



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

**FINANCIAL STATEMENTS IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND  
OMB CIRCULAR A-133  
JUNE 30, 2010 AND 2009  
TOGETHER WITH  
INDEPENDENT AUDITOR'S REPORT**

NEIGHBORHOOD OF AFFORDABLE HOUSING INC. AND AFFILIATES

CONTENTS  
JUNE 30, 2010 AND 2009

	<u>PAGES</u>
<b>UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NOT-FOR-PROFIT ORGANIZATION .....</b>	<b>1</b>
<b>FINANCIAL STATEMENTS:</b>	
Combined Statements of Financial Position .....	2 - 3
Combined Statements of Activities .....	4 - 5
Combined Statements of Changes in Net Assets .....	6
Combined Statements of Cash Flows.....	7 - 8
Combined Statements of Functional Expenses .....	9 - 10
Notes to Combined Financial Statements .....	11 - 35
<b>SUPPLEMENTARY COMBINING STATEMENTS OF OPERATING PROGRAMS:</b>	
Combining Statements of Financial Position .....	36 - 37
Combining Statements of Activities .....	38 - 39
Combining Statements of Changes in Net Assets .....	40
Combining Statements of Cash Flows .....	41 - 42
<b>SUPPLEMENTARY COMBINING STATEMENTS OF RENTAL PROGRAMS:</b>	
Combining Statements of Financial Position .....	43 - 44
Combining Statements of Activities .....	45
Combining Statements of Changes in Net Assets .....	46
Combining Statements of Cash Flows .....	47 - 48
Combining Statements of Functional Expenses.....	49

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

**CONTENTS**  
**JUNE 30, 2010 AND 2009**  
(Continued)

	<u>PAGES</u>
<b>SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NOT-FOR-PROFIT ORGANIZATION .....</b>	50
<b>SUPPLEMENTARY SCHEDULE OF NEIGHBORWORKS AMERICA'S RESTRICTED NET ASSETS .....</b>	50A
<b>REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....</b>	51 - 52
<b>REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....</b>	53 - 54
<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS .....</b>	55 - 56



CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

*Where Every Client Is A Valued Client*

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

**Independent Auditor's Report**

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

We have audited the combined accompanying statements of financial position of Neighborhood of Affordable Housing, Inc. and Affiliates (a Massachusetts corporation, not for profit) (collectively, NOAH) as of June 30, 2010 and 2009, and the related combined statements of activities, changes in net assets, cash flows and functional expenses for the years then ended. These combined financial statements are the responsibility of NOAH's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood of Affordable Housing, Inc. and Affiliates as of June 30, 2010 and 2009, and the changes in their net assets and its 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 operating and rental programs for the years ended June 30, 2010 and 2009, and the supplementary schedule of Neighborworks America's restricted net assets as of June 30, 2010, are presented for purposes of additional analysis and are not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic combined financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 18, 2010, on our consideration of NOAH's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audits were performed for the purpose of forming an opinion on the basic combined financial statements of NOAH taken as a whole. The accompanying schedule of expenditures of federal awards - not-for-profit organization for the year ended June 30, 2010, is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic combined financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic combined financial statements taken as a whole.

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

Wellesley, Massachusetts  
November 18, 2010

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2010

<u>ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>				
Cash	\$ 760,421	\$ 100,117	\$ -	\$ 860,538
Current portion of restricted deposits	559,304	139,353	-	698,657
Current portion of contracts, loans and other receivables	415,698	14,580	-	430,278
Current portion of due from affiliates	46,705	-	(46,705)	-
Prepaid expenses and other	17,886	65,481	-	83,367
Total current assets	1,800,014	319,531	(46,705)	2,072,840
<b>RESTRICTED DEPOSITS, net of current portion</b>	381,092	201,831	-	582,923
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES, net of</b>				
current portion and allowance for doubtful accounts of \$476,421	324,091	-	-	324,091
<b>DUE FROM AFFILIATES, net of current portion</b>	22,040	-	(22,040)	-
<b>PROJECTS UNDER DEVELOPMENT</b>	2,991,832	-	-	2,991,832
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation</b>	2,489,861	6,013,672	(176,764)	8,326,769
Total assets	\$ 8,008,930	\$ 6,535,034	\$ (245,509)	\$ 14,298,455
<b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of mortgages and notes payable	\$ 792,846	\$ 238,185	\$ -	\$ 1,031,031
Current portion of capital lease obligation	13,572	-	-	13,572
Accounts payable and other liabilities	881,795	123,937	-	1,005,732
Deferred revenue	10,397	1,050	-	11,447
Current portion of due to affiliates	-	46,705	(46,705)	-
Total current liabilities	1,698,610	409,877	(46,705)	2,061,782
<b>LONG-TERM LIABILITIES:</b>				
Mortgages and notes payable, net of current portion	1,639,964	3,998,446	-	5,638,410
Due to affiliates, net of current portion	-	190,445	(190,445)	-
Accrued interest	25,786	88,058	-	113,844
Contingent loans and advances	2,357,727	2,073,501	-	4,431,228
Capital lease obligation, net of current portion	7,919	-	-	7,919
Non-controlling interest in combined subsidiary	(25,879)	-	-	(25,879)
Total long-term liabilities	4,005,517	6,350,450	(190,445)	10,165,522
Total liabilities	5,704,127	6,760,327	(237,150)	12,227,304
<b>NET ASSETS:</b>				
Unrestricted -				
Operating	672,190	71,167	168,405	911,762
Development	36,184	-	-	36,184
Property and equipment	(129,073)	(703,568)	(176,764)	(1,009,405)
Total unrestricted	579,301	(632,401)	(8,359)	(61,459)
Temporarily restricted	574,466	100,000	-	674,466
Permanently restricted - NW capital funds	1,151,036	307,108	-	1,458,144
Total net assets	2,304,803	(225,293)	(8,359)	2,071,151
Total liabilities and net assets	\$ 8,008,930	\$ 6,535,034	\$ (245,509)	\$ 14,298,455

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

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

**COMBINED STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2009**

ASSETS				
	OPERATING	RENTAL PROGRAMS	ELIMI- NATIONS	TOTAL
<b>CURRENT ASSETS:</b>				
Cash	\$ 912,742	\$ 1,121	\$ -	\$ 913,863
Current portion of restricted deposits	15,000	60,851	-	75,851
Current portion of contracts, loans and other receivables	633,386	5,898	-	639,284
Current portion of due from affiliates	14,326	-	(14,326)	-
Current portion of projects under development	641,845	-	-	641,845
Prepaid expenses and other	18,387	45,084	-	63,471
Total current assets	2,235,686	112,954	(14,326)	2,334,314
<b>RESTRICTED DEPOSITS</b> , net of current portion	536,055	187,615	-	723,670
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES</b> , net of current portion and allowance for doubtful accounts of \$432,549	118,606	-	-	118,606
<b>DUE FROM AFFILIATES</b> , net of current portion	2,371	-	(2,371)	-
<b>PROJECTS UNDER DEVELOPMENT</b> , net of current portion	647,634	-	-	647,634
<b>PROPERTY AND EQUIPMENT</b> , net of accumulated depreciation	2,566,402	5,301,728	(277,886)	7,590,244
Total assets	<u>\$ 6,106,754</u>	<u>\$ 5,602,297</u>	<u>\$ (294,583)</u>	<u>\$ 11,414,468</u>
 <b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of mortgages and notes payable	\$ 1,021,058	\$ 307,266	\$ -	\$ 1,328,324
Current portion of capital lease obligation	13,572	-	-	13,572
Accounts payable and other liabilities	506,869	82,280	-	589,149
Deferred revenue	13,624	1,050	-	14,674
Current portion of due to affiliates	-	14,326	(14,326)	-
Total current liabilities	1,555,123	404,922	(14,326)	1,945,719
<b>LONG-TERM LIABILITIES:</b>				
Mortgages and notes payable, net of current portion	2,154,786	3,276,463	-	5,431,249
Due to affiliates, net of current portion	-	104,585	(104,585)	-
Accrued interest	32,811	-	-	32,811
Contingent loans and advances	-	2,073,501	-	2,073,501
Capital lease obligation, net of current portion	21,492	-	-	21,492
Non-controlling interest in combined subsidiary	(11,555)	-	-	(11,555)
Total long-term liabilities	2,197,534	5,454,549	(104,585)	7,547,498
Total liabilities	3,752,657	5,859,471	(118,911)	9,493,217
<b>NET ASSETS:</b>				
Unrestricted -				
Operating	516,851	98,328	48,317	663,496
Development	(27,812)	-	-	(27,812)
Property and equipment	21,786	(762,610)	(223,989)	(964,813)
Total unrestricted	510,825	(664,282)	(175,672)	(329,129)
Temporarily restricted	612,549	100,000	-	712,549
Permanently restricted - NW capital funds	1,230,723	307,108	-	1,537,831
Total net assets	2,354,097	(257,174)	(175,672)	1,921,251
Total liabilities and net assets	<u>\$ 6,106,754</u>	<u>\$ 5,602,297</u>	<u>\$ (294,583)</u>	<u>\$ 11,414,468</u>

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

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

**COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

<u>UNRESTRICTED NET ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>				
Rental income	\$ 70,822	\$ 969,430	\$ -	\$ 1,040,252
Contracts, grants and other fees	666,452	-	-	666,452
Project management and developer fees	299,468	-	-	299,468
Interest income and other	71,115	11,528	(16,577)	66,066
Property management fees	322,296	-	(261,065)	61,231
Loss on real estate development	(4,620)	-	-	(4,620)
Net assets released from purpose restrictions	863,183	-	-	863,183
	<u>2,288,716</u>	<u>980,958</u>	<u>(277,642)</u>	<u>2,992,032</u>
Total operating revenues				
<b>OPERATING EXPENSES:</b>				
Operating Programs	2,284,564	-	-	2,284,564
Rental Programs	-	949,077	(362,187)	586,890
	<u>2,284,564</u>	<u>949,077</u>	<u>(362,187)</u>	<u>2,871,454</u>
Total operating expenses				
Changes in unrestricted net assets from operations	4,152	31,881	84,545	120,578
<b>OTHER INCOME:</b>				
Forgiveness of debt	50,000	-	-	50,000
Non-controlling interest in loss of combined subsidiary	14,324	-	-	14,324
	<u>68,476</u>	<u>31,881</u>	<u>84,545</u>	<u>184,902</u>
Changes in unrestricted net assets				
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>				
GRANTS AND CONTRIBUTIONS	825,100	-	-	825,100
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	(863,183)	-	-	(863,183)
Changes in temporarily restricted net assets	(38,083)	-	-	(38,083)
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>				
GRANTS AND CONTRIBUTIONS	50,000	-	-	50,000
PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS	(129,687)	-	-	(129,687)
Changes in permanently restricted net assets	(79,687)	-	-	(79,687)
Changes in net assets	<u>\$ (49,294)</u>	<u>\$ 31,881</u>	<u>\$ 84,545</u>	<u>\$ 67,132</u>

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



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

**COMBINED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2009**

<u>UNRESTRICTED NET ASSETS</u>	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>OPERATING REVENUES:</b>				
Rental income	\$ 62,554	\$ 801,529	\$ -	\$ 864,083
Contracts, grants and other fees	664,897	-	-	664,897
Interest income and other	158,342	13,495	-	171,837
Property management fees	321,817	-	(239,587)	82,230
Gain on real estate development	71,845	-	-	71,845
Net assets released from purpose restrictions	773,876	-	-	773,876
	<u>2,053,331</u>	<u>815,024</u>	<u>(239,587)</u>	<u>2,628,768</u>
<b>OPERATING EXPENSES:</b>				
Operating Programs	2,127,073	-	-	2,127,073
Rental Programs	-	800,582	(239,587)	560,995
	<u>2,127,073</u>	<u>800,582</u>	<u>(239,587)</u>	<u>2,688,068</u>
Total operating revenues				
Total operating expenses				
Changes in unrestricted net assets from operations	(73,742)	14,442	-	(59,300)
<b>OTHER INCOME:</b>				
NW funds released to unrestricted	530,940	-	-	530,940
Non-controlling interest in loss of combined subsidiary	22,106	-	-	22,106
	<u>479,304</u>	<u>14,442</u>	<u>-</u>	<u>493,746</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>				
GRANTS AND CONTRIBUTIONS	856,787	-	-	856,787
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	(773,876)	-	-	(773,876)
Changes in temporarily restricted net assets	82,911	-	-	82,911
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>				
GRANTS AND CONTRIBUTIONS	50,000	-	-	50,000
PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS	(43,582)	-	-	(43,582)
NW FUNDS RELEASED TO UNRESTRICTED	(530,940)	-	-	(530,940)
Changes in permanently restricted net assets	(524,522)	-	-	(524,522)
Changes in net assets	<u>\$ 37,693</u>	<u>\$ 14,442</u>	<u>\$ -</u>	<u>\$ 52,135</u>

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

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

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2008	\$ 2,316,404	\$ (271,616)	\$ (175,672)	\$ 1,869,116
Changes in net assets	<u>37,693</u>	<u>14,442</u>	<u>-</u>	<u>52,135</u>
NET ASSETS, June 30, 2009	2,354,097	(257,174)	(175,672)	1,921,251
Changes in net assets	(49,294)	31,881	84,545	67,132
Consolidation of Trinity House LLC	<u>-</u>	<u>-</u>	<u>82,768</u>	<u>82,768</u>
NET ASSETS, June 30, 2010	<u>\$ 2,304,803</u>	<u>\$ (225,293)</u>	<u>\$ (8,359)</u>	<u>\$ 2,071,151</u>

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

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

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Changes in unrestricted net assets from operations	\$ 4,152	\$ 31,881	\$ 84,545	\$ 120,578
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:				
Depreciation	77,790	207,095	(101,122)	183,763
Bad debt	40,514	2,001	-	42,515
Changes in operating assets and liabilities -				
Contracts, loans and other receivables	(157,998)	(2,172)	-	(160,170)
Prepaid expenses and other	501	(16,833)	-	(16,332)
Accounts payable and other liabilities	2,873	776	-	3,649
Deferred revenue	(3,227)	-	-	(3,227)
Accrued interest	(7,025)	5,212	-	(1,813)
Net decrease in temporarily restricted net assets	<u>(38,083)</u>	<u>-</u>	<u>-</u>	<u>(38,083)</u>
Net cash provided by (used in) operating activities	<u>(80,503)</u>	<u>227,960</u>	<u>(16,577)</u>	<u>130,880</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Increase in projects under development	(1,178,300)	-	-	(1,178,300)
Acquisition of property and equipment	(1,249)	(70,744)	-	(71,993)
Increase in restricted deposits	<u>(389,341)</u>	<u>(8,023)</u>	<u>-</u>	<u>(397,364)</u>
Net cash used in investing activities	<u>(1,568,890)</u>	<u>(78,767)</u>	<u>-</u>	<u>(1,647,657)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Due from affiliates	(52,048)	-	52,048	-
Due to affiliates	-	35,471	(35,471)	-
Principal payments of mortgages and notes payable	(973,304)	(85,668)	-	(1,058,972)
Proceeds from mortgages and notes payable	278,270	-	-	278,270
Principal payments of capital lease obligation	(13,573)	-	-	(13,573)
Proceeds from contingent loan advance	2,207,727	-	-	2,207,727
Proceeds of NW capital funds	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>
Net cash provided by (used in) financing activities	<u>1,497,072</u>	<u>(50,197)</u>	<u>16,577</u>	<u>1,463,452</u>
<b>NET INCREASE IN CASH</b>	(152,321)	98,996	-	(53,325)
<b>CASH, beginning of year</b>	<u>912,742</u>	<u>1,121</u>	<u>-</u>	<u>913,863</u>
<b>CASH, end of year</b>	<u>\$ 760,421</u>	<u>\$ 100,117</u>	<u>\$ -</u>	<u>\$ 860,538</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Cash paid for interest	<u>\$ 80,925</u>	<u>\$ 121,402</u>	<u>\$ -</u>	<u>\$ 202,327</u>
Forgiveness of debt	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Changes in unrestricted net assets from operations	\$ (73,742)	\$ 14,442	\$ -	\$ (59,300)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:				
Gain on sale of property	(71,845)	-	-	(71,845)
Depreciation	81,960	165,823	-	247,783
Bad debt	156,314	8,433	-	164,747
Changes in operating assets and liabilities -				
Contracts, loans and other receivables	(144,782)	(3,412)	-	(148,194)
Prepaid expenses and other	6,313	(34,390)	-	(28,077)
Accounts payable and other liabilities	204,039	(10,421)	-	193,618
Deferred revenue	(25,318)	-	-	(25,318)
Accrued interest	3,437	-	-	3,437
Net increase in temporarily restricted net assets	82,911	-	-	82,911
Net cash provided by operating activities	<u>219,287</u>	<u>140,475</u>	<u>-</u>	<u>359,762</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Increase in projects under development	(416,099)	-	-	(416,099)
Proceeds from sale of property	626,000	-	-	626,000
Acquisition of property and equipment	(8,898)	(36,741)	-	(45,639)
(Increase) decrease in restricted deposits	117,207	(238)	-	116,969
Net cash provided by (used in) investing activities	<u>318,210</u>	<u>(36,979)</u>	<u>-</u>	<u>281,231</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Due to affiliates	72,283	(72,283)	-	-
Principal payments of mortgages and notes payable	(170,312)	(73,740)	-	(244,052)
Principal payments of capital lease obligation	(13,939)	-	-	(13,939)
Proceeds from note payable	172,417	-	-	172,417
Proceeds of NW capital funds	50,000	-	-	50,000
Net cash provided by (used in) financing activities	<u>110,449</u>	<u>(146,023)</u>	<u>-</u>	<u>(35,574)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	647,946	(42,527)	-	605,419
<b>CASH, beginning of year</b>	<u>264,796</u>	<u>43,648</u>	<u>-</u>	<u>308,444</u>
<b>CASH, end of year</b>	<u>\$ 912,742</u>	<u>\$ 1,121</u>	<u>\$ -</u>	<u>\$ 913,863</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>				
Cash paid for interest	<u>\$ 22,553</u>	<u>\$ 111,160</u>	<u>\$ -</u>	<u>\$ 133,713</u>
Costs of project under development sold	<u>\$ 998,832</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 998,832</u>
Forgiveness of debt	<u>\$ 444,677</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 444,677</u>
Property acquired with capital lease	<u>\$ 40,720</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,720</u>
Construction in progress transfer to fixed assets for land	<u>\$ 405,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 405,000</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2010

	OPERATING PROGRAMS										TOTAL	
	CENTRAL ADMINIS- TRATION	SENIOR HOME REPAIR	HOUSING COUNSELING	COMMUNITY SERVICES	HOMEBUYER SERVICES	REAL ESTATE DEVELOPMENT	PROPERTY MANAGEMENT	NOAH CDFI	ELIMI- NATIONS	OPERATING PROGRAMS		ELIMI- NATIONS
<b>PERSONNEL AND RELATED COSTS:</b>												
Salaries	\$ 198,200	\$ 61,388	\$ 22,960	\$ 254,750	\$ 295,214	\$ 130,620	\$ 123,497	\$ 6,735	\$ -	\$ 1,093,364	\$ -	\$ 1,093,364
Consulting and contract labor	2,540	3,350	-	38,175	9,986	33,943	57,056	-	-	145,050	-	173,612
Employee benefits	31,919	15,403	901	16,117	55,892	11,800	13,984	-	-	146,016	-	146,016
Payroll taxes	17,555	5,449	2,044	22,552	26,099	11,632	11,059	620	-	97,010	-	97,010
Total personnel and related costs	250,214	85,590	25,905	331,594	387,191	187,995	205,596	7,355	-	1,481,440	-	1,510,002
<b>OTHER:</b>												
Special events and other program expenses	4,714	45,821	111	206,330	1,204	2,184	675	-	-	261,039	-	289,392
Insurance and taxes	8,044	9,068	285	3,157	7,298	2,861	5,013	3,586	-	39,312	-	175,234
Facility	50,654	16,218	8,399	66,317	73,622	17,377	45,560	-	(136,006)	142,141	-	142,141
Interest expense and bank fees	12,813	-	-	-	-	7,120	2,844	3,589	(8,225)	18,141	-	139,543
Telephone and utilities	3,170	1,779	579	4,284	6,669	1,409	4,605	-	-	22,495	-	117,021
Professional fees	20,815	-	-	-	-	17,515	6,134	6,000	-	50,464	-	78,877
Supplies and general office	8,360	1,453	843	10,957	10,124	7,852	5,481	120	(8,225)	45,190	-	45,190
Bad debt	7,667	-	-	-	-	8,275	29,775	2,239	-	40,514	-	42,515
Miscellaneous	4,229	1,547	-	500	-	20,662	133	354	-	29,316	-	35,440
Travel and conferences	3,257	1,481	767	3,426	3,383	7,185	4,540	-	-	24,310	-	32,661
Repairs, maintenance and security	-	1,481	-	10,137	7,150	1,711	582	-	-	25,085	(261,065)	31,915
Condo fee	-	-	-	-	-	-	-	-	-	-	-	16,128
Equipment rental and purchases	2,565	196	101	3,373	3,143	904	1,110	-	-	11,392	-	15,697
Dues and subscriptions	7,436	39	20	148	176	173	92	249	-	8,333	-	8,333
Advertising	75	-	-	340	6,720	467	-	-	-	7,602	-	7,602
Total other	142,299	77,602	11,105	308,969	119,489	95,645	106,544	16,137	(152,456)	725,334	(261,065)	1,177,689
Total expenses before depreciation	392,513	163,192	37,010	640,563	506,680	283,640	312,140	23,492	(152,456)	2,206,774	(261,065)	2,687,691
<b>DEPRECIATION</b>												
	29,479	3,442	1,783	14,075	15,625	3,688	9,676	22	-	77,790	-	183,763
	\$ 421,992	\$ 166,634	\$ 38,793	\$ 654,638	\$ 522,305	\$ 287,328	\$ 321,816	\$ 23,514	\$ (152,456)	\$ 2,284,564	\$ (362,187)	\$ 2,871,454

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

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**COMBINED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	OPERATING PROGRAMS										TOTAL	
	CENTRAL ADMINISTRATION	SENIOR HOME REPAIR	HOUSING COUNSELING	COMMUNITY SERVICES	HOMEBUYER SERVICES	REAL ESTATE AND ECONOMIC DEVELOPMENT	PROPERTY MANAGEMENT	NOAH CDFI	ELDL-NATIONS	TOTAL OPERATING PROGRAMS		
<b>PERSONNEL AND RELATED COSTS:</b>	\$ 194,387	\$ 58,578	\$ 21,971	\$ 182,097	\$ 263,568	\$ 43,961	\$ 110,805	\$ 8,495	\$ -	\$ 883,862	\$ -	\$ 883,862
Salaries	53,220	14,707	965	19,332	385	4,038	59,408	-	-	136,383	-	150,648
Consulting and contract labor	24,155	5,534	2,066	15,817	52,174	6,447	22,383	-	-	136,648	-	136,648
Employee benefits	18,644	-	-	16,612	24,669	4,222	10,381	775	-	82,903	-	82,903
Payroll taxes	-	-	-	-	-	-	-	-	-	-	-	-
Total personnel and related costs	290,406	78,819	25,002	233,858	340,796	58,668	202,977	9,270	-	1,239,796	-	1,254,061
<b>OTHER:</b>												
Special events and other program expenses	45,644	34,142	79	199,938	4,781	119	515	-	-	285,218	-	316,268
Insurance and taxes	7,973	10,768	335	2,734	7,675	3,146	5,811	3,578	-	42,020	-	153,235
Facility	57,105	19,790	10,249	59,147	79,488	6,361	44,136	-	(136,028)	140,248	-	140,248
Interest expense and bank fees	14,997	-	-	-	-	7,575	-	158	(8,225)	14,505	-	125,665
Telephone and utilities	2,318	2,519	437	4,997	7,729	1,505	5,911	-	-	25,416	-	94,729
Professional fees	19,512	-	-	-	-	5,000	-	2,231	-	26,743	-	44,743
Supplies and general office	7,001	1,507	492	4,986	12,987	2,670	3,066	121	-	32,830	-	32,975
Bad debt	7,500	-	-	-	-	130,496	-	120,391	(102,073)	156,314	-	164,747
Miscellaneous	4,671	-	-	120	1,267	1,258	25	913	-	8,254	-	9,191
Travel and conferences	2,093	-	-	1,795	2,591	6,986	4,932	-	-	22,762	-	31,092
Repairs, maintenance and security	5,812	1,620	1,272	5,328	6,443	521	3,613	-	-	24,609	(239,587)	25,129
Condo fee	-	-	-	-	-	2,103	-	-	-	2,103	-	18,147
Equipment rental and purchases	2,544	683	353	2,309	2,755	219	2,163	250	-	16,044	-	16,786
Dues and subscriptions	5,980	54	28	160	215	242	120	-	-	7,049	-	7,049
Advertising	60	-	-	665	5,495	-	-	-	-	6,220	-	6,220
Total other	185,482	73,176	13,245	282,179	131,426	168,201	70,292	127,642	(246,326)	805,317	(239,587)	1,186,224
Total expenses before depreciation	475,888	151,995	38,247	516,037	472,222	226,869	273,269	136,912	(246,326)	2,045,113	(239,587)	2,440,285
<b>DEPRECIATION</b>	34,870	4,229	2,190	12,638	16,984	1,359	9,430	260	-	81,960	-	247,783
	\$ 510,758	\$ 156,224	\$ 40,437	\$ 528,675	\$ 489,206	\$ 228,228	\$ 282,699	\$ 137,172	\$ (246,326)	\$ 2,127,073	\$ (239,587)	\$ 2,688,068

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

## NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

### NOTES TO COMBINED FINANCIAL STATEMENTS JUNE 30, 2010 AND 2009

#### (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., NOAH Trinity LP, Trinity House LLC, Pace Border LLC, Amani Properties LLC and Stevens Corner LP (see Note 2). NOAH and its Affiliates share common management, facilities and Board membership.

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

##### **SIGNIFICANT ACCOUNTING POLICIES**

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

##### Estimates

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

##### Principles of Combination

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

NOAH owns controlling interest in the general partners or the managing members of limited partnerships whose projects that have been completed and placed in operation. Because the general partners do not maintain sufficient equity at risk in these limited partnerships (see Note 2, uncombined entities), these limited partnerships are considered variable interest entities within the meaning of U.S. GAAP standard on *Consolidation of Variable Interest Entities*. NOAH has not consolidated these limited partnerships since the general partners or managing members are not the primary beneficiaries.

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

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

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash

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

Contracts, Loans and Other Receivables and Allowance for Doubtful Accounts

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

Projects Under Development

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

Property, Equipment and Depreciation

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

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

Depreciation expense for the years ended June 30, 2010 and 2009, was \$284,885 and \$247,783, respectively. NOAH and affiliates account for the carrying value of their property and equipment and projects under development in accordance with the requirements of U.S. GAAP standards for *Impairment or Disposal of Long-Lived Assets*. As of June 30, 2010 and 2009, NOAH and its affiliates have not recognized any reduction in the carrying value of its land and buildings when considering this standard.

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. Interest income is recognized as earned. In general, NOAH reports grants and contributions when received or unconditionally committed by the donor as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions.



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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

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

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenue Recognition (Continued)

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

Allocation Method

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

Donated Goods and Services

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

Net Asset Classifications

**Unrestricted Net Assets**

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

- ◆ **Operating** net assets represent that portion of each net asset group that is considered substantially liquid and is available for general operations.
- ◆ **Development** net assets include those assets and liabilities related to NOAH and its Affiliates' project developments, completed and uncompleted, that are not expected to be available for operations for at least one year from the date of the combined statements of financial position.
- ◆ **Property and equipment** net assets represent that portion of resources, 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, 2010 and 2009, temporarily restricted net assets were restricted for the following:

	<u>2010</u>	<u>2009</u>
Community services	\$309,976	\$404,242
Rental housing	100,000	100,000
Capital grants invested in projects in development (see below)	100,000	100,000
Homebuyer and homeowner services	<u>164,490</u>	<u>108,307</u>
	<u>\$674,466</u>	<u>\$712,549</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

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

(Continued)

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Asset Classifications (Continued)

**Temporarily restricted net assets (Continued)**

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

Included in temporarily restricted grants are capital grant proceeds which have been invested into 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, 2010 and 2009, there was \$100,000 of temporarily restricted net assets invested in projects under development.

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

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

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

	<u>2010</u>	<u>2009</u>
Cumulative capital grants received, net of authorized write-offs (see above and Note 9)	\$1,593,573	\$1,592,826
Cumulative valuation allowance	(634,503)	(554,069)
Add – Inter-company elimination	<u>499,074</u>	<u>499,074</u>
	<u>\$1,458,144</u>	<u>\$1,537,831</u>

Fair Value

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

# NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

## NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

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

#### SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### Subsequent Events

The preparation of combined financial statements in accordance with U.S. GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying combined financial statements. Subsequent events are transactions or events that occur after the combined statement of financial position date, but before the combined financial statements are issued or available to be issued. The accompanying combined financial statements include the evaluation of subsequent events that have occurred through November 18, 2010, which is the date the combined financial statements were available to be issued.

##### Income Taxes

NOAH and its affiliates adopted the U.S. GAAP standards for *Accounting for Uncertainty in Income Taxes* which requires NOAH and its affiliates to report any uncertain tax positions and to adjust its combined financial statements for the impact thereof. As of June 30, 2010, NOAH and Affiliates determined that it had no tax positions that did not meet the "more likely than not threshold" of being sustained by the applicable tax authority. NOAH and Affiliates file income tax and information returns in the United States Federal and Massachusetts state jurisdictions. These returns are generally subject to examination by tax authorities for the last three years after the date filed with the Internal Revenue Services and Massachusetts tax authorities.

### (2) RELATED PARTY TRANSACTIONS

#### Combined Entities

NOAH's combined financial statements include the following entities:

##### Operating

These entities represent core operations:

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

NOAH CDFI (see page 16) advanced Peace Properties capital funds to invest in its real estate development activities. During fiscal year 2010, NOAH CDFI advanced Peace Properties \$130,900 for the Stevens Corner Project and \$126,915 for the Benefield Farms and A.J. Sitkowski School projects. During fiscal year 2009, NOAH CDFI advanced Peace Properties \$225,000 for the Stevens Corner Project. There was \$126,915 and \$225,000 outstanding at June 30, 2010 and 2009, respectively. These advances are non-interest bearing and are due at construction closing of projects (see Note 7). During fiscal year 2010, the amounts advanced for the Stevens Corner Project were paid during the construction closing of Stevens Corner (see Note 7 and page 17). As of June 30, 2010 and 2009, Peace Properties also owed NOAH \$16,019 for cash advances. As of June 30, 2010, Peace Properties owes Stevens Corner \$65,410 for cash advances. These amounts are included in due to affiliates in the accompanying combined statements of financial position at June 30, 2010 and 2009. This amount is fully reserved by NOAH because the amount is not expected to be realized in the near term.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

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

Combined Entities (Continued)

**Operating** (Continued)

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

Peace Properties has an equity investment in Pace Border. Peace Properties records its investment under the equity method of accounting. As of June 30, 2010 and 2009, Peace Properties' investment in Pace Border was fully written off.

Peace Properties owns land, which it leases to Amani Properties (see below) under a ground lease agreement. Amani Properties had developed fourteen condominium units known as Border Falcon Condominium units had on this land. The ground lease agreement expires July, 2105, with an option to extend the original term of the lease for one additional period of ninety-nine years. Monthly ground lease rent is \$1,329 which will be collected by Peace Properties from the purchasers of the condominium units. Monthly ground lease rent is calculated to equal 105% of the monthly payments of principal and interest necessary to amortize the Local Initiatives Support Corporation (LISC) loan (see Note 5) over the term of the loan. Upon paying the LISC loan in full, Peace Properties will continue to collect ground lease rent until the \$70,000 of NW funds borrowed from NOAH (see Note 6) is repaid.

**Amani Properties Limited Liability Corporation (Amani Properties)** was formed in June, 2006, as a limited liability company for the purpose of engaging in the development, management and conveyance of interests in the real properties located at 10 Border Street and 427-429 Falcon Street in East Boston, Massachusetts. 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 \$70,600 outstanding at June 30, 2010, for the 278 Maynard North Road project (see Note 7).

**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 CDFI is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the IRC.

NOAH CDFI has used the funds for loans in accordance with NW guidelines. 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).

NOAH CDFI lent Peace Properties and Amani Properties capital funds to invest in their real estate development activities (see above and Page 15).

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

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

Combined Entities (Continued)

**Operating** (Continued)

**Pace Border Limited Liability Company (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 a tenant. Rental income from NOAH was \$136,006 and \$136,028 for the years ended June 30, 2010 and 2009, respectively.

Pace Border's fiscal year end is December 31<sup>st</sup>. The financial statements of Pace Border are reflected as of and for the years ended December 31, 2009 and 2008. In April, 2009, Peace Properties loaned \$65,410 to Pace Border to pay down a loan due to LISC of \$50,000 plus accrued interest. This amount is fully reserved by Peace Properties because it is not expected to be realized in the near term.

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

Pace Border has a \$235,000 note payable to Peace Properties (see Note 5). The note bears interest at 3.5% and is due March 31, 2034. There was an outstanding principal balance of \$235,000 as of June 30, 2009 and 2008, and accrued interest of \$52,088 and \$43,863 at June 30, 2010 and 2009, respectively, which is included in notes payable, accrued interest, and due from affiliate in the accompanying combined statements of financial position. As of June 30, 2010 and 2009, Pace Border also owed NOAH \$136,062 for developer fees. These amounts are fully reserved by NOAH because they are not expected to be realized in the near term.

**Stevens Corner Limited Partnership (Stevens Corner)** was formed in October, 2009, as a Massachusetts limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project known as the Stevens Corner project (see Note 7). NOAH held a 99.99% ownership interest in Stevens Corner until June, 2010. In June, 2010, NOAH closed on construction financing and syndication of Stevens Corner. As a result, all the development activities and related debt of the Stevens Corners project, including amounts due to NOAH CDFI, were transferred from Peace Properties to Stevens Corner (see Page 16). Effective June 14, 2010, Stevens Corner GP, Inc. (see page 19) and Massachusetts Housing Investment Corporation (a Massachusetts not-for-profit organization) holds 61.98% and 38% ownership interest, respectively, in Stevens Corner as the initial limited partners. NOAH holds a 0.01% as the special limited partner and Stevens Corner GP, Inc. is also the general partner (see page 19). The initial limited partners will transfer their 99.98% ownership interests to MHEF XVII, LLC, a tax creditor investor, upon the completion of construction of the Stevens Corner project.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combined Entities (Continued)

Rental Programs

**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, 2010 and 2009, NOAH billed Shalom \$104,007, for management, administrative and maintenance expenses.

As of June 30, 2010 and 2009, Shalom owed NOAH \$75,147 and \$94,367, respectively, of management fees which are included in due to affiliate in the accompanying combined statements of financial position. This amount is fully reserved by NOAH because it is not expected to be realized in the near term.

**Paz Properties, Inc. (Paz)** was formed in 1993 as a non-profit 501(c)(2) affiliate of NOAH for the purpose of acquiring, rehabilitating, and operating a rental housing project. During the years ended June 30, 2010 and 2009, NOAH billed Paz \$135,580 for management, administrative and maintenance expenses. As of June 30, 2010, there was no amount due to NOAH for these expenses. As of June 30, 2009, Paz owed NOAH \$11,298 of management fees, which is included in due to affiliates in the accompanying combined 2009 statement of financial position.

**NOAH Trinity Limited Partnership (NOAH Trinity)** is a Massachusetts limited partnership formed under the laws of the Commonwealth of Massachusetts on December 26, 1990, for the purpose of acquiring, rehabilitating and operating a rental housing project (the Property). The Property consists of fifteen residential units located in East Boston, Massachusetts and is currently operating under the name of Trinity Neighborhood House.

In July, 2009, National Equity Fund 1990 LP (NEF), which held a 99.99% interest in NOAH Trinity as the limited partner, sold its interest to Trinity House LLC (see below) for \$1 plus assumption of debt. NEF entered into an assignment and assumption agreement with Trinity House. Under this agreement, NEF assigned all of its rights, benefits, and interest in NOAH Trinity to Trinity House and Trinity House assumed all of NEF's duties and obligations under the partnership. The sale was accounted for as acquisition of assets. The appraised value of the building was less than the book value. As a result, the value of the building was adjusted to equal the debts assumed.

NOAH has advanced funds of \$137,197 to NOAH Trinity, which is included in due to affiliates in the accompanying 2010 combined statement of financial position. As of June 30, 2010, \$82,768 of these funds are fully reserved by NOAH because the amount is not expected to be realized in the near term.

NOAH also provides management services to NOAH Trinity. During 2010, NOAH billed NOAH Trinity \$21,478 for management fees.

**Trinity House LLC (Trinity House)** is a Massachusetts limited liability company. Effective July 9, 2009, Trinity House holds a 99% interest in the capital, income, losses and cash flow of NOAH Trinity after acquiring NEF's interest (see above).

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

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

Combined Entities (Continued)

Other Entities

NOAH also maintains the following interest in other general partners:

- NOAH Trinity, Inc., 1% General Partner of NOAH Trinity.
- 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.
- Stevens Corner GP, Inc., 1% General Partner of Stevens Corner. This Corporation is also one of the initial limited investors of Stevens Corner Limited Partnership (see Page 17). NOAH owns 79% of this corporation's common stock.
- Cutler Heights Housing, LLC, 0.01% General Partner of Cutler Heights, LP. NOAH owns 36% of their Corporation's common stock.

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

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

Transactions between NOAH and these combined entities were as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Operating</u>	<u>Rental Programs</u>	<u>Operating</u>	<u>Rental Programs</u>
Property management fees	\$ -	\$261,065	\$ -	\$239,587
Developer fees	426,350	-	-	-
Rent charged for use of space	136,006	-	136,028	-
Interest expense	8,225	-	8,225	-
Bad debt	8,225	-	102,073	-
	<u>\$578,806</u>	<u>\$261,065</u>	<u>\$246,326</u>	<u>\$239,587</u>

Balances between these entities as of June 30, 2010, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>NOAH CDFI</u>	<u>Stevens Corner LP</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivables	\$ -	\$129,794	\$186,234	\$176,350	\$345,324	\$ 837,702
Peace Properties receivables	-	-	-	-	352,498	352,498
Rental Program receivables	5,692	-	-	-	-	5,692
NOAH CDFI receivable	45,000	241,083	-	-	14,326	300,409
Stevens Corner LP	-	65,410	-	-	-	65,410
Subtotal	<u>\$50,692</u>	<u>\$436,287</u>	<u>\$186,234</u>	<u>\$176,350</u>	<u>\$712,148</u>	1,561,711
Less - allowances for doubtful accounts						<u>741,012</u>
Total						<u>\$ 820,699</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

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

Combined Entities (Continued)

Balances between these entities as of June 30, 2009, were as follows:

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>NOAH CDFI</u>	<u>Rental Programs</u>	<u>Total</u>
NOAH receivables	\$ -	\$ 98,746	\$186,234	\$240,647	\$ 525,627
Peace Properties receivables	-	-	-	344,273	344,273
Rental Program receivables	11,396	-	-	-	11,396
NOAH CDFI receivable	<u>45,000</u>	<u>268,567</u>	<u>-</u>	<u>14,326</u>	<u>327,893</u>
Subtotal	<u>\$56,396</u>	<u>\$367,313</u>	<u>\$186,234</u>	<u>\$599,246</u>	1,209,189
Less - allowances for doubtful accounts					<u>681,294</u>
Total					<u>\$ 527,895</u>

Uncombined Entities

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

**Siochain Properties Limited Partnership (Siochain)** 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. NOAH also earned management fees of \$42,955 at June 30, 2010 and 2009. There was no amount due from Siochain at June 30, 2010 and 2009.

**143-153 Border Street Condominium Trust (the Trust)** was created as the "Organization of Unit Owners" as required by the provisions of Chapter 183A of the Massachusetts General Laws for the purpose of managing and regulating the 143-153 Border Street Condominium established and created by a Master Deed executed by Peace Properties. One condominium unit is occupied by NOAH and Affiliates and the other is occupied by another organization. NOAH is the manager of the Trust. NOAH earned \$12,360 in management fees for the years ended June 30, 2010 and 2009. There was no amount due from the Trust at June 30, 2010 and 2009.



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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

**(3) RESTRICTED DEPOSITS**

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

	<u>2010</u>	<u>2009</u>
<b>NOAH, Inc. -</b>		
Reserves for capital projects	\$ 50,000	\$ -
<b>Pace Border LLC -</b>		
Other operating escrows	<u>15,000</u>	<u>15,000</u>
<b>Rental Programs:</b>		
<b>Shalom Properties, Inc. -</b>		
Operating escrows	27,907	32,381
Tenant security deposit	26,808	26,767
Replacement reserve	<u>15,008</u>	<u>22,246</u>
Sub-total Shalom Properties, Inc.	<u>69,723</u>	<u>81,394</u>
<b>Paz Properties, Inc. -</b>		
Operating escrows	27,495	28,470
Tenant security deposit	25,904	24,474
Replacement reserve	<u>125,566</u>	<u>114,128</u>
Sub-total Paz Properties, Inc.	<u>178,965</u>	<u>167,072</u>
<b>Trinity House LLC -</b>		
Operating escrows	83,951	-
Tenant Security Deposit	4,245	-
Replacement Reserve	<u>4,300</u>	<u>-</u>
Sub-total Trinity House LLC	<u>92,496</u>	<u>-</u>
Sub-total Rental Programs	<u>341,184</u>	<u>263,466</u>
<b>NOAH CDFI:</b>		
Revolving loan fund capital	362,281	446,939
Loan reserve	<u>18,811</u>	<u>89,116</u>
Sub-total NOAH CDFI	<u>381,092</u>	<u>536,055</u>
<b>Stevens Corner LP</b>		
Construction escrow	<u>494,304</u>	<u>-</u>
Total restricted deposits	1,281,580	799,521
Less - current portion	<u>698,657</u>	<u>75,851</u>
Non-current portion	<u>\$ 582,923</u>	<u>\$723,670</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(4) **MORTGAGE NOTES PAYABLE**

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

<b><u>Shalom Properties, Inc.</u></b> (see Note 2)	<b><u>2010</u></b>	<b><u>2009</u></b>
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.	\$ 543,439	\$ 568,119
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.	443,571	451,955
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>1,477,688</u>	<u>1,510,752</u>
<b><u>Paz Properties, Inc.</u></b> (see Note 2)		
Non-interest bearing note payable to MHP, due and payable October 3, 2031, secured by second mortgages on 115 and 109 Everett Street and 376 Summer Street.	561,316	561,316
Non-interest bearing note payable to MHP, due and payable October 3, 2031, secured by a second mortgage on 115 Everett Street.	452,369	452,369
Non-interest bearing note payable to MHP, due and payable October 3, 2021, secured by a second mortgage on 115 Everett Street.	400,000	400,000
Note payable to MHP for rehabilitation of 115 Everett Street, original amount of note was \$412,200, bearing interest at 6.27% per annum, due and payable October 3, 2021. Principal and interest are due in monthly installments of \$2,328 based on a thirty-year amortization schedule. This note is secured by a first mortgage on 115 Everett Street.	363,978	371,813

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

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

<b><u>Paz Properties, Inc.</u></b> (see Note 2) – (Continued)	<b><u>2010</u></b>	<b><u>2009</u></b>
<p>Note payable to MHP for the development of Eagle Hill Rental Rehabilitation Project (the Project), original amount of the note was \$450,000, bearing interest at 4.52% per annum, due and payable May, 2010. Principal and interest were due in monthly installments of \$4,123 based on a thirty-year amortization schedule. This note was secured by a mortgage on the property. In August, 2010, the note was paid in full with proceeds from a new loan (\$600,000) from MHP. This new loan bears interest at 5.80% per annum for the first five-year term ending August 9, 2015. Thereafter, the interest rate for the next five-year term ending August 9, 2020, will be the prevailing rate in effect under the agreement on August 9, 2015. Principal and interest are due in monthly installments of \$3,520 beginning October 1, 2010, through August 9, 2015. During the second five-year term, principal and interest will be due in monthly installments based on a thirty year amortization.</p>	229,638	258,694
<p>Note payable to Boston Community Loan Fund (BCLF) for Eutaw and Meridian Street project, bearing interest at 7% per annum, due and payable March 31, 2013. Principal and interest are due in monthly installments of \$726 based on a fourteen-year amortization schedule. This note is secured by a mortgage on Eutaw and Meridian Street project.</p>	<u>21,891</u>	<u>28,785</u>
<p>Sub-total Paz Properties, Inc.</p>	<u>2,029,192</u>	<u>2,072,977</u>

**Trinity House LLC** (see Note 2)

<p>Second mortgage note, originated on August 6, 1992, and held by the City of Boston, Department of Public Facilities as agent for the Neighborhood Housing Trust Fund, in the original amount of \$418,170. The note bears simple interest at 1% per annum. Interest only is due annually on each of the anniversary date of the note based on net available cash flows. The City of Boston has deferred payments due on the note until maturity. Principal and accrued and unpaid interest are due on the earliest of thirty years or if the property fails to continue to provide affordable housing to low and moderate income families. Accrued interest totaled \$74,922 as of June 30, 2010. The note is secured by a mortgage on 406 Meridian Street and assignment of leases.</p>	418,170	-
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**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

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

**Trinity House LLC (see Note 2) - (Continued)**

**2010**

**2009**

First mortgage note, originated on June 27, 1994, and held by the Massachusetts Development Finance Agency (MDFA) (a quasi-public agency) in the original amount of \$286,000. The note bears interest at 5% per annum. Monthly installments of principal and interest are based on a thirty-year amortization of the original note balance and are payable by Trinity House in the amount of \$1,535 through July, 2010, after which time a balloon payment of approximately \$186,000 is due and payable. The note is collateralized by the first mortgage on 406 Meridian Street and assignment of leases and rents. Subsequent to year end, this note was paid with full loan proceeds from the City of Boston (see below).

186,056

-

A non-recourse mortgage note, which was originated on May 19, 2000, is held by the City of Boston, Public Facilities Department in the original amount of \$131,880. The note accrues interest at 1% per year, compounded annually. Accrued interest totaled \$13,136 as of June 30, 2010. Principal and interest are due May 19, 2030, or upon acceleration of the note under specified conditions. The note is secured by a mortgage on 406 Meridian Street and assignment of leases and rents. Subsequent to year-end, this note was combined with a new loan with the City of Boston, increasing the original amount to \$873,515. The proceeds will be used to fund the renovation of 406 Meridian Street and pay off the first mortgage (see above).

125,525

-

Sub-total Trinity House LLC

729,751

-

Total Rental Programs -

\$4,236,631

\$3,583,729

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

2011	\$238,185
2012	\$ 55,949
2013	\$ 58,084
2014	\$155,327
2015	\$ 59,306

The mortgage notes payable agreements contain various covenants with which NOAH must comply. NOAH was in compliance with these covenants at June 30, 2010 and 2009.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

**(5) NOTES PAYABLE**

Notes payable consist of the following as of June 30:

<u>NOAH, Inc.</u>	<u>2010</u>	<u>2009</u>
Line of credit payable to BCLF, bearing interest at 7.5%, due September, 2013. This note is secured by all assets of NOAH and a lien on Eutaw and Meridian Street property. Interest and principal are due in monthly installments of \$3,687.	\$ 127,352	\$ 154,403
Note payable to Community Economic Development Assistance Corporation (CEDAC), bearing interest at 5.5%, due when funds from the construction closing of the Trinity House Development Project are disbursed, which occurred in September, 2010.	59,753	-
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. During fiscal year 2010, this note was forgiven.	-	50,000
Sub-total NOAH, Inc.	<u>187,105</u>	<u>204,403</u>
 <u>Peace Properties, Inc.</u> (see Note 2)		
Note payable to LISC, for the Border Falcon Condo Project, bearing interest at 4% per annum. Interest and principal are due in monthly installments of \$1,266, with principal due no later than the maturity date in July, 2023. This note is secured by the ground lease (see Note 2).	173,212	181,293
Note payable to NeighborWorks Capital Corp., bearing interest at 4% per annum, compounded quarterly, due and payable on December 24, 2011. This note is secured by the Benefield Farm project.	150,000	150,000
Note payable to Life Insurance Community Investment Initiative LLC (the Initiative), bearing interest at 6.5% for thirty months, for the Greenery/Stevens Corner Project in North Andover, Massachusetts. This note was secured by the project and matured on February 13, 2010. This note was paid in full during the financing closing and transfer of the Stevens Corner Project to Stevens Corner, LP (see Note 7).	-	929,473
Sub-total Peace Properties	<u>323,212</u>	<u>1,260,766</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

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

<b><u>Stevens Corner Limited Partnership</u></b> (see Note 2)	<b><u>2010</u></b>	<b><u>2009</u></b>
Non-interest bearing note payable to Massachusetts Housing Equity Fund XVII, LLC for the Stevens Corner Project and is due on December 31, 2011. This note is secured by a Pledge, Assignment and Security Agreement.	<u>218,517</u>	<u>-</u>
 <b><u>Pace Border LLC</u></b> (see Note 2)		
Note payable to MHIC New Markets CDE LLC Series I (MHIC New Markets), due March 1, 2034. Interest only is due monthly at the rate of 1.98% through March 1, 2014. Additional interest accrues monthly at .695% through maturity. A payment of \$100,000 of principal and \$50,000 of accrued interest is due March 1, 2014. The remaining principal balance outstanding and accrued interest are due March 1, 2034. This note is secured by a second mortgage on Pace Border's building.	815,454	815,454
Note payable to MHIC New Markets, 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, 2010 and 2009. Principal and accrued interest are due March 31, 2034.	235,000	235,000
Note payable to MHIC New Markets, bearing interest at 2.5% through March 1, 2011, and thereafter 4% through March 1, 2024. Interest only 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

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

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

<u>Pace Border LLC</u> (see Note 2) - (Continued)	<u>2010</u>	<u>2009</u>
Note payable to LISC for 143 Border Street, bearing interest at 6.3% per annum, due and payable September 1, 2009. Interest only was due quarterly commencing December, 2005 through September, 2006. Commencing October 1, 2006, principal and interest were due in thirty-five equal consecutive monthly installments. Each installment of principal and interest was equal to an amount calculated to amortize the outstanding principal balance of the note over a three-year period ending September 1, 2009. This note was secured by a mortgage on the property.	-	6,699
Sub-total Pace Border LLC	1,938,976	1,945,675
Less – inter-affiliate eliminations	<u>235,000</u>	<u>235,000</u>
Total Pace Border LLC	<u>1,703,976</u>	<u>1,710,675</u>
Total notes payable	<u>\$2,432,810</u>	<u>\$3,175,844</u>

Maturities of notes payable are as follows:

2011	\$792,846
2012	\$197,720
2013	\$ 50,337
2014	\$ 19,798
2015	\$ 9,891

The note payable agreements contain various covenants with which NOAH must comply. NOAH is in compliance with these covenants at June 30, 2010 and 2009.

**(6) CONTINGENT LOANS AND ADVANCES**

NOAH and Affiliates have received several contingent loans from various organizations to help in the development of projects. These loans and advances generally are not required to be repaid unless the projects fail to maintain their status as low-income housing or default on other covenants as described in the agreements. It is the intention of the Board of Directors and management of NOAH to maintain these properties as low-income housing and to meet other conditions. Therefore, these loans have been classified as contingent loans and no interest has been accrued on them. Total accrued interest due upon default of the agreements would be approximately \$173,209 at June 30, 2010.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

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

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

<u>Rental Programs</u>	<u>2010</u>	<u>2009</u>
<b><u>Steven Corner Limited Partnership</u> (Continued)</b>		
Non-interest bearing note payable to the Commonwealth of Massachusetts, acting by and through the Department of Housing and Community Development (DHCD) under the Affordable Housing Trust Fund (AHTF) by Massachusetts Housing Finance Agency (MHFA), in the original amount of \$985,000, for the Stevens Corner Project (see Note 7). The note is secured by the project and is due August 14, 2041, with an option to extend the maturity date for a period up to the original term in order to maintain the affordability of the project.	\$ 985,000	\$ -
Note payable to MHP, through its the Housing Stabilization Fund (HSF), in the original amount of \$725,000, for the Stevens Corner Project, bearing interest at 3% per annum, is due and payable August 14, 2061, with an option to extend the maturity date for a period up to the original term in order to maintain the affordability of the project.	580,000	-
Note payable to the Town of North Andover for the Stevens Corner Project, in the original amount of \$1,350,000, bearing interest at 3% per annum. The note is secured by the project and is due August 14, 2041 with an option to extend the maturity date for a period up to the original term in order to maintain the affordability of the project.	450,000	-
Non-interest bearing note payable to CEDAC through its Community Based Housing Fund Program, in the original amount of \$362,465, for the Stevens Corner Project. Payments due annually based on cash flow. The note is secured by the project and is due August 14, 2041, with an option to extend up to an additional ten years for each extension period.	<u>342,727</u>	<u>-</u>
Sub-total Stevens Corner Limited Partnership	<u>2,357,727</u>	<u>-</u>
<b><u>Paz Properties, Inc.</u></b>		
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



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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

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

<b><u>Rental Programs</u></b> (Continued)	<b><u>2010</u></b>	<b><u>2009</u></b>
<b><u>Paz Properties, Inc.</u></b> (Continued)		
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 ninety days of the close of the fiscal year end and equal amounts set forth in the note agreement. This note is secured by a second mortgage on 108-110 White Street and assignment of rents and leases.	355,120	355,120
Note payable to City of Boston for improvements at 449-451 Saratoga Street, bearing interest at 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. 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>

NOAH understands that certain of the above contingent loans are either currently due or past due as of June 30, 2010. NOAH is currently in the process of negotiating with the City of Boston to have the notes forgiven. The City has proposed refinancing the notes to 99 years with an interest rate at 1% and annual payments due and payable based on 50% cash flow.

**Shalom Properties, Inc.**

Note payable to City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due December, 2022.	<u>164,000</u>	<u>164,000</u>
Total Contingent Loans	<u>\$4,431,228</u>	<u>\$2,073,501</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 that operate the low-income housing projects developed by NOAH.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)

(7) **PROJECTS UNDER DEVELOPMENT** (Continued)

The following are projects that were completed or currently under development as of June 30, 2010:

**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, Massachusetts. 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. Cutler Heights was awarded funding by DHCD in August, 2008. In August, 2009, the project was awarded Tax Credit Assistance Program (TCAP) funds, whereby the credits were converted to additional financing under the Federal TCAP program from the State.

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. Construction is expected to be completed by January, 2011.

**Stevens Corner**

The Stevens Corner project is the development of a forty-two unit affordable rental housing project located in North Andover, Massachusetts. The project mix consists of five one bedroom and five three bedroom, and 32 two bedroom units. Peace Properties purchased the project at a foreclosure auction for \$925,000. Peace Properties financed the acquisition of the project with loan proceeds from the Initiative (see Note 5).

The project was awarded \$607,052 in Federal and \$126,176 in state low-income housing tax credits under Internal Revenue Code Section 42 from the Commonwealth of Massachusetts DHCD. Massachusetts Housing Investment Corporation (MHIC) funded the Federal tax credit financing for the project and Claremont Properties funded the state tax credits. MHP will provide permanent financing and TD Bank will provide a \$4 million construction loan to the project. Stevens Corner LP also has additional financing from CEDAC, MHP, the Town of North Andover, DHCD, and the Northshore Home Consortium (see Note 5) for the project. As of June 30, 2010, Stevens Corner LP has secured all funding for the project. Construction is scheduled to be completed in September, 2011.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

**(7) PROJECTS UNDER DEVELOPMENT (Continued)**

**Benefield Farms – Carlisle, MA**

The Benefield Farms Project is the development of twenty-six housing units for senior independent living located in Carlisle, Massachusetts. The units consist of seventeen one-bedroom units and nine two-bedroom units. The property is owned by the Carlisle Housing Authority and will be leased to the developer under a 99 year lease under the terms of a regulatory agreement. The project is permitted under the provisions of M.G.L c. 40B under a decision issued by the Carlisle Board of Appeals, which was filed July 16, 2010. Financing for the project will be through an application to DHCD for low income housing tax credits, AHTF, HSF, and HOME funds. The Carlisle Housing Authority has also pledged \$425,000 of the Community Preservation Act (CPA) funds for the project. Permanent financing will be provided by MHP and a construction loan may come from Citizens Bank or Middlesex Savings Bank. The total development cost of the project is expected to be \$8.5 million.

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

The A.J. Sitkowski School Project is the development of sixty six housing units for senior independent living located in Webster, Massachusetts. The units will consist of fourteen two-bedroom units and forty six one-bedroom units, and a new senior center. NOAH received a developer designation letter from the Town of Webster in April, 2009. Peace Properties has offered a purchase price of \$150,000 for the project. The project was approved by the Planning Board February 8, 2010, under a Redevelopment Overlay District Special Permit and Site Plan Approval. Financing for the project will be through an application to DHCD for low income housing tax credits, AHTF, and HSF, funds. During fiscal year 2010, NOAH submitted a One Stop Application for funding and NOAH has applied for Historic Tax Credits from the Massachusetts Historic Commission and the National Park Service. A second request was submitted September, 2010. In addition, Historic Tax Credits have been requested of Mass Historic Commission and the National Park Service. The Town of Webster has also pledged \$700,000 of CDBG funds for the development. Permanent financing will be provided by MHP and a construction loan may come from Citizens Bank. The total development cost of the project is expected to be \$19.1 million.

**278 Maynard North Road – Sudbury, MA**

The 278 Maynard North Road Project is the development of three affordable two-bedroom homeownership units on a one acre site in Sudbury, Massachusetts. NOAH was selected as developer through an RFP issued by the Sudbury Housing Trust (the Trust), for the development of six units. The one acre site was purchased by the Trust and will be donated at no cost to the project. The project will be permitted under a Comprehensive Permit under M.G.L c40B through the Board of Appeals. The Sudbury Housing Trust changed the size of the project from 6 units to 3 units during the Board of Appeals review due to concerns for density. The units will be sold to families earning 80-100% of area median income. The Trust will enter into purchase and sale agreement with Amani Properties LLC upon the approval of a comprehensive permit and financing from a construction lender. The Town has also allocated \$440,000 of CPA funds for the development of the project. The project is expected to be permitted by December, 2010, and construction will begin in early 2011.

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

**NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2010 AND 2009  
(Continued)**

(7) **PROJECTS UNDER DEVELOPMENT** (Continued)

Projects under development as of June 30, 2010 and 2009, consist of:

	<u>2010</u>	<u>2009</u>
Stevens Corner - North Andover, MA	\$2,467,812	\$1,275,676
A.J. Sitkowski School - Webster, MA	350,228	-
Benefield Farms - Carlisle, MA	315,049	23,258
278 Maynard North Road - Sudbury, MA	111,921	-
Cutler Heights Housing - Holliston, MA	-	85,469
Other	-	14,048
	<u>3,245,010</u>	<u>1,398,451</u>
Less - elimination	<u>253,178</u>	<u>108,972</u>
Total projects under development	<u>\$2,991,832</u>	<u>\$1,289,479</u>

(8) **PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at June 30:

	<u>2010</u>	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Rental buildings and improvements	\$2,184,881	\$8,186,481	\$10,371,362	
Land and improvements	603,946	405,756	1,009,702	
Office furniture, fixtures and equipment	164,399	-	164,399	
Rental furniture and equipment	19,078	-	19,078	
Leasehold improvements	11,598	-	11,598	
	<u>2,983,902</u>	<u>8,592,237</u>	<u>11,576,139</u>	
Less - accumulated depreciation	<u>494,041</u>	<u>2,578,565</u>	<u>3,072,606</u>	
	<u>\$2,489,861</u>	<u>\$6,013,672</u>	8,503,533	
Less - elimination			<u>176,764</u>	
			<u>\$ 8,326,769</u>	
	<u>2009</u>	<u>Operating</u>	<u>Rental Programs</u>	<u>Total</u>
Rental buildings and improvements	\$2,383,826	\$6,446,547	\$ 8,830,373	
Land and improvements	405,000	585,975	990,975	
Office furniture, fixtures and equipment	180,539	-	180,539	
Rental furniture and equipment	23,331	-	23,331	
Leasehold improvements	11,598	-	11,598	
	<u>3,004,294</u>	<u>7,032,522</u>	<u>10,036,816</u>	
Less - accumulated depreciation	<u>437,892</u>	<u>1,730,794</u>	<u>2,168,686</u>	
	<u>\$2,566,402</u>	<u>\$5,301,728</u>	7,868,130	
Less - elimination			<u>277,886</u>	
			<u>\$ 7,590,244</u>	

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

**(8) PROPERTY AND EQUIPMENT** (Continued)

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

**(9) LOANS RECEIVABLE**

NOAH CDFI, Inc. has outstanding loans receivable from local residents for purchase and/or rehabilitation of low to moderate incoming housing of \$700,551 and \$606,301 as of June 30, 2010 and 2009, respectively, less an allowance for doubtful accounts of \$203,059 and \$122,625 as of June 30, 2010 and 2009, respectively. These amounts are included in contracts, loans and other receivables in the accompanying combined financial statements. Interest rates range from 5% to 6.5% and maturity dates range from ten to thirty years. Loans are secured by a second or third lien on the property purchased or improved.

Loans receivable, net of allowances for doubtful accounts, at of June 30, 2010 and 2009, consist of:

<b><u>2010</u></b>				
<b><u>Funding Source</u></b>	<b><u>Number of Loans</u></b>	<b><u>Loans Receivable</u></b>	<b><u>Allowance for Doubtful Accounts</u></b>	<b><u>Net</u></b>
NW (see Note 1)	9	\$392,964	\$135,429	\$257,535
CDFI	2	110,072	67,630	42,442
Other - inter-company - NW	<u>2</u>	<u>197,515</u>	-	<u>197,515</u>
Total	<u>13</u>	<u>\$700,551</u>	<u>\$203,059</u>	<u>\$497,492</u>

<b><u>2009</u></b>				
<b><u>Funding Source</u></b>	<b><u>Number of Loans</u></b>	<b><u>Loans Receivable</u></b>	<b><u>Allowance for Doubtful Accounts</u></b>	<b><u>Net</u></b>
NW (see Note 1)	7	\$269,965	\$ 54,995	\$214,970
CDFI	2	111,336	67,630	43,706
Other - inter-company - NW	<u>1</u>	<u>225,000</u>	-	<u>225,000</u>
Total	<u>10</u>	<u>\$606,301</u>	<u>\$122,625</u>	<u>\$483,676</u>

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

2011	\$273,401
2012	\$ 7,512
2013	\$ 7,931
2014	\$ 8,371
2015	\$ 8,824

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

(Continued)

(9) LOANS RECEIVABLE (Continued)

During fiscal year 2010, there were no loans sold to Neighborhood Housing Services of America (NHSA). As of June 30, 2010, there were four delinquent loans which totaled \$88,059. One of the delinquent loans is in foreclosure. The total for that loan was \$67,630. The other three are behind in their monthly payments and were reserved for per the lending policy. There was also a \$115,000 development loan to Cutler Heights LP. This loan is secured by the project and is due December, 2039. This loan was fully reserved by NOAH CDFI because the amount is not expected to be realized in the near term.

*Special Tax-Credit Lending*

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

(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 a capital lease agreement, which expires January, 2012. Future minimum lease payments as of June 30, 2010, are:

2010	\$13,572
2012	<u>7,919</u>
	<u>\$21,491</u>

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

**NOTES TO COMBINED FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

(Continued)

**(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.

**(13) RECLASSIFICATIONS**

Certain amounts in the 2009 combined financial statements have been reclassified to conform with the 2010 presentation.

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - OPERATING**  
**JUNE 30, 2010**

<u>ASSETS</u>	<u>NOAH, INC.</u>	<u>PEACE PROPERTIES</u>	<u>AMANI PROPERTIES</u>	<u>STEVENS CORNER LP</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMINATIONS</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>								
Cash	\$ 718,018	\$ 2,269	\$ 3,260	\$ -	\$ 28,024	\$ 8,850	\$ -	\$ 760,421
Current portion of restricted deposits	50,000	-	-	494,304	-	15,000	-	559,304
Current portion of contracts, loans and other receivables	325,398	-	-	-	273,401	14,414	(197,515)	415,698
Developer fee receivable	176,350	-	-	-	-	-	(176,350)	-
Current portion of due from affiliates	32,379	457	-	-	14,326	-	(457)	46,705
Prepaid expenses and other	15,551	-	-	-	1,233	1,102	-	17,886
Total current assets	<u>1,317,696</u>	<u>2,726</u>	<u>3,260</u>	<u>494,304</u>	<u>316,984</u>	<u>39,366</u>	<u>(374,322)</u>	<u>1,800,014</u>
<b>RESTRICTED DEPOSITS, net of current portion CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts of \$476,421</b>	-	-	-	-	381,092	-	-	381,092
<b>DUE FROM AFFILIATES, net of current portion</b>	100,000	-	-	-	224,091	-	-	324,091
<b>PROJECTS UNDER DEVELOPMENT</b>	240,002	-	-	65,410	88,568	5,692	(377,632)	22,040
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation</b>	30,342	665,277	111,921	2,467,812	-	-	(253,178)	2,991,832
Total assets	<u>\$ 1,688,040</u>	<u>\$ 1,073,003</u>	<u>\$ 115,181</u>	<u>\$ 3,027,526</u>	<u>\$ 1,010,735</u>	<u>\$ 2,099,577</u>	<u>\$ (1,005,132)</u>	<u>\$ 8,008,930</u>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Current portion of mortgages and notes payable	\$ 95,894	\$ 8,430	\$ -	\$ -	\$ -	\$ 688,522	\$ -	\$ 792,846
Current portion of capital lease obligation	13,572	-	-	-	-	-	-	13,572
Accounts payable and other liabilities	152,192	385,460	41,192	274,932	20,826	7,650	(457)	881,795
Developer fee payable	-	-	-	176,350	-	-	(176,350)	-
Deferred revenue	-	-	-	-	10,397	-	-	10,397
Current portion of due to affiliates	-	126,915	70,600	-	-	-	(197,515)	-
Total current liabilities	<u>261,658</u>	<u>520,805</u>	<u>111,792</u>	<u>451,282</u>	<u>31,223</u>	<u>696,172</u>	<u>(374,322)</u>	<u>1,698,610</u>
<b>LONG-TERM LIABILITIES:</b>								
Mortgages and notes payable, net of current portion	91,211	314,782	-	218,517	-	1,250,454	(235,000)	1,639,964
Due to affiliates, net of current portion	50,692	218,421	4,332	-	186,234	67,410	(527,089)	-
Deferred developer fees payable	-	-	-	-	-	136,062	(136,062)	-
Accrued interest	-	-	-	-	-	77,874	(52,088)	25,786
Contingent loans and advances	-	-	-	2,357,727	-	-	-	2,357,727
Capital lease obligation, net of current portion	7,919	-	-	-	-	(25,879)	-	7,919
Non-controlling interest in combined subsidiary	-	-	-	-	-	-	-	-
Total long-term liabilities	<u>149,822</u>	<u>533,203</u>	<u>4,332</u>	<u>2,576,244</u>	<u>186,234</u>	<u>1,505,921</u>	<u>(950,239)</u>	<u>4,005,517</u>
Total liabilities	<u>411,480</u>	<u>1,054,008</u>	<u>116,124</u>	<u>3,027,526</u>	<u>217,457</u>	<u>2,202,093</u>	<u>(1,324,561)</u>	<u>5,704,127</u>
<b>NET ASSETS:</b>								
Unrestricted -								
Operating	543,243	-	-	-	308,592	-	(179,645)	672,190
Development	100,000	(98,281)	(943)	-	-	35,408	-	36,184
Property and equipment	8,851	-	-	-	-	(137,924)	-	(129,073)
Total unrestricted	<u>652,094</u>	<u>(98,281)</u>	<u>(943)</u>	<u>-</u>	<u>308,592</u>	<u>(102,516)</u>	<u>(179,645)</u>	<u>579,301</u>
Temporarily restricted	574,466	-	-	-	-	-	-	574,466
Permanently restricted - NW capital funds	50,000	117,276	-	-	484,686	-	499,074	1,151,036
Total net assets	<u>1,276,560</u>	<u>18,995</u>	<u>(943)</u>	<u>-</u>	<u>793,278</u>	<u>(102,516)</u>	<u>319,429</u>	<u>2,304,803</u>
Total liabilities and net assets	<u>\$ 1,688,040</u>	<u>\$ 1,073,003</u>	<u>\$ 115,181</u>	<u>\$ 3,027,526</u>	<u>\$ 1,010,735</u>	<u>\$ 2,099,577</u>	<u>\$ (1,005,132)</u>	<u>\$ 8,008,930</u>



**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - OPERATING**  
**JUNE 30, 2009**

<u>ASSETS</u>	NOAH, INC.	PEACE PROPERTIES	AMANI PROPERTIES	NOAH CDFI	PACE BORDER LLC	ELIMI- NATIONS	TOTAL
<b>CURRENT ASSETS:</b>							
Cash	\$ 687,064	\$ 202,904	\$ 57	\$ 22,529	\$ 188	\$ -	\$ 912,742
Current portion of restricted deposits	-	-	-	-	15,000	-	15,000
Current portion of contracts, loans and other receivables	373,013	-	-	240,070	20,303	-	633,386
Current portion of due from affiliates	186,234	-	-	14,326	11,396	(197,630)	14,326
Current portion of projects under development	-	641,845	-	-	-	-	641,845
Prepaid expenses and other	16,071	-	-	1,221	1,095	-	18,387
Total current assets	<u>1,262,382</u>	<u>844,749</u>	<u>57</u>	<u>278,146</u>	<u>47,982</u>	<u>(197,630)</u>	<u>2,235,686</u>
<b>RESTRICTED DEPOSITS, net of current portion</b>	-	-	-	536,055	-	-	536,055
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES, net of</b>							
current portion and allowance for doubtful accounts of \$432,549	100,000	-	-	243,606	-	(225,000)	118,606
<b>DUE FROM AFFILIATES, net of current portion</b>	2,371	-	-	88,568	-	(88,568)	2,371
<b>PROJECTS UNDER DEVELOPMENT, net of current portion</b>	-	756,606	-	-	-	(108,972)	647,634
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation</b>	47,828	405,000	-	22	2,113,552	-	2,566,402
Total assets	<u>\$ 1,412,581</u>	<u>\$ 2,006,355</u>	<u>\$ 57</u>	<u>\$ 1,146,397</u>	<u>\$ 2,161,534</u>	<u>\$ (620,170)</u>	<u>\$ 6,106,754</u>
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES:</b>							
Current portion of mortgages and notes payable	\$ 67,204	\$ 947,155	\$ -	\$ -	\$ 6,699	\$ -	\$ 1,021,058
Current portion of capital lease obligation	13,572	-	-	-	-	-	13,572
Accounts payable and other liabilities	146,554	327,531	-	22,178	10,606	-	506,869
Deferred revenue	-	-	-	13,624	-	-	13,624
Current portion of due to affiliates	11,396	-	-	186,234	-	(197,630)	-
Total current liabilities	<u>238,726</u>	<u>1,274,686</u>	<u>-</u>	<u>222,036</u>	<u>17,305</u>	<u>(197,630)</u>	<u>1,555,123</u>
<b>LONG-TERM LIABILITIES:</b>							
Mortgages and notes payable, net of current portion	137,199	313,611	-	-	1,938,976	(235,000)	2,154,786
Due to affiliates, net of current portion	45,000	366,313	1,000	-	65,410	(477,723)	-
Deferred developer fees payable	-	-	-	-	136,062	(136,062)	-
Accrued interest	-	9,666	-	-	67,008	(43,863)	32,811
Capital lease obligation, net of current portion	21,492	-	-	-	(11,555)	-	21,492
Non-controlling interest in combined subsidiary	-	-	-	-	-	-	(11,555)
Total long-term liabilities	<u>203,691</u>	<u>689,590</u>	<u>1,000</u>	<u>-</u>	<u>2,195,901</u>	<u>(892,648)</u>	<u>2,197,534</u>
Total liabilities	<u>442,417</u>	<u>1,964,276</u>	<u>1,000</u>	<u>222,036</u>	<u>2,213,206</u>	<u>(1,090,278)</u>	<u>3,752,657</u>
<b>NET ASSETS:</b>							
Unrestricted -							
Operating	235,851	-	-	309,966	-	(28,966)	516,851
Development	100,000	(75,197)	(943)	-	(51,672)	-	(27,812)
Property and equipment	21,764	-	-	22	-	-	21,786
Total unrestricted	<u>357,615</u>	<u>(75,197)</u>	<u>(943)</u>	<u>309,988</u>	<u>(51,672)</u>	<u>(28,966)</u>	<u>510,825</u>
Temporarily restricted	612,549	-	-	-	-	-	612,549
Permanently restricted - NW capital funds	-	117,276	-	614,373	-	499,074	1,230,723
Total net assets	<u>970,164</u>	<u>42,079</u>	<u>(943)</u>	<u>924,361</u>	<u>(51,672)</u>	<u>470,108</u>	<u>2,354,097</u>
Total liabilities and net assets	<u>\$ 1,412,581</u>	<u>\$ 2,006,355</u>	<u>\$ 57</u>	<u>\$ 1,146,397</u>	<u>\$ 2,161,534</u>	<u>\$ (620,170)</u>	<u>\$ 6,106,754</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF ACTIVITIES - OPERATING  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>NOAH, INC.</u>	<u>PEACE PROPERTIES</u>	<u>AMANI PROPERTIES</u>	<u>STEVENS CORNER LP</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
<b><u>UNRESTRICTED NET ASSETS</u></b>								
<b>OPERATING REVENUES:</b>								
Rental income	\$ 54,922	\$ 15,900	\$ -	\$ -	\$ -	\$ 136,006	\$ (136,006)	\$ 70,822
Contracts, grants and other fees	666,452	-	-	-	-	-	-	666,452
Project management and developer fees	443,674	-	-	-	-	-	(144,206)	299,468
Interest income and other	63,695	8,225	-	-	22,118	-	(22,923)	71,115
Property management fees	322,296	-	-	-	-	-	-	322,296
Loss on real estate development	-	(4,620)	-	-	-	-	-	(4,620)
Net assets released from purpose restrictions	863,183	-	-	-	-	-	-	863,183
Total operating revenues	<u>2,414,222</u>	<u>19,505</u>	<u>-</u>	<u>-</u>	<u>22,118</u>	<u>136,006</u>	<u>(303,135)</u>	<u>2,288,716</u>
<b>OPERATING EXPENSES:</b>								
Central Administration	385,378	-	-	-	-	36,614	(24,782)	397,210
Senior Home Repair	154,904	-	-	-	-	11,730	(7,930)	158,704
Housing Counseling	32,718	-	-	-	-	6,075	(4,107)	34,686
Community Services	606,673	-	-	-	-	47,965	(32,427)	622,211
Homebuyer Services	469,057	-	-	-	-	53,248	(35,999)	486,306
Real Estate and Economic Development	232,171	42,589	-	-	-	12,568	(28,235)	259,093
Property Management	288,842	-	-	-	-	32,974	(18,976)	302,840
NOAH CDFI	-	-	-	-	23,514	-	-	23,514
Total operating expenses	<u>2,169,743</u>	<u>42,589</u>	<u>-</u>	<u>-</u>	<u>23,514</u>	<u>201,174</u>	<u>(152,456)</u>	<u>2,284,564</u>
Changes in unrestricted net assets from operations	244,479	(23,084)	-	-	(1,396)	(65,168)	(150,679)	4,152
<b>OTHER INCOME (EXPENSES):</b>								
Forgiveness of debt	50,000	-	-	-	-	-	-	50,000
Non-controlling interest in loss of consolidated subsidiary	-	-	-	-	-	14,324	-	14,324
Changes in unrestricted net assets	294,479	(23,084)	-	-	(1,396)	(50,844)	(150,679)	68,476
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>								
GRANTS AND CONTRIBUTIONS	825,100	-	-	-	-	-	-	825,100
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	(863,183)	-	-	-	-	-	-	(863,183)
Changes in temporarily restricted net assets	(38,083)	-	-	-	-	-	-	(38,083)
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>								
GRANTS AND CONTRIBUTIONS	50,000	-	-	-	-	-	-	50,000
PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS	-	-	-	-	(129,687)	-	-	(129,687)
Changes in permanently restricted net assets	50,000	-	-	-	(129,687)	-	-	(79,687)
Changes in net assets	<u>\$ 306,396</u>	<u>\$ (23,084)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (131,083)</u>	<u>\$ (50,844)</u>	<u>\$ (150,679)</u>	<u>\$ (49,294)</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENT OF ACTIVITIES - OPERATING**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	<u>NOAH, INC.</u>	<u>PEACE PROPERTIES</u>	<u>AMANI PROPERTIES</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMI-NATIONS</u>	<u>TOTAL</u>
<b><u>UNRESTRICTED NET ASSETS</u></b>							
<b>OPERATING REVENUES:</b>							
Rental income	\$ 51,729	\$ 15,900	\$ -	\$ -	\$ 130,953	\$ (136,028)	\$ 62,554
Contracts, grants and other fees	664,897	-	-	-	-	-	664,897
Interest income and other	97,944	53,169	13,918	72,983	-	(79,672)	158,342
Property management fees	321,817	-	-	-	-	-	321,817
Project management and developer fees	108,972	-	-	-	-	(108,972)	-
Gain on real estate development	-	13,344	58,501	-	-	-	71,845
Net assets released from purpose restrictions	773,876	-	-	-	-	-	773,876
Total operating revenues	<u>2,019,235</u>	<u>82,413</u>	<u>72,419</u>	<u>72,983</u>	<u>130,953</u>	<u>(324,672)</u>	<u>2,053,331</u>
<b>OPERATING EXPENSES:</b>							
Central Administration	469,568	-	-	-	41,190	(28,116)	482,642
Senior Home Repair	141,949	-	-	-	14,275	(9,744)	146,480
Housing Counseling	33,044	-	-	-	7,393	(5,046)	35,391
Community Services	486,012	-	-	-	42,663	(29,122)	499,553
Homebuyer Services	431,871	-	-	-	57,335	(39,137)	450,069
Real Estate and Economic Development	86,926	87,823	48,891	-	4,588	(113,430)	114,798
Property Management	250,864	-	-	-	31,835	(21,731)	260,968
NOAH CDFI	-	-	-	137,172	-	-	137,172
Total operating expenses	<u>1,900,234</u>	<u>87,823</u>	<u>48,891</u>	<u>137,172</u>	<u>199,279</u>	<u>(246,326)</u>	<u>2,127,073</u>
Changes in unrestricted net assets from operations	119,001	(5,410)	23,528	(64,189)	(68,326)	(78,346)	(73,742)
<b>OTHER INCOME (EXPENSES):</b>							
NW funds released to unrestricted	172,275	-	-	358,665	-	-	530,940
Non-controlling interest in loss of consolidated subsidiary	-	-	-	-	22,106	-	22,106
Changes in unrestricted net assets	<u>291,276</u>	<u>(5,410)</u>	<u>23,528</u>	<u>294,476</u>	<u>(46,220)</u>	<u>(78,346)</u>	<u>479,304</u>
<b><u>TEMPORARILY RESTRICTED NET ASSETS</u></b>							
GRANTS AND CONTRIBUTIONS	856,787	-	-	-	-	-	856,787
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	<u>(773,876)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(773,876)</u>
Changes in temporarily restricted net assets	<u>82,911</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,911</u>
<b><u>PERMANENTLY RESTRICTED NET ASSETS</u></b>							
GRANTS AND CONTRIBUTIONS	50,000	-	-	-	-	-	50,000
PROVISION FOR VALUATION ALLOWANCE ON NW FUND INVESTMENTS	-	-	-	(43,582)	-	-	(43,582)
NW FUNDS RELEASED TO UNRESTRICTED	<u>(172,275)</u>	<u>-</u>	<u>-</u>	<u>(358,665)</u>	<u>-</u>	<u>-</u>	<u>(530,940)</u>
Changes in permanently restricted net assets	<u>(122,275)</u>	<u>-</u>	<u>-</u>	<u>(402,247)</u>	<u>-</u>	<u>-</u>	<u>(524,522)</u>
Changes in net assets	<u>\$ 251,912</u>	<u>\$ (5,410)</u>	<u>\$ 23,528</u>	<u>\$ (107,771)</u>	<u>\$ (46,220)</u>	<u>\$ (78,346)</u>	<u>\$ 37,693</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY COMBINING STATEMENTS OF CHANGES IN NET ASSETS - OPERATING  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	<u>NOAH, INC.</u>	<u>PEACE PROPERTIES</u>	<u>AMANI PROPERTIES</u>	<u>STEVENS CORNER LP</u>	<u>NOAH CDFI</u>	<u>PACE BORDER LLC</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2008	\$ 718,252	\$ 47,489	\$ (24,471)	\$ -	\$ 1,032,132	\$ (5,452)	\$ 548,454	\$ 2,316,404
Changes in net assets	<u>251,912</u>	<u>(5,410)</u>	<u>23,528</u>	<u>-</u>	<u>(107,771)</u>	<u>(46,220)</u>	<u>(78,346)</u>	<u>37,693</u>
NET ASSETS, June 30, 2009	970,164	42,079	(943)	-	924,361	(51,672)	470,108	2,354,097
Changes in net assets	<u>306,396</u>	<u>(23,084)</u>	<u>-</u>	<u>-</u>	<u>(131,083)</u>	<u>(50,844)</u>	<u>(150,679)</u>	<u>(49,294)</u>
NET ASSETS, June 30, 2010	<u>\$ 1,276,560</u>	<u>\$ 18,995</u>	<u>\$ (943)</u>	<u>\$ -</u>	<u>\$ 793,278</u>	<u>\$ (102,516)</u>	<u>\$ 319,429</u>	<u>\$ 2,304,803</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - OPERATING**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Changes in unrestricted net assets from operations	NOAH, INC.	PEACE PROPERTIES	AMANI PROPERTIES	STEVENS CORNER LP	NOAH CDFI	PACE BORDER LLC	ELIMI-NATIONS	TOTAL
	\$ 244,479	\$ (23,084)	\$ -	\$ -	\$ (1,396)	\$ (65,168)	\$ (150,679)	\$ 4,152
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:								
Depreciation	18,735	-	-	-	22	59,033	-	77,790
Bad debt	38,275	8,225	-	-	2,239	-	(8,225)	40,514
Changes in operating assets and liabilities -								
Contracts, loans and other receivables	9,340	(8,225)	-	-	(145,742)	5,889	(19,260)	(157,998)
Developer fee receivable	(176,350)	-	-	-	-	-	176,350	-
Prepaid expenses and other	520	-	-	-	(12)	(7)	501	2,873
Accounts payable and other liabilities	5,638	-	-	-	(1,352)	(956)	(457)	(3,227)
Deferred revenue	-	-	-	-	(3,227)	-	-	(7,025)
Accrued interest	-	(9,666)	-	-	-	10,866	(8,225)	(38,083)
Net decrease in temporarily restricted net assets	(38,083)	-	-	-	-	-	-	(38,083)
Net cash provided by (used in) operating activities	102,554	(32,750)	-	-	(149,468)	9,657	(10,496)	(80,503)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Increase in projects under development	-	(363,370)	(70,729)	(777,467)	-	-	33,266	(1,178,300)
Acquisition of property and equipment	(1,249)	-	-	(494,304)	-	-	-	(1,249)
(Increase) decrease in restricted deposits	(50,000)	-	-	(1,271,771)	154,963	-	-	(389,341)
Net cash provided by (used in) investing activities	(51,249)	(363,370)	(70,729)	(1,271,771)	154,963	-	33,266	(1,568,890)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Due from affiliates	(83,776)	(457)	-	-	-	5,704	26,481	(52,048)
Due to affiliates	(5,704)	204,023	73,932	(225,000)	-	2,000	(49,251)	-
Principal payments of mortgages and notes payable	(27,051)	(8,081)	-	(929,473)	-	(8,699)	-	(973,304)
Proceeds from mortgages and notes payable	59,753	-	-	218,517	-	-	-	278,270
Principal payments of capital lease obligation	(13,573)	-	-	-	-	-	-	(13,573)
Proceeds from contingent loan advance	-	-	-	2,207,727	-	-	-	2,207,727
Proceeds of NW capital funds	50,000	-	-	-	-	-	-	50,000
Net cash provided by (used in) financing activities	(20,351)	195,485	73,932	1,271,771	-	(995)	(22,770)	1,497,072

**NET INCREASE (DECREASE) IN CASH**

	30,954	(200,635)	3,203	-	5,495	8,662	-	(152,321)
CASH, beginning of year	687,064	202,904	57	-	22,529	188	-	912,742
CASH, end of year	\$ 718,018	\$ 2,269	\$ 3,260	\$ -	\$ 28,024	\$ 8,850	\$ -	\$ 760,421

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:**

Cash paid for interest	\$ 10,998	\$ 7,120	\$ -	\$ -	\$ 3,166	\$ 59,641	\$ -	\$ 80,925
Projects under development transferred to Stevens Corner LP	\$ -	\$ (1,275,676)	\$ -	\$ 1,275,676	\$ -	\$ -	\$ -	\$ -
Forgiveness of debt	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Note payable transfer to Stevens Corner from Peace Properties	\$ -	\$ 929,473	\$ -	\$ (929,473)	\$ -	\$ -	\$ -	\$ -
Accounts payable and due to affiliates transferred to Stevens Corner	\$ -	\$ 346,206	\$ -	\$ (346,206)	\$ -	\$ -	\$ -	\$ -
Due from affiliates	\$ -	\$ -	\$ -	\$ 65,410	\$ -	\$ -	\$ (65,410)	\$ -

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - OPERATING**  
**FOR THE YEAR ENDED JUNE 30, 2009**

	NOAH, INC.	PEACE PROPERTIES	AMANI PROPERTIES	NOAH CDFI	PACE BORDER LLC.	ELMI- NATIONS	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>							
Changes in unrestricted net assets from operations	\$ 119,001	\$ (5,410)	\$ 23,528	\$ (64,189)	\$ (68,326)	\$ (78,346)	\$ (73,742)
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:							
Gain on sale of property	-	(13,344)	(58,501)	-	-	-	(71,845)
Depreciation	22,669	-	-	260	59,031	-	81,960
Bad debt	19,917	118,079	-	120,391	-	(102,073)	156,314
Changes in operating assets and liabilities -							
Contracts, loans and other receivables	(152,662)	(60,079)	-	(260,436)	1,322	327,073	(144,782)
Prepaid expenses and other	5,825	617	-	10,904	(129)	-	6,313
Accounts payable and other liabilities	(26,990)	(15,000)	-	(10,318)	(8,416)	228,541	204,039
Deferred revenue	-	9,666	-	-	1,996	-	(25,318)
Accrued interest	82,911	-	-	-	-	(8,225)	3,437
Net increase in temporarily restricted net assets	70,671	34,529	(34,973)	(203,388)	(14,522)	366,970	82,911
Net cash provided by (used in) operating activities	\$ 119,001	\$ (5,410)	\$ 23,528	\$ (64,189)	\$ (68,326)	\$ (78,346)	\$ (73,742)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>							
Increase in projects under development	-	(173,984)	(351,087)	-	-	108,972	(416,099)
Proceeds from sale of property	-	270,000	356,000	-	-	-	626,000
Acquisition of property and equipment	(8,898)	-	-	-	-	-	(8,898)
(Increase) decrease in restricted deposits	122,474	-	-	(5,267)	-	-	117,207
Net cash provided by (used in) investing activities	\$ 113,576	\$ 96,016	\$ 4,913	\$ (5,267)	\$ -	\$ 108,972	\$ 318,210
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>							
Due from affiliates	261,598	5,389	-	221,303	6,019	(494,309)	-
Due to affiliates	11,396	(2,890)	-	(20,000)	65,410	18,367	72,283
Principal payments of mortgages and notes payable	(7,381)	(104,475)	-	-	(58,456)	-	(170,312)
Principal payments of capital lease obligation	(13,939)	-	-	-	-	-	(13,939)
Proceeds from note payable	-	150,000	22,417	-	-	-	172,417
Proceeds of NW capital funds	50,000	-	-	-	-	-	50,000
Net cash provided by financing activities	\$ 301,674	\$ 48,024	\$ 22,417	\$ 201,303	\$ 12,973	\$ (475,942)	\$ 110,449
<b>NET INCREASE (DECREASE) IN CASH</b>	485,921	178,569	(7,643)	(7,352)	(1,549)	-	647,946
<b>CASH, beginning of year</b>	201,143	24,335	7,700	29,881	1,737	-	264,796
<b>CASH, end of year</b>	\$ 687,064	\$ 202,904	\$ 57	\$ 22,529	\$ 188	\$ -	\$ 912,742
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>							
Cash paid for interest	\$ 14,820	\$ 7,575	\$ -	\$ 158	\$ -	\$ -	\$ 22,553
Costs of project under development sold	-	\$ 356,496	\$ 642,336	-	-	-	\$ 998,832
Forgiveness of debt	-	\$ 99,840	\$ 344,837	-	-	-	\$ 444,677
Property acquired with capital lease	\$ 40,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,720
Construction in progress transfer to fixed assets for land	-	\$ 405,000	\$ -	\$ -	\$ -	\$ -	\$ 405,000

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

**SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS  
JUNE 30, 2010**

<u>ASSETS</u>	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TRINITY HOUSE LLC</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>				
Cash	\$ 11,624	\$ 47,121	\$ 41,372	\$ 100,117
Current portion of restricted deposits	27,907	27,495	83,951	139,353
Contracts, loans and other receivables	3,822	1,739	9,019	14,580
Prepaid expenses and other	21,831	39,078	4,572	65,481
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	65,184	115,433	138,914	319,531
<b>RESTRICTED DEPOSITS</b> , net of current portion	41,816	151,470	8,545	201,831
<b>PROPERTY AND EQUIPMENT</b> , net of accumulated depreciation	1,843,031	3,330,589	840,052	6,013,672
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,950,031</u>	<u>\$ 3,597,492</u>	<u>\$ 987,511</u>	<u>\$ 6,535,034</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>				
<b>CURRENT LIABILITIES:</b>				
Current portion of mortgages and notes payable	\$ 36,389	\$ 15,740	\$ 186,056	\$ 238,185
Accounts payable and other liabilities	48,273	52,526	23,138	123,937
Deferred revenue	-	1,050	-	1,050
Current portion of due to affiliates	-	14,326	32,379	46,705
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	84,662	83,642	241,573	409,877
<b>LONG-TERM DEBT:</b>				
Mortgages and notes payable, net of current portion	1,441,299	2,013,452	543,695	3,998,446
Due to affiliates, net of current portion	85,637	-	104,808	190,445
Accrued interest	-	-	88,058	88,058
Contingent loans and advances	164,000	1,909,501	-	2,073,501
	<hr/>	<hr/>	<hr/>	<hr/>
Total long-term debt	1,690,936	3,922,953	736,561	6,350,450
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,775,598	4,006,595	978,134	6,760,327
<b>NET ASSETS:</b>				
Unrestricted -				
Operating	(26,910)	199,001	(100,924)	71,167
Property and equipment	1,343	(815,212)	110,301	(703,568)
	<hr/>	<hr/>	<hr/>	<hr/>
Total unrestricted	(25,567)	(616,211)	9,377	(632,401)
Temporarily restricted	100,000	-	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	-	307,108
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	174,433	(409,103)	9,377	(225,293)
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,950,031</u>	<u>\$ 3,597,492</u>	<u>\$ 987,511</u>	<u>\$ 6,535,034</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF FINANCIAL POSITION - RENTAL PROGRAMS  
JUNE 30, 2009**

<u>ASSETS</u>	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>			
Cash	\$ 852	\$ 269	\$ 1,121
Current portion of restricted deposits	32,381	28,470	60,851
Contracts, loans and other receivables	2,489	3,409	5,898
Prepaid expenses and other	18,570	26,514	45,084
Total current assets	54,292	58,662	112,954
<b>RESTRICTED DEPOSITS, net of current portion</b>	49,013	138,602	187,615
<b>PROPERTY AND EQUIPMENT, net of accumulated depreciation</b>	1,872,691	3,429,037	5,301,728
Total assets	<u>\$ 1,975,996</u>	<u>\$ 3,626,301</u>	<u>\$ 5,602,297</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>			
<b>CURRENT LIABILITIES:</b>			
Current portion of mortgages and notes payable	\$ 33,843	\$ 273,423	\$ 307,266
Accounts payable and other liabilities	43,243	39,037	82,280
Deferred revenue	-	1,050	1,050
Current portion of due to affiliates	-	14,326	14,326
Total current liabilities	77,086	327,836	404,922
<b>LONG-TERM DEBT:</b>			
Mortgages and notes payable, net of current portion	1,476,909	1,799,554	3,276,463
Due to affiliates, net of current portion	104,585	-	104,585
Contingent loans and advances	164,000	1,909,501	2,073,501
Total long-term debt	1,745,494	3,709,055	5,454,549
Total liabilities	1,822,580	4,036,891	5,859,471
<b>NET ASSETS:</b>			
Unrestricted -			
Operating	(44,523)	142,851	98,328
Property and equipment	(2,061)	(760,549)	(762,610)
Total unrestricted	(46,584)	(617,698)	(664,282)
Temporarily restricted	100,000	-	100,000
Permanently restricted - NW capital funds	100,000	207,108	307,108
Total net assets	153,416	(410,590)	(257,174)
Total liabilities and net assets	<u>\$ 1,975,996</u>	<u>\$ 3,626,301</u>	<u>\$ 5,602,297</u>



NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY COMBINING STATEMENTS OF ACTIVITIES - RENTAL PROGRAMS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010		2009		TOTAL
	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TRINITY HOUSE LLC	SHALOM PROPERTIES, INC.	
<b>UNRESTRICTED NET ASSETS:</b>					
<b>OPERATING REVENUES:</b>					
Rental income	\$ 391,139	\$ 423,889	\$ 154,402	\$ 383,641	\$ 417,888
Interest income and other	2,392	6,660	2,476	5,133	8,362
Total operating revenues	393,531	430,549	156,878	388,774	426,250
<b>OPERATING EXPENSES -</b>					
Rental Programs	372,514	429,062	147,501	375,658	424,924
Changes in unrestricted net assets from operations	\$ 21,017	\$ 1,487	\$ 9,377	\$ 13,116	\$ 1,326
					\$ 14,442

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES**  
**SUPPLEMENTARY COMBINING STATEMENTS OF CHANGES IN NET ASSETS -**  
**RENTAL PROGRAMS**  
**FOR THE YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TRINITY HOUSE LLC</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2008	\$ 140,300	\$ (411,916)	\$ -	\$ (271,616)
Changes in net assets	<u>13,116</u>	<u>1,326</u>	<u>-</u>	<u>14,442</u>
NET ASSETS, June 30, 2009	153,416	(410,590)	-	(257,174)
Changes in net assets	<u>21,017</u>	<u>1,487</u>	<u>9,377</u>	<u>31,881</u>
NET ASSETS, June 30, 2010	<u>\$ 174,433</u>	<u>\$ (409,103)</u>	<u>\$ 9,377</u>	<u>\$ (225,293)</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - RENTAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TRINITY HOUSE LLC</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Changes in unrestricted net assets from operations	\$ 21,017	\$ 1,487	\$ 9,377	\$ 31,881
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:				
Depreciation and amortization	55,290	111,945	39,860	207,095
Bad debt	1,152	-	849	2,001
Changes in operating assets and liabilities -				
Contracts, loans and other receivables	(2,485)	1,670	(1,357)	(2,172)
Prepaid expenses and other	(3,261)	(12,564)	(1,008)	(16,833)
Accounts payable and other liabilities	5,030	13,489	(17,743)	776
Accrued interest	-	-	5,212	5,212
Net cash provided by operating activities	<u>76,743</u>	<u>116,027</u>	<u>35,190</u>	<u>227,960</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Acquisition of property and equipment	(25,630)	(13,497)	(31,617)	(70,744)
(Increase) decrease in restricted deposits	11,671	(11,893)	(7,801)	(8,023)
Net cash used in investing activities	<u>(13,959)</u>	<u>(25,390)</u>	<u>(39,418)</u>	<u>(78,767)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Due to affiliates	(18,948)	-	54,419	35,471
Principal payments of mortgages and notes payable	(33,064)	(43,785)	(8,819)	(85,668)
Net cash provided by (used in) financing activities	<u>(52,012)</u>	<u>(43,785)</u>	<u>45,600</u>	<u>(50,197)</u>
<b>NET INCREASE IN CASH</b>	10,772	46,852	41,372	98,996
<b>CASH, beginning of year</b>	<u>852</u>	<u>269</u>	<u>-</u>	<u>1,121</u>
<b>CASH, end of year</b>	<u>\$ 11,624</u>	<u>\$ 47,121</u>	<u>\$ 41,372</u>	<u>\$ 100,117</u>

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

**SUPPLEMENTARY COMBINING STATEMENT OF CASH FLOWS - RENTAL PROGRAMS  
FOR THE YEAR ENDED JUNE 30, 2009**

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>TOTAL</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Changes in unrestricted net assets from operations	\$ 13,116	\$ 1,326	\$ 14,442
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by operating activities:			
Depreciation and amortization	54,327	111,496	165,823
Bad debt	1,950	6,483	8,433
Changes in operating assets and liabilities -			
Contracts, loans and other receivables	(1,078)	(2,334)	(3,412)
Prepaid expenses and other	(15,506)	(18,884)	(34,390)
Accounts payable and other liabilities	<u>(5,225)</u>	<u>(5,196)</u>	<u>(10,421)</u>
Net cash provided by operating activities	<u>47,584</u>	<u>92,891</u>	<u>140,475</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of property and equipment	(12,621)	(24,120)	(36,741)
(Increase) decrease in restricted deposits	<u>1,543</u>	<u>(1,781)</u>	<u>(238)</u>
Net cash used in investing activities	<u>(11,078)</u>	<u>(25,901)</u>	<u>(36,979)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Due to affiliates	(27,090)	(45,193)	(72,283)
Principal payments of mortgages and notes payable	<u>(32,183)</u>	<u>(41,557)</u>	<u>(73,740)</u>
Net cash used in financing activities	<u>(59,273)</u>	<u>(86,750)</u>	<u>(146,023)</u>
<b>NET DECREASE IN CASH</b>	<u>(22,767)</u>	<u>(19,760)</u>	<u>(42,527)</u>
<b>CASH, beginning of year</b>	<u>23,619</u>	<u>20,029</u>	<u>43,648</u>
<b>CASH, end of year</b>	<u><u>\$ 852</u></u>	<u><u>\$ 269</u></u>	<u><u>\$ 1,121</u></u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

SUPPLEMENTARY COMBINING STATEMENTS OF FUNCTIONAL EXPENSES - RENTAL PROGRAMS  
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009

	2010			2009		
	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TRINITY HOUSE LLC	SHALOM PROPERTIES, INC.	PAZ PROPERTIES, INC.	TOTAL
<b>PERSONNEL AND RELATED COSTS -</b>						
Consulting and contract labor	\$ 10,464	\$ 10,062	\$ 8,036	\$ 3,286	\$ 10,979	\$ 14,265
<b>OTHER EXPENSES:</b>						
Repairs, maintenance and security	102,934	134,800	30,161	106,098	134,009	240,107
Insurance and taxes	57,193	62,595	16,134	56,049	55,166	111,215
Interest expense and bank fees	66,578	40,008	14,816	72,926	38,234	111,160
Telephone and utilities	40,894	33,407	20,225	36,860	32,453	69,313
Professional fees	8,000	8,000	12,413	8,500	9,500	18,000
Special events and other program expenses	9,985	18,368	-	13,844	17,206	31,050
Condo fee	16,128	-	-	16,044	-	16,044
Travel and conferences	1,551	6,779	21	1,551	6,779	8,330
Miscellaneous	619	519	4,986	701	236	937
Equipment rental and purchases	1,726	2,579	-	3,522	2,238	5,760
Bad debt	1,152	-	849	1,950	6,483	8,433
Supplies and general office	-	-	-	-	145	145
Total other expenses	306,760	307,055	99,605	318,045	302,449	620,494
Total expenses before depreciation	317,224	317,117	107,641	321,331	313,428	634,759
<b>DEPRECIATION</b>	55,290	111,945	39,860	54,327	111,496	165,823
	<u>\$ 372,514</u>	<u>\$ 429,062</u>	<u>\$ 147,501</u>	<u>\$ 375,658</u>	<u>\$ 424,924</u>	<u>\$ 800,582</u>

**NEIGHBORHOOD OF AFFORDABLE HOUSING INC. AND AFFILIATES**  
**SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS -**  
**NOT-FOR-PROFIT ORGANIZATION**  
**FOR THE YEAR ENDED JUNE 30, 2010**

<u>FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>AGENCY OR PASS-THROUGH NUMBER</u>	<u>EXPENDITURES</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Passed through the City of Boston – Department of Neighborhood Development			
Community Development Block Grants/ Entitlement Grants	14.218	N/A	\$1,277,257
Home Investment Partnerships Program	14.239	N/A	1,179,614
Rent Supplements – Rental Housing for Lower Income Families	14.149	N/A	226,834
Passed through Boston Housing Authority –			
Demolition and Revitalization of Severely Distressed Public Housing	14.866	N/A	136,820
<b><u>U.S. Department of Treasury:</u></b>			
Passed-through Neighborworks @ America Enabling Legislation –			
Permanent Capital Funds	21.000	N/A	1,593,572
Expendable Grants	21.000	N/A	<u>219,429</u>
Total CFDA 21.000			<u>1,813,001</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b><u>\$4,633,526</u></b>

**NOTE 1. BASIS OF PRESENTATION**

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

**NOTE 2. LOANS OUTSTANDING**

The Community Development Block Grants/Entitlement Grants contain loans totaling \$1,119,423 at June 30, 2010.

The HOME Investment Partnerships Program represents the balance due on a loan at June 30, 2010.

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

**SUPPLEMENTARY SCHEDULE OF  
NEIGHBORWORKS AMERICA'S RESTRICTED NET ASSETS**

**JUNE 30, 2010**

	<u>CAPITAL</u> <u>INVESTED</u>	<u>LESS</u> <u>VALUATION</u> <u>ALLOWANCE</u>	<u>ELIMI-</u> <u>NATIONS</u>	<u>RESTRICTED</u> <u>NET ASSETS</u>
<b>RESTRICTED DEPOSITS -</b>				
NOAH CDFI	\$ 29,636	\$ -	\$ -	\$ 29,636
NOAH	50,000	-	-	50,000
<b>CONTRACTS, LOANS AND OTHER RECEIVABLES:</b>				
NOAH CDFI - loan receivable from Peace Properties and Amani Properties	197,515	-	-	197,515
NOAH CDFI - loans receivable - Homeownership program	277,964	(20,429)	-	257,535
NOAH CDFI - loans receivable from Cutler Heights Housing LP	115,000	(115,000)	-	-
<b>INVESTMENT -</b>				
Peace Properties investment in Pace Border LLC	452,000	(429,074)	429,074	452,000
<b>PROPERTY AND EQUIPMENT:</b>				
Shalom Properties	100,000	-	-	100,000
Paz Properties	207,108	-	-	207,108
<b>PROJECT UNDER DEVELOPMENT:</b>				
Peace Properties - Border Falcon Street	109,000	(70,000)	70,000	109,000
Peace Properties - 332 Meridian Street	<u>55,350</u>	<u>-</u>	<u>-</u>	<u>55,350</u>
Total assets	<u>\$ 1,593,573</u>	<u>\$ (634,503)</u>	<u>\$ 499,074</u>	<u>\$ 1,458,144</u>

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



CERTIFIED PUBLIC ACCOUNTANTS  
& BUSINESS ADVISORS

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

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

We have audited the combined financial statements of Neighborhood of Affordable Housing, Inc. and Affiliates (collectively, NOAH) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 18, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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



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

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

*Alejandro Aronson Finning & Co., P.C.*

Westborough, Massachusetts  
November 18, 2010



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

**Independent Auditor's Report**

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

**Compliance**

We have audited Neighborhood of Affordable Housing, Inc. and Affiliates (collectively, NOAH) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of NOAH's major Federal programs for the year ended June 30, 2010. NOAH's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of NOAH's management. Our responsibility is to express an opinion on NOAH's compliance based on our audit.

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

In our opinion, NOAH complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

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

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

**Internal Control Over Compliance (Continued)**

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

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

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

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

Westborough, Massachusetts  
November 18, 2010

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2010**

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

*Financial Statements*

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

Internal control over financial reporting:

- Material weakness(es) identified?           Yes              X   No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?           Yes              X   None reported
- Noncompliance material to financial statements noted?                                   Yes              X   No

*Federal Awards*

Internal control over major programs:

- Material weakness identified?           Yes              X   No
- Significant deficiency identified that are not considered to be material weaknesses?           Yes              X   None reported

An unqualified opinion was issued on compliance for major programs.

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

Identification of major programs:

<u>Program or Cluster Title</u>	<u>Federal CFDA Number</u>
Home Investment Partnerships Program	14.239
Rent Supplements - Rental Housing for Lower Income Families	14.149

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

Auditee qualified as low-risk auditee?      X   Yes                   No

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

(Continued)

II. FINANCIAL STATEMENT FINDINGS IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

None

III. FINDINGS AND QUESTIONS COSTS FOR FEDERAL AWARDS

None