

**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, 2003
(With Comparative Totals for June 30, 2002)**

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, 2003
(With Comparative Totals for June 30, 2002)

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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, 2003 and the related combined statement of activities, functional expenses, and cash flows for the year 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 audit.

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 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, 2003, 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 26, 2003 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 26, 2003

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, 2003
(With Comparative Totals for June 30, 2002)

ASSETS

	<u>2003</u>	<u>2002</u>
<u>Current Assets</u>		
Cash - Unrestricted	\$ 330,410	\$ 165,465
Cash - Restricted	336,029	119,236
Total cash	<u>666,439</u>	<u>284,701</u>
Accounts receivable	395,620	260,053
Prepaid expenses	16,736	32,621
Deposits and escrow accounts	197,133	183,162
Current portion of mortgage loans receivable (note 4)	89,264	7,094
Total current assets	<u>1,365,192</u>	<u>767,631</u>
<u>Other Assets</u>		
Due from related entities (note 3)	135,411	121,676
Mortgage loans receivable (note 4)	842,471	619,814
Deferred development fee from Siochain Properties Limited Partnership	55,797	55,797
Total other assets	<u>1,033,679</u>	<u>797,287</u>
Investments (note 5)	<u>72,607</u>	<u>72,900</u>
<u>Property and Equipment</u>		
Land - property held for rental	389,444	389,444
Buildings and improvements - property held for rental	5,499,938	5,514,950
Buildings and improvements - operations	78,635	78,635
Furniture and equipment	123,638	120,153
Capital leases	61,680	61,680
Accumulated depreciation and amortization	(884,215)	(710,705)
Total property and equipment	<u>5,269,120</u>	<u>5,454,157</u>
Buildings in Development	<u>1,869,122</u>	<u>1,923,932</u>
Total assets	<u>\$ 9,609,720</u>	<u>\$ 9,015,907</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, 2003
 (With Comparative Totals for June 30, 2002)

LIABILITIES AND NET ASSETS

	<u>2003</u>	<u>2002</u>
<u>Current Liabilities</u>		
Accounts payable	\$ 217,155	\$ 18,031
Accrued expenses and interest	83,467	76,470
Security deposits and escrows	63,937	75,187
Due to Siochain Properties Limited Partnership	303	254
Notes payable and mortgages payable-current portion (note 6)	212,243	286,772
Capital leases payable – current (note 9)	12,336	12,336
Total current liabilities	<u>589,441</u>	<u>469,050</u>
<u>Long-term Liabilities</u>		
Notes and mortgages payable long-term (note 6)	5,502,125	6,254,467
Deferred mortgage loans payable (note 7)	1,660,993	699,678
Capital leases payable (note 9)	35,905	47,288
Total long-term liabilities	<u>7,199,023</u>	<u>7,001,433</u>
Total Liabilities	<u>\$ 7,788,464</u>	<u>\$ 7,470,483</u>
<u>Net Assets</u>		
Unrestricted	(207,976)	97,440
Temporarily restricted (note 13)	430,000	48,752
Permanently restricted (notes 8, 10 and 19)	1,599,232	1,399,232
Total net assets	<u>\$ 1,821,256</u>	<u>\$ 1,545,424</u>
Total liabilities and net assets	<u>\$ 9,609,720</u>	<u>\$ 9,015,907</u>

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, 2003
(With Comparative Totals for June 30, 2002)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2003</u>	<u>Total 2002</u>
Support and Revenue					
Support					
Contributions and grants (note 10)	\$ 154,831	\$ 848,564	\$ 200,000	1,203,395	\$ 728,094
Net assets released from restrictions:					
Satisfaction of program restrictions	467,316	(467,316)	-	-	-
Revenue					
Contracts (note 11)	305,397	-	-	305,397	432,148
Rental income	577,611	-	-	577,611	546,109
Management and development fees	125,759	-	-	125,759	109,462
Program service revenue	164,636	-	-	164,636	98,311
Interest income	46,450	-	-	46,450	38,768
Other Income					
Income (loss) from real estate development activities (note 12)	(36,594)	-	-	(36,594)	39,529
Total Support and Revenue	1,805,406	381,248	200,000	2,386,654	1,992,421
Expenses and Losses					
Program Services					
Homeowner and homebuyer services	99,506	-	-	99,506	105,376
Housing development	176,140	-	-	176,140	161,780
Neighborhood projects	314,277	-	-	314,277	242,709
Senior home services	168,507	-	-	168,507	163,521
Housing counseling	31,719	-	-	31,719	32,719
Rental housing	710,884	-	-	710,884	640,846
Lending programs	252,824	-	-	252,824	279,716
Total program services	1,753,857	-	-	1,753,857	1,626,667
Support Services					
General and administrative	249,569	-	-	249,569	172,703
Fundraising	89,911	-	-	89,911	89,989
Total support services	339,480	-	-	339,480	262,692
Total expenses	2,093,337	-	-	2,093,337	1,889,359
Other Losses					
Loss on investments	307	-	-	307	668
Total Expenses and Losses	2,093,644	-	-	2,093,644	1,890,027
Change in net assets	(288,238)	381,248	200,000	293,010	102,394
Net assets at beginning of year	97,440	48,752	1,399,232	1,545,424	1,443,030
Prior period adjustment (note 14)	(17,178)	-	-	(17,178)	-
Net assets at end of year	\$ (207,976)	\$ 430,000	\$ 1,599,231	\$ 1,821,256	\$ 1,545,424

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, 2003
 (With Comparative Totals for June 30, 2002)

	Program Services										Fundraising	General and Administrative	2003 Total All Expenses	2002 Total All Expenses
	Homeowner and Homebuyer	Housing Development	Neighborhood Projects	Senior Home Services	Housing Counselling	Rental Housing	Lending Programs	Total Program Services						
Salaries	75,266	83,682	123,861	85,866	23,060	152,674	134,458	678,667	60,351	86,868	826,085	778,551		
Payroll taxes	6,848	7,590	13,859	8,344	2,880	12,842	13,994	66,357	5,837	16,386	88,580	69,198		
Employee benefits	-	2,166	8,095	10,826	2,580	25,179	-	46,846	4,795	14,063	67,044	85,438		
Insurance - workers compensation	6,544	-	-	8,769	-	7,351	12,239	34,902	-	21,222	56,124	611		
Total Salaries and Related Expenses	88,659	93,438	145,815	113,804	28,520	198,047	160,690	828,972	70,982	138,539	1,038,492	957,938		
Audit	4,500	3,000	3,000	1,500	-	5,000	11,500	28,500	500	1,000	30,000	18,500		
Advertising and marketing	3,085	249	1,295	716	-	-	4,230	9,575	-	765	10,340	6,675		
Bad debt expense	-	-	2,026	-	-	-	-	2,026	-	-	2,026	-		
Computer expense	443	1,618	6,470	1,618	1,618	6,397	8,380	26,543	1,935	4,893	33,371	19,178		
Consultants	-	65,500	41,866	-	-	4,325	1,363	113,054	7,507	4,128	124,689	122,674		
Dues and subscriptions	280	-	30	-	-	-	544	854	75	3,094	4,023	7,784		
Equipment rental	139	-	-	-	-	1,229	323	1,697	-	1,164	2,861	2,776		
Fees and permits	-	50	-	-	-	280	1,484	1,814	-	300	2,114	722		
Interest expense	-	-	-	-	-	129,483	12,579	142,067	-	0	142,067	130,388		
Legal fees	-	1,968	-	-	-	915	105	2,988	-	280	3,268	40,637		
Management and administrative	-	-	-	-	-	-	19,660	19,660	-	10,205	30,865	5,557		
Materials	-	10	-	27,100	-	17,301	-	44,411	-	1,057	45,468	43,018		
Meeting expense	39	951	1,045	101	-	116	220	2,471	13	1,884	4,968	9,379		
Office expense	531	1,043	2,846	689	679	3,515	3,681	12,984	1,890	4,191	19,065	27,746		
Outside contractors	-	-	95,347	18,878	-	12,750	-	126,976	-	4,804	131,780	44,694		
Payroll services	-	-	-	-	-	-	-	-	-	1,622	1,622	1,521		
Postage and shipping	225	799	1,132	282	282	1,590	2,951	7,261	694	930	8,884	8,237		
Printing and copying	-	-	208	-	-	-	69	277	4,572	669	5,519	7,087		
Program expenses	-	25	8,000	95	-	12,452	13,339	33,910	351	11,278	45,539	58,567		
Insurance	-	-	884	-	-	38,387	2,609	41,880	-	17,413	59,293	53,139		
Real estate taxes	-	4,008	-	-	-	44,058	-	48,066	-	-	48,066	44,015		
Rent and occupancy	1,409	-	-	-	-	795	4,957	7,161	-	11,216	18,377	19,380		
Repairs and maintenance	(330)	242	630	-	122	24,850	-	25,843	243	919	27,005	35,034		
Staff development	499	440	1,128	-	-	1,745	2,191	5,173	70	1,660	6,903	5,968		
Telephone	499	996	1,995	499	499	4,564	1,495	10,546	996	1,579	13,121	14,408		
Travel and transportation	28	146	560	3,225	-	3,485	455	7,899	82	600	8,580	6,107		
Utilities	-	1,661	-	-	-	47,240	-	48,901	-	4,431	53,332	50,027		
Total before depreciation and amortization	99,506	176,140	314,277	169,507	317,119	568,523	252,824	1,601,495	89,914	228,619	1,920,025	1,677,016		
Depreciation and amortization	-	-	-	-	-	152,362	-	152,362	-	20,951	173,313	172,344		
Total Expenses	99,506	176,140	314,277	169,507	317,119	720,885	252,824	1,753,857	89,914	249,570	2,093,337	1,849,360		

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, 2003
(With Comparative Totals for June 30, 2002)

	2003	2002
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 293,010	\$ 102,394
Adjustments to reconcile excess of support and revenue over expenses to net cash used by operating activities:		
Depreciation and amortization	173,312	172,343
Loss on investments	307	668
(Gain) loss on sale of residential real estate	614,892	(39,529)
Additions to buildings in development	(1,047,220)	(1,106,841)
Capitalized development fees eliminated in intercompany combination	(85,591)	162,751
Proceeds from sale of residential real estate	63,169	140,191
Insurance recovery	-	107,307
Income from housing development subsidies	(578,298)	-
(Increase) decrease in:		
Accounts receivable	(135,567)	(4,267)
Prepaid expenses	15,885	(9,126)
Deposits and escrow accounts	(13,971)	(61,611)
Deferred development fees	-	(55,797)
Due from related entities	(13,735)	(16,142)
Increase (decrease) in:		
Accounts payable and accrued expenses	206,121	(42,987)
Security deposits payable	(11,250)	34,435
Due to related parties	(49)	-
<u>Net Cash (Used) by In Operating Activities</u>	<u>(518,985)</u>	<u>(616,211)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of furniture and equipment	(3,485)	(3,740)
Loans to homeowners	(677,235)	(265,760)
Loans repaid by homeowners	372,407	109,763
Additions to rental property	(26,329)	(109,516)
<u>Net Cash (Used) by Investing Activities</u>	<u>(334,642)</u>	<u>(269,253)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from permanently restricted contributions	-	-
Lease payments	(12,306)	(12,306)
Proceeds from mortgages and loans	2,458,255	944,150
Payments on mortgages and loans	(1,210,584)	(49,571)
<u>Net Cash Provided by Financing Activities</u>	<u>1,235,365</u>	<u>882,273</u>
<u>Net Increase (decrease) in Cash</u>	<u>381,738</u>	<u>(3,191)</u>
<u>Cash - Beginning</u>	<u>284,701</u>	<u>287,892</u>
<u>Cash - Ending</u>	<u>\$ 666,439</u>	<u>\$ 284,701</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, 2003
(With Comparative Totals for June 30, 2002)

(Continued)

Supplemental Disclosure of Cash Flows Information

Cash paid during the year for interest \$ 142,062

Supplemental Schedule of Non Cash Investing and Financing Activities

Loan proceeds used to purchase real estate at closing	465,000
Loans repaid at closing - sale of real property	790,069
Loans proceeds used to pay off other loans	541,645

See independent auditor's report.
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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, 2003
(With Comparative Totals for June 30, 2002)

(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, 2003. 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.,
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SHALOM PROPERTIES, INC. AND SIOCHAIN PROPERTIES, INC.

COMBINED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003
(With Comparative Totals for June 30, 2002)

(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, 2002, 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.,
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COMBINED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003
 (With Comparative Totals for June 30, 2002)

(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:

	<u>June 30, 2003</u>	<u>June 30, 2002</u>
NOAH Trinity, Inc.	\$ 9,148	\$ 8,413
NOAH Trinity Limited Partnership	80,372	80,372
Siochain Properties Limited Partnership	45,891	32,891
Total	\$ 135,411	\$ 121,676

(4) Mortgage Loans Receivable

At June 30, 2003 the Organization had outstanding loans receivable from local residents for purchase and/or rehabilitation of low-to-moderate income housing, totaling \$ 931,735 at June 30, 2003 and \$ 626,908 at June 30, 2002. 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, 2003. Maturities of loans receivable are as follows:

<u>Year Ended June 30</u>	<u>Total</u>	<u>Less interest</u>	<u>Principal</u>
2004	124,383	35,119	89,264
2005	41,472	34,420	7,052
2006	41,472	33,916	7,556
2007	41,472	33,417	8,055
2008	41,472	32,885	8,587
	\$ 290,271	\$ 169,757	\$ 120,514
After 2007			811,221
Total			\$ 931,735

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, 2003
(With Comparative Totals for June 30, 2002)

(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 \$ 72,607 at June 30, 2003 and \$ 72,900 at June 30, 2002.

(6) Notes and Mortgages Payable

	<u>Current</u>	<u>Long-Term</u>	<u>Balance June 30, 2003</u>	<u>Balance June 30, 2002</u>
<u>Notes Payable by Neighborhood of Affordable Housing, Inc.</u>				
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
Total notes payable by Neighborhood of Affordable Housing, Inc.	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
<u>Notes and Mortgages Payable by NOAH Community Development Fund, Inc.</u>				
Citizens Bank – 7% note due 2031 to be used to provide mortgage loans to homeowners.	-	15,750	15,750	61,550
Boston Federal Savings Bank – credit lines, various interest rates, to be used to provide mortgage loans to homeowners	-	191,665	191,665	-
Dedham Institution for Savings – 5% credit line, to be used to provide mortgage loans to homeowners	37,963	28,537	66,500	-
Fleet Bank - 6.05% note, paid off				22,250
Fleet Bank – 7.26% loan, paid off				50,399
Fleet Bank – 4.68% demand credit line to be used to provide second mortgage loans to first time homebuyers.	<u>44,929</u>	<u>82,541</u>	<u>127,470</u>	<u>44,550</u>
Total notes payable by NOAH Development Fund, Inc.	<u>\$ 82,892</u>	<u>\$ 318,493</u>	<u>\$ 401,385</u>	<u>\$ 178,749</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(Continued)

(6) Notes and Mortgages Payable (continued)

	<u>Balance</u> <u>Current</u>	<u>Long-Term</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>June 30, 2002</u>
<u>Notes and Mortgages Payable by Peace Properties, Inc.</u>				
<u>Boston Community Loan Fund, Inc.</u>				
7% note secured by properties at Lexington and Putnam Street, East Boston, MA due June, 2002	\$ -	\$ -	\$ -	\$ 198,834
6.5% note, interest only secured by property at 332 Meridian Street, East Boston, due November 29, 2004	-	39,918	39,918	-
7% note secured by properties in development at 143-153 Border Street, East Boston, interest payable monthly, due upon receipt of permanent financing	-	536,217	536,217	-
7% note secured by property at 227 Princeton Street, East Boston, due June 30, 2002.	-	-	-	187,293
7% second mortgage secured by land at 10 Falcon Street, East Boston, due June 14, 2004	83,793	-	83,793	-
<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
<u>Mass Development Finance Agency</u>				
	-	25,000	25,000	25,000
<u>Massachusetts Housing Investment Corporation</u>				
Adjustable note due July 15, 2004, interest only. Initial Rate 7.25% for acquisition of land and 10 Falcon Street	-	365,000	365,000	-
<u>CEDAC</u>				
7% note secured by property at 143-153 Border Street, due upon receipt of permanent financing	-	269,586	269,586	106,947
Total Notes and Mortgages payable by Peace Properties, Inc	<u>\$ 83,793</u>	<u>\$ 1,261,721</u>	<u>\$ 1,344,514</u>	<u>\$ 1,401,538</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(Continued)

(6) Notes and Mortgages Payable (continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Balance</u> <u>June 30, 2003</u>	<u>Balance</u> <u>June 30, 2002</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	\$ 3,911	57,189	61,100	65,332
<u>City of Boston Department of Neighborhood Development (note 22)</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	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	452,369
<u>Massachusetts Housing Partnership Fund</u>				
4.52% note for \$450,000; secured by multiple properties in East Boston, MA; balance due May 10, 2010	22,176	385,812	407,988	416,928
7.67% note for \$412,000; secured by property at 115 Everett Street, East Boston, MA; balance due October 3, 2021	<u>4,148</u>	<u>402,102</u>	<u>406,250</u>	<u>410,090</u>
Paz Properties, Inc.	<u>\$ 30,235</u>	<u>\$ 3,206,973</u>	<u>\$ 3,237,208</u>	<u>\$ 3,254,220</u>

See independent auditor's report

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
 NOAH COMMUNITY DEVELOPMENT FUND, INC.,
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COMBINED NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2003
 (With Comparative Totals for June 30, 2002)

(Continued)

(6) Notes and Mortgages Payable (continued)

	<u>Current</u>	<u>Long-Term</u>	<u>Balance June 30, 2003</u>	<u>Balance June 30, 2002</u>
<u>Mortgages Payable by Shalom Properties, Inc.</u>				
<u>Massachusetts Housing Partnership Fund</u>				
7.97% note secured by multiple properties in East Boston, MA; balance due October 6, 2017	\$ 15,323	\$ 665,938	\$ 681,261	\$ 695,417
Total mortgages and notes payable by Shalom Properties, Inc	<u>\$ 15,323</u>	<u>\$ 665,938</u>	<u>\$ 684,261</u>	<u>\$ 695,417</u>
Total notes and mortgages payable - all companies	<u>\$ 212,243</u>	<u>\$ 5,502,125</u>	<u>\$ 5,714,368</u>	<u>\$ 6,541,239</u>

(7) Deferred Mortgage Loans Payable

Shalom Properties, Inc. and Paz Properties, Inc. have 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. The balances will be recorded as revenue in those years.

	<u>Current</u>	<u>Balance Long-Term</u>	<u>Balance June 30, 2003</u>	<u>Balance June 30, 2002</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>				
Second mortgage loan secured by property at 115 Everett Street, East Boston, MA (Paz Properties, Inc.)	-	961,315	961,315	961,315
Deferred payment note, non-interest bearing, balance due October 6, 2017 (Shalom Properties, Inc.)	<u>-</u>	<u>245,339</u>	<u>245,339</u>	<u>245,339</u>
Total deferred mortgage loans	<u>\$ -</u>	<u>\$ 1,660,993</u>	<u>\$ 1,660,993</u>	<u>\$ 1,660,993</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(Continued)

June 30, 2003 June 30, 2002

(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 19)

\$ 1,599,232 \$ 1,399,232

(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>
2004	\$ 212,243
2005	771,916
2006	51,654
2007	55,025
2008	<u>108,631</u>
	1,199,469
After 2008	<u>\$ 4,514,899</u>
Total	<u>\$ 5,714,368</u>

Future minimum lease payments of capital leases are as follows:

<u>Year Ending June 30</u>	<u>Lease Payment</u>
2004	\$ 12,336
2005	12,336
2006	12,336
2007	12,336
2008	<u>11,233</u>
Total	<u>\$ 48,241</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>
Anonymous	Chelsea Creek	\$ 460,000
Boston Federal Savings Bank	Housing Services	1,750
Boston Federal Savings Bank	Lending	10,000
The Boston Foundation	Chelsea Creek	2,180
The Boston Foundation	East Boston Schoolyards	40,000
Boston Private Bank	Housing Services	1,750
Campbell and Hall Charity Fund	Senior Homeowner Services	6,000
Citizen's Bank	Capital Campaign	50,000
City of Boston		
Edward Ingersoll Browne Fund	Chelsea Creek-public art	10,000
Jessie B. Cox Charitable Trust	Chelsea Creek	40,000
Environmental Protection Agency		250
Episcopal City Mission	Community Organizing	7,000
Fannie Mae Foundation	Lending Services	50,000
Farnsworth Charitable Trust	Senior Homeowner Services	5,000
Fleet Boston Financial Foundation	Rental Housing	15,000
Guild School	East Boston Schoolyards	3,134
The Lenny Fund	Schoolyard Summer Program	5,000
Local Initiatives Support Corporation	Community Organizing	10,000
Massachusetts Environmental Trust	Chelsea Creek	5,000
Merck Family Fund	Community and Environmental Programs	3,000
Neighborhood Reinvestment Corporation	Housing Counseling	16,000
Neighborhood Reinvestment Corporation	Financial training for homebuyers	50,000
Sailors' Sung Harbor of Boston	Senior Homeowner Services	10,000
Save the Harbor/Save the Bay	Chelsea Creek	10,000
State Street Bank and Trust	Housing Services	12,500
United Way	Rental Housing	20,000
Woodward Fund	Schoolyard Summer Program	<u>5,000</u>
Temporarily restricted grants for the year ended June 30, 2003		<u>\$ 848,564</u>
Temporarily restricted grants for the year ended June 30, 2002		<u>\$ 392,364</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>\$ 200,000</u>
Permanently restricted grants for the year ended June 30, 2003:	<u>\$ 200,000</u>
Permanently restricted grants for the year ended June 30, 2002:	<u>\$ 150,000</u>

Unrestricted Grants

Local Initiatives Support Corporation	1,500
Neighborhood Reinvestment Corporation	42,500
Save the Harbor Save the Bay	1,250
Sovereign Bank	5,000
United Way	92,023
Other Contributions	<u>12,558</u>
Unrestricted grants for the year ended June 30, 2003	<u>\$ 154,831</u>
Unrestricted grants for the year ended June 30, 2002:	<u>\$ 185,730</u>

See independent auditor's report.

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

Contracts for the year ended June 30, 2003 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 20)	\$ 15,000	\$ 15,000
Department of Environmental Protection Bureau of Waste Site Cleanup	5,968	5,968
Department of Environmental Management Greater Boston Urban Renewal Partnership	8,221	8,221
Executive Office of Environmental Affairs, Massachusetts Environmental Trust	3,750	3,750
<u>City of Boston</u>		
Public Facilities Department - HOME/CHDO Program	25,250	25,250
Department of Neighborhood Development for Housing Counseling	41,395	41,395
Department of Neighborhood Development for Senior Homeowner Services	174,558	174,558
<u>U.S. Environmental Protection Agency</u>		
Direct Contribution	11,486	11,486
<u>Other Contracts</u>		
Chelsea Human Services	12,269	12,269
Urban Ecology Institute Inc	7,500	7,500
Total contracts for the year ended June 30, 2003	\$ 305,397	\$ 305,397
Total contracts for the year ended June 30, 2002	\$ 432,148	\$ 432,148

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, 2003
 (With Comparative Totals for June 30, 2002)
 (Continued)

(12) Income From Real Estate Development Activities

Peace Properties, Inc. acquires and rehabilitates real estate in East Boston, Massachusetts, and resells 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 June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
Sale of real estate	\$ 867,974	\$ 141,514
Less cost of sales	<u>(1,531,494)</u>	<u>(101,985)</u>
Gain (loss) on sale of real estate before intercompany combination	(663,520)	39,529
Development fees paid from Peace Properties, Inc. to Neighborhood of Affordable Housing, Inc. This cost of sale has been eliminated in intercompany combination	<u>48,628</u>	<u>-</u>
Gain (loss) on sale of residential real estate	(614,892)	39,529
Housing development subsidies (loans forgiven)	<u>578,298</u>	<u>-</u>
Income (loss) from real estate development activities	<u>\$ (36,594)</u>	<u>\$ 39,529</u>

(13) Temporarily Restricted Net Assets

Temporarily restricted net assets were as follows:

Capital account for office building	\$ 50,000	\$ -
Schoolyard project	5,000	-
Lending programs	-	48,752
Chelsea Creek program	<u>375,000</u>	<u>-</u>
	<u>\$ 430,000</u>	<u>\$ 48,752</u>

	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
Restricted to:		
Program purposes	\$ 185,000	\$ 48,752
Use in future periods	<u>245,000</u>	<u>-</u>
	<u>\$ 430,000</u>	<u>\$ 48,752</u>

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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FOR THE YEAR ENDED JUNE 30, 2003
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(Continued)

(14) Prior Period Adjustment

In a prior year, Neighborhood of Affordable Housing, Inc. received funds intended to be held in escrow for a community group. These funds, in the amount of \$ 17,178, were reported as revenue instead of as liabilities.

(15) 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 \$72,607 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, 2003 and 2002.

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, 2003, the organization had outstanding mortgages receivable from an employee in the amount of \$ 71,363. 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.

(16) 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.

See independent auditor's report.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(17) 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, 2003 or 2002.

(18) 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.

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

	<u>Year Ended June 30, 2003</u>	<u>Year Ended June 30, 2002</u>
	\$ -	\$
Cash in Bank	266,666	119,236
Mortgage Loans Receivable	532,912	381,072
Buildings in Development	832,654	898,924
 Total assets	 1,599,232	 1,399,232
Total net assets	\$ 1,599,232	\$ 1,399,232

Buildings in Development

<u>Company</u>	<u>Address</u>		<u>Amount</u>
Shalom Properties, Inc	Various (7 Buildings)	\$ 100,000	\$ 100,000
Paz Properties, Inc	Various (2 Buildings)	207,108	207,108
Peace Properties, Inc	Border St	452,000	217,214
Peace Properties, Inc	Border/Falcon Street	42,398	185,500
Peace Properties, Inc	227 Princeton St	-	77,500
Peace Properties, Inc	196 Lexington St	-	89,500
Peace Properties, Inc	332 Meridian St	31,148	22,102
		\$ 832,654	\$ 898,924

(20) 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, 2003, were as follows:

Salaries	\$ 15,000
	\$ 15,000

(21) Cash in Banks

At June 30, 2003 cash exceeded the amount insured by the Federal Deposit Insurance Corporation (FDIC) by \$341,775.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC.,
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(22) 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, 2003:

Paz Properties, Inc.	\$ 393,089
Shalom Properties, Inc.	<u>104,670</u>
Total contingent liability	<u>\$ 497,759</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.

(23) 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.

(24) 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.

(25) Interest Costs Incurred

For the year ended June 30, 2003, 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>\$ 142,062</u>
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See independent auditor's report.

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

COMBINED

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(25) Combining Entries	Neighborhood of Affordable Housing, Inc.			Peace Properties, Inc.			Paz Properties, Inc.		
	Before Combination	Combining Entries	After Combination	Before Combination	Combining Entries	After Combination	Before Combination	Combining Entries	After Combination
Assets									
Current assets and cash	740,318	(189,790)	550,528	206,936	-	206,936	144,300	-	-
Due from related entities	267,772	(151,141)	116,631	18,780	-	18,780	75,000	(75,000)	-
Mortgage loans receivable	-	-	-	-	-	-	-	-	-
Property & Equipment	61,978	-	61,978	1,078,280	-	1,078,280	4,011,674	-	-
Other non-current assets	55,796	-	55,796	-	-	-	-	-	-
Long-term investments	72,607	-	72,607	-	-	-	-	-	-
Buildings in development	-	-	-	855,954	-	855,954	-	-	-
Less capitalized intercompany costs	-	-	-	-	-	-	-	-	(243,636)
Total Assets	1,198,471	(340,931)	857,540	2,159,950	-	2,159,950	4,230,974	(318,636)	
Liabilities									
Current liabilities	112,198	(5,036)	107,162	829,633	(106,140)	723,493	124,740	(57,232)	-
Long-term liabilities	85,905	-	85,905	808,297	-	808,297	4,168,286	-	-
Due to related entities	45,000	(45,000)	-	183,168	(183,168)	-	14,326	(14,326)	-
Total Liabilities	243,103	(50,036)	193,067	1,821,098	(289,308)	1,531,790	4,307,352	(71,558)	
Net Assets									
Unrestricted net assets	542,035	(290,895)	251,140	(186,694)	289,308	102,614	(283,486)	(247,078)	-
Temporarily restricted net assets	413,333	-	413,333	-	-	-	-	-	-
Permanently restricted net assets	-	-	-	525,546	-	525,546	207,108	-	-
Total Net Assets	955,368	(290,895)	664,473	338,852	289,308	628,160	(76,378)	(247,078)	
Total Liabilities and Net Assets	1,198,471	(340,931)	857,540	2,159,950	-	2,159,950	4,230,974	(318,636)	
Support and Revenue									
Contributions, grants and contracts	1,151,792	-	1,151,792	-	-	-	-	-	-
Management fees	574,257	(517,018)	57,239	-	-	-	-	-	-
Development fees	68,520	-	68,520	-	-	-	-	-	-
Rental income	-	-	-	34,800	(33,600)	1,200	305,922	-	-
Development subsidies	-	-	-	578,298	-	578,298	-	-	-
Gain (loss) on sale of real estate	-	-	-	(663,520)	48,628	(614,892)	-	-	-
Program service income	3,050	-	3,050	-	-	-	-	-	-
Interest income	1,380	-	1,380	-	-	-	1,332	-	-
Insurance recovery	-	-	-	-	-	-	-	-	-
Total Support and Revenue	1,798,999	(517,018)	1,281,981	(50,422)	15,028	(35,394)	307,254	-	
Expenses and Losses									
Grants	-	-	-	-	-	-	-	-	-
Expenses	1,393,498	(243,143)	1,150,355	104,900	(19,833)	85,067	272,300	(86,787)	-
Loss on investments	293	-	293	-	-	-	-	-	-
Subtotal	1,393,791	(243,143)	1,150,648	104,900	(19,833)	85,067	272,300	(86,787)	
Depreciation and amortization	18,995	-	18,995	1,956	-	1,956	111,888	-	-
Total expenses and losses	1,412,786	(243,143)	1,169,643	106,856	(19,833)	87,023	384,188	(86,787)	
Change in net assets	386,213	(273,875)	112,338	(157,278)	34,861	(122,417)	(76,934)	86,787	
Net assets beginning-restated (note)	569,177	(1,086,535)	(517,358)	496,128	1,318,621	1,814,749	556	27,822	-
Net assets ending	955,390	(1,360,410)	(405,020)	338,850	1,353,482	1,692,332	(76,378)	114,609	

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

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		\$ 16,000	
<u>Pass-Through from City of Boston</u>				
<u>Department of Neighborhood Development</u>				
<u>Community Development Block Grants</u>				
Housing Counseling	14.218		41,395	
Senior Home Services	14.218		174,558	
Loan for Rental Housing				
Total Community Development Block Grants			<u>215,953</u>	
<u>Pass-Through from Neighborhood Development Support Collaborative - HOME/CHDO</u>				
Home Investment Partnership Program	14.239		25,251	
Home Investment Partnership Program-Subsidy	14.239		290,469	
			<u>315,720</u>	*
<u>Neighborhood Reinvestment Corporation</u>				
	n/a	Enabling legislation Public Law 95-957	<u>292,500</u>	
<u>U.S. Department of Agriculture</u>				
<u>Cooperative Forestry Assistance</u>				
Pass-Through from Chelsea Human Services	10.664		12,269	
Pass-Through from Urban Ecology Institute	10.664		7,500	
Pass-Through from Greater Boston Urban Resource Partnership	10.664		8,221	
Total Cooperative Forestry Assistance			<u>27,990</u>	
<u>U.S. Environmental Protection Agency</u>				
Surveys, Studies, Investigations and Special Purpose Grants - Direct Contract	16.606		<u>11,486</u>	
Total federal expenditures			<u>\$ 879,649</u>	

*Major Program

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., AND SHALOM PROPERTIES, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

(Continued)

Additional Balances of Federal Loans at June 30, 2003

	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>1,179,614</u>
Total City of Boston mortgages				<u>\$ 2,573,727</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 Siachain 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, 2003

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:

HOME Investments Partnership Program - CFDA No. 14.239
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 combined 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. as of and for the year ended June 30, 2003, and have issued our report thereon dated November 26, 2003. 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 of Affordable 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 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 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.

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 26, 2003



JANE S. GETTER

CERTIFIED PUBLIC ACCOUNTANT

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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

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, 2003. 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, 2003.

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 26, 2003