

**NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.
NOAH COMMUNITY DEVELOPMENT FUND, INC.
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.
SHALOM PROPERTIES, INC. AND
SIOCHAIN PROPERTIES, INC.**

COMBINED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED June 30, 2002
(With Comparative Totals for June 30, 2001)**

JANE S. GETTER

**CERTIFIED PUBLIC ACCOUNTANT
331 PAGE STREET, 2ND FLOOR
STOUGHTON, MA 02072**

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.
NOAH COMMUNITY DEVELOPMENT FUND, INC.
PEACE PROPERTIES, INC., PAZ PROPERTIES, INC.,
SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

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YEAR ENDED JUNE 30, 2002
(With Comparative Totals for June 30, 2001)

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Board of Directors

Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, 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 statements of financial position of Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. (a nonprofit organization) as of June 30, 2002 and 2001 and the related combined statements of activities, functional expenses, and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 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., NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years 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 27, 2002 on our consideration of Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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 27, 2002

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002
 (With Comparative Totals for June 30, 2001)

ASSETS

	<u>2002</u>	<u>2001</u>
<u>Current Assets</u>		
Cash - Unrestricted	\$ 165,465	\$ 147,153
Cash - Restricted (note 13)	119,236	140,739
Total cash	<u>284,701</u>	<u>287,892</u>
Accounts receivable	260,053	255,786
Prepaid expenses	32,621	23,495
Deposits and escrow accounts	183,162	121,551
Current portion of mortgage loans receivable	7,094	8,813
Total current assets	<u>767,631</u>	<u>697,537</u>
<u>Other Assets</u>		
Due from related entities (note 3)	121,676	105,534
Mortgage loans receivable (note 4)	619,814	637,607
Deferred development fee from Siochain Properties Limited Partnership	55,797	-
Total other assets	<u>797,287</u>	<u>743,141</u>
<u>Investments (note 5)</u>	<u>72,900</u>	<u>73,418</u>
<u>Property and Equipment</u>		
Land - property held for rental	389,444	322,444
Buildings and improvements - property held for rental	6,917,379	3,788,641
Buildings and improvements - operations	78,635	78,635
Furniture and equipment	120,153	116,413
Capital leases	61,680	74,000
Accumulated depreciation and amortization	(697,161)	(598,010)
Total property and equipment	<u>6,870,130</u>	<u>3,782,123</u>
<u>Buildings in Development</u>	<u>507,959</u>	<u>2,695,990</u>
Total assets	<u>\$ 9,015,907</u>	<u>\$ 7,992,209</u>

See independent auditor's report.

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

COMBINED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for June 30, 2001)

LIABILITIES AND NET ASSETS

	2002	2001
<u>Current Liabilities</u>		
Accounts payable	\$ 18,031	\$ 56,840
Accrued expenses and interest	76,470	80,648
Security deposits and escrows	75,187	40,752
Due to Siochain Properties Limited Partnership	254	-
Notes payable and mortgages payable-current portion (note 6)	286,772	27,698
Capital leases payable – current (note 9)	12,336	12,300
	<hr/>	<hr/>
Total current liabilities	469,050	218,238
<u>Long-term Liabilities</u>		
Notes and mortgages payable long-term (note 6)	6,254,467	5,618,962
Deferred mortgage loans payable (note 7)	699,678	699,678
Capital leases payable (note 9)	47,288	12,301
	<hr/>	<hr/>
Total long-term liabilities	7,001,433	6,330,941
	<hr/>	<hr/>
Total Liabilities	\$ 7,470,483	\$ 6,549,179
<u>Net Assets</u>		
Unrestricted	97,440	8,057
Temporarily restricted (note 13)	48,752	185,741
Permanently restricted (notes 8, 10 and 18)	1,399,232	1,249,232
	<hr/>	<hr/>
Total net assets	\$ 1,545,424	\$ 1,443,030
	<hr/>	<hr/>
Total liabilities and net assets	\$ 9,015,907	\$ 7,992,209

See independent auditor's report.

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

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2002
(With Comparative Totals for June 30, 2001)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2002</u>	<u>Total 2001</u>
Support and Revenue					
Support					
Contributions and grants (note 10)	\$ 185,730	\$ 392,364	\$ 150,000	728,094	\$ 832,643
Forgiven loans	-	-	-	-	10,775
Net assets released from restrictions:	-	-	-	-	-
Satisfaction of program restrictions	529,353	(529,353)	-	-	-
Revenue					
Contracts (note 11)	432,148	-	-	432,148	344,376
Rental income	546,109	-	-	546,109	439,264
Management and development fees	109,462	-	-	109,462	32,537
Program service revenue	98,311	-	-	98,311	76,057
Interest income	38,768	-	-	38,768	36,922
Insurance recovery	-	-	-	-	4,633
Other Income					
Income (loss) from real estate development activities (note 12)	39,529	-	-	39,529	(59,831)
Total Support and Revenue	<u>1,979,410</u>	<u>(136,989)</u>	<u>150,000</u>	<u>1,992,421</u>	<u>1,717,376</u>
Expenses and Losses					
Program Services					
Homeowner and homebuyer services	105,376	-	-	105,376	71,790
Housing development	161,780	-	-	161,780	216,019
Neighborhood projects	242,709	-	-	242,709	193,791
Senior home services	163,521	-	-	163,521	162,439
Housing counseling	32,719	-	-	32,719	38,449
Rental housing	640,846	-	-	640,846	480,078
Lending programs	279,716	-	-	279,716	133,978
Total program services	<u>1,626,667</u>	<u>-</u>	<u>-</u>	<u>1,626,667</u>	<u>1,296,544</u>
Support Services					
General and administrative	172,703	-	-	172,703	370,996
Fundraising	89,989	-	-	89,989	120,899
Total support services	<u>262,692</u>	<u>-</u>	<u>-</u>	<u>262,692</u>	<u>491,895</u>
Total expenses	<u>1,889,359</u>	<u>-</u>	<u>-</u>	<u>1,889,359</u>	<u>1,788,439</u>
Other Losses					
Loss on investments	668	-	-	668	567
Total Expenses and Losses	<u>1,890,027</u>	<u>-</u>	<u>-</u>	<u>1,890,027</u>	<u>1,789,006</u>
Change in net assets	89,383	(136,989)	150,000	102,394	(71,630)
Net assets at beginning 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>
Net assets at end of year	<u>\$ 97,440</u>	<u>\$ 48,752</u>	<u>\$ 1,399,232</u>	<u>\$ 1,545,424</u>	<u>\$ 1,443,030</u>

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

NOAH - ALL COMPANIES
 COMBINED STATEMENT OF FUNCTIONAL EXPENSES
 AFTER INTER-COMPANY CONSOLIDATION
 YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for June 30, 2001)

	Program Services										Fundraising Expenses	2002 Total/All Expenses	2001 Total All Expenses
	Homeowner and Homebuyer	Housing Development	Neighborhood Projects	Senior Home Services	Housing Counseling	Rental Housing	Lending Programs	Total Program Services	General and Administrative				
Salaries	82,374	76,944	137,711	75,796	25,000	152,045	162,983	712,853	9,124	56,574	778,351	769,160	
Payroll taxes	7,370	6,378	12,685	6,257	2,682	11,565	7,483	54,421	9,911	4,867	69,198	69,259	
Employee benefits	4,523	5,449	11,280	13,568	2,148	23,238	7,294	67,500	13,549	4,389	85,438	83,592	
Insurance - workers compensation	-	-	-	(1,571)	-	-	-	(1,571)	2,182	-	611	11,616	
Total Salaries and Related Expenses	94,267	88,771	161,677	94,050	29,831	186,848	177,760	833,204	34,765	65,829	933,798	933,627	
Audit	-	5,100	2,800	1,000	600	8,000	-	17,500	-	1,000	18,500	26,500	
Advertising and marketing	2,038	689	1,112	56	-	-	1,709	5,603	301	771	6,675	6,260	
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	-	
Computer expense	1,176	455	781	182	182	362	2,776	5,913	13,083	182	19,178	14,531	
Consultants	1,029	15,191	31,110	2,465	-	4,432	46,874	101,700	8,799	12,775	122,674	134,790	
Dues and subscriptions	388	109	110	-	-	-	322	929	6,605	250	7,784	6,993	
Equipment rental	-	-	268	-	-	-	-	268	2,508	-	2,776	794	
Fees and permits	-	202	-	-	-	270	-	472	250	-	722	755	
Grants	-	-	-	-	-	-	-	-	-	-	-	-	
Interest expense	-	-	-	-	-	111,809	18,579	130,387	0	-	130,388	132,683	
Legal fees	-	34,748	-	-	-	3,902	150	36,800	1,837	-	40,637	26,225	
Management and administrative	-	-	-	-	-	-	-	-	5,557	-	5,557	1,500	
Materials	-	-	-	24,176	-	17,803	-	41,979	1,039	-	43,018	42,373	
Meeting expense	512	273	2,918	15	-	107	457	4,281	4,897	201	9,379	9,867	
Office expense	989	1,653	3,180	1,428	700	2,985	2,018	12,953	13,417	1,377	27,746	21,052	
Outside contractors	-	-	16,000	21,062	-	3,199	-	40,260	4,433	-	44,694	24,064	
Payroll services	-	-	62	-	-	-	-	62	1,459	-	1,521	1,406	
Postage and shipping	373	504	1,712	403	249	571	1,249	5,061	2,108	1,068	8,237	7,957	
Printing and copying	200	150	1,092	35	75	233	538	2,323	168	4,596	7,087	2,975	
Program expenses	661	914	9,216	13,452	-	7,865	18,790	50,898	6,954	715	58,567	43,288	
Insurance	-	-	260	1,262	-	30,939	2,166	34,627	18,512	-	53,139	45,257	
Real estate taxes	-	-	-	-	-	42,379	-	42,379	1,635	-	44,015	33,825	
Rent and occupancy	3,000	8,400	3,425	-	-	581	2,970	18,376	1,004	-	19,380	22,064	
Repairs and maintenance	-	2,687	1,812	399	399	21,927	-	27,223	7,412	399	35,034	43,471	
Small furnishings	-	-	-	-	-	-	-	-	-	-	-	-	
Staff development	(125)	-	1,642	-	45	200	1,630	3,392	2,551	25	5,968	16,602	
Subscriptions	-	-	-	-	-	-	-	-	-	-	-	-	
Telephone	868	1,842	3,207	725	638	2,809	1,340	11,430	2,186	792	14,408	12,304	
Travel and transportation	-	33	325	2,812	-	1,858	389	5,417	680	10	6,107	5,960	
Utilities	-	59	-	-	-	45,350	-	45,409	4,619	-	50,027	46,068	
Total before depreciation and amortization	105,376	161,780	242,709	163,521	32,719	640,846	279,716	1,480,248	146,779	89,989	1,717,016	1,663,191	
Depreciation and amortization	-	-	-	-	-	146,418	-	146,418	25,925	-	172,344	125,250	
Total Expenses	105,376	161,780	242,709	163,521	32,719	640,846	279,716	1,626,667	172,704	89,989	1,889,359	1,788,441	

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002
(With Comparative Totals for June 30, 2001)

	<u>2002</u>	<u>2001</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 102,394	\$ (71,630)
Adjustments to reconcile excess of support and revenue over expenses to net cash used by operating activities:		
Depreciation and amortization	172,343	126,768
Loss on investments	668	567
(Gain) loss on sale of residential real estate	(39,529)	414,139
Additions to buildings in development	(1,106,841)	(2,251,855)
Capitalized development fees eliminated in intercompany combination	162,751	41,100
Proceeds from sale of residential real estate	140,191	170,067
Insurance recovery	107,307	
Income from housing development subsidies (loans forgiven)	-	(360,000)
(Increase) decrease in:		
Accounts receivable	(4,267)	298,191
Prepaid expenses	(9,126)	11,098
Deposits and escrow accounts	(61,611)	102,447
Deferred development fees	(55,797)	-
Due from related entities	(16,142)	(2,345)
Increase (decrease) in:		
Accounts payable and accrued expenses	(42,987)	(100,252)
Security deposits payable	34,435	(116,395)
<u>Net Cash (Used) by In Operating Activities</u>	<u>(616,211)</u>	<u>(1,738,100)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of furniture and equipment	(3,740)	(5,103)
Building improvements -- operations	-	(7,665)
Loans to homeowners	(265,760)	(159,200)
Loans repaid by homeowners	109,763	192,069
Additions to rental property	(109,516)	(127,358)
Investment in NOAH Trinity Limited Partnership	-	(2,857)
<u>Net Cash (Used) by Investing Activities</u>	<u>(269,253)</u>	<u>(110,114)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from permanently restricted contributions	-	150,000
Lease payments	(12,306)	(12,301)
Proceeds from mortgages and loans	944,150	2,165,173
Payments on mortgages and loans	(49,571)	(472,511)
<u>Net Cash Provided by Financing Activities</u>	<u>882,273</u>	<u>1,830,361</u>
<u>Net Increase (decrease) in Cash</u>	<u>(3,191)</u>	<u>(17,853)</u>
<u>Cash - Beginning</u>	<u>287,892</u>	<u>316,520</u>
<u>Cash - Ending</u>	<u>\$ 284,701</u>	<u>\$ 298,667</u>

See independent auditor's report.

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002
(With Comparative Totals for June 30, 2001)

(Continued)

Supplemental Disclosure of Cash Flows Information

Cash paid during the year for interest	<u>\$130,388</u>
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Supplemental Schedule of Non Cash Investing and Financing Activities

Sale of loans to other lenders	\$ 108,776
Homeowner repayment used to payoff loans payable	124,493
Capital leases acquired	61,680

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002
(With Comparative Totals for June 30, 2001)

(1) Organization and Nature of Activities

The accompanying financial statements include the accounts of Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. for the year ended June 30, 2002. Neighborhood of Affordable Housing, Inc., together with NOAH Community Development Fund, Inc., 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., NOAH Community Development Fund, 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.

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002
(With Comparative Totals for June 30, 2001)

(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., NOAH Community Development Fund, 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).

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, 2001, 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.

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
 NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002
 (With Comparative Totals for June 30, 2001)

(Continued)

(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.

Siochain Properties, Inc. is the .01% general partner in Siochain Properties Limited Partnership, which was formed to develop rental properties in East Boston.

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

	June 30, 2002	June 30, 2001
NOAH Trinity, Inc.	\$ 8,413	\$ 7,782
NOAH Trinity Limited Partnership	80,372	80,372
Siochain Properties Limited Partnership	32,891	17,380
Total	\$ 121,676	\$ 105,534

(4) Mortgage Loans Receivable

At June 30, 2002 the Organization had outstanding loans receivable from local residents for purchase and/or rehabilitation of low-to-moderate income housing, totaling \$ 626,908 at June 30, 2002 and \$ 646,420 at June 30, 2001. 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, 2002. Maturities of loans receivable are as follows:

Year Ended June 30	Total	Less interest	Principal
2003	34,561	27,467	7,094
2004	34,561	26,856	7,705
2005	34,561	26,329	8,232
2006	34,561	25,769	8,792
2007	34,560	25,164	9,396
	\$ 172,804	\$ 131,585	\$ 41,219
After 2007			585,689
Total			\$ 626,908

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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COMBINED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for June 30, 2001)

(Continued)

(6) Notes and Mortgages Payable (continued)

	<u>Balance</u> <u>Current</u>	<u>Long-Term</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>June 30, 2001</u>
<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
7% note secured by property at Lexington and Putnam Street, East Boston, due June, 2002	-	198,834	198,834	88,030
8% note secured by properties in development at 143-153 Border Street, East Boston, MA, interest payable monthly, due December 3, 2002.	-	327,499	327,499	302,067
7% note secured by property at 227 Princeton Street, due June 30, 2002.	-	187,293	187,293	59,604
<u>City of Boston Department of Neighborhood Development</u>				
MAP/TAP loan for neighborhood business development	-	25,000	25,000	25,000
<u>Local Initiatives Support Corporation</u>				
	-	530,965	530,965	297,215
<u>Mass Development Finance Agency</u>				
	-	25,000	25,000	25,000
<u>CEDAC</u>				
7% note secured by property at 143-153 Border Street	<u>106,947</u>	<u>-</u>	<u>106,947</u>	<u>-</u>
Total Notes and Mortgages payable by Peace Properties, Inc.	<u>\$ 106,947</u>	<u>\$ 1,294,591</u>	<u>\$ 1,401,538</u>	<u>\$ 857,893</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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 (With Comparative Totals for June 30, 2001)

(Continued)

(6) <u>Notes and Mortgages Payable (continued)</u>	<u>Current</u>	<u>Long-Term</u>	<u>Balance</u> <u>June 30, 2002</u>	<u>Balance</u> <u>June 30, 2001</u>
<u>Notes and Mortgages Payable by Paz Properties, Inc.</u>				
<u>Boston Community Capital</u>				
8% loan secured by property at Eutaw and Meridian Streets, East Boston, MA due March 31, 2013	\$ 3,559	61,773	65,332	69,417
City of Boston Department of Neighborhood Development (note 21)				
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	354,811	354,811
5% second mortgage secured by property at 359-363 Meridian Street, East Boston, MA	-	727,245	727,245	727,245
Second Mortgage secured by property at 115 Everett Street, East Boston, MA	-	452,369	452,369	-
<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	6,451	410,477	416,928	422,396
7.67% note for \$412,000; secured by property at 115 Everett Street, East Boston, MA; balance due October 3, 2021	3,843	406,247	410,090	-
Second mortgage loans secured by property at 115 Everett Street, East Boston, MA (formerly owed by Peace Properties, Inc.)	<u>-</u>	<u>961,315</u>	<u>961,315</u>	<u>1,297,280</u>
Total Notes and Mortgages payable by Paz Properties, Inc.	<u>\$ 13,853</u>	<u>\$ 4,201,682</u>	<u>\$ 4,215,535</u>	<u>\$ 3,698,594</u>

See independent auditor's report

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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FOR THE YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for June 30, 2001)

(Continued)

(6) Notes and Mortgages Payable (continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Balance June 30, 2002</u>	<u>Balance June 30, 2001</u>
<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	\$ 14,153	\$ 681,264	\$ 695,417	\$ 708,490
Total mortgages and notes payable by Shalom Properties, Inc	<u>\$ 14,153</u>	<u>\$ 681,264</u>	<u>\$ 695,417</u>	<u>\$ 708,490</u>
Total notes and mortgages payable - all companies	<u>\$ 286,772</u>	<u>\$ 6,254,467</u>	<u>\$ 6,541,239</u>	<u>\$ 5,646,660</u>

(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, 2002</u>	<u>Balance June 30, 2001</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.	<u>-</u>	<u>245,339</u>	<u>245,339</u>	<u>245,339</u>
Total deferred mortgage loans	<u>\$ -</u>	<u>\$ 699,678</u>	<u>\$ 699,678</u>	<u>\$ 699,678</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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FOR THE YEAR ENDED JUNE 30, 2002
 (With Comparative Totals for June 30, 2001)

(Continued)

June 30, 2002 June 30, 2001

(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 (note 18)

\$ 1,399,232 \$ 1,249,232

(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>
2003	\$ 286,864
2004	57,272
2005	32,852
2006	35,568
2007	<u>38,511</u>
	451,067
After 2007	<u>\$ 6,090,172</u>
Total	<u>\$ 6,541,239</u>

Future minimum lease payments of capital leases are as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2003	\$ 12,336
2004	12,336
2005	12,336
2006	12,336
2007	<u>10,280</u>
Total	<u>\$ 59,624</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(10) Contributions and Grants

Temporarily Restricted Grants

<u>Donor</u>	<u>Program Restrictions</u>	<u>Amount</u>
Campbell and Hall Charity Fund	Senior Homeowner Services	\$ 8,000
Citizen's Bank	Annual Event	5,000
Clipper Ship Foundation, Inc	Housing Services	5,000
Jessie B. Cox Charitable Trust	Chelsea Creek	40,000
East Boston Savings Bank	Housing Seminars	500
Fannie Mae Foundation	Annual Meeting	1,000
Federal Home Loan Bank of Boston/ Boston Federal Savings Bank	Lending	10,000
Fleet Boston Financial Foundation	Rental Housing	20,000
John Hancock Life Insurance Co.	East Boston School Yards	10,000
John S. and James L. Knight Foundation	Housing Services	5,000
The Lenny Fund	Schoolyard Summer Program	6,000
Local Initiatives Support Corporation	Real Estate Development	15,000
Local Initiatives Support Corporation	Vacancy Reduction	10,000
Local Initiatives Support Corporation	Board development consultant	5,000
Local Initiatives Support Corporation	Staff Development	6,000
Merck Family Fund	Community and Environmental Programs	29,832
Neighborhood Reinvestment Corporation	Housing Counseling	12,032
Mellon Bank	Homebuyer workshop	3,000
Sailors' Sung Harbor of Boston	Senior Homeowner Services	10,000
US Department of the Treasury Community Development Financial Institutions Fund	Lending and Technical Assistance	171,000
United Way	Rental Housing	<u>20,000</u>
Temporarily restricted grants for the year ended June 30, 2002		<u>\$ 392,364</u>
Temporarily restricted grants for the year ended June 30, 2001		<u>\$ 450,215</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(10) Contributions and Grants (continued)

Permanently Restricted Grants

Neighborhood Reinvestment Corporation	\$ <u>150,000</u>
Permanently restricted grants for the year ended June 30, 2002:	\$ <u>150,000</u>
Permanently restricted grants for the year ended June 30, 2001:	\$ <u>150,000</u>

Unrestricted Grants

Conservation Services Group, Inc.	\$ 24,000
Hilton Hotels Corporation	3,000
Neighborhood Reinvestment Corporation	4,000
Neighborhood Reinvestment Corporation	45,000
N Star	3,300
Save the Harbor Save the Bay	1,250
United Way	92,143
Other Contributions	<u>13,037</u>
Unrestricted grants for the year ended June 30, 2002	\$ <u>185,730</u>
Unrestricted grants for the year ended June 30, 2001:	\$ <u>232,428</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(11) Contracts

Contracts for the year ended June 30, 2002 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	\$ 50,000	\$ 50,000
Department of Environmental Protection Bureau of Waste Site Management	4,032	4,032
Executive Office of Environmental Affairs, Massachusetts Environmental Trust	11,250	11,250
<u>City of Boston</u>		
Community Partners for Summer Program	6,925	6,925
Department of Neighborhood Development for Housing Counseling	40,000	40,000
Department of Neighborhood Development for Senior Homeowner Services	161,734	161,734
<u>U.S. Environmental Protection Agency</u>		
Direct Contribution	37,136	37,136
Pass-through from East Boston Ecumencial Community Council, Inc.	49,190	49,190
<u>Other Contracts</u>		
Neighborhood Development Support Collaborative (CHDO)	25,251	25,251
Greater Boston Urban Resource Partnership	13,588	13,588
Edward Ingersoll Browne Fund	5,000	5,000
Chelsea Human Services	20,542	20,542
Urban Ecology Institute	7,500	7,500
Total contracts for the year ended June 30, 2002	<u>\$ 432,148</u>	<u>\$ 432,148</u>
Total contracts for the year ended June 30, 2001	<u>\$ 344,376</u>	<u>\$ 344,376</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(Continued)

(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 \$72,900 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 \$31,500 per year. Accounts receivable included \$24,415 due from the partnership at June 30, 2002 and 2001.

Siochain Properties, Inc. is the .01% limited partner of Siochain Properties Limited Partnership, which was formed to develop rental properties in East Boston.

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 \$ 46,177. 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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.

(25) Combining Entries	Neighborhood of Affordable Housing			Stochain Properties Inc.			All Corporations Combined 2002	All Corporations Combined 2001
	Before Combination	Combining Entries	Co	Before Combination	Combining Entries	After Combination		
Assets								
Current assets and cash	409,202	(99,791)					760,538	794,256
Due from related entities	188,894	(85,998)					121,676	-
Mortgage loans receivable	-	-		-	-	-	626,907	646,420
Property & Equipment	77,687	-		-	-	-	7,126,721	3,781,727
Other non-current assets	55,797	-		-	-	-	55,797	-
Long-term Investments	72,900	-		-	-	-	72,900	73,418
Buildings in development	-	-		-	-	-	597,687	2,879,954
Less capitalized intercompany costs	-	-		-	-	-	(346,319)	(183,568)
Total Assets	804,480	(185,789)		-	-	-	9,015,907	7,992,209
Liabilities								
Current liabilities	75,837	-		-	-	-	468,796	268,239
Long-term liabilities	97,288	-		-	-	-	7,001,433	6,280,940
Due to related entities	45,000	(45,000)		254	-	254	254	-
Total Liabilities	218,125	(45,000)		254	-	254	7,470,483	6,549,179
Net Assets								
Unrestricted net assets	586,355	(140,786)		(254)	-	(254)	97,443	8,057
Temporarily restricted net assets	-	-		-	-	-	48,752	185,741
Permanently restricted net assets	-	-		-	-	-	1,399,232	1,249,232
Total Net Assets	586,355	(140,789)		(254)	-	(254)	1,545,424	1,443,030
Total Liabilities and Net Assets	804,480	(185,789)		-	-	-	9,015,907	7,992,209
Support and Revenue								
Contributions, grants and contracts	690,435	-		-	-	-	1,160,242	1,177,019
Management fees	457,350	(418,684)		-	-	-	38,666	25,953
Development fees	192,431	(121,635)		-	-	-	70,796	6,584
Rental income	-	-		-	-	-	546,109	439,264
Loans forgiven	-	-		-	-	-	-	370,775
Gain (loss) on sale of real estate	-	-		-	-	-	39,529	(419,831)
Program service income	27,591	-		-	-	-	98,311	76,057
Interest income	765	-		-	-	-	38,768	36,822
Insurance recovery	-	-		-	-	-	-	4,633
Total Support and Revenue	1,368,572	(540,319)		-	-	-	1,992,421	1,717,376
Expenses and Losses								
Grants	908,878	(908,878)		-	-	-	-	-
Expenses	1,300,284	(218,952)	1	105	-	105	1,717,016	1,663,189
Loss on investments	519	-		149	-	149	668	567
Subtotal	2,209,681	(1,127,830)	1	254	-	254	1,717,684	1,663,756
Depreciation and amortization	24,161	-		-	-	-	172,343	125,250
Total expenses and losses	2,233,822	(1,127,830)	1	254	-	254	1,890,027	1,789,006
Change in net assets	(865,250)	587,511	(2)	(254)	-	(254)	162,394	(71,630)
Net assets beginning	1,451,605	(1,674,046)	(2)	-	-	-	1,443,030	1,514,660
Net assets ending	586,355	(1,086,535)	(5)	(254)	-	(254)	1,545,424	1,443,030

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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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, 2002 or 2001.

(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

	Year Ended June 30, 2002	Year Ended June 30, 2001
	\$ -	\$
Cash in Bank	119,236	140,740
Mortgage Loans Receivable	381,072	290,654
Buildings in Development	<u>898,924</u>	<u>817,838</u>
Total assets	<u>1,399,232</u>	<u>1,249,232</u>
Total net assets	<u>\$ 1,399,232</u>	<u>\$ 1,249,232</u>

Buildings In Development
Company

	<u>Address</u>	<u>Amount</u>
Shalom Properties, Inc	Various (7 Buildings)	100,000
Paz Properties, Inc	115 Everett St	207,108
Peace Properties, Inc	Border St	217,214
Peace Properties, Inc	79 Border St	185,500
Peace Properties, Inc	227 Princeton St	77,500
Peace Properties, Inc	196 Lexington St	89,500
Peace Properties, Inc	332 Meridian St	<u>22,102</u>
		<u>\$898,924</u>

(19) CEED Contract

Expenditures for the contract from the Massachusetts Department of Housing and Community Development, Community Enterprise Economic Development Program, for the year ended June 20, 2002, were as follows:

Salaries	\$ 42,000
Fringe benefits and taxes	<u>8,000</u>
	<u>\$ 50,000</u>

(20) Cash in Banks

At June 30, 2002 all cash was fully insured through the FDIC.

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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, 2002:

Paz Properties, Inc.	\$ 316,210
Shalom Properties, Inc.	<u>91,876</u>
Total contingent liability	<u>\$ 408,086</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.

(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, 2002, Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, 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>\$ 130,388</u>
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See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2002

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		\$ 12,032 *	
<u>Pass-Through from City of Boston</u>				
<u>Department of Neighborhood Development</u>				
<u>Community Development Block Grants</u>				
Housing Counseling	14.218		40,000	
Senior Home Services	14.218		161,734	
Loan for Rental Housing	14.218		452,369	
Total Community Development Block Grants			<u>654,103</u>	
<u>Pass-Through from Neighborhood Development Support Collaborative - HOME/CHDO</u>				
Home Investment Partnership Program	14.239		<u>25,251</u>	
<u>Neighborhood Reinvestment Corporation</u>				
	n/a	Enabling legislation Public Law 95-957	<u>199,000</u>	
<u>U.S. Department of Agriculture</u>				
<u>Pass-Through from Chelsea Human Services</u>				
Cooperative Forestry Assistance	10.664		20,542	
<u>Pass-Through from Greater Boston Urban Resource Partnership</u>				
Cooperative Forestry Assistance	10.664		<u>13,588</u>	
Total Cooperative Forestry Assistance			<u>34,130 *</u>	
<u>U.S. Environmental Protection Agency</u>				
Surveys, Studies, Investigations and Special Purpose Grants - Direct Contract				
	66.606		37,136	
<u>Pass-Through from East Boston Ecumenical Community Council, Inc.</u>				
Surveys, Studies, Investigations and Special Purpose Grants				
	66.606		<u>49,190</u>	
Total Surveys, Studies			<u>86,326 *</u>	
<u>U.S. Department of the Treasury</u>				
Community Development Financial Institutions Program	21.02		<u>171,000 *</u>	
Total federal expenditures			<u>1,181,842</u>	

*Major Program

The accompanying notes are an integral part of this schedule.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC., NOAH COMMUNITY DEVELOPMENT FUND, INC.,
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

(Continued)

Additional Balances of Federal Loans at June 30, 2002

	Federal CFDA Number	Pass-Through Entity Identifying number	Federal Expenditures	Other Outstanding Balances
<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			1,122,279
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., NOAH Community Development Fund, 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.,
NOAH COMMUNITY DEVELOPMENT FUND, 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, 2002

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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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:

Cooperative Forestry Assistance	10.664
Community Development Financial Institutions Program	14.218
Housing Counseling Assistance Program	14.169
Surveys, Studies, Investigations and Special Purpose Grants	66.606

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, 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



JANE S. GETTER

CERTIFIED PUBLIC ACCOUNTANT

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Board of Directors

Neighborhood Affordable Housing, Inc., NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., 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., NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. as of and for the year ended June 30, 2002, and have issued our report thereon dated November 27, 2002. 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc. and Siochain Properties, Inc. in a separate letter dated November 27, 2002.

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 27, 2002



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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., NOAH Community Development Fund, 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, 2002. Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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, 2002.


Internal Control Over Compliance

The management of Neighborhood of Affordable Housing, Inc., NOAH Community Development Fund, 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., NOAH Community Development Fund, 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*.

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 27, 2002