<u>(64,094)</u>	<u>-</u>	<u>(73,897)</u>	<u>-</u>	<u>(478,456)</u>
Changes in temporarily restricted net assets	<u>107,052</u>	<u>(64,094)</u>	<u>-</u>	<u>(73,897)</u>	<u>-</u>	<u>(30,939)</u>
Changes in net assets	<u>\$ 32,405</u>	<u>\$ (167,441)</u>	<u>\$ (54,434)</u>	<u>\$ (103,974)</u>	<u>\$ (112,108)</u>	<u>\$ (405,552)</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

<u>UNRESTRICTED NET ASSETS:</u>	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
OPERATING REVENUES:						
Rental income	\$ 26,745	\$ -	\$ 844,307	\$ -	\$ (95,366)	\$ 775,686
Contracts, grants and other fees	782,179	-	-	6,205	-	788,384
Interest income and other	1,996	8,170	13,130	82,458	(8,225)	97,529
Property management fee	344,204	-	-	-	(247,386)	96,818
Project management and developer fees	80,075	-	-	-	-	80,075
Loss on loan sale	-	-	-	(31,270)	-	(31,270)
Net assets released from purpose restrictions	492,946	-	-	23,085	-	516,031
Total operating revenues	<u>1,728,145</u>	<u>8,170</u>	<u>857,437</u>	<u>80,478</u>	<u>(350,977)</u>	<u>2,323,253</u>
OPERATING EXPENSES:						
Central Administration	474,684	-	-	-	(11,552)	463,132
Senior Home Repair	169,945	-	-	-	(12,539)	157,406
Housing Counseling	49,509	-	-	-	(3,305)	46,204
Community Services	428,225	-	-	-	(18,252)	409,973
BHA Program	174,470	-	-	-	(14,161)	160,309
Real Estate and Economic Development	109,668	11,583	-	-	(17,432)	103,819
Property Management	261,633	-	-	-	(26,350)	235,283
Rental Programs	-	-	1,001,765	-	(267,233)	734,532
NOAH CDFI	-	-	-	53,189	-	53,189
Total operating expenses	<u>1,668,134</u>	<u>11,583</u>	<u>1,001,765</u>	<u>53,189</u>	<u>(370,824)</u>	<u>2,363,847</u>
Changes in unrestricted net assets from operations	<u>60,011</u>	<u>(3,413)</u>	<u>(144,328)</u>	<u>27,289</u>	<u>19,847</u>	<u>(40,594)</u>
OTHER INCOME (EXPENSES):						
Loss on investment	(372)	(43,607)	-	-	43,607	(372)
Forgiveness of debt	-	60,000	-	-	-	60,000
Net assets released from purpose restrictions	-	43,607	-	-	-	43,607
Noncontrolling interest in income of consolidated subsidiary	-	-	20,095	-	-	20,095
Total other income (expenses)	<u>(372)</u>	<u>60,000</u>	<u>20,095</u>	<u>-</u>	<u>43,607</u>	<u>123,330</u>
Changes in unrestricted net assets	<u>59,639</u>	<u>56,587</u>	<u>(124,233)</u>	<u>27,289</u>	<u>63,454</u>	<u>82,736</u>
TEMPORARILY RESTRICTED NET ASSETS:						
GRANTS AND CONTRIBUTIONS	528,006	-	-	-	-	528,006
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	<u>(492,946)</u>	<u>(43,607)</u>	<u>-</u>	<u>(23,085)</u>	<u>-</u>	<u>(559,638)</u>
Changes in temporarily restricted net assets	<u>35,060</u>	<u>(43,607)</u>	<u>-</u>	<u>(23,085)</u>	<u>-</u>	<u>(31,632)</u>
Changes in net assets	<u>\$ 94,699</u>	<u>\$ 12,980</u>	<u>\$ (124,233)</u>	<u>\$ 4,204</u>	<u>\$ 63,454</u>	<u>\$ 51,104</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINING STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2005	\$ 414,171	\$ (171,747)	\$ 25,810	\$ 1,030,042	\$ 577,697	\$ 1,875,973
Capital contribution	-	100	-	-	-	100
Changes in net assets	<u>94,699</u>	<u>12,980</u>	<u>(124,233)</u>	<u>4,204</u>	<u>63,454</u>	<u>51,104</u>
NET ASSETS, June 30, 2006	508,870	(158,667)	(98,423)	1,034,246	641,151	1,927,177
Net asset transfer	-	369,100	-	-	(369,100)	-
Changes in net assets	<u>32,405</u>	<u>(167,441)</u>	<u>(54,434)</u>	<u>(103,974)</u>	<u>(112,108)</u>	<u>(405,552)</u>
NET ASSETS, June 30, 2007	<u>\$ 541,275</u>	<u>\$ 42,992</u>	<u>\$ (152,857)</u>	<u>\$ 930,272</u>	<u>\$ 159,943</u>	<u>\$ 1,521,625</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in unrestricted net assets from operations	\$ (4,344)	\$ (153,347)	\$ (128,971)	\$ (30,077)	\$ (316,739)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:					
Grants and contributions	347,742	-	-	-	347,742
Depreciation and amortization	31,302	-	225,870	259	257,431
Loss on sale of real estate	-	83,809	-	-	83,809
Bad debts	29,918	27,004	4,088	147,722	208,732
Changes in operating assets and liabilities -					
Contracts, loans and other receivables	83,989	(25,042)	(32,508)	3,470	29,909
Prepaid expenses and other	(22,098)	(971)	657	(750)	(23,162)
Accounts payable and other liabilities	10,061	17,841	(20,562)	6,405	13,745
Deferred revenue	2,925	-	(2,883)	(6,000)	(5,958)
Accrued interest	-	-	23,856	-	23,856
Decrease in temporarily restricted net assets	<u>(340,465)</u>	<u>-</u>	<u>-</u>	<u>(73,897)</u>	<u>(414,362)</u>
Net cash provided by (used in) operating activities	<u>139,030</u>	<u>(50,706)</u>	<u>69,547</u>	<u>47,132</u>	<u>205,003</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Increase in project under development	(50,000)	(2,468,722)	-	-	(2,518,722)
Acquisition of property and equipment	(3,717)	-	(39,999)	-	(43,716)
(Increase) decrease in restricted deposits	(29,890)	-	(2,721)	31,035	(1,576)
Decrease in contracts and other receivables	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,183</u>	<u>221,183</u>
Net cash provided by (used in) investing activities	<u>(83,607)</u>	<u>(2,468,722)</u>	<u>(42,720)</u>	<u>252,218</u>	<u>(2,342,831)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Due from affiliates	(87,179)	(25,664)	-	(100,000)	(212,843)
Due to affiliates	-	111,199	2,214	(36,114)	77,299
Proceeds of mortgages and notes payable	-	2,435,112	-	-	2,435,112
Principal payments of mortgages and notes payable	(6,373)	-	(67,799)	(185,271)	(259,443)
Principal payments of capital lease obligation	(23,949)	-	-	-	(23,949)
Proceeds of NW capital funds	<u>99,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,775</u>
Net cash provided by (used in) financing activities	<u>(17,726)</u>	<u>2,520,647</u>	<u>(65,585)</u>	<u>(321,385)</u>	<u>2,115,951</u>
NET INCREASE (DECREASE) IN CASH	37,697	1,219	(38,758)	(22,035)	(21,877)
CASH, beginning of year	<u>247,233</u>	<u>27,115</u>	<u>89,882</u>	<u>124,722</u>	<u>488,952</u>
CASH, end of year	<u>\$ 284,930</u>	<u>\$ 28,334</u>	<u>\$ 51,124</u>	<u>\$ 102,687</u>	<u>\$ 467,075</u>
SUPPLEMENTAL DISCLOSURE -					
Interest capitalized	<u>\$ -</u>	<u>\$ 39,618</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,618</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>NOAH, INC.</u>	<u>PEACE AND AMANI PROPERTIES</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Changes in unrestricted net assets from operations	\$ 60,011	\$ (3,413)	\$ (144,328)	\$ 27,289	\$ (60,441)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:					
Depreciation and amortization	31,091	-	221,326	260	252,677
Loss on sale of loans, net of NW capital funds	-	-	-	12,426	12,426
Bad debts	8,431	-	3,338	1,829	13,598
Changes in operating assets and liabilities -					
Restricted deposits	-	-	1,095	-	1,095
Contracts, loans and other receivables	123,242	166	(9,106)	(19,750)	94,552
Prepaid expenses and other	(14,983)	-	(9,222)	(431)	(24,636)
Accounts payable and other liabilities	(98,195)	-	(104,507)	(22,416)	(225,118)
Deferred revenue	-	-	2,973	(3,636)	(663)
Accrued interest	-	-	13,225	-	13,225
	<u>109,597</u>	<u>(3,247)</u>	<u>(25,206)</u>	<u>(4,429)</u>	<u>76,715</u>
Net cash provided by (used in) operating activities					
CASH FLOWS FROM INVESTING ACTIVITIES:					
Increase in project under development	-	(1,114,701)	-	-	(1,114,701)
Acquisition of property and equipment	(5,950)	-	23,724	-	17,774
Increase in restricted deposits	-	-	(9,973)	(291,163)	(301,136)
Decrease in deferred developer fees payable	-	-	(95,000)	-	(95,000)
Decrease in contracts and other receivables	-	-	-	902,386	902,386
	<u>(5,950)</u>	<u>(1,114,701)</u>	<u>(81,249)</u>	<u>611,223</u>	<u>(590,677)</u>
Net cash provided by (used in) investing activities					
CASH FLOWS FROM FINANCING ACTIVITIES:					
Due from affiliates	(60,961)	(10,495)	-	-	(71,456)
Due to affiliates	-	135,000	108,907	(13,692)	230,215
Proceeds of mortgages and notes payable	-	992,254	115,000	-	1,107,254
Principal payments of mortgages and notes payable	(95,000)	-	(55,358)	(554,087)	(704,445)
Principal payments of capital lease obligation	(17,553)	-	-	-	(17,553)
Capital contribution	-	100	-	-	100
	<u>(173,514)</u>	<u>1,116,859</u>	<u>168,549</u>	<u>(567,779)</u>	<u>544,115</u>
Net cash provided by (used in) financing activities					
NET INCREASE (DECREASE) IN CASH	(69,867)	(1,089)	62,094	39,015	30,153
CASH, beginning of year	317,100	28,204	27,788	85,707	458,799
CASH, end of year	<u>\$ 247,233</u>	<u>\$ 27,115</u>	<u>\$ 89,882</u>	<u>\$ 124,722</u>	<u>\$ 488,952</u>
SUPPLEMENTAL DISCLOSURE -					
Interest capitalized	<u>\$ -</u>	<u>\$ 52,547</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,547</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007**

	OPERATING											
	<u>CENTRAL ADMINIS- TRATION</u>	<u>SENIOR HOME REPAIR</u>	<u>HOUSING COUNSELING</u>	<u>COMMUNITY SERVICES</u>	<u>BHA PROGRAM</u>	<u>REAL ESTATE AND ECONOMIC DEVELOPMENT</u>	<u>PROPERTY MANAGEMENT</u>	<u>TOTAL OPERATING PROGRAMS</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
PERSONNEL AND RELATED COSTS:												
Salaries	\$ 140,291	\$ 65,550	\$ 30,946	\$ 176,852	\$ 83,591	\$ 76,097	\$ 135,663	\$ 708,990	\$ -	\$ 5,373	\$ -	\$ 714,363
Consulting and contract labor	164,111	3,030	-	-	-	-	-	167,141	18,228	-	-	185,369
Employee benefits	21,458	12,182	8,366	9,027	16,310	4,995	26,638	98,976	-	-	-	98,976
Payroll taxes	14,171	6,136	2,677	16,651	7,456	7,238	13,263	67,592	-	1,044	-	68,636
Total personnel and related costs	<u>340,031</u>	<u>86,898</u>	<u>41,989</u>	<u>202,530</u>	<u>107,357</u>	<u>88,330</u>	<u>175,564</u>	<u>1,042,699</u>	<u>18,228</u>	<u>6,417</u>	<u>-</u>	<u>1,067,344</u>
OTHER:												
Special events and other program expenses	5,248	47,454	32	120,924	51	22,394	278	196,382	32,197	-	-	228,579
Interest expense and bank fees	19,644	-	-	30	-	1,663	-	21,337	204,438	3,962	(8,225)	221,512
Bad debt	29,918	-	-	-	-	27,004	-	56,922	4,088	147,722	-	208,732
Insurance and taxes	20,007	9,791	42	266	126	373	4,528	35,133	130,106	2,667	-	167,905
Telephone and utilities	5,409	2,926	1,327	4,437	4,232	1,646	9,376	29,352	64,382	-	-	93,734
Professional fees	11,678	-	-	-	-	15,958	75	27,711	53,363	7,008	-	88,082
Condo fee	-	-	-	-	-	-	-	-	49,032	-	-	49,032
Supplies and general office	6,069	14,803	484	4,530	3,610	2,805	2,212	34,513	88	325	-	34,926
Repairs, maintenance and security	5,769	1,830	1,034	3,637	2,461	1,222	5,605	21,558	255,316	-	(246,054)	30,821
Miscellaneous	2,037	-	-	50	-	15,683	-	17,770	10,423	-	-	28,193
Travel and conferences	6,819	1,314	-	5,789	97	33	4,006	18,058	8,329	-	-	26,387
Equipment rental and purchases	2,867	947	437	1,810	2,894	761	2,098	11,814	1,208	-	-	13,022
Dues and subscriptions	6,884	-	-	-	-	349	64	7,297	-	246	-	7,543
Advertising	50	-	-	96	-	742	100	988	-	-	-	988
Rent	22,536	7,914	4,811	16,270	13,781	6,197	22,088	93,597	-	-	(93,597)	-
Total other	<u>144,936</u>	<u>86,979</u>	<u>8,167</u>	<u>157,838</u>	<u>27,252</u>	<u>96,830</u>	<u>50,430</u>	<u>572,431</u>	<u>812,970</u>	<u>161,930</u>	<u>(347,876)</u>	<u>1,199,455</u>
Total expenses before depreciation	<u>484,966</u>	<u>173,877</u>	<u>50,156</u>	<u>360,368</u>	<u>134,609</u>	<u>185,160</u>	<u>225,994</u>	<u>1,615,130</u>	<u>831,198</u>	<u>168,347</u>	<u>(347,876)</u>	<u>2,266,799</u>
DEPRECIATION	<u>31,302</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,302</u>	<u>225,870</u>	<u>259</u>	<u>-</u>	<u>257,431</u>
	<u>\$ 516,268</u>	<u>\$ 173,877</u>	<u>\$ 50,156</u>	<u>\$ 360,368</u>	<u>\$ 134,609</u>	<u>\$ 185,160</u>	<u>\$ 225,994</u>	<u>\$ 1,646,432</u>	<u>\$ 1,057,068</u>	<u>\$ 168,606</u>	<u>\$ (347,876)</u>	<u>\$ 2,524,230</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINING STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2006**

	OPERATING											
	<u>CENTRAL ADMINIS- TRATION</u>	<u>SENIOR HOME REPAIR</u>	<u>HOUSING COUNSELING</u>	<u>COMMUNITY SERVICES</u>	<u>BHA PROGRAM</u>	<u>REAL ESTATE AND ECONOMIC DEVELOPMENT</u>	<u>PROPERTY MANAGEMENT</u>	<u>TOTAL OPERATING PROGRAMS</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
PERSONNEL AND RELATED COSTS:												
Salaries	\$ 105,334	\$ 59,123	\$ 27,533	\$ 152,402	\$ 118,350	\$ 80,266	\$ 145,940	\$ 688,948	\$ -	\$ 8,405	\$ -	\$ 697,353
Consulting and contract labor	184,166	5,572	1,627	2,813	-	1,225	84	195,487	11,888	1,944	-	209,319
Employee benefits	9,754	13,991	10,640	9,942	17,913	3,880	45,414	111,534	-	-	-	111,534
Payroll taxes	11,416	5,939	2,724	15,464	11,460	8,175	14,404	69,582	-	1,040	-	70,622
Total personnel and related costs	310,670	84,625	42,524	180,621	147,723	93,546	205,842	1,065,551	11,888	11,389	-	1,088,828
OTHER:												
Special events and other program expenses	4,579	42,598	-	214,344	-	-	637	262,158	34,472	7	-	296,637
Interest expense and bank fees	32,092	-	-	-	7	399	-	32,498	189,683	25,921	(8,225)	239,877
Bad debt	8,431	-	-	-	-	-	-	8,431	3,338	1,829	-	13,598
Insurance and taxes	19,172	8,698	879	256	202	135	4,284	33,626	155,368	2,978	-	191,972
Telephone and utilities	2,788	3,675	1,492	5,040	5,235	2,524	12,315	33,069	61,128	-	-	94,197
Professional fees	13,249	-	-	-	-	10,492	-	23,741	22,325	8,886	-	54,952
Condo fee	-	-	-	-	-	-	-	-	44,636	-	-	44,636
Supplies and general office	6,074	15,012	589	4,102	4,250	1,858	3,218	35,103	-	249	-	35,352
Repairs, maintenance and security	12,521	1,422	720	2,459	1,872	1,966	4,873	25,833	247,088	-	(247,386)	25,535
Miscellaneous	1,591	-	-	1,097	-	63	-	2,751	1,838	1,201	-	5,790
Travel and conferences	2,700	1,304	-	1,739	1,020	921	2,716	10,400	7,089	224	-	17,713
Equipment rental and purchases	10,870	-	-	-	-	-	-	10,870	1,586	-	-	12,456
Dues and subscriptions	7,716	-	-	-	-	140	-	7,856	-	245	-	8,101
Advertising	743	72	-	315	-	-	243	1,373	-	-	-	1,373
Rent	10,397	12,539	3,305	18,252	14,161	9,207	27,505	95,366	-	-	(95,366)	-
Total other	132,923	85,320	6,985	247,604	26,747	27,705	55,791	583,075	768,551	41,540	(350,977)	1,042,189
Total expenses before depreciation	443,593	169,945	49,509	428,225	174,470	121,251	261,633	1,648,626	780,439	52,929	(350,977)	2,131,017
DEPRECIATION	31,091	-	-	-	-	-	-	31,091	221,326	260	(19,847)	232,830
	\$ 474,684	\$ 169,945	\$ 49,509	\$ 428,225	\$ 174,470	\$ 121,251	\$ 261,633	\$ 1,679,717	\$ 1,001,765	\$ 53,189	\$ (370,824)	\$ 2,363,847

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS JUNE 30, 2007 AND 2006

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

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

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

SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of combining financial statements in accordance with accounting principles generally accepted in the United States of America 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 combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination

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

All significant transactions between classes of net assets and intercompany balances and transactions have been eliminated in the accompanying combining financial statements.

Cash

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

Contracts, Loans and Other Receivables and Allowance for Doubtful Accounts

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Projects Under Development

All project-related costs incurred during construction are capitalized for developments currently owned by Peace Properties, Inc. and Amani Properties LLC. These include construction, soft costs, overhead, interest, and others and are reflected in projects under development (see Note 7) in the accompanying combining 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

Revenue Recognition

Rental income is recognized in the period the related facilities are occupied by the tenants. Property management fees and project management and developer fees are recognized as revenue when such services are rendered. However, due to the contingent nature of certain developer fees, some are not recognized until received or when collection is assured. Contracts are recognized over the term of the contract as services are provided. In general, NOAH reports grants as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the combining statements of activities as net assets released from restrictions. Unrestricted support is recognized when received or committed by the donor.

Allocation Method

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

Donated Services

NOAH is the beneficiary of services contributed by volunteers in several aspects of its programs. These services do not meet the criteria for recognition in the combining financial statements in accordance with accounting principles generally accepted in the United States of America. Accordingly, they have not been reflected in the accompanying combining financial statements.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications

Unrestricted Net Assets

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

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

Temporarily restricted net assets consist of those net resources not yet released from their donor-designated purpose restriction. At June 30, 2007 and 2006, temporarily restricted net assets were restricted for:

	<u>2007</u>	<u>2006</u>
NeighborWorks ® America (NW) capital grants	\$1,509,022	\$1,547,238
Community services	185,480	179,251
Rental housing	100,000	100,000
Capital grants invested in project in development (see below)	100,000	100,000
Homebuyer and Homeowner Services	<u>36,048</u>	<u>35,000</u>
	<u>\$1,930,550</u>	<u>\$1,961,489</u>

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

Included in temporarily restricted grants are capital grant proceeds which have been invested into projects under development and in lending activities (see Note 7). It is NOAH's policy to release these net assets from restriction upon final disposition of the particular project. As of June 30, 2007 and 2006, there was \$100,000 of temporarily restricted net assets invested in projects under development.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

Temporarily restricted net assets also include the proceeds of capital grants from 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 owner of the project on deferred terms. Because the terms of this support allows for its investment in assets which may decline in value, it is considered temporarily restricted.

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, funds are treated as released from restriction. When valuation allowances are reduced by later recoveries or because collection is assured, temporarily restricted net assets will be increased. In connection with fiscal year 2007 and 2006 activities, NW approved the write-off of \$73,897 and \$18,844, respectively, of NW funds. The 2007 write-off was formally approved by NW subsequent to year-end.

NW's temporarily restricted net assets were as follows as of June 30:

	<u>2007</u>	<u>2006</u>
Cumulative capital grants received, net of authorized write-offs (see above and Note 9)	\$1,981,266	\$1,955,388
Amounts released from restriction as invested in deferred or contingently recoverable development costs	<u>(472,244)</u>	<u>(408,150)</u>
	<u>\$1,509,022</u>	<u>\$1,547,238</u>

(2) RELATED PARTY TRANSACTIONS

Combining Entities

NOAH's combining financial statements include the following entities:

Rental Programs

Pace Border Limited Liability Corporation (Pace Border) was formed as a limited liability company for the purposes of acquiring and developing a commercial property located at 143 Border Street, East Boston. The commercial property consists of two condominium units, one of which was sold in August, 2004. The remaining unit is occupied by NOAH as tenant. Rental income from NOAH was \$130,450 and \$115,200 for the years ended June 30, 2007 and 2006, respectively.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

(Continued)

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

Combining Entities (Continued)

Rental Programs (Continued)

Pace Border Limited Liability Corporation (Pace Border) (Continued)

Pace Border's fiscal year end is December 31st. The financial statements of Pace Border are reflected as of December 31, 2006. There were no transactions during the period January 1, 2007 through June 30, 2007, which were material to Pace Border's financial position or required adjustment of the December 31, 2006 financial statements for them to be a fair reflection of the results of operations and financial position of Pace Border as of and for the year ended June 30, 2007.

143 Border Street Inc., wholly-owned by Peace Properties, Inc., is the Managing Member of Pace Border. The Managing Member owed Pace Border \$28,324, which is included in due from affiliates in the accompanying combining statements of financial position as of June 30, 2007 and 2006.

Pace Border has a \$235,000 note payable to Peace Properties, Inc. (see Note 4). The note bears interest at 3.5% and is due March 31, 2034. There was an outstanding principal balance of \$235,000 as of June 30, 2007 and 2006, and accrued interest of \$27,413 and \$19,189 at June 30, 2007 and 2006, respectively, which is included in notes payable, accrued interest, and due from affiliate in the accompanying combining statements of financial position. As of June 30, 2007 and 2006, Pace Border also owed NOAH \$136,062 for developer fees, which is included in deferred developer fees payable in the accompanying combining statements of financial position. These amounts are fully reserved by NOAH because they are not expected to be realized in the near term.

Shalom Properties, Inc. (Shalom) was formed in 1997 as a non-profit 501(c)(3) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. During the years ended June 30, 2007 and 2006, NOAH billed Shalom \$110,746 for management, administrative and maintenance expenses. As of June 30, 2007 and 2006, Shalom owed NOAH \$113,562 and \$86,876, respectively, of management fees which are included in due to affiliate in the accompanying combining statements of financial position. This amount is fully reserved by NOAH because it is not expected to be realized in the near term.

Paz Properties, Inc. (Paz) was formed in 1993 as a non-profit 501(c)(2) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. During the years ended June 30, 2007 and 2006, NOAH billed Paz \$135,580 for management, administrative and maintenance expenses. As of June 30, 2007 and 2006, Paz owed NOAH \$67,790 and \$95,298, respectively, of management fees which are included in due to affiliate in the accompanying combining statements of financial position. This amount is fully reserved by NOAH because it is not expected to be realized in the near term.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)

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

Combining Entities (Continued)

Project Development

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.

NOAH CDFI (see below) lent Peace Properties capital funds to invest in its real estate development activities. There was \$88,587 and \$100,000 outstanding at June 30, 2007 and 2006, respectively, which is included in contracts, loans and other receivables and notes payable in the accompanying combining statements of financial position. Borrowings are due August, 2007, and bear interest at 5% per annum, payable monthly. As of June 30, 2007 and 2006, Peace Properties also owed NOAH \$16,019 for cash advances. This amount is included in due to affiliate in the accompanying combining statements of financial position at June 30, 2007 and 2006. These amounts are fully reserved by NOAH and NOAH CDFI because the amounts are not expected to be realized in the near term. As of June 30, 2007, Peace Properties also owed NOAH \$20,000 for developer fees which is included in deferred developer fees payable in the accompanying combining statement of financial position.

Peace Properties has an equity investment in Pace Border. Peace Properties records its investment under the equity method of accounting. As of June 30, 2007 and 2006, Peace Properties' investment in Pace Border is \$79,756 and 143,850, respectively, and is included in investments in the accompanying combining statements of financial position. Peace Properties' share of Pace Border's losses for the years ended December 31, 2006 and 2005, were \$64,094 and \$43,607, respectively, as reported in the accompanying combining statements of activities.

Amani Properties Limited Liability Corporation (Amani Properties) was formed in June, 2006, as a limited liability company for the purpose of engaging in the development, management and conveyance of interests in the real properties located at 10 Border Street and 427-429 Falcon Street in East Boston, Massachusetts. NOAH is the sole member of Amani Properties. NOAH CDFI lent Amani Properties capital funds to invest in its real estate development activities. There was \$100,000 outstanding at June 30, 2007, which is included in contracts, loans and other receivables and notes payable in the accompanying combining statement of financial position. Borrowings are due January, 2008, and bear interest at 5% per annum, payable monthly.

NOAH Community Development Fund, Inc. (NOAH CDFI) was formed in 2001 as a non-profit affiliate of NOAH to provide loans and counseling for homeownership to low to moderate income residents. NOAH Community Development Fund, Inc. (NOAH CDFI) has applied for status as an organization exempt from income taxes under Section 501(c)(3) of the IRC. Management believes that the exemption will be granted retroactively and that no income taxes will be due. No provision has been made for such taxes in the accompanying combining financial statements.

NOAH CDFI has used the funds for loans in accordance with NW guidelines (see Note 1). NOAH CDFI sets general policy, project criteria guidelines, and makes decisions with respect to this fund. NOAH CDFI maintains final responsibility for all funds received and ensures that such funds are used in a manner consistent with NOAH CDFI's Board's directives and NW restrictions (see Note 1).

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combining Entities (Continued)

Project Development (Continued)

NOAH Community Development Fund, Inc. (NOAH CDFI) (Continued)

NOAH CDFI lent Peace Properties and Amani Properties capital funds to invest in its real estate development activities. There was \$188,587 and \$100,000 outstanding at June 30, 2007 and 2006, respectively, which is included in contracts, loans and other receivables in the accompanying combining statements of financial position. Borrowings are due August, 2007, and bear interest at 5% per annum, payable monthly.

Other Entities

NOAH also maintains the following interest in other general partners:

- NOAH Trinity, Inc., 1% General Partner of NOAH Trinity Limited Partnership. NOAH owns 100% of this corporation's common stock.
- Siochain Properties, Inc., 0.01% General Partner of Siochain Properties Limited Partnership. Siochain is a 501(c)(2) organization and is controlled by NOAH.

The financial activities of these entities are not material to the accompanying combining 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 combining entities were as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Rental Programs</u>	<u>NOAH</u>	<u>Rental Programs</u>	<u>NOAH</u>
Property management fees	\$246,326	\$ -	\$247,386	\$ -
Rent charged for use of space	-	93,598	-	95,366
	<u>\$246,326</u>	<u>\$93,598</u>	<u>\$247,386</u>	<u>\$95,366</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

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

Combining Entities (Continued)

Balances between these entities as of June 30, 2007, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>Rental Programs</u>	<u>NOAH CDFI</u>	<u>Total</u>
NOAH	\$ -	\$130,362	\$317,819	\$218,009	\$ 666,190
Peace Properties receivables	-	45,200	264,869	-	310,069
Rental Program receivables	14,543	28,324	-	-	42,867
NOAH CDFI receivable	<u>45,000</u>	<u>236,459</u>	<u>14,325</u>	<u>-</u>	<u>295,784</u>
Subtotal	<u>\$59,543</u>	<u>\$809,445</u>	<u>\$689,908</u>	<u>\$218,009</u>	1,314,910
Less - allowances for doubtful accounts					<u>755,884</u>
Total					<u>\$ 572,164</u>

Balances between these entities as of June 30, 2006, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>Rental Programs</u>	<u>NOAH CDFI</u>	<u>Total</u>
NOAH	\$ -	\$305,224	\$328,453	\$252,348	\$ 886,025
Peace Properties receivables	100	-	256,191	-	256,291
Rental Program receivables	1,055	103,324	-	-	104,379
NOAH CDFI receivable	<u>45,000</u>	<u>144,402</u>	<u>14,325</u>	<u>-</u>	<u>203,727</u>
Subtotal	<u>\$46,155</u>	<u>\$552,950</u>	<u>\$598,969</u>	<u>\$252,348</u>	1,450,422
Less - allowances for doubtful accounts					<u>1,062,865</u>
Total					<u>\$ 387,557</u>

Uncombined Entities

NOAH combining financial statements include transactions with the following related partnerships:

NOAH Trinity Limited Partnership (NOAH Trinity) was formed in December, 1990, as a limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project. NOAH has equity of \$71,167 and \$71,470 in NOAH Trinity, Inc. at June 30, 2007 and 2006, respectively. NOAH has advanced funds of \$9,914 to NOAH Trinity, Inc. and \$82,768 to NOAH Trinity. NOAH also provides management services to NOAH Trinity. During 2007 and 2006, NOAH billed NOAH Trinity \$21,478 and \$27,989, respectively, for management fees. Amounts due from the partnership were \$16,109 and \$17,898 at June 30, 2007 and 2006, respectively.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

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

Uncombined Entities (Continued)

Siochain Properties Limited Partnership was formed in October, 1999, as a limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project. Siochain Properties, Inc. is the General Partner, holding a .01% interest and the Limited Partner, Citizens Bank of Massachusetts, holds a 99.99% interest. NOAH has advanced funds of \$27,646 to Siochain Properties Limited Partnership. NOAH also earned management fees of \$42,955 and \$38,027 at June 30, 2007 and 2006, respectively. Amounts due from the partnership were \$39,376 and \$17,898 at June 30, 2007 and 2006, respectively.

143-153 Border Street Condominium Trust (the Trust) was created as the "Organization of Unit Owners" as required by the provisions of Chapter 183A of the Massachusetts General Laws for the purpose of managing and regulating the 143-153 Border Street Condominium established and created by a Master Deed executed by Peace Properties. One condominium unit is occupied by NOAH and Affiliates and the other is occupied by another organization. NOAH is the manager of the Trust. NOAH earned \$14,014 and \$26,630 in management fees for the years ended June 30, 2007 and 2006, respectively. Amounts due from the Trust were \$6,522 and \$1,274 at June 30, 2007 and 2006, respectively.

(3) **RESTRICTED DEPOSITS**

The balance of restricted deposits includes the following:

<u>June 30, 2007</u>	<u>Current Portion</u>	<u>Non- Current Portion</u>	<u>2007 Total</u>	<u>2006</u>
NOAH, Inc. -				
Reserves for Capital Projects	\$29,890	\$ -	\$ 29,890	\$ -
Rental Programs:				
Shalom Properties, Inc. -				
Operating escrows	40,984	-	40,984	30,999
Tenant security deposit	-	23,046	23,046	22,848
Replacement reserve	-	10,829	10,829	24,900
Sub-total Shalom Properties, Inc.	<u>40,984</u>	<u>33,875</u>	<u>74,859</u>	<u>78,747</u>
Paz Properties, Inc. -				
Operating escrows	18,697	-	18,697	18,034
Tenant security deposit	-	24,913	24,913	22,135
Replacement reserve	-	108,676	108,676	92,494
Sub-total Paz Properties, Inc.	<u>18,697</u>	<u>133,589</u>	<u>152,286</u>	<u>132,663</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(3) RESTRICTED DEPOSITS (Continued)

<u>June 30, 2007</u> (Continued)	<u>Current Portion</u>	<u>Non- Current Portion</u>	<u>2007 Total</u>	<u>2006</u>
Rental Programs: (Continued)				
Pace Border LLC -				
Special reserves	-	16,050	16,050	29,064
Other operating escrows	<u>8,905</u>	<u>-</u>	<u>8,905</u>	<u>8,905</u>
Sub-total Pace Border LLC	<u>8,905</u>	<u>16,050</u>	<u>24,955</u>	<u>37,969</u>
Sub-total Rental Programs	<u>68,586</u>	<u>183,514</u>	<u>252,100</u>	<u>249,379</u>
NOAH CDFI:				
Revolving loan fund capital	-	387,163	387,163	413,952
Loan reserve	<u>-</u>	<u>89,116</u>	<u>89,116</u>	<u>93,362</u>
Sub-total NOAH CDFI	<u>-</u>	<u>476,279</u>	<u>476,279</u>	<u>507,314</u>
Total restricted deposit	<u>\$98,476</u>	<u>\$659,793</u>	<u>\$758,269</u>	<u>\$756,693</u>

(4) MORTGAGE NOTES PAYABLE

Mortgage notes payable consists of:

Shalom Properties (see Note 2)

	<u>2007</u>	<u>2006</u>
Note payable to Massachusetts Housing Partnership (MHP), bearing interest at 7.97% per annum, due and payable October 6, 2017. This note is secured by a mortgage on the properties. Principal and interest are due in monthly installments of \$5,756 based on a twenty-year amortization schedule.	\$ 611,969	\$ 631,416
Notes payable to Dovenmuehle Mortgage/CCO, bearing interest at 5.375%, due in monthly installments of \$2,772, principal and interest, through December 1, 2033. These notes are secured by a mortgage on the properties.	468,898	477,302
Non-interest bearing note payable to MHP, due and payable October 6, 2017. This note is secured by a mortgage on the properties.	245,339	245,339
Non-interest bearing note payable to the City of Boston, due and payable October 6, 2017, secured by a mortgage on the properties.	<u>245,339</u>	<u>245,339</u>
Sub-total Shalom Properties	<u>1,571,545</u>	<u>1,599,396</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

Paz Properties, Inc. (see Note 2)

Non-interest bearing note payable to MHP, due and payable July 6, 2031, secured by second mortgages on 115 and 109 Everett Street and 376 Summer Street.	561,316	561,316
Non-interest bearing note payable to MHP, due and payable July 6, 2031, secured by a second mortgage on 115 Everett Street.	452,369	452,369
Non-interest bearing note payable to MHP, due and payable July 6, 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 \$412,000, bearing interest at 6.27% per annum, due and payable October 3, 2021. Principal and interest are due in monthly installments of \$2,328 based on a thirty-year amortization schedule. This note is secured by a first mortgage on 115 Everett Street.	385,506	392,000
Note payable to MHP for the development of Eagle Hill Rental Rehabilitation Project (the Project), original amount of note was \$450,000, bearing interest at 4.52% per annum, due and payable May, 2010. Principal and interest are due in monthly installments of \$4,123 based on a thirty-year amortization schedule. This note is secured by a mortgage on the property.	313,596	338,976
Note payable to Boston Community Loan Fund (BCLF) for Eutaw and Meridian Streets, bearing interest at 7.23% per annum, due and payable March 31, 2013. Principal and interest are due in monthly installments of \$726 based on a fourteen-year amortization schedule. This note is secured by a mortgage on Eutaw and Meridian Street Project.	<u>41,187</u>	<u>46,715</u>
Sub-total Paz Properties, Inc.	<u>2,153,974</u>	<u>2,191,376</u>

Pace Border LLC (see Note 2)

Note payable to MHIC New Markets CDE LLC Series I (MHIC New Markets), due March 1, 2034. Interest only is due monthly at the rate of 1.98% through March 1, 2014. Additional interest accrues monthly at .695% through maturity. A payment of \$100,000 of principal and \$50,000 of accrued interest is due March 1, 2014. The remaining principal balance outstanding and accrued interest are due March 1, 2034. This note is secured by a second mortgage on Pace Border's building.	815,454	815,454
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NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

<u>Pace Border LLC</u> (Continued)	<u>2007</u>	<u>2006</u>
Note payable to MHIC New Markets, bearing interest at 6.144%, due June 1, 2011. Interest only is due in monthly installments through maturity. This note is secured by a first mortgage on the building.	688,522	688,522
Note payable to Peace Properties for 143 Border Street, bearing interest at 3.5% per annum, compounded annually. Principal and interest are due if certain cash flows are achieved. There was no payment due at June 30, 2007 and 2006. Principal and accrued interest are due March 31, 2034.	235,000	235,000
Note payable to MHIC New Market, bearing interest at 2.5% through March 1, 2011, and thereafter 4% through March 1, 2024. Interest only is due in monthly installments in an amount equal to the lesser of interest rate times outstanding principal balance or 50% of available cash flow through March 1, 2011. Beginning April 1, 2011 through March 1, 2016, interest only is due in monthly installments at the rate of 4% through March 1, 2016. Thereafter, principal and interest are due in monthly installments through maturity. All outstanding principal balance and accrued interest are due March 1, 2024. This note is secured by a third mortgage on Pace Border's building.	200,000	200,000
Note payable to Life Insurance Community Investment Initiative, LLC, bearing interest at 6.5%, due July 24, 2013. Interest only is due monthly through July, 2013. The entire outstanding principal balance and accrued interest is due at maturity. This note is secured by a mortgage on the property.	50,000	50,000
Note payable to Local Initiatives Support Corporation (LISC) for 143 Border Street, bearing interest at 6.3% per annum, original due and payable September 1, 2005. In November, 2005, the note was extended through September 1, 2009. Interest only is due quarterly commencing December, 2005 through September, 2006. Commencing October 1, 2006, principal and interest are due in thirty-five equal consecutive monthly installments. Each installment of principal and interest will equal an amount calculated to amortize the outstanding principal balance of the note over a three-year period ending September 1, 2009. This note is secured by a mortgage on the property.	22,454	25,000
Sub-total Pace Border LLC	<u>2,011,430</u>	<u>2,013,976</u>
Total Rental Programs	5,736,949	5,804,748
Less – inter-affiliate eliminations	<u>235,000</u>	<u>235,000</u>
	<u>\$5,501,949</u>	<u>\$5,569,748</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

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

2008	\$ 79,734
2009	\$ 79,378
2010	\$ 307,590
2011	\$ 740,474
2012	\$ 56,466
Thereafter	\$4,473,307

The mortgage note payable agreements contain various covenants with which NOAH must comply. NOAH is in compliance with these covenants at June 30, 2007 and 2006.

(5) NOTES PAYABLE

Notes payable consist of:

NOAH, Inc.

2007

2006

Line of credit payable to BCLF, bearing interest at 7.5%, due December 31, 2008. This note is secured by all assets of NOAH and a lien on Eutaw Meridian Property. Interest and principal are due in monthly installments of \$1,622 with principal due no later than the note expiration date of December, 2008.

\$ 168,627

\$ 175,000

Non-interest bearing note payable to the City of Boston. This note was used to fund pre-development costs associated with the Trinity House Development Project. This note is due and payable the earlier of August 6, 2007, or on the date of sale or other transfer of the Project. NOAH is negotiating the payment of this note.

50,000

50,000

218,627

225,000

Peace and Amani Properties

Meridian Street Project

Note payable to Partners for the Common Good, Inc. for acquisition of the property, secured by real property, bearing interest at 5.5%, due and payable December 12, 2007. Interest only is due in quarterly installments of \$1,114. This note is secured by the project.

81,515

81,515

Note payable to the City of Boston for the construction of the 328-332 Meridian Street project, bearing interest at 5% annum, due the earlier of obtaining permanent financing on the project or August, 2007. During fiscal year 2006, \$60,000 of the note was forgiven. During 2007, the note balance was reduced upon the sale of four of the five units of the project. This note is secured by the project (see Note 7).

45,554

251,750

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(5) NOTES PAYABLE (Continued)

<u>Peace and Amani Properties</u> (Continued)	<u>2007</u>	<u>2006</u>
<u>Meridian Street Project</u> (Continued)		
Construction loan payable to Massachusetts Department of Housing and Community Development (DHCD), for the 328-332 Meridian Street project, bearing interest at 7.22%, due and payable November 3, 2055. Original note was \$250,000; with a 10% or \$25,000 holdback on the loan. During 2007, the note balance was reduced upon the sale of four of the five units of the project. This note is secured by the project (see Note 7).	43,057	225,000
Non-interest bearing note payable to Massachusetts Affordable Housing Trust Fund for the 328-332 Meridian Street project, due and payable the earlier of November, 2010 or sale of the project. During 2007, the note balance was reduced upon the sale of four of the five units of the project. This note is secured by the project (see Note 7).	21,397	124,238
Note payable to Wainwright Bank and Trust for the 328-332 Meridian Street project, bearing interest at 7.22%, due and payable November 6, 2006. Interest is due monthly. This note is secured by the project. During 2007, this note was paid off with proceeds from the sale of four of the five units of the project (see Note 7).	-	433,708
Subtotal for Meridian Street Project	<u>191,523</u>	<u>1,116,211</u>
<u>Border Falcon Condo Project</u>		
Construction loan payable to Citizens Bank of Massachusetts for the Border Falcon Condo Project, bearing interest at 5% per annum, due and payable January, 2008. Interest is due in monthly installments. The note is secured by the project.	1,582,851	-
Non-interest bearing note payable to the Massachusetts Housing Finance Agency, through the Commonwealth of Massachusetts, acting as agent for the Affordable Housing Trust Fund (AHTF), for the Border Falcon Condo Project, due and payable April, 2036. This note is secured by the project.	700,000	-
Non-interest bearing note payable to City of Boston, through the Department of Neighborhood Development, acting as agent for the Neighborhood Housing Trust Fund, for the Border Falcon Condo Project, due and payable July, 2008. This note is secured by the project.	665,000	-

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(5) **NOTES PAYABLE** (Continued)

<u>Peace and Amani Properties</u> (Continued)	<u>2007</u>	<u>2006</u>
<u>Border Falcon Condo Project</u> (Continued)		
Non-interest bearing note payable to the MHP, through the Commonwealth of Massachusetts, acting as agent for AHTF, for the Border Falcon Condo Project, due and payable September, 2007. This note is secured by the project.	630,000	-
Non-interest bearing note payable to the City of Boston for the Border Falcon Condo Project, due and payable July, 2008. This note is secured by the project.	200,000	-
Note payable to Local Initiatives Support Group, for the Border Falcon Condo Project, bearing interest at 4% per annum, due and payable January, 2023. This note is secured by the project.	185,201	-
Note payable to NOAH CDFI for the Border Falcon Condo Project, bearing interest at 5% per annum, due and payable January 6, 2008. Interest only is due in monthly installments of \$333. This note is secured by the project.	100,000	-
Note payable to NOAH CDFI, Inc. for the Border Falcon Condo Project, bearing interest at 5% per annum, due and payable August, 2007. Principal and interest are due in monthly installments of \$417 through August, 2007. This note is secured by the project.	88,587	100,000
Note payable to MHIC for the Border Falcon Condo Project, bearing interest at an adjustable rate, due and payable September, 2006. Interest only is due monthly through September, 2006. This note is secured by the project.	-	471,788
Note payable to BCLF for pre-development costs on the Border Falcon Condo Project for construction of fourteen home-ownership units, bearing interest at 7% per annum, due and payable July, 2006. Interest only is due in monthly installments of \$1,326. This note is secured by the project.	-	<u>220,050</u>
Subtotal for Border Falcon Project	<u>4,151,639</u>	<u>791,838</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(5) NOTES PAYABLE (Continued)

<u>Peace and Amani Properties</u> (Continued)	<u>2007</u>	<u>2006</u>
<u>Other Projects</u>		
Non-interest bearing note payable to the City of Boston. This note was used to fund pre-development costs associated with 2-10 Maverick Square and 200-202 Summer Street Project. This note is secured by the project. During fiscal year 2007, this note was forgiven.	-	25,000
Non-interest bearing note payable to MassDevelopment Finance Agency, due March, 1996. The note proceeds were used for the development of 2-10 Maverick Square and 200-202 Summer Street. During fiscal year 2007, this note was forgiven.	-	25,000
Sub-total Peace and Amani Properties	<u>4,343,162</u>	<u>1,958,049</u>
 <u>NOAH CDFI</u>		
Note payable to a bank, bearing interest at 5%, due on demand, secured by all assets of NOAH CDFI. During fiscal year 2007, this note was paid off.	-	185,271
Total Notes Payable	4,561,789	2,368,230
Less – inter-affiliate eliminations	<u>188,587</u>	<u>100,000</u>
	<u>\$4,373,202</u>	<u>\$2,268,320</u>

The notes payable relating to Peace and Amani properties are expected to be paid off in off in 2008 upon the sale of the properties. Accordingly, the notes payable are reflected as current liabilities in the accompanying combining statement of financial position as of June 30, 2007.

Maturities of notes payable are as follows:

2008	\$4,393,162
2009	\$ 168,627

The note payable agreements contain various covenants with which NOAH must comply. NOAH is in compliance with these covenants at June 30, 2007 and 2006.

(6) CONTINGENT LOANS AND ADVANCES

NOAH and Affiliates have received several contingent loans from various organizations to help in the development of projects. These loans and advances generally are not required to be repaid unless the Projects fails to maintain their status as low-income housing or default on other covenants as described in the agreements. It is the intention of the Board of Directors and management of NOAH to maintain these properties as low-income housing and to meet other conditions. Therefore, these loans have been classified as contingent loans and no interest has been accrued on them. Total accrued interest due upon default of the agreements would be approximately \$865,000 at June 30, 2007.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(6) CONTINGENT LOANS AND ADVANCES (Continued)

Contingent loans and advances are as follows:

<u>Rental Programs</u>	<u>2007</u>	<u>2006</u>
<u>Paz Properties, Inc.</u>		
Note payable to City of Boston for improvements at 357-363 Meridian and Eutaw Street, bearing interest at 5% per annum, compounded annually, due 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 Project.	\$ 727,245	\$ 727,245
Note payable to the City of Boston for improvements at 49-55 Putnam Street, bearing interest at 3% per annum, compounded annually, due June 9, 2009. This note is secured by the Project.	472,325	472,325
Note payable to City of Boston for improvements at 108-110 White Street, bearing interest at 3% per annum, compounded annually, due and payable February 22, 2009. Annual payments of principal and interest are due within 90 days of the close of the fiscal year end and equal amounts set forth in the note agreement (\$8,600 for fiscal year 2006). This note is secured by a second mortgage on 108-110 White Street and assignment of rents and leases.	355,120	355,120
Note payable to City of Boston for improvements at 449-451 Saratoga Street, bearing interest at 3% per annum, compounded annually, due September 20, 2009. Annual payments of principal and interest are due within 90 days of the close of the fiscal year end and equal amounts set forth in the note agreement (\$2,500 for fiscal year 2006). This note is secured by a second mortgage on 449-451 Saratoga Street and assignment of rents and leases.	<u>354,811</u>	<u>354,811</u>
Sub-total Paz Properties, Inc.	<u>1,909,501</u>	<u>1,909,501</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(6) CONTINGENT LOANS AND ADVANCES (Continued)

<u>Rental Programs</u>	<u>2007</u>	<u>2006</u>
<u>Shalom Properties, Inc.</u>		
Note payable to City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due December, 2022.	164,000	164,000
Note payable to City of Boston for improvements at 108-110 White Street, bearing interest at 3% per annum, due February 22, 2009. During fiscal year 2007, this note was forgiven.	-	45,000
Sub-total Shalom Properties, Inc.	<u>164,000</u>	<u>209,000</u>
Total Rental Programs	<u>2,073,501</u>	<u>2,118,501</u>
Total Contingent Loans	<u>\$2,073,501</u>	<u>\$2,118,501</u>

(7) PROJECTS UNDER DEVELOPMENT

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

The following are projects that were completed or currently under development as of June 30, 2007:

328-332 Meridian Street

Peace Properties is creating five new affordable homeownership units in a single condominium building on the vacant lots at 330 Meridian Street in East Boston. The site was formerly occupied by three brick row houses, similar to the adjacent buildings, which were destroyed by a fire approximately twenty-five years ago. Peace Properties is replacing them with an attractive building sensitive to the character of the surrounding historic neighborhood of Eagle Hill.

Permanent financing was provided by the City of Boston, Massachusetts Department of Housing and Community Development (DHCD) and Massachusetts Affordable Housing Trust. Boston Community Capital, Partners for the Common Good, Inc. and the City of Boston have provided predevelopment financing. Construction period financing was provided by Wainwright Bank (see Note 5).

During the year ended June 30, 2007, Peace Properties completed the five single units. At June 30, 2007, Peace Properties had sold all but one of the units. Subsequent to year end, Peace Properties has still not sold the last unit. During 2007, four of the units were sold for \$665,000. The cost of sales of the four units was \$1,279,039. Financing provided by the City of Boston, Massachusetts Affordable Housing Trust (AHT) and DHCD totaling \$528,729 was forgiven (see Note 5). Peace Properties recorded a loss on the sale of real estate of \$83,810 for the year ended June 30, 2007.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(7) PROJECTS UNDER DEVELOPMENT (Continued)

Border/Falcon Condominiums

Peace Properties and Amani Properties will create fourteen condominium units in a new three-building cluster development: ten two-bedroom, two three-bedroom, and two four-bedroom units, with fourteen parking spaces. The units will be built on a long-vacant site at Border, Condor, and Falcon Streets in East Boston.

Permanent financing is provided by Boston Neighborhood Housing Trust, DHCD and Massachusetts Affordable Housing Trust (see Note 5).

The project site (the land) will be separately financed and will be owned by NOAH, over the life of the project. NOAH will acquire the site from Peace Properties, the developer, at the initial closing, and will lease it back to Peace Properties under a ninety-nine year land lease. When construction is completed, Peace Properties' interest in the property will be assigned to the condo association. The condo association in turn will assess each unit owner for a proportionate share of the ground lease owed to NOAH.

NOAH will finance the land portion of this project with a nineteen-year loan from Local Initiatives Support Corporation (LISC) and the proceeds from condominium's ground lease will repay the LISC loan. The motive for structuring the project in this way is that the state funding agencies have a per-unit limit on total development cost. By financing the land portion separately, NOAH is able to comply with state's requirement on the main portion of the project.

Cutler Heights Housing

The Cutler Heights Housing Project is the development of a thirty unit affordable rental housing project on land now owned by the Holliston Housing Authority in downtown Holliston, MA. The Holliston Housing Authority selected a development team made up of three development firms, including NOAH, the Holliston Housing Development Corporation and the Holliston-based JNJUHL and Associates to develop this project. The Holliston Housing Authority is leasing this site for a period of seventy-five years to the newly created Cutler Heights Housing Limited Partnership, which will construct and own this project through the use of a variety of State and local financing sources.

The project will consist of thirty affordable rental housing units in a single 3 ½ story building. The units will consist of twenty-four two bedroom units and six three-bedroom units. In addition, there will be fifty-two parking spaces of which twenty-eight parking spaces will be located under the new building, taking advantage of the natural grade on site.

Andrews School Condominiums

The Andrews School Condominium Project is the development of sixteen condominium units: fifteen two-bedrooms and one one-bedroom, located in Holliston, MA. The development team is made up of NOAH and JNJUHL and Associates to develop this project. Up to 70% of the units can be preserved for Hollistonions and at least nine units will meet the State requirements to be affordable in perpetuity. There will be twenty-four parking spaces.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(7) PROJECTS UNDER DEVELOPMENT (Continued)

Projects under development as of June 30, 2007 and 2006, consisted of:

	<u>2007</u>	<u>2006</u>
328-332 Meridian	\$ 263,315	\$1,371,921
Border/Falcon Condominium	4,572,845	958,228
Other	<u>58,393</u>	<u>-</u>
Total projects under development	<u>\$4,894,553</u>	<u>\$2,330,149</u>

(8) PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2007:

	<u>Operating</u>	<u>Rental Programs</u>	<u>NOAH CDFI</u>	<u>Total</u>
Rental buildings and improvements	\$ -	\$8,768,748	\$ -	\$8,768,748
Land and improvements	-	585,975	-	585,975
Office furniture, fixtures and equipment	246,321	-	1,300	247,621
Rental furniture and equipment	23,332	-	-	23,332
Leasehold improvements	<u>11,598</u>	<u>-</u>	<u>-</u>	<u>11,598</u>
	281,251	9,354,723	1,300	9,637,274
Less - accumulated depreciation	<u>215,864</u>	<u>1,552,639</u>	<u>758</u>	<u>1,769,261</u>
	<u>\$ 65,387</u>	<u>\$7,802,084</u>	<u>\$ 542</u>	7,868,013
Less - elimination				<u>277,886</u>
				<u>\$7,590,127</u>

Property and equipment consist of the following at June 30, 2006:

	<u>Operating</u>	<u>Rental Programs</u>	<u>NOAH CDFI</u>	<u>Total</u>
Rental buildings and improvements	\$ -	\$8,726,334	\$ -	\$8,726,334
Land and improvements	-	588,390	-	588,390
Office furniture, fixtures and equipment	246,320	-	-	246,320
Rental furniture and equipment	23,331	-	-	23,331
Leasehold improvements	<u>7,883</u>	<u>-</u>	<u>1,299</u>	<u>9,182</u>
	277,534	9,314,724	1,299	9,593,557
Less - accumulated depreciation	<u>184,562</u>	<u>1,326,769</u>	<u>498</u>	<u>1,511,829</u>
	<u>\$ 92,972</u>	<u>\$7,987,955</u>	<u>\$ 801</u>	8,081,728
Less - elimination				<u>277,866</u>
				<u>\$7,803,862</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(9) LOANS RECEIVABLE

NOAH CDFI, Inc. has outstanding loans receivable from local residents for purchase and/or rehabilitation of low to moderate incoming housing of \$727,790 and \$855,543 as of June 30, 2007 and 2006, respectively, less an allowance for doubtful accounts of \$242,483 and \$100,000 as of June 30, 2007 and 2006, respectively. Interest rates ranged from 5% to 6.5% and maturity dates range from ten to thirty years. Loans are secured by a second or third lien on the property purchased or improved.

Loans receivable, net of allowances for doubtful accounts, at of June 30, 2007 and 2006, consist of:

<u>2007</u>				
<u>Funding Source</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
NWA (see Note 1)	7	\$438,320	\$153,896	\$284,424
CDFI	2	115,275	-	115,275
Other – inter-company	<u>3</u>	<u>188,587</u>	<u>88,587</u>	<u>100,000</u>
Total	<u>12</u>	<u>\$742,182</u>	<u>\$242,483</u>	<u>\$499,699</u>
<u>2006</u>				
<u>Funding Source</u>	<u>Number of Loans</u>	<u>Loans Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net</u>
NWA	18	\$496,446	\$ -	\$496,446
CDFI	2	115,611	-	115,611
Dedham Savings	2	163,486	-	163,486
Other – inter-company	<u>3</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total	<u>25</u>	<u>\$875,543</u>	<u>\$100,000</u>	<u>\$775,543</u>

Maturities of loans receivable are as follows:

2008	\$215,676
2009	23,988
2010	23,529
2011	23,045
2012	22,535
Thereafter	<u>419,017</u>
Sub-total loans receivable	727,790
Other NOAH CDFI receivables	<u>14,392</u>
	742,182
Less - allowance for doubtful accounts:	<u>242,483</u>
	<u>\$499,699</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(9) LOANS RECEIVABLE (Continued)

During fiscal year 2007, NOAH CDFI, Inc. sold \$162,887 of loans to Neighborhood Housing Services of America (NHSA) and reported a loss of \$115. During 2007, NOAH CDFI also wrote off two delinquent loans totaling \$73,897 of which NW authorized the use of \$73,897 of capital funds as an offset (see Note 1). During fiscal year 2006, NOAH CDFI, Inc. sold \$922,434 of loans to NHSA and reported a loss of \$31,270 of which NW authorized the use of \$18,844 of capital funds (see Note 1) as a partial offset. NHSA has held \$89,116 from the sale as a cash reserve deposit which will be repaid when the loans are paid off (see Note 3).

(10) COMMITMENTS AND CONTINGENCIES

As discussed in Notes 1 and 2, NOAH has acted as sponsor and developer for various low-income and affordable housing developments. Most of these developments have received various forms of funding through NOAH or directly from Federal, state, and local sources. The terms of these funding agreements generally require that the projects maintain affordable housing and low-income eligibility status, as defined. If such status is not maintained, NOAH and Affiliate may be obligated to remedy any defaults in the requirements and may be liable to repay certain amounts to the funders.

In addition, NOAH, as project sponsor, in some cases, has agreed to advance funds to the partnerships as a guarantor of the general partners' obligation to fund operating deficits, subsidy contract shortfalls, development cost overruns, payments for reduced tax benefits to limited partner investors, and other circumstances affecting the partnerships, as defined in the partnership agreements. As of the date of this report, NOAH is not obligated for any amount.

(11) CAPITAL LEASES

NOAH leases certain equipment under capital lease agreements expiring June, 2009. Future minimum lease payments as of June 30, 2007, are:

2008	\$29,995
2009	<u>29,995</u>
Total future minimum payments	59,990
Less - amounts representing interest	<u>12,091</u>
Present value of future minimum lease payments	47,899
Less - current portion	<u>20,424</u>
	<u>\$27,475</u>

(12) RETIREMENT PLAN

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2007 AND 2006

(Continued)

(13) CONTINUING OPERATIONS

In recent years, NOAH has maintained its program operations while making changes in certain programs. NOAH has also increased its borrowing by approximately \$1.7 million, in part to carry out a strategic effort aimed at carrying out real estate development projects that are in progress. Management believes that these projects will yield significant developer fee revenues for NOAH over the next few years.

NOAH continues to carefully maintain and manage ninety-three units in seventeen properties. While the property's cash flow slightly decreased in fiscal year 2007, it was able to repay a portion of prior advances from NOAH and management fees given the fact that some of the properties were approved for tax abatements. The properties will continue efforts to make progress on repaying NOAH in fiscal year 2008 and future years.

NOAH's Maverick Loan-to-Purchaser Program closed 50 loans as of June 30, 2007. This program helps families affiliated with the Boston Housing Authority become homebuyers. NOAH's staff work closely with these families to educate these families about the home-buying process, including how to locate an affordable condo or single-family property in the area and secure financing. The programs' goal is to help fifty BHA families.

NOAH CDFI's lending activities remain in suspension in fiscal year 2007. However, management has made significant efforts in reaching out to other organizations and corporations for guidance and expertise in lending operations and activities. While no decisions had been made on the future of lending activities as of June 30, 2007, management believes there will be a resolution in fiscal year 2008.

NOAH has established certain financial targets and identified a pipeline of current and potential new development projects, some of which are connected to imminent new development opportunities and anticipates that the organization's significantly leveraged position will ease during that period. In the meantime, NOAH continues in fiscal year 2008 to aggressively manage operating expenses and cash flow, with monthly financial reviews by management and the Board of Directors and monthly reviews of the status of development projects. NOAH has established annual operating plans to ensure timely progress against specific financial, development, fundraising, property management and other goals.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS
JUNE 30, 2007**

<u>ASSETS</u>	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash	\$ 15,393	\$ 19,563	\$ 16,168	\$ 51,124
Current portion of restricted deposits	40,984	18,697	8,905	68,586
Contracts, loans and other receivables	4,549	392	34,697	39,638
Prepaid expenses and other	8,238	9,568	1,400	19,206
Total current assets	<u>69,164</u>	<u>48,220</u>	<u>61,170</u>	<u>178,554</u>
RESTRICTED DEPOSITS , net of current portion	33,875	133,589	16,050	183,514
DUE FROM AFFILIATES	-	-	28,324	28,324
PROPERTY AND EQUIPMENT , net of accumulated depreciation	<u>1,958,136</u>	<u>3,619,543</u>	<u>2,224,405</u>	<u>7,802,084</u>
Total assets	<u>\$ 2,061,175</u>	<u>\$ 3,801,352</u>	<u>\$ 2,329,949</u>	<u>\$ 8,192,476</u>
 <u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Current portion of mortgages and notes payable	\$ 29,975	\$ 41,305	\$ 8,454	\$ 79,734
Accounts payable and other liabilities	48,818	36,772	17,368	102,958
Deferred revenue	-	-	90	90
Current portion of due to affiliates	2,000	14,326	-	16,326
Total current liabilities	<u>80,793</u>	<u>92,403</u>	<u>25,912</u>	<u>199,108</u>
LONG-TERM DEBT:				
Mortgages and notes payable, net of current portion	1,541,570	2,112,669	2,002,976	5,657,215
Due to affiliates, net of current portion	126,360	67,790	456	194,606
Deferred developer fees payable	-	-	136,062	136,062
Accrued interest	-	-	48,101	48,101
Contingent loans and advances	164,000	1,909,501	-	2,073,501
Noncontrolling interest in consolidated subsidiary	-	-	36,740	36,740
Total long-term debt	<u>1,831,930</u>	<u>4,089,960</u>	<u>2,224,335</u>	<u>8,146,225</u>
Total liabilities	<u>1,912,723</u>	<u>4,182,363</u>	<u>2,250,247</u>	<u>8,345,333</u>
NET ASSETS:				
Unrestricted -				
Operating	(74,139)	62,921	59,306	48,088
Development	-	-	-	-
Property and equipment	22,591	(651,040)	20,396	(608,053)
Total unrestricted	<u>(51,548)</u>	<u>(588,119)</u>	<u>79,702</u>	<u>(559,965)</u>
Temporarily restricted -				
NW capital funds	100,000	207,108	-	307,108
Other purpose restrictions	100,000	-	-	100,000
Total temporarily restricted	<u>200,000</u>	<u>207,108</u>	<u>-</u>	<u>407,108</u>
Total net assets	<u>148,452</u>	<u>(381,011)</u>	<u>79,702</u>	<u>(152,857)</u>
Total liabilities and net assets	<u>\$ 2,061,175</u>	<u>\$ 3,801,352</u>	<u>\$ 2,329,949</u>	<u>\$ 8,192,476</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS
JUNE 30, 2006**

<u>ASSETS</u>	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
CURRENT ASSETS:				
Cash	\$ 17,633	\$ 17,764	\$ 54,485	\$ 89,882
Current portion of restricted deposits	30,999	18,034	8,905	57,938
Contracts, loans and other receivables	1,320	1,310	8,588	11,218
Prepaid expenses and other	7,759	3,431	8,673	19,863
Total current assets	<u>57,711</u>	<u>40,539</u>	<u>80,651</u>	<u>178,901</u>
RESTRICTED DEPOSITS , net of current portion	47,748	114,629	29,064	191,441
DUE FROM AFFILIATES	-	-	28,324	28,324
PROPERTY AND EQUIPMENT , net of accumulated depreciation	1,977,458	3,724,769	2,285,728	7,987,955
Total assets	<u>\$ 2,082,917</u>	<u>\$ 3,879,937</u>	<u>\$ 2,423,767</u>	<u>\$ 8,386,621</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES:				
Current portion of mortgages and notes payable	\$ 46,233	\$ 54,415	\$ 7,939	\$ 108,587
Accounts payable and other liabilities	52,023	35,059	36,438	123,520
Deferred revenue	-	-	2,973	2,973
Current portion of due to affiliates	2,000	14,326	-	16,326
Total current liabilities	<u>100,256</u>	<u>103,800</u>	<u>47,350</u>	<u>251,406</u>
LONG-TERM DEBT:				
Mortgages and notes payable, net of current portion	1,553,163	2,136,961	2,006,037	5,696,161
Due to affiliates, net of current portion	97,094	95,298	-	192,392
Deferred developer fees payable	-	-	136,062	136,062
Accrued interest	-	-	24,245	24,245
Contingent loans and advances	209,000	1,909,501	-	2,118,501
Noncontrolling interest in consolidated subsidiary	-	-	66,277	66,277
Total long-term debt	<u>1,859,257</u>	<u>4,141,760</u>	<u>2,232,621</u>	<u>8,233,638</u>
Total liabilities	<u>1,959,513</u>	<u>4,245,560</u>	<u>2,279,971</u>	<u>8,485,044</u>
NET ASSETS:				
Unrestricted -				
Operating	(45,658)	10,485	70,304	35,131
Development	-	-	-	-
Property and equipment	(30,938)	(583,216)	73,492	(540,662)
Total unrestricted	<u>(76,596)</u>	<u>(572,731)</u>	<u>143,796</u>	<u>(505,531)</u>
Temporarily restricted -				
NW capital funds	100,000	207,108	-	307,108
Other purpose restrictions	100,000	-	-	100,000
Total temporarily restricted	<u>200,000</u>	<u>207,108</u>	<u>-</u>	<u>407,108</u>
Total net assets	<u>123,404</u>	<u>(365,623)</u>	<u>143,796</u>	<u>(98,423)</u>
Total liabilities and net assets	<u>\$ 2,082,917</u>	<u>\$ 3,879,937</u>	<u>\$ 2,423,767</u>	<u>\$ 8,386,621</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF ACTIVITIES - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
<u>UNRESTRICTED NET ASSETS:</u>				
OPERATING REVENUES:				
Rental income	\$ 359,245	\$ 382,105	\$ 130,450	\$ 871,800
Interest income and other	17,873	38,424	-	56,297
Net assets released from purpose restrictions	-	-	-	-
	<u>377,118</u>	<u>420,529</u>	<u>130,450</u>	<u>928,097</u>
OPERATING EXPENSES:				
Central Administration	-	-	-	-
Community Services	-	-	-	-
Economic Development Projects	-	-	-	-
Real Estate and Economic Development	-	-	-	-
Property Management	-	-	-	-
Rental Programs	397,070	435,917	224,081	1,057,068
Loan Programs	-	-	-	-
	<u>397,070</u>	<u>435,917</u>	<u>224,081</u>	<u>1,057,068</u>
Total operating expenses	<u>397,070</u>	<u>435,917</u>	<u>224,081</u>	<u>1,057,068</u>
Changes in unrestricted net assets from operations	<u>(19,952)</u>	<u>(15,388)</u>	<u>(93,631)</u>	<u>(128,971)</u>
OTHER INCOME (EXPENSES):				
Loss of carrying value of assets	-	-	-	-
Donated property	-	-	-	-
Forgiveness of Debt	45,000	-	-	45,000
Loss on investment	-	-	-	-
Deferred and other interest expense	-	-	-	-
Net assets released from purpose restrictions	-	-	-	-
Noncontrolling interest in income of consolidated subsidiary	-	-	29,537	29,537
	<u>45,000</u>	<u>-</u>	<u>29,537</u>	<u>74,537</u>
Total other income (expenses)	<u>45,000</u>	<u>-</u>	<u>29,537</u>	<u>74,537</u>
Changes in unrestricted net assets	<u>25,048</u>	<u>(15,388)</u>	<u>(64,094)</u>	<u>(54,434)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS:</u>				
GRANTS AND CONTRIBUTIONS				
	-	-	-	-
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS				
	-	-	-	-
Changes in temporarily restricted net assets	-	-	-	-
Changes in net assets	<u>\$ 25,048</u>	<u>\$ (15,388)</u>	<u>\$ (64,094)</u>	<u>\$ (54,434)</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF ACTIVITIES - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
<u>UNRESTRICTED NET ASSETS:</u>				
OPERATING REVENUES:				
Rental income	\$ 365,790	\$ 363,317	\$ 115,200	\$ 844,307
Interest income and other	2,676	10,439	15	13,130
Net assets released from purpose restrictions	-	-	-	-
	<u>368,466</u>	<u>373,756</u>	<u>115,215</u>	<u>857,437</u>
OPERATING EXPENSES:				
Central Administration	-	-	-	-
Community Services	-	-	-	-
Economic Development Projects	-	-	-	-
Real Estate and Economic Development	-	-	-	-
Property Management	-	-	-	-
Rental Programs	380,868	441,980	178,917	1,001,765
Loan Programs	-	-	-	-
	<u>380,868</u>	<u>441,980</u>	<u>178,917</u>	<u>1,001,765</u>
Total operating expenses	<u>380,868</u>	<u>441,980</u>	<u>178,917</u>	<u>1,001,765</u>
Changes in unrestricted net assets from operations	<u>(12,402)</u>	<u>(68,224)</u>	<u>(63,702)</u>	<u>(144,328)</u>
OTHER INCOME (EXPENSES):				
Loss of carrying value of assets	-	-	-	-
Donated property	-	-	-	-
Grants for construction	-	-	-	-
Loss on investment	-	-	-	-
Deferred and other interest expense	-	-	-	-
Net assets released from purpose restrictions	-	-	-	-
Noncontrolling interest in income of consolidated subsidiary	-	-	20,095	20,095
	<u>-</u>	<u>-</u>	<u>20,095</u>	<u>20,095</u>
Total other income (expenses)	<u>-</u>	<u>-</u>	<u>20,095</u>	<u>20,095</u>
Changes in unrestricted net assets	<u>(12,402)</u>	<u>(68,224)</u>	<u>(43,607)</u>	<u>(124,233)</u>
<u>TEMPORARILY RESTRICTED NET ASSETS:</u>				
GRANTS AND CONTRIBUTIONS	-	-	-	-
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	-	-	-	-
Changes in temporarily restricted net assets	-	-	-	-
Changes in net assets	<u>\$ (12,402)</u>	<u>\$ (68,224)</u>	<u>\$ (43,607)</u>	<u>\$ (124,233)</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENTS OF CHANGES IN NET ASSETS - RENTAL PROGRAMS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2005	\$ 135,806	\$ (297,399)	\$ 187,403	\$ 25,810
Changes in net assets	<u>(12,402)</u>	<u>(68,224)</u>	<u>(43,607)</u>	<u>(124,233)</u>
NET ASSETS, June 30, 2006	123,404	(365,623)	143,796	(98,423)
Changes in net assets	<u>25,048</u>	<u>(15,388)</u>	<u>(64,094)</u>	<u>(54,434)</u>
NET ASSETS, June 30, 2007	<u><u>\$ 148,452</u></u>	<u><u>\$ (381,011)</u></u>	<u><u>\$ 79,702</u></u>	<u><u>\$ (152,857)</u></u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY STATEMENT OF CASH FLOWS - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2007

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in unrestricted net assets from operations	\$ (19,952)	\$ (15,388)	\$ (93,631)	\$ (128,971)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:				
Depreciation and amortization	53,620	110,927	61,323	225,870
Bad debt	750	3,338	-	4,088
Changes in operating assets and liabilities -				
Restricted deposits	-	-	-	-
Contracts, loans and other receivables	(3,979)	(2,420)	(26,109)	(32,508)
Prepaid expenses and other	(479)	(6,137)	7,273	657
Project management fees and construction receivables	-	-	-	-
Accounts payable and other liabilities	(3,205)	1,713	(19,070)	(20,562)
Deferred revenue	-	-	(2,883)	(2,883)
Accrued interest	-	-	23,856	23,856
	<u>26,755</u>	<u>92,033</u>	<u>(49,241)</u>	<u>69,547</u>
Net cash provided by (used in) operating activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in project under development	-	-	-	-
Acquisition of property and equipment	(34,298)	(5,701)	-	(39,999)
(Increase) decrease in restricted deposits	3,888	(19,623)	13,014	(2,721)
	<u>(30,410)</u>	<u>(25,324)</u>	<u>13,014</u>	<u>(42,720)</u>
Net cash provided by (used in) investing activities				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Due from affiliates	-	-	-	-
Due to affiliates	29,266	(27,508)	456	2,214
Proceeds of mortgages and notes payable	-	-	-	-
Principal payments of mortgages and notes payable	(27,851)	(37,402)	(2,546)	(67,799)
	<u>1,415</u>	<u>(64,910)</u>	<u>(2,090)</u>	<u>(65,585)</u>
Net cash used in financing activities				
NET INCREASE (DECREASE) IN CASH	(2,240)	1,799	(38,317)	(38,758)
CASH, beginning of year	<u>17,633</u>	<u>17,764</u>	<u>54,485</u>	<u>89,882</u>
CASH, end of year	<u>\$ 15,393</u>	<u>\$ 19,563</u>	<u>\$ 16,168</u>	<u>\$ 51,124</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF CASH FLOWS - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES:				
Changes in unrestricted net assets from operations	\$ (12,402)	\$ (68,224)	\$ (63,702)	\$ (144,328)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:				
Depreciation and amortization	53,261	110,764	57,301	221,326
Bad debt	-	3,338	-	3,338
Changes in operating assets and liabilities -				
Restricted deposits	-	-	1,095	1,095
Contracts, loans and other receivables	(320)	(198)	(8,588)	(9,106)
Prepaid expenses and other	1,338	(2,387)	(8,173)	(9,222)
Project management fees and construction receivables	-	-	-	-
Accounts payable and other liabilities	(494)	(1,238)	(102,775)	(104,507)
Deferred revenue	-	-	2,973	2,973
Accrued interest	-	-	13,225	13,225
	<u>41,383</u>	<u>42,055</u>	<u>(108,644)</u>	<u>(25,206)</u>
Net cash provided by (used in) operating activities				
CASH FLOWS FROM INVESTING ACTIVITIES:				
Increase in project under development	-	-	-	-
Acquisition of property and equipment	-	(8,824)	32,548	23,724
Decrease (increase) in restricted deposits	(11,116)	1,143	-	(9,973)
Decrease in deferred developer fees payable	-	-	(95,000)	(95,000)
Decrease in contracts and other receivables	-	-	-	-
	<u>(11,116)</u>	<u>(7,681)</u>	<u>(62,452)</u>	<u>(81,249)</u>
Net cash used in investing activities				
CASH FLOWS FROM FINANCING ACTIVITIES:				
Due from affiliates	-	-	-	-
Due to affiliates	3,742	10,165	95,000	108,907
Proceeds of mortgages and notes payable	-	-	115,000	115,000
Principal payments of mortgages and notes payable	(23,281)	(32,077)	-	(55,358)
Principal payments of capital lease obligation	-	-	-	-
Capital contribution	-	-	-	-
	<u>(19,539)</u>	<u>(21,912)</u>	<u>210,000</u>	<u>168,549</u>
Net cash provided by (used in) financing activities				
NET INCREASE IN CASH	10,728	12,462	38,904	62,094
CASH, beginning of year	6,905	5,302	15,581	27,788
CASH, end of year	<u>\$ 17,633</u>	<u>\$ 17,764</u>	<u>\$ 54,485</u>	<u>\$ 89,882</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF FUNCTIONAL EXPENSES - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2007**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
PERSONNEL AND RELATED COSTS:				
Salaries	\$ -	\$ -	\$ -	\$ -
Consulting and contract labor	9,048	9,115	65	18,228
Employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel and related costs	9,048	9,115	65	18,228
OTHER EXPENSES:				
Special events and other program expenses	19,068	13,129	-	32,197
Interest expense and bank fees	77,094	42,327	85,017	204,438
Bad debt	750	3,338	-	4,088
Insurance and taxes	57,748	51,726	20,632	130,106
Telephone and utilities	31,417	32,965	-	64,382
Professional fees	15,440	29,539	8,383	53,363
Condo fee	15,624	-	33,408	49,032
Supplies and general office	22	66	-	88
Repairs, maintenance and security	112,361	134,955	8,000	255,316
Miscellaneous	3,026	144	7,253	10,423
Travel and conferences	1,551	6,778	-	8,329
Equipment rental and purchases	300	908	-	1,208
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	343,450	324,990	162,758	831,198
DEPRECIATION	<u>53,620</u>	<u>110,927</u>	<u>61,323</u>	<u>225,870</u>
	<u>\$ 397,070</u>	<u>\$ 435,917</u>	<u>\$ 224,081</u>	<u>\$ 1,057,068</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**SUPPLEMENTARY STATEMENT OF FUNCTIONAL EXPENSES - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
PERSONNEL AND RELATED COSTS:				
Salaries	\$ -	\$ -	\$ -	\$ -
Consulting and contract labor	4,632	6,817	439	11,888
Employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
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Total personnel and related costs	4,632	6,817	439	11,888
OTHER EXPENSES:				
Special events and other program expenses	12,473	21,999	-	34,472
Interest expense and bank fees	70,544	44,932	74,207	189,683
Bad debt	-	3,338	-	3,338
Insurance and taxes	72,211	73,464	9,693	155,368
Telephone and utilities	32,533	28,595	-	61,128
Professional fees	8,042	10,037	4,246	22,325
Condo fee	13,203	-	31,433	44,636
Repairs, maintenance and security	112,226	133,771	1,091	247,088
Miscellaneous	145	1,186	507	1,838
Travel and conferences	1,169	5,920	-	7,089
Equipment rental and purchases	429	1,157	-	1,586
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	327,607	331,216	121,616	780,439
DEPRECIATION	53,261	110,764	57,301	221,326
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	<u>\$ 380,868</u>	<u>\$ 441,980</u>	<u>\$ 178,917</u>	<u>\$ 1,001,765</u>