

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.  
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,  
SHALOM PROPERTIES, INC. AND  
SIOCHAIN PROPERTIES, INC.**

**COMBINED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)**

**JANE S. GETTER**

**CERTIFIED PUBLIC ACCOUNTANT  
331 PAGE STREET, 2<sup>ND</sup> FLOOR  
STOUGHTON, MA 02072**

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.  
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,  
SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

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YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

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Board of Directors  
Neighborhood of Affordable Housing, Inc.,  
Peace Properties, Inc., Paz Properties, Inc.,  
Shalom Properties, Inc. and Siochain Properties, Inc.  
22 Paris Street  
East Boston, MA 02128

Independent Auditor's Report

We have audited the accompanying combined statement of financial position of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. (a nonprofit organization) as of June 30, 2001, and the related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's 2000 financial statements and, in another auditor's report dated November 29, 2001 they expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. as of June 30, 2001, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 29, 2001 on our consideration of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Respectfully submitted,

  
Jane S. Getter,  
Certified Public Accountant

Stoughton, Massachusetts  
November 29, 2001

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC.,  
PAZ PROPERTIES, INC., SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

ASSETS

	<u>2001</u>	<u>2000</u>
<b>Current Assets</b>		
Cash - Unrestricted	\$ 147,153	\$ 308,887
Cash - Restricted (note 13)	140,739	7,633
Total cash	287,892	316,520
Accounts receivable	255,786	553,977
Prepaid expenses	23,495	34,593
Deposits and escrow accounts	121,551	223,998
Current portion of mortgage loans receivable	8,813	10,050
Total current assets	<u>697,537</u>	<u>1,139,138</u>
<b>Other Assets</b>		
from related entities (note 3)	105,534	103,189
Mortgage loans receivable (note 4)	637,607	755,139
Total other assets	<u>743,141</u>	<u>858,328</u>
<b>Investments (note 5)</b>	<u>73,418</u>	<u>71,129</u>
<b>Property and Equipment</b>		
Land - property held for rental	322,444	322,444
Buildings and improvements - property held for rental	3,788,641	3,661,283
Buildings and improvements - operations	78,635	70,970
Furniture and equipment	116,413	111,310
Capital leases	74,000	74,000
Accumulated depreciation and amortization	(598,010)	(467,973)
Total property and equipment	<u>3,782,123</u>	<u>3,772,034</u>
<b>Buildings in Development</b>		
Buildings in development	2,695,990	1,862,673
Accumulated depreciation and amortization	-	(4,787)
Totals building in development	<u>2,695,990</u>	<u>1,857,886</u>
<b>Total assets</b>	<u>\$ 7,992,209</u>	<u>\$ 7,698,515</u>

independent auditor's report.  
The accompanying notes are an integral part of these financial statements.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC.,  
PAZ PROPERTIES, INC., SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

LIABILITIES AND NET ASSETS

	<u>2001</u>	<u>2000</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 56,840	\$ 173,613
Accrued expenses and interest	80,648	64,109
Security deposits and escrows	40,752	157,147
Notes payable and mortgages payable-current portion (note 6)	27,698	996,398
Capital leases payable – current (note 9)	<u>12,300</u>	<u>12,300</u>
Total current liabilities	<u>218,238</u>	<u>1,403,567</u>
<u>Long-term Liabilities</u>		
Notes and mortgages payable long-term (note 6)	5,618,962	4,056,009
Deferred mortgage loans payable (note 7)	699,678	699,678
Capital leases payable (note 9)	<u>12,301</u>	<u>24,601</u>
Total long-term liabilities	<u>6,330,941</u>	<u>4,780,288</u>
Total Liabilities	<u>\$ 6,549,179</u>	<u>\$ 6,183,855</u>
<u>Net Assets</u>		
Unrestricted	8,057	328,389
Temporarily restricted (note 13)	185,741	87,039
Permanently restricted (notes 8, 10 and 18)	<u>1,249,232</u>	<u>1,099,232</u>
Total net assets	<u>\$ 1,443,030</u>	<u>\$ 1,514,660</u>
Total liabilities and net assets	<u>\$ 7,992,209</u>	<u>\$ 7,698,515</u>

See independent auditor's report.  
The accompanying notes are an integral part of these financial statements.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC.  
PAZ PROPERTIES, INC. SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2001</u>	<u>Total 2000</u>
<b>Support and Revenue</b>					
<b>Support</b>					
Contributions and grants (note 10)	\$ 232,428	\$ 450,215	\$ 150,000	\$ 832,643	\$ 1,177,896
Forgiven loans	10,775	-	-	10,775	36,000
Net assets released from restrictions:					
Satisfaction of program restrictions	351,513	(351,513)	-	-	-
<b>Revenue</b>					
Contracts (note 11)	344,376	-	-	344,376	280,358
Rental income	439,264	-	-	439,264	471,273
Management and development fees	32,537	-	-	32,537	159,991
Program service revenue	76,057	-	-	76,057	90,146
Interest income	36,922	-	-	36,922	52,621
Insurance recovery	4,633	-	-	4,633	-
<b>Other Income</b>					
Income (loss) from real estate development activities (note 12)	(59,831)	-	-	(59,831)	73,420
<b>Total Support and Revenue</b>	<u>1,468,674</u>	<u>98,702</u>	<u>150,000</u>	<u>1,717,376</u>	<u>2,341,705</u>
<b>Expenses and Losses</b>					
<b>Program Services</b>					
Homeowner and homebuyer services	71,790	-	-	71,790	53,411
Housing development	216,019	-	-	216,019	278,255
Neighborhood projects	193,791	-	-	193,791	291,133
Senior home services	162,439	-	-	162,439	149,508
Housing counseling	38,449	-	-	38,449	40,388
Economic development/Community planning	-	-	-	-	14,134
Rental expenses	480,078	-	-	480,078	488,951
Lending programs	133,978	-	-	133,978	143,037
Total program services	<u>1,296,544</u>	<u>-</u>	<u>-</u>	<u>1,296,544</u>	<u>1,458,817</u>
<b>Support Services</b>					
General and administrative	370,996	-	-	370,996	312,865
Fundraising	120,899	-	-	120,899	101,355
Total support services	<u>491,895</u>	<u>-</u>	<u>-</u>	<u>491,895</u>	<u>414,220</u>
Total expenses	<u>1,788,439</u>	<u>-</u>	<u>-</u>	<u>1,788,439</u>	<u>1,873,037</u>
<b>Other Losses</b>					
Loss on investments	567	-	-	567	464
<b>Total Expenses and Losses</b>	<u>1,789,006</u>	<u>-</u>	<u>-</u>	<u>1,789,006</u>	<u>1,873,501</u>
Change in net assets	(320,332)	98,702	150,000	(71,630)	468,204
Net assets at beginning of year	<u>328,389</u>	<u>87,039</u>	<u>1,099,232</u>	<u>1,514,660</u>	<u>1,046,456</u>
Net assets at end of year	<u>\$ 8,057</u>	<u>\$ 185,741</u>	<u>\$ 1,249,232</u>	<u>\$ 1,443,030</u>	<u>\$ 1,514,660</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC.,  
PAZ PROPERTIES, INC., SHALOM PROPERTIES, INC., AND SIOCHAIN PROPERTIES, INC.

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

	Program Services											2000 Total All Expenses
	Home-owner and Home-buyer	Housing Development	Neighborhood Projects	Senior Home Services	Housing Counseling	Rental Expenses	Lending Programs	Total Program Services	General and Administrative	Fund-raising	2001 Total All Expenses	2000 Total All Expenses
Salaries	59,324	103,897	132,388	69,654	27,900	92,722	44,232	530,118	155,272	83,770	769,160	744,336
Payroll taxes	5,430	7,435	12,989	6,210	2,752	8,028	4,316	47,160	14,821	7,277	69,259	67,963
Employee benefits	3,017	8,871	13,794	10,865	1,839	13,896	5,104	57,387	21,396	4,808	83,592	82,494
Insurance - workers compensation	-	-	-	11,616	-	-	-	11,616	-	-	11,616	11,349
<b>Total Salaries and Related Expenses</b>	<b>67,771</b>	<b>120,204</b>	<b>159,172</b>	<b>98,344</b>	<b>32,491</b>	<b>114,647</b>	<b>53,652</b>	<b>646,281</b>	<b>191,489</b>	<b>95,856</b>	<b>933,926</b>	<b>906,142</b>
Audit	-	6,500	-	1,500	-	9,000	-	17,000	9,500	-	26,500	29,500
Advertising and marketing	500	1,500	1,184	342	218	1,382	1,073	6,200	-	60	6,260	18,043
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	14,666
Computer expense	-	50	-	-	-	-	700	750	13,147	634	14,531	5,125
Consultants	-	41,104	3,858	978	-	275	34,809	81,023	47,542	6,225	134,790	94,810
Dues and subscriptions	-	922	-	-	-	-	400	1,322	5,309	362	6,993	8,783
Equipment rental	-	-	-	-	-	121	-	121	673	-	794	2,906
Fees and permits	-	265	-	-	-	85	-	350	405	-	755	530
Grants	-	-	-	-	-	-	-	-	-	-	-	-
Interest expense	-	5,990	-	-	-	101,075	25,577	132,642	41	-	132,683	143,577
Legal fees	-	20,109	-	-	-	211	-	20,320	5,905	-	26,225	41,702
Management and administrative	-	-	-	-	1,500	-	-	1,500	-	-	1,500	-
Materials	-	912	-	32,125	-	7,606	14	40,657	1,717	-	42,373	44,830
Meeting expense	476	239	1,668	-	-	421	800	3,604	6,005	258	9,867	7,194
Office expense	982	2,021	3,635	982	824	1,540	2,907	12,992	5,475	2,686	21,052	17,929
Outside contractors	-	-	1,609	15,986	-	1,687	-	19,282	4,732	50	24,064	139,121
Payroll services	-	-	-	-	-	-	-	-	1,406	-	1,406	1,525
Postage and shipping	333	999	1,276	333	333	542	1,318	5,732	1,861	963	7,957	9,625
Printing and copying	38	-	519	22	-	86	38	702	315	1,958	2,975	2,833
Program expenses	593	310	11,784	8,685	-	3,506	6,713	31,592	2,384	9,312	43,288	42,117
Insurance	325	-	130	-	-	26,559	1,812	28,826	16,431	-	45,257	35,170
Real estate taxes	-	393	-	-	-	31,770	-	32,164	1,661	-	33,825	33,463
Rent and occupancy	-	8,400	5,712	-	1,344	5,684	-	21,150	914	-	22,064	18,520
Repairs and maintenance	-	2,139	-	-	-	32,475	-	34,614	8,857	-	43,471	43,586
Small furnishings	-	-	-	-	-	-	-	-	-	-	-	930
Staff development	95	1,185	1,555	-	366	3,584	2,536	9,337	5,940	1,330	16,602	8,523
Subscribers	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	585	1,777	1,409	726	1,174	2,175	1,174	9,019	2,112	1,174	12,304	16,398
Travel and transportation	91	354	279	2,417	200	1,591	455	5,388	540	31	5,960	6,118
Utilities	-	647	-	-	-	41,355	-	42,002	4,066	-	46,068	52,600
<b>Total Depreciation and Amortization</b>	<b>74,790</b>	<b>2,160,019</b>	<b>193,791</b>	<b>162,439</b>	<b>38,449</b>	<b>387,397</b>	<b>133,978</b>	<b>1,203,863</b>	<b>338,428</b>	<b>120,899</b>	<b>1,663,769</b>	<b>1,746,266</b>
Depreciation and amortization	-	-	-	-	-	92,652	-	92,652	32,569	-	125,250	126,768
<b>Total Expenses</b>	<b>74,790</b>	<b>2,160,019</b>	<b>193,791</b>	<b>162,439</b>	<b>38,449</b>	<b>480,079</b>	<b>133,978</b>	<b>1,296,544</b>	<b>370,997</b>	<b>120,899</b>	<b>1,788,439</b>	<b>1,873,034</b>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC.,  
PAZ PROPERTIES, INC., SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

	<u>2001</u>	<u>2000</u>
<b><u>Cash Flows From Operating Activities</u></b>		
Change in net assets	\$ (71,630)	\$ 468,204
Adjustments to reconcile excess of support and revenue over expenses to net cash used by operating activities:		
Depreciation and amortization	126,768	126,767
Loss on investments	567	464
Loss on sale of residential real estate	414,139	736,574
Additions to buildings in development	(2,401,855)	(1,903,499)
Capitalized development fees eliminated in intercompany combination	41,100	35,408
Proceeds from sale of residential real estate	170,067	257,209
Income from housing development subsidies (loans forgiven)	(360,000)	(809,994)
Other loans forgiven	(10,775)	(36,000)
Proceeds from permanently restricted net assets	150,000	(397,108)
(Increase) decrease in:		
Accounts receivable	298,191	(278,321)
Prepaid expenses	11,098	(4,718)
Deposits and escrow accounts	102,447	36,868
Due from related entities	(2,345)	(76,382)
Increase (decrease) in:		
Accounts payable and accrued expenses	(100,252)	112,131
Security deposits payable	(116,395)	9,021
<u>Net Cash (Used) by In Operating Activities</u>	<u>(1,748,875)</u>	<u>(1,723,376)</u>
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of furniture and equipment	(5,103)	(2,564)
Building improvements -- operations	(7,665)	(5,000)
Loans to homeowners	(159,200)	(392,950)
Loans repaid by homeowners	192,069	30,544
Additions to rental property	(127,358)	(12,121)
Investment in NOAH Trinity Limited Partnership	(2,857)	-
<u>Net Cash (Used) by Investing Activities</u>	<u>(110,114)</u>	<u>(382,091)</u>
<b><u>Cash Flows From Financing Activities</u></b>		
Proceeds from permanently restricted contributions	150,000	397,108
Lease payments	(12,301)	(14,601)
Proceeds from mortgages and loans	2,165,173	1,588,930
Payments on mortgages and loans	(472,511)	(81,560)
<u>Net Cash Provided by Financing Activities</u>	<u>1,830,361</u>	<u>1,889,877</u>
<b><u>Net Increase (decrease) in Cash</u></b>	<b><u>(28,628)</u></b>	<b><u>(215,590)</u></b>
<b><u>Cash - Beginning</u></b>	<b><u>316,520</u></b>	<b><u>532,110</u></b>
<b><u>Cash - Ending</u></b>	<b><u>\$ 287,892</u></b>	<b><u>\$ 316,520</u></b>

See independent auditor's report.

The accompanying notes are an integral part of this financial statements.



NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC.,  
PAZ PROPERTIES, INC., SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

(Continued)

Supplemental Disclosure of Cash Flows Information

Cash paid during the year for interest	\$ <u>132,683</u>
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Supplemental Schedule of Non-Cash Investing and Financing Activities

Loans to acquire real estate	\$ 175,000
Sale proceeds used to pay off mortgage loans	\$ 538,764
Forgiveness of debt	\$ 370,755
Sale of loans to other lenders	\$ 194,629

See independent auditor's report.

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,  
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,  
SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

(1) Organization and Nature of Activities

The accompanying financial statements include the accounts of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. for the year ended June 30, 2001. Neighborhood of Affordable Housing, Inc., together with Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. is a non-profit Community Development Corporation organized to increase housing opportunities for low and moderate income persons. All corporations share common management, facilities, and Board membership. All accounts have been combined for financial statement and auditing purposes (see note 25).

The organization provides the following services for low-to-moderate income persons, primarily in East Boston, Massachusetts: neighborhood, homebuyer and homeowner services, housing development, services to senior homeowners, rental of housing, housing counseling services, loans to homeowners, economic development and community planning, and a variety of neighborhood service projects.

Funding comes from loans, grants and contracts from government and quasi-government organizations, foundations, and other private donors. The organization also receives rental income and other program service fees.

2) Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting

Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., and Shalom Properties, Inc. follow the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' *Audit and Accounting Guide for "Not-For-Profit Organizations"*.

b. Basis of Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, Accounting for Contributions Received and Contributions Made, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence of nature of any donor restrictions.

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets are not subject to donor imposed stipulations.

c. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on a straight-line basis over estimated lives of 25 to 40 years for buildings and building improvements, and 5 to 7 years for furniture and equipment. Capital leases are amortized over the estimated useful lives of the assets, and are included in depreciation and amortization expense.

Furniture and equipment costing \$1,000 or more is capitalized.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,  
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,  
SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

(Continued)

(2) Summary of Significant Accounting Policies (Continued)

d. Combined Financial Statements

The accompanying combined financial statements include the accounts of the following corporations, all of which are under common management: Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. All significant intercompany transactions and balances have been eliminated in combination (details in note 25).

The combined financial statements does not include a column for Siochain Properties, Inc. since the amount involved is immaterial.

e. Use of Estimates

The presentation of financial statement in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

f. Allocated Expenses

Expenses by function have been allocated among program and supporting services classifications directly or on the basis of time records, actual expense records, and in some cases on estimates made by the Organization's management.

g. Cash

Cash held in deposit and escrow accounts is recorded as "Deposits and escrow accounts" rather than as cash.

h. Summarized Comparative Financial Statements

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2000, from which the summarized information derived.

i. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,  
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(3) Due from Related Entities

Neighborhood of Affordable Housing, Inc., (NOAH) is the sole owner of NOAH Trinity, Inc., a Massachusetts corporation formed to be the general partner and 1% owner of NOAH Trinity Limited Partnership, which was formed to purchase and develop the Trinity Neighborhood House as low-income housing.

At the beginning of the year, NOAH was the 99% limited partner of Siochain Properties Limited Partnership, which was formed to develop rental properties in East Boston. The limited partnership interest was acquired by another investor at book value in March, 2001. The 1% general partner was Siochain Properties, Inc. a related party.

NOAH and Peace Properties, Inc. have advanced funds to these entities for cash flow purposes as follows:

	<u>June 30, 2001</u>	<u>June 30, 2000</u>
NOAH Trinity, Inc.	\$ 7,782	\$ 7,151
NOAH Trinity Limited Partnership	80,372	80,372
Siochain Properties Limited Partnership	<u>17,380</u>	<u>15,666</u>
Total	<u>\$ 105,534</u>	<u>\$ 103,189</u>

(4) Mortgage Loans Receivable

At June 30, 2001 the Organization had outstanding loans receivable from local residents for purchase and/or rehabilitation of low-to-moderate income housing, totaling \$ 646,420 at June 30, 2001 and \$ 765,189 at June 30, 2000. Interest rates range from 5% to 8.25% and maturity dates range from 10 to 30 years. Loans are secured by the property purchased or improved. All loans were current at June 30, 2001. Maturities of loans receivable are as follows:

<u>Year Ended June 30</u>	<u>Total</u>	<u>Less interest</u>	<u>Principal</u>
2002	45,633	36,820	8,813
2003	45,633	36,291	9,342
2004	45,633	35,680	9,953
2005	45,633	35,020	10,613
2006	<u>45,633</u>	<u>34,327</u>	<u>11,306</u>
	<u>\$ 228,165</u>	<u>\$ 178,138</u>	<u>\$ 50,027</u>
After 2006			<u>596,393</u>
Total			<u><u>\$ 646,420</u></u>

See independent auditor's report.

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(Continued)

(5) Investments

Neighborhood of Affordable Housing, Inc. owns 100% of NOAH Trinity, Inc. This corporation owns 1% as general partner in the NOAH Trinity Limited Partnership which owns and operates the Trinity Neighborhood House in East Boston, MA. This investment is reported using the equity method.

NOAH's total equity in NOAH Trinity Inc. was \$73,986 at June 30, 2001 and \$71,129 at June 30, 2000.

(6) Notes and Mortgages Payable

	<u>Current</u>	<u>Long-Term</u>	<u>Balance June 30, 2001</u>	<u>Balance June 30, 2000</u>
<u>Notes Payable by Neighborhood of Affordable Housing, Inc.</u>				
Citizens Bank – 7% note due 2031 to be used to provide mortgage loans to homeowners.	\$ 119	11,581	11,700	\$ -
City of Boston Department of Neighborhood Development - (MAP/TAP), no interest, for investment in Trinity Neighborhood House, due August 6, 2007.	-	50,000	50,000	50,000
Fleet Bank - 6.05% note due April 8, 2018, to be used to provide mortgage loans to homeowners Payable monthly and as borrowers pay off loan balances.	766	39,142	39,908	136,626
Fleet Bank – 7.26% loan due April 8, 2020 to be used to provide mortgage loans to homeowners. Payable monthly and as borrowers pay off loan balances.	1,614	82,961	84,575	167,650
Fleet Bank – 7.17% demand credit line to be used to provide second mortgage loans to first time homebuyers.	2,255	193,245	195,500	198,428
Massachusetts Community Economic Development Assistance Corporation (CEDAC) - No interest loan, discharged in fiscal year 2000.				10,775
	<u>\$ 4,754</u>	<u>\$ 376,929</u>	<u>381,683</u>	<u>\$ 563,479</u>
Total notes payable by Neighborhood of Affordable Housing, Inc.				

See independent auditor's report.

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(Continued)

6) Notes and Mortgages Payable (continued)

	Balance Current	Long-Term	Balance June 30, 2001	June 30, 2000
<u>Notes and Mortgages Payable by Peace Properties, Inc.</u>				
<u>Boston Community Loan Fund, Inc.</u>				
7% credit line secured by properties at 21 Chelsea Street, East Boston, MA.	\$ -	\$ 60,972	\$ 60,972	\$ 131,400
7% credit line secured by properties at 190-192 Sumner Street, East Boston, MA.	-	-	-	135,000
7% note secured by properties at 111 Princeton and 115 Everett Street, East Boston, MA.	-	-	-	343,000
7% note secured by property at Lexington and Putnam Street, East Boston, due June, 2002.	-	88,030	88,030	-
8% note secured by properties in development at 143-153 Border Street, East Boston, MA, interest payable monthly, due November 15, 2002.	-	302,067	302,067	300,000
7% note secured by property at 227 Princeton Street, due June 30, 2002.	-	59,609	59,604	-
<u>City of Boston Department of Neighborhood Development</u>				
MAP/TAP loan for neighborhood business development.	-	25,000	25,000	25,000
Loan secured by property at 21 Chelsea Street, East Boston, MA.	-	-	-	16,677
<u>Local Initiatives Support Corporation</u>				
	-	297,215	297,215	131,400
<u>Mass Development Finance Agency</u>				
	-	25,000	25,000	25,000
<u>Massachusetts Housing Partnership Fund Board</u>				
Promissory note secured by property at 115 Everett Street., East Boston, MA, to be repaid upon closing of permanent loan.	-	1,297,280	1,297,280	-
<u>Partners for the Common Good 2000 Limited Partnership</u>				
5.75% notes secured by properties in East Boston, MA , paid November , 2000.	-	-	-	250,000
<b>Total Notes and Mortgages payable by Peace Properties, Inc.</b>	<b>\$ -</b>	<b>\$ 2,155,173</b>	<b>\$ 2,155,173</b>	<b>\$ 1,357,477</b>

See independent auditor's report.

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(Continued)

(6) Notes and Mortgages Payable (Continued)

Notes and Mortgages Payable by Paz Properties, Inc.

	<u>Current</u>	<u>Long-Term</u>	<u>Balance June 30, 2001</u>	<u>Balance June 30, 2000</u>
<u>Boston Community Capital</u>				
7% loan secured by property at Eutaw and Meridian Streets, East Boston, MA due March 31, 2013.	3,923	65,494	69,417	73,027
<u>City of Boston Department of Neighborhood Development (note 21)</u>				
3% second mortgage secured by property at:				
108-110 White Street, East Boston, MA	-	355,120	355,120	355,120
49-55 Putnam Street, East Boston, MA		472,325	472,325	472,325
449-451 Saratoga Street, East Boston, MA		354,811	351,811	354,811
5% second mortgage secured by property at 359-363 Meridian Street, East Boston, MA	-	727,245	727,245	727,245
<u>Massachusetts Housing Partnership Fund Board</u>				
8.14% note for \$450,000; secured by multiple properties in East Boston, MA; balance due May 10, 2010.	<u>5,948</u>	<u>416,448</u>	<u>422,396</u>	<u>428,359</u>
<b>Total Notes and Mortgages payable by Paz Properties, Inc.</b>	<b><u>\$ 9,871</u></b>	<b><u>\$ 2,391,443</u></b>	<b><u>\$ 2,401,314</u></b>	<b><u>\$ 2,410,887</u></b>
<u>Mortgages Payable by Shalom Properties, Inc.</u>				
<u>Massachusetts Housing Partnership Fund Board</u>				
7.97% note secured by multiple properties in East Boston, MA; balance due October 6, 2017	<u>\$ 13,073</u>	<u>\$ 695,417</u>	<u>\$ 708,490</u>	<u>\$ 720,564</u>
<b>Total mortgages and notes payable by Shalom Properties, Inc</b>	<b><u>\$ 13,073</u></b>	<b><u>\$ 695,417</u></b>	<b><u>\$ 708,490</u></b>	<b><u>\$ 720,564</u></b>
<b>Total notes and mortgages payable - all companies</b>	<b><u>\$ 27,698</u></b>	<b><u>\$ 5,618,962</u></b>	<b><u>\$ 5,646,660</u></b>	<b><u>\$ 5,052,407</u></b>

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(7) Deferred Mortgage Loans Payable

Shalom Properties, Inc. received loans for the purpose of rehabilitating houses in East Boston. Interest rates range from zero to five percent. Some may be discharged in future years if certain conditions are fulfilled by Neighborhood of Affordable Housing, Inc. The balances will be recorded as revenue in those years.

	<u>Current</u>	<u>Balance Long-Term</u>	<u>Balance June 30, 2001</u>	<u>June 30, 2000</u>
<u>City of Boston Department of Neighborhood Development (note 21)</u> Deferred payment note, non-interest bearing, balance due October 7, 2017.	\$ -	\$ 245,339	\$ 245,339	\$ 245,339
Deferred mortgage loans secured by the following:				
124 Falcon Street, East Boston, MA	-	45,000	45,000	45,000
440 Meridian Street, East Boston, MA payments begin December, 2007.	-	164,000	164,000	164,000
<u>Massachusetts Housing Partnership Fund Board</u> Deferred payment note, non-interest bearing, balance due October 6, 2017.	-	245,339	245,339	245,339
Total deferred mortgage loans	\$ -	\$ 699,678	\$ 699,678	\$ 699,678

(8) Permanently Restricted Net Assets

Permanently restricted net assets were restricted to:  
Investment in perpetuity for loans to homeowners  
and development of low-income housing  
Neighborhood Reinvestment Corporation

\$ 1,249,232   \$ 1,099,232

See independent auditor's report.



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(9) Maturities of Long-Term Debt and Future Minimum Lease Payments

Maturities of long-term debt for each of the next five years and thereafter are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>
2002	\$ 27,697
2003	29,827
2004	32,211
2005	34,800
2006	<u>37,581</u>
	<u>162,116</u>
After 2006	\$ <u>5,484,544</u>
Total	\$ <u>5,646,660</u>

Future minimum lease payments of capital leases are as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2002	\$ 12,300
2003	<u>12,301</u>
Total	\$ <u>24,601</u>

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(10) Contributions and Grants

Temporarily Restricted Grants

Better Acres, Inc.	Chelsea Creek	\$ 150
City of Boston – Urban Resource Partnership	East Boston Schoolyards	1,785
The Boston Foundation	Homeowners & Homebuyer Services	5,000
The Boston Foundation	East Boston Schoolyards	20,400
The Browne Fund	East Boston Schoolyards	5,000
Campbell and Hall Charity Fund	Senior Home Services	13,000
City of Chelsea	Chelsea Creek	1,000
Clipper Ship Foundation	Homeowner & Homebuyer Services	5,000
Commonwealth of Massachusetts- Massachusetts Housing Finance Agency	Housing Counseling	1,500
Commonwealth of Massachusetts Commonwealth of Massachusetts- Department of Fisheries	Technical Assistance	9,250
Fannie Mae Foundation	Chelsea Creek	10,000
Fleet Boston Financial Foundation	Homeowner & Homebuyer Services	50,000
Foley, Hoag and Eliot Foundation	Homeowner & Homebuyer Services	15,000
John Hancock Life Insurance Co.	Homeowner & Homebuyer Services	5,000
Harvard University	Housing Development and Lending	25,000
Local Initiatives Support Corporation	Housing Development	70,000
Neighborhood Reinvestment Corporation	Staff Development	13,500
Neighborhood Reinvestment Corporation	Lending and Homeownership	90,000
State Street Bank and Trust	Housing Counseling	7,530
Anna B. Stearns Charitable Foundation	Homeowner & Homebuyer Services	35,000
Sailors' Snug Harbor of Boston	Chelsea Creek	10,000
Save the Harbor/Save the Bay	Senior Home Services	10,000
United Way	Chelsea Creek	2,100
Hyams Foundation	Housing Services	20,000
	Time restriction	<u>25,000</u>
	Temporarily restricted grants for the year ended June 30, 2001	<u>\$ 450,215</u>
	Temporarily restricted grants for the year ended June 30, 2000	<u>\$ 723,894</u>

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(Continued)

(10) Contributions and Grants (continued)

Permanently Restricted Grants

Neighborhood Reinvestment Corporation	\$ <u>150,000</u>
Permanently restricted grants for the year ended June 30, 2001	\$ <u>150,000</u>
Permanently restricted grants for the year ended June 30, 2000	<u>397,108</u>

Unrestricted Contracts and Grants

Century Bank	\$ 625
Chelsea Provident Co-operative Bank	250
Community Business Network	5,000
East Boston Savings Ban	3,750
Episcopal City Mission	7,000
Hilton Hotels Corporation	3,000
Hyams Foundation	25,000
Jewish Vocational Services	7,000
Merck Family Fund	30,000
Neighborhood Reinvestment Corporation	33,000
New England Financial	5,000
United Way	80,000
Other contributions and grants	<u>32,803</u>
Unrestricted contributions and grants for the year ended June 30, 2001	\$ <u>232,428</u>
Unrestricted contributions and grants for the year ended June 30, 2000	<u>56,894</u>

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(Continued)

(11) Contracts

Contracts for the year ended June 30, 2001 were as follows:

	<u>Revenue</u>	<u>Expenditures</u>
<u>Commonwealth of Massachusetts</u>		
Department of Housing and Community Development, Community Enterprise Economic Development Program (note 19)	\$ 50,000	\$ 50,000
Department of Environmental Protection for Chelsea Creek	750	750
Executive Office of Environment Affairs	9,850	9,850
<u>City of Boston</u>		
Department of Neighborhood Development for Housing Counseling	40,000	40,000
Department of Neighborhood Development for Senior Homeowner Services	162,141	162,140
<u>U.S. Environmental Protection Agency</u>		
Pass-through from East Boston Ecumenical Community Council, Inc.	25,810	25,810
<u>Other Contracts</u>		
Neighborhood Development Support Collaborative (CHDO)	20,000	20,000
Greater Boston Urban Resource Partnership for East Boston Schoolyards	1,871	1,871
CLF Ventures	6,506	6,506
Chelsea Human Services	<u>27,448</u>	<u>27,448</u>
Total contracts for the year ended June 30, 2001	<u>\$ 344,376</u>	<u>\$ 344,376</u>
Total contracts for the year ended June 30, 2000	<u>\$ 280,358</u>	<u>\$ 280,358</u>

See independent auditor's report.

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(12) Income From Real Estate Development Activities

Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc. and Shalom Properties, Inc. acquire and rehabilitate real estate in East Boston, Massachusetts, and resell the renovated properties to homeowners at market value. Typically, the total costs of the properties exceed the sale prices. The resulting losses are offset by housing subsidies from the City of Boston Department of Neighborhood Development which results from forgiveness of construction loans when the properties are sold (listed below). Grants from other sources also subsidize real estate development activities.

Income from real estate activities was as follows:

	<u>Year Ended</u> <u>June 30, 2001</u>	<u>Year Ended</u> <u>June 30, 2000</u>
Sale of real estate	\$ 737,000	\$ 1,308,146
Less cost of sales	<u>(1,241,817)</u>	<u>(2,289,697)</u>
Loss on sale of real estate before intercompany combination	(504,817)	(981,551)
Development fees paid from Peace Properties, Inc. to Neighborhood of Affordable Housing, Inc. This cost of sale has been eliminated in intercompany combination	<u>84,986</u>	<u>244,977</u>
Loss on sale of residential real estate	(419,831)	(736,574)
Housing development subsidies (loans forgiven)	<u>360,000</u>	<u>809,994</u>
Income (loss) from real estate development activities	<u>\$ (59,831)</u>	<u>\$ 73,420</u>

(13) Temporarily Restricted Net Assets

Temporarily restricted net assets were as follows:

Senior home services	\$ 8,604	\$ 46,059
Homeowners and neighborhood projects	132,137	40,980
Lending programs restricted for future periods	25,000	-
Housing innovation program	<u>20,000</u>	<u>-</u>
	<u>\$ 185,741</u>	<u>\$ 87,039</u>

	<u>Cash</u>	<u>Promises to Give</u>	<u>Year Ended</u> <u>June 30, 2001</u>	<u>Year Ended</u> <u>June 30, 2000</u>
Restricted to:				
Program purposes	\$ 140,741	\$ 25,000	\$ 165,741	\$ 47,039
Use in future periods	<u>-</u>	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>
	<u>\$ 140,741</u>	<u>\$ 45,000</u>	<u>\$ 185,741</u>	<u>\$ 87,039</u>

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(14) Related Party Transactions

Neighborhood of Affordable Housing, Inc. (NOAH) is the sole owner of NOAH Trinity, Inc., a Massachusetts corporation formed to be the general partner and 1% owner of NOAH Trinity Limited Partnership, which was formed to purchase and develop the Trinity Neighborhood House as low-income housing. As detailed in notes (3) and (5), NOAH has equity of \$73,986 in NOAH Trinity, Inc. and has advanced funds to both NOAH Trinity, Inc. and NOAH Trinity Limited Partnership. In addition, NOAH receives management fees from NOAH Trinity Limited Partnership in the amount of \$5,000 per year. Accounts receivable included \$24,415 due from the partnership at June 30, 2001 and \$19,415 at June 30, 2000.

Neighborhood of Affordable Housing, Inc. is the 99% limited partner of Siochain Properties Limited Partnership, which was formed to develop rental properties in East Boston. The 1% general partner was Siochain Properties, Inc., a related party which had no activity in the year ended June 30, 2001.

As detailed in note 3, Neighborhood of Affordable Housing, Inc. has advanced funds to Siochain Properties Limited Partnership.

Neighborhood of Affordable Housing, Inc. offers second mortgage loans to East Boston homeowners. As of June 30, 2001, the organization had outstanding mortgages receivable from a member of the Board of Directors in the amount of \$ 46,678. This related party borrower met underwriting standards and income eligibility requirements. The borrower did not have a conflict of interest as defined in the organization's loan policies.

(15) Income Tax Status

Neighborhood of Affordable Housing, Inc. and Peace Properties, Inc. are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code; Paz Properties, Inc., and Shalom Properties, Inc. and Siochain Properties, Inc. are exempt from income taxes under Section 501(c)(2) of the Internal Revenue Code, and all are exempt from State income taxes. Therefore, no provision has been made for such taxes in the accompanying financial statements. Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. have been classified as "other than a private foundation" by the Internal Revenue Service and qualify for the 50% charitable contribution deduction under Section 170(b)(1)(a) of the Internal Revenue Code.

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(16) Rental Income

Peace Properties, Inc., Paz Properties, Inc., and Shalom Properties, Inc. own rental properties which are rented to low-to-moderate income tenants. In general, leases are for twelve months. In some cases, rentals are tenancies-at-will. Rental income is received from tenants or from the Boston Housing Authority. There were no long-term rental agreements at June 30, 2001 or 2000.

(17) Lease Obligations

Neighborhood of Affordable Housing, Inc. leases office space under a 12-month lease with option to renew. There is no long-term lease obligation.

(18) Schedule of Financial Position - Neighborhood Reinvestment Corporation Permanently Restricted Net Assets

	<u>Year Ended</u> <u>June 30, 2001</u>	<u>Year Ended</u> <u>June 30, 2000</u>
Accounts Receivable Neighborhood Reinvestment Corp	\$ -	\$ 90,000
Cash in Bank	140,740	7,633
Mortgage Loans Receivable	290,654	204,822
Buildings in Development	<u>817,838</u>	<u>796,777</u>
Total assets	<u>1,249,232</u>	<u>1,099,232</u>
Total net assets	<u>\$ 1,249,232</u>	<u>\$ 1,099,232</u>

(19) CEED Contract

Expenditures for the contract from the Massachusetts Department of Housing and Community Development, Community Enterprise Economic Development Program, for the nine months ended June 20, 2001, were as follows:

Salaries	\$ 34,870
Fringe benefits and taxes	6,974
Rent	1,392
Supplies	164
Postage	70
Audit	230
Accounting and bookkeeping	<u>6,300</u>
	<u>\$ 50,000</u>

(20) Uninsured Cash in Banks

At June 30, 2001 all cash was fully insured through the FDIC, with the exception of one account which exceeded FDIC insured limits by \$124,890.

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(21) Contingent Liabilities

Paz Properties, Inc. and Shalom Properties, Inc. hold mortgages payable to the City of Boston Department of Neighborhood Development. Proceeds have been used to create rental property for low-to-moderate income tenants. Although the loan agreements specify interest accrual at stated rates, management believes that the loans will eventually be negotiated or forgiven. Therefore, the interest has not been recorded in the financial statements.

There is a reasonable possibility that this additional accrued interest could be payable at a future date. Additional accrued interest has been calculated, but not recorded, as follows as of June 30, 2001:

Paz Properties, Inc.	\$ 234,798
Shalom Properties, Inc.	<u>79,691</u>
Total contingent liability	<u>\$ 314,489</u>

In the previous years accrued interest was added to the loan balances in Paz Properties, Inc. Mortgages payable include \$72,143 which management believes will not be payable.

Neighborhood of Affordable Housing, Inc. has been named as a defendant in a lawsuit. Management believes that there is a remote possibility that the organization may have to pay amounts that cannot be estimated at this time.

(22) Other Contingencies

Forgivable Loans - Loans from the City of Boston, Department of Neighborhood Development, will be forgiven once certain conditions are met. In general, properties must remain affordable housing for a specified time period.

Terms of Certain Mortgages - Some loans may be called or required to be paid if certain conditions are not met. Conditions relate to maintaining properties as low-to-moderate income housing.

(23) Concentration of Credit Risk

As described in note 4, the Organization provides mortgage loans to low-to-moderate income individuals. These loans receivable are a concentration of credit risk.

(24) Interest Costs Incurred

For the year ended June 30, 2001, Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. incurred interest costs as follows:

Interest expense charged to operations	<u>\$ 132,683</u>
Capitalized interest	<u>\$ 76,613</u>

See independent auditor's report.



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FOR THE YEAR ENDED JUNE 30, 2001  
(With Comparative Totals for June 30, 2000)

	Neighborhood of Affordable Housing, Inc.			Peace Properties, Inc.			Paz Properties, Inc.			Shalom Properties, Inc.			All Corporations Combined	
	Before Combination	Combining Entries	After Combination	Before Combination	Combining Entries	After Combination	Before Combination	Combining Entries	After Combination	Before Combination	Combining Entries	After Combination	2001	2000
<b>Assets</b>														
Current assets and cash	693,304	(73,890)	619,424	29,060		29,060	95,099		95,099		50,674		794,258	1,232,277
Due from Peace, Shalom and NOAH	488,172	(488,172)	-	410	(410)	-	-	-	-	-	-	-	646,420	765,189
Mortgage loans receivable	646,420		646,420	68,436		68,436	2,187,361		2,187,361		1,475,151		3,781,727	3,772,034
Property & Equipment	50,779		50,779	68,436		68,436	-		-		-		73,418	71,129
Long-term investments	73,418		73,418	2,921,054	(41,100)	2,879,954	-		-		-		2,879,954	2,076,862
Buildings in development	-		-	3,018,960	(41,510)	2,977,450	2,282,460	(129,513)	2,152,947	(54,055)	1,471,770		1,183,568	(218,976)
Less capitalized intercompany costs	-	(582,052)	1,390,042										7,992,209	7,698,515
<b>Total Assets</b>	<b>1,952,094</b>	<b>(582,052)</b>	<b>1,390,042</b>	<b>3,018,960</b>	<b>(41,510)</b>	<b>2,977,450</b>	<b>2,282,460</b>	<b>(129,513)</b>	<b>2,152,947</b>	<b>(54,055)</b>	<b>1,471,770</b>			
<b>Liabilities</b>														
Current liabilities	111,277	(410)	110,867	160,935	(69,289)	91,646	31,942	(4,591)	27,351		38,375		328,239	1,403,567
Long-term liabilities	389,230		389,230	2,105,173	(47,954)	2,057,219	2,391,442		2,391,442		1,395,095		6,280,940	4,780,288
Due to NOAH Inc. & Peace Inc.	500,507	(410)	500,097	2,744,062	(547,243)	2,196,819	2,423,384	(4,591)	2,418,793		1,443,688		6,549,179	6,183,855
<b>Total Liabilities</b>	<b>1,001,014</b>	<b>(820)</b>	<b>1,000,294</b>	<b>4,410,170</b>	<b>(617,186)</b>	<b>3,792,984</b>	<b>5,248,810</b>	<b>(552,424)</b>	<b>5,240,557</b>		<b>3,277,158</b>			
<b>Net Assets</b>														
Unrestricted net assets	834,452	(561,642)	272,810	(442,940)	505,733	62,793	(140,924)	(124,922)	(265,846)		(17,863)		8,057	328,389
Temporarily restricted net assets	185,741		185,741	-	-	-	-	-	-		-		185,741	87,039
Permanently restricted net assets	431,394		431,394	717,838		717,838	-		-		100,000		1,249,232	1,099,232
<b>Total Net Assets</b>	<b>1,451,587</b>	<b>(561,642)</b>	<b>889,945</b>	<b>2,178,616</b>	<b>(547,243)</b>	<b>1,631,373</b>	<b>(140,924)</b>	<b>(124,922)</b>	<b>(265,846)</b>		<b>82,137</b>		<b>1,443,030</b>	<b>1,514,660</b>
<b>Total Liabilities and Net Assets</b>	<b>1,952,094</b>	<b>(582,052)</b>	<b>1,390,042</b>	<b>3,018,960</b>	<b>(41,510)</b>	<b>2,977,450</b>	<b>2,282,460</b>	<b>(129,513)</b>	<b>2,152,947</b>	<b>(54,055)</b>	<b>1,471,770</b>		<b>7,992,209</b>	<b>7,698,515</b>
<b>Support and Revenue</b>														
Contributions, grants and contracts	1,177,019		1,177,019	-		-	-		-		-		1,177,019	1,458,254
Management fees	170,388	(144,435)	25,953	-		-	-		-		-		25,953	8,637
Development fees	92,678	(90,678)	2,000	-		-	-		-		-		6,584	151,354
Rental income	10,775		10,775	28,960	(18,000)	10,960	188,693		188,693		239,611		439,264	471,273
Loans forgiven	-		-	360,000		360,000	-		-		-		370,775	845,994
Loss on sale of real estate	76,057		76,057	(504,817)	84,986	(419,831)	-		-		-		(419,831)	(736,574)
Program service income	34,089		34,089	151		151	1,799		1,799		874		76,057	90,146
Interest income	-		-	4,633		4,633	-		-		-		4,633	52,621
Insurance recovery	-		-	(111,073)	66,986	(44,087)	190,492		190,492		245,069		1,717,377	2,341,705
<b>Total Support and Revenue</b>	<b>1,567,016</b>	<b>(235,113)</b>	<b>1,325,903</b>	<b>47,936</b>	<b>(13,860)</b>	<b>34,076</b>	<b>181,306</b>	<b>(45,795)</b>	<b>115,511</b>	<b>(72,480)</b>	<b>137,372</b>		<b>1,663,189</b>	<b>1,746,270</b>
<b>Expenses and Losses</b>														
Expenses	1,406,530	(30,300)	1,376,230	47,936	(13,860)	34,076	161,306	(45,795)	115,511	(72,480)	137,372		1,663,756	1,746,734
Loss on investments	567		567	-		-	60,600		60,600		34,475		125,290	126,787
Subtotal	1,407,097	(30,300)	1,376,797	47,936	(13,860)	34,076	161,306	(45,795)	115,511	(72,480)	137,372		1,663,756	1,746,734
Depreciation and amortization	28,219		28,219	1,956		1,956	221,906	(45,795)	176,111		171,847		1,799,006	1,873,501
<b>Total Expenses and Losses</b>	<b>1,435,316</b>	<b>(30,300)</b>	<b>1,405,016</b>	<b>49,892</b>	<b>(13,860)</b>	<b>36,032</b>	<b>483,212</b>	<b>(91,590)</b>	<b>391,622</b>	<b>(118,275)</b>	<b>309,219</b>		<b>1,799,006</b>	<b>1,873,501</b>
<b>Change in net assets</b>	<b>125,700</b>	<b>(204,813)</b>	<b>(79,113)</b>	<b>(160,965)</b>	<b>80,846</b>	<b>(80,119)</b>	<b>(31,415)</b>	<b>45,795</b>	<b>14,381</b>	<b>(72,480)</b>	<b>73,222</b>		<b>(71,630)</b>	<b>468,204</b>
<b>Net assets beginning</b>	<b>1,325,905</b>	<b>(1,469,233)</b>	<b>(143,328)</b>	<b>435,862</b>	<b>1,143,257</b>	<b>1,579,119</b>	<b>(109,510)</b>	<b>93,593</b>	<b>(15,917)</b>	<b>13,391</b>	<b>94,786</b>		<b>1,514,660</b>	<b>1,046,456</b>
<b>Net assets ending</b>	<b>1,451,605</b>	<b>(1,674,046)</b>	<b>(222,441)</b>	<b>274,897</b>	<b>1,224,103</b>	<b>1,499,000</b>	<b>(140,925)</b>	<b>139,388</b>	<b>(1,537)</b>	<b>82,137</b>	<b>168,008</b>		<b>1,443,030</b>	<b>1,514,660</b>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.  
PEACE PROPERTIES, INC. PAZ PROPERTIES, INC., AND SHALOM PROPERTIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program title	Federal CFDA Number	Pass-Through Entity Identifying number	Federal Expenditures	Other Outstanding Balances
<u>U.S. Department of Housing and Urban Development</u>				
<u>Pass-Through from Neighborhood Reinvestment Corp.</u>				
Housing Counseling Assistance Program	14.169		\$ 7,530	
<u>Pass-Through from Commonwealth of Massachusetts- Massachusetts Housing Finance Agency</u>				
Housing Counseling Assistance Program	14.169		<u>1,500</u>	
Total Housing Counseling Assistance Program			<u>9,030</u>	
<u>Pass-Through from City of Boston Department of Neighborhood Development</u>				
<u>Community Development Block Grants/Entitlement Grants</u>				
Housing Counseling	14.218	5575	40,000	
Senior Home Services	14.218	CA-28007-98	<u>162,141</u>	
Total Community Development Block Grants			<u>202,141</u> *	
<u>HOME Investment Partnerships Program</u>				
Loans forgiven - HOME Funds	14.239		360,000	
Pass-through from Neighborhood Development Support Collaborative - HOME/CHDO	14.239		<u>20,000</u>	
Total Home Investment Partnership Program			<u>380,000</u>	
<u>Neighborhood Reinvestment Corporation</u>	n/a	Enabling legislation Public Law 95-557	226,893	*
<u>U.S. Department of Agriculture</u>				
<u>Pass-Through from Chelsea Human Services</u>				
Cooperative Forestry Assistance	10.664	OF-GRA11	27,448	
<u>U.S. Environmental Protection Agency</u>				
<u>Pass-through from East Boston Ecumenical Community Council, Inc.</u>				
Surveys, Studies, Investigations and Special Purpose Grants	66.606	82756101	<u>25,810</u>	
Total federal expenditures			<u>871,321</u>	

\*Major Program

The accompanying notes are an integral part of this schedule.

(Continued)

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,  
 SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2001

(Continued)

Federal Grantor/ Pass-Through Grantor/ Program title	Federal CFDA Number	Pass-Through Entity Identifying number	Federal Expenditures	Other Outstanding Balances
<u>Additional Balances of Federal Loans at June 30, 2001</u>				
<u>Pass-Through from City of Boston</u>				
<u>Department of Neighborhood Development</u>				
Mortgages funded by U.S. Department of Housing and Urban Development:				
Community Development Block Grants	14.218			\$ 1,222,279
Rental Supplements	14.149			271,834
HOME Investment Partnership Program	14.239			<u>727,245</u>
Total City of Boston mortgages				<u>\$ 2,121,358</u>

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. 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 Government, and Non-Profit Organizations*.

See independent auditor's report.

The accompanying notes are an integral part of this schedule.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,  
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,  
SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the combined financial statements of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an *Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award program for Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. expresses an unqualified opinion on all major federal programs.
6. Not applicable.
7. The programs tested as major programs were:

Community Development Block Grant	14.218
Neighborhood Reinvestment Corporation	Enabling legislation P.L: 95-557
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. was determined to be a low-risk auditee.

- B. Findings - Financial statements audit - None
- C. Findings and questioned costs - Major Federal Award Programs Audit - None
- D. Federal award programs audit - None



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Shalom Properties, Inc. and Siochain Properties, Inc.  
22 Paris Street  
East Boston, MA 02128

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

We have audited the consolidated financial statements Neighborhood Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. as of and for the year ended June 30, 2001, and have issued our report thereon dated November 29, 2001. 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.

Compliance

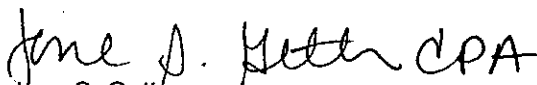
As part of obtaining reasonable assurance about whether Neighborhood Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Property Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Neighborhood Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Neighborhood Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. in a separate letter dated November 29, 2001.

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

Respectfully submitted,

 Jane S. Getter CPA

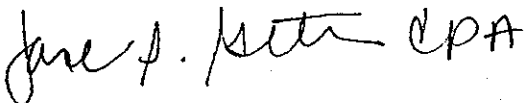
Jane S. Getter  
Certified Public Accountant

Stoughton, Massachusetts  
November 29, 2001

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Respectfully submitted,



Jane S. Getter  
Certified Public Accountant

Stoughton, Massachusetts  
November 29, 2001



JANE S. GETTER

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Shalom Properties, Inc. and Siochain Properties, Inc.  
22 Paris Street  
East Boston, MA 02128

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc. and Shalom Properties, Inc. with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.'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 Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties Inc.'s management. Our responsibility is to express an opinion on Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties Inc.'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 Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.'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 Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.'s compliance with those requirements.

In our opinion, Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001.

Internal Control Over Compliance

The management of Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. 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 Neighborhood of Affordable Housing, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.



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November 29, 2001

Board of Directors  
Neighborhood of Affordable Housing, Inc., Peace Properties, Inc.,  
Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc.  
22 Paris Street  
East Boston, MA 02128

Management Recommendations

General Comments

The accounting department is to be commended for maintaining accurate records in a complex operation, and which involves constant communication with management and the various program managers.

Also, the organization has maintained high standards in establishing policies and controls for monitoring federal programs. I encourage management to continue to upgrade and monitor these controls.

Financing Transactions

Neighborhood of Affordable Housing, Inc. and its related companies (NOAH) is involved in complex financing transactions from multiple funding services. Sometimes, information on refinancing among lenders is not clearly communicated to NOAH by the lenders. I recommend that lenders involved in complex transactions be contacted periodically to reconcile NOAH's records with those of the lenders.

Respectfully submitted,

*Jane S. Getter CPA*

Jane S. Getter  
Certified Public Accountant