



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

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

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JUNE 30, 2006

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

Independent Auditor's Report

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

We have audited the accompanying combining statement of financial position of Neighborhood of Affordable Housing, Inc. (a Massachusetts corporation, not for profit) (NOAH) and Affiliates as of June 30, 2006, and the related combining statements of activities, changes in net assets, cash flows, and functional expenses for the year then ended. These combining financial statements are the responsibility of the management of NOAH and Affiliates. Our responsibility is to express an opinion on these combining financial statements based on our audit. The financial statements of Pace Border LLC as of December 31, 2005, were audited by another auditor whose report dated February 23, 2006, expressed an unqualified opinion on those financial statements.

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

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

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

To the Board of Directors of
Neighborhood of Affordable Housing, Inc. and Affiliates
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In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2006, on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Alexander Aronson Finning & Co., P.C.

Wellesley, Massachusetts
October 6, 2006

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 COMBINING STATEMENT OF FINANCIAL POSITION
 JUNE 30, 2006

ASSETS	NOAH, INC.	OPERATING PEACE AND AMANI PROPERTIES	SUBTOTAL OPERATING PROPERTIES	RENTAL PROGRAMS	NOAH DEBT	BLIND MATRONS	TOTAL
CURRENT ASSETS:							
Cash	\$ 247,233	\$ 27,115	\$ 274,348	\$ 89,882	\$ 124,722	\$ -	\$ 488,952
Current portion of restricted deposits	323,778	2,718	326,496	579,938	4,246	-	62,184
Current portion of contracts, loans and other receivables	-	1,371,921	1,371,921	11,218	18,814	(1,155)	355,373
Current portion of projects under development	-	2,690	3,699	-	14,326	(16,326)	1,371,921
Prepaid expenses and other	5,997	-	5,997	19,863	431	-	26,291
Total current assets	<u>\$ 577,008</u>	<u>1,403,754</u>	<u>1,980,762</u>	<u>178,991</u>	<u>162,539</u>	<u>(17,481)</u>	<u>2,306,721</u>
RESTRICTED DEPOSITS, net of current portion	-	-	-	191,441	803,068	-	694,369
INVESTMENTS, net of reserve of \$71,479	-	143,830	143,830	-	-	(143,830)	-
CONTRACTS, LOANS AND OTHER RECEIVABLES, net of current portion and allowance for doubtful accounts of \$356,504	100,000	-	100,000	-	757,564	(36,948)	820,616
DEBT FROM AFFILIATES, net of current portion	216,234	19,276	235,470	28,324	88,568	(333,126)	19,236
PROJECTS UNDER DEVELOPMENT, net of current portion	-	958,228	958,228	-	-	-	958,228
PROPERTY AND EQUIPMENT, net of accumulated depreciation	92,972	-	92,972	7,937,955	801	(377,866)	7,853,862
Total assets	<u>\$ 986,214</u>	<u>\$ 2,525,668</u>	<u>\$ 3,511,282</u>	<u>\$ 8,386,621</u>	<u>\$ 1,512,540</u>	<u>\$ (809,271)</u>	<u>\$ 12,601,172</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Current portion of mortgages and notes payable	\$ -	\$ 1,457,261	\$ 1,457,261	\$ 198,587	\$ 183,271	\$ -	\$ 1,750,919
Current portion of capital lease obligations	20,424	30,434	50,858	-	-	-	20,424
Accounts payable and other liabilities	135,966	272,736	408,702	123,520	9,737	(1,155)	540,334
Deferred revenue	-	-	-	2,973	30,938	-	33,911
Current portion of due to affiliates	-	-	-	16,326	-	(16,326)	-
Total current liabilities	<u>156,390</u>	<u>1,729,797</u>	<u>1,886,063</u>	<u>351,406</u>	<u>223,946</u>	<u>(17,481)</u>	<u>2,344,585</u>
LONG-TERM DEBT:							
Mortgage notes payable, net of current portion	-	-	-	5,696,161	-	(235,000)	5,461,161
Notes payable, net of current portion	225,000	500,988	725,988	-	-	(190,000)	625,988
Capital lease obligations, net of current portion	51,424	-	51,424	-	-	-	51,424
Due to affiliates, net of current portion	45,000	452,950	497,950	-	250,348	(942,690)	-
Deferred developer fees payable	-	-	-	136,082	-	(136,082)	-
Accrued interest	-	-	-	24,245	-	(19,189)	5,056
Contingent loans and advances	-	-	-	2,118,501	-	-	2,118,501
Noncontrolling interest in consolidated subsidiary	-	-	-	66,277	-	-	66,277
Total long-term debt	<u>\$ 321,424</u>	<u>\$ 953,938</u>	<u>\$ 1,275,362</u>	<u>\$ 8,333,638</u>	<u>\$ 252,348</u>	<u>\$ (1,432,941)</u>	<u>\$ 5,328,407</u>
Total liabilities	<u>\$ 477,814</u>	<u>\$ 2,683,735</u>	<u>\$ 3,161,425</u>	<u>\$ 8,488,044</u>	<u>\$ 476,294</u>	<u>\$ (1,550,422)</u>	<u>\$ 10,673,995</u>
NET ASSETS:							
Unrestricted:							
Equity	62,073	(62,136)	(60,063)	35,131	31,515	192,392	228,975
Development	190,000	(204,731)	(104,731)	-	-	448,759	344,028
Property and equipment	32,546	-	32,546	(540,662)	801	-	(807,315)
Total unrestricted	<u>194,619</u>	<u>(99,867)</u>	<u>(70,248)</u>	<u>(505,531)</u>	<u>32,316</u>	<u>641,151</u>	<u>(54,312)</u>
Temporarily restricted:							
NW capital funds	-	238,339	238,339	107,108	1,021,930	-	1,572,238
Other purpose restrictions	314,281	314,281	628,562	100,939	-	-	414,281
Total temporarily restricted	<u>314,281</u>	<u>632,620</u>	<u>1,247,121</u>	<u>208,047</u>	<u>1,021,930</u>	<u>-</u>	<u>1,986,489</u>
Total net assets	<u>\$ 508,870</u>	<u>\$ 1,586,652</u>	<u>\$ 350,203</u>	<u>\$ 98,423</u>	<u>\$ 1,024,246</u>	<u>\$ 641,151</u>	<u>\$ 1,927,177</u>
Total liabilities and net assets	<u>\$ 986,214</u>	<u>\$ 2,525,668</u>	<u>\$ 3,511,282</u>	<u>\$ 8,386,621</u>	<u>\$ 1,512,540</u>	<u>\$ (809,271)</u>	<u>\$ 12,601,172</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

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

	OPERATING					RENTAL PROGRAMS	NOAH CDFI	ELIMINATIONS	TOTAL
	NOAH INC.	PEACE AND AMANI PROPERTIES	SUBTOTAL OPERATING						
UNRESTRICTED NET ASSETS:									
OPERATING REVENUES:									
Contracts, grants and other fees	\$ 782,179	\$ -	\$ 782,179	\$ -	\$ -	\$ 6,805	\$ -	\$ 788,984	
Rental income	26,745	-	26,745	844,307	-	-	(95,366)	775,686	
Interest income and other	1,996	8,170	10,166	13,130	-	82,458	(8,225)	97,529	
Property management fee	344,204	-	344,204	-	-	-	(247,386)	96,818	
Project management and developer fees	80,075	-	80,075	-	-	-	-	80,075	
Loss on loan sale	-	-	-	-	-	(31,270)	-	(31,270)	
Net assets released from purpose restrictions	492,946	-	492,946	-	-	23,085	-	516,031	
Total operating revenues	1,728,145	8,170	1,736,315	857,437	-	80,478	(350,977)	2,323,253	
OPERATING EXPENSES:									
Central Administration	474,684	-	474,684	-	-	-	(11,552)	463,132	
Senior Home Repair	169,945	-	169,945	-	-	-	(12,539)	157,406	
Housing Counseling	49,509	-	49,509	-	-	-	(3,305)	46,204	
Community Services	428,225	-	428,225	-	-	-	(18,252)	409,973	
BHA Program	174,470	-	174,470	-	-	-	(14,161)	160,309	
Real Estate and Economic Development	109,668	11,583	121,251	-	-	-	(17,432)	103,819	
Property Management	261,633	-	261,633	-	-	-	(26,350)	235,283	
Rental Programs	-	-	-	1,601,765	-	53,189	(267,233)	734,532	
NOAH CDFI	-	-	-	-	-	-	-	53,189	
Total operating expenses	1,668,134	11,583	1,679,717	1,601,765	-	53,189	(370,824)	2,363,847	
Changes in unrestricted net assets from operations	60,011	(3,413)	56,598	(144,328)	-	27,289	19,847	(40,594)	
OTHER INCOME (EXPENSES):									
Loss on investment	(372)	(43,607)	(43,979)	-	-	-	43,607	(372)	
Forgiveness of debt	-	60,000	60,000	-	-	-	-	60,000	
Net assets released from purpose restrictions	-	43,607	43,607	-	-	-	-	43,607	
Noncontrolling interest in income of consolidated subsidiary	-	-	-	20,095	-	-	-	20,095	
Total other income (expenses)	(372)	60,000	59,628	20,095	-	-	43,607	123,330	
Changes in unrestricted net assets	59,639	56,587	116,226	(124,233)	-	27,289	63,454	82,736	
TEMPORARILY RESTRICTED NET ASSETS:									
GRANTS AND CONTRIBUTIONS									
NET ASSETS RELEASED FROM PURPOSE RESTRICTIONS	528,006	-	528,006	-	-	-	-	528,006	
Changes in temporarily restricted net assets	(492,946)	(43,607)	(536,553)	-	-	(23,085)	-	(559,638)	
Changes in net assets	35,060	(43,607)	(8,547)	-	-	(23,085)	-	(31,632)	
Changes in net assets	\$ 94,699	\$ 12,980	\$ 107,679	\$ (124,233)	\$ -	\$ 4,204	\$ 63,454	\$ 51,104	

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**COMBINING STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>NOAH, INC.</u>	<u>OPERATING PEACE AND AMANI PROPERTIES</u>	<u>SUBTOTAL OPERATING</u>	<u>RENTAL PROGRAMS</u>	<u>NOAH CDFI</u>	<u>ELIMI- NATIONS</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2005, as previously stated	\$ 1,460,823	\$ 82,442	\$ 1,543,265	\$ 123,393	\$ 1,130,042	\$ (485,170)	\$ 2,311,530
Prior period adjustment	<u>(1,046,652)</u>	<u>(254,189)</u>	<u>(1,300,841)</u>	<u>(97,583)</u>	<u>(100,000)</u>	<u>1,062,867</u>	<u>(435,557)</u>
NET ASSETS, June 30, 2005, as restated	414,171	(171,747)	242,424	25,810	1,030,042	577,697	1,875,973
Capital contribution	-	100	100	-	-	-	100
Changes in net assets	<u>94,699</u>	<u>12,980</u>	<u>107,679</u>	<u>(124,233)</u>	<u>4,204</u>	<u>63,454</u>	<u>51,104</u>
NET ASSETS, June 30, 2006	<u>\$ 508,870</u>	<u>\$ (158,667)</u>	<u>\$ 350,203</u>	<u>\$ (98,423)</u>	<u>\$ 1,034,246</u>	<u>\$ 641,151</u>	<u>\$ 1,927,177</u>

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006

	OPERATING	PEACE AND	NOAH,	SUBTOTAL	RENTAL	NOAH	TOTAL
	NOAH,	AMANI	INC.	OPERATING	PROGRAMS	CDEF	TOTAL
	\$	\$	\$	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:							
Changes in unrestricted net assets from operations	60,011	(3,413)	56,598	(144,328)	27,289	(60,441)	27,289
Adjustments to reconcile changes in unrestricted net assets from operations to net cash provided by (used in) operating activities:							
Depreciation and amortization	31,091	-	31,091	221,326	260	252,677	252,677
Loss on sale of loans, net of NW capital funds	-	-	-	-	12,426	12,426	12,426
Bad debts	8,431	-	8,431	3,338	1,829	13,598	13,598
Changes in operating assets and liabilities -							
Restricted deposits	-	-	-	-	1,095	1,095	1,095
Contracts and other receivables	123,242	(8,059)	115,183	(9,106)	(19,730)	86,327	86,327
Prepaid expenses and other	(14,983)	-	(14,983)	(9,222)	(431)	(24,656)	(24,656)
Advances, mortgages, notes and interest receivable from related parties	-	-	-	-	-	-	-
Accounts payable and other liabilities	(98,193)	8,225	(90,000)	(104,307)	(22,416)	(225,118)	(225,118)
Deferred revenue	-	-	-	2,973	(3,636)	(663)	(663)
Accrued interest	-	-	-	13,225	-	13,225	13,225
Net cash provided by (used in) operating activities	109,507	(3,247)	106,350	(25,206)	(4,429)	76,715	76,715
CASH FLOWS FROM INVESTING ACTIVITIES:							
Increase in project under development	-	(1,114,701)	(1,114,701)	-	-	-	(1,114,701)
Acquisition of property and equipment	(5,950)	-	(5,950)	23,724	(9,973)	17,774	17,774
Increase in restricted deposits	-	-	-	(9,973)	-	-	(301,136)
Decrease in deferred developer fees payable	-	-	-	(93,000)	-	-	(93,000)
Decrease in contracts and other receivables	-	-	-	-	-	-	902,386
Net cash provided by (used in) investing activities	(5,950)	(1,114,701)	(1,120,651)	(81,249)	611,223	(590,677)	(590,677)
CASH FLOWS FROM FINANCING ACTIVITIES:							
Due from affiliates	(60,961)	(10,495)	(71,456)	-	-	-	(71,456)
Due to affiliates	-	135,000	135,000	108,907	(13,692)	-	230,215
Proceeds of mortgages and notes payable	-	992,254	992,254	115,000	-	-	1,107,254
Principal payments of mortgages and notes payable	(95,000)	-	(95,000)	(55,358)	(554,087)	-	(704,445)
Principal payments of capital lease obligation	(17,553)	-	(17,553)	-	-	-	(17,553)
Capital contribution	-	100	100	-	-	-	100
Net cash provided by (used in) financing activities	(173,514)	1,116,859	943,345	168,549	(567,779)	544,115	544,115
NET INCREASE (DECREASE) IN CASH	(69,867)	(1,089)	(70,956)	62,094	39,015	30,153	30,153
CASH, beginning of year	317,100	28,204	345,304	27,788	85,707	458,799	458,799
CASH, end of year	247,233	27,115	274,348	89,882	124,722	488,952	488,952
SUPPLEMENTAL DISCLOSURE							
Interest capitalized	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 COMBINING STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2006

	OPERATING										TOTAL	
	CENTRAL ADMINISTRATION	SENIOR HOME REPAIR	HOUSING COUNSELING	COMMUNITY SERVICES	BHA PROGRAM	REAL ESTATE AND ECONOMIC DEVELOPMENT	PROPERTY MANAGEMENT	TOTAL OPERATING PROGRAMS	RENTAL PROGRAMS	NOAH CDFI		ELIM-NATIONS
PERSONNEL AND RELATED COSTS:												
Salaries	\$ 105,334	\$ 59,123	\$ 27,333	\$ 152,402	\$ 118,350	\$ 80,266	\$ 145,940	\$ 688,048	\$ -	\$ 8,405	\$ -	\$ 697,353
Consulting and contract labor	184,166	5,572	1,627	2,813	-	1,225	84	195,487	11,888	1,944	-	209,319
Employee benefits	9,754	13,991	10,640	9,942	17,913	3,880	45,414	111,534	-	-	-	111,534
Payroll taxes	11,416	5,939	2,724	15,464	11,460	8,175	14,404	69,582	-	1,040	-	70,622
Total personnel and related costs	310,670	84,625	42,324	180,621	147,723	93,546	205,842	1,065,551	11,888	11,389	-	1,088,838
OTHER:												
Special events and other program expenses	4,379	42,598	-	214,344	-	-	637	262,158	34,472	7	-	296,637
Interest expense and bank fees	32,092	-	-	-	7	399	-	32,498	189,683	25,921	(8,225)	239,877
Insurance and taxes	19,172	8,698	879	256	202	135	4,284	33,626	155,368	2,978	-	191,972
Telephone and utilities	2,788	3,675	1,492	5,040	5,235	2,524	12,315	33,069	61,128	-	-	94,197
Professional fees	13,249	-	-	-	-	10,492	-	23,741	22,325	8,886	-	54,952
Condo fee	-	-	-	-	-	-	-	-	44,636	-	-	44,636
Supplies and general office	6,074	15,012	589	4,102	4,250	1,858	3,218	35,103	247,088	249	-	35,352
Repairs, maintenance and security	12,521	1,422	720	2,459	1,872	1,966	4,873	25,833	7,089	-	-	25,533
Travel and conferences	2,700	1,304	-	1,739	1,020	921	2,716	10,400	3,338	224	-	17,713
Bad debt	8,431	-	-	-	-	-	-	8,431	1,586	1,829	-	13,598
Equipment rental and purchases	10,870	-	-	-	-	140	-	10,870	1,838	-	-	12,456
Dues and subscriptions	7,716	-	-	-	-	63	-	7,856	1,838	245	-	8,101
Miscellaneous	1,591	-	-	1,097	-	63	-	2,751	-	1,201	-	5,790
Advertising	743	72	-	315	-	-	243	1,373	-	-	-	1,373
Rent	10,397	12,539	3,305	18,252	14,161	9,207	27,505	95,366	-	-	(95,366)	-
Total other	132,923	85,320	6,985	247,604	26,747	27,705	55,791	583,075	768,551	41,540	(350,977)	1,042,189
Total expenses before depreciation	443,593	169,945	49,509	428,225	174,470	121,251	261,633	1,648,626	780,439	52,929	(350,977)	2,131,017
DEPRECIATION												
	31,091	-	-	-	-	-	-	31,091	221,326	260	(19,847)	232,830
	\$ 474,684	\$ 169,945	\$ 49,509	\$ 428,225	\$ 174,470	\$ 121,251	\$ 261,633	\$ 1,679,717	\$ 1,001,765	\$ 53,189	\$ (370,824)	\$ 2,363,847

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

**NOTES TO COMBINING FINANCIAL STATEMENTS
JUNE 30, 2006**

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

OPERATIONS AND NONPROFIT STATUS

Neighborhood of Affordable Housing, Inc. (NOAH) was formed to provide services, undertake activities, make loans to homeowners, and oversee developments relating to housing needs, economic development and community services in East Boston, and the surrounding areas within Boston, Massachusetts. The Affiliates include NOAH Community Development Fund, Inc., Peace Properties, Inc., Paz Properties, Inc., Shalom Properties, Inc., Pace Border LLC, and Amani Properties, LLC (see Note 2). NOAH is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). NOAH is also exempt from state income taxes. Contributions are deductible by donors within the requirements of the IRC.

NOAH Community Development Fund, Inc. (NOAH CDFI) has applied for status as an organization exempt from income taxes under Section 501(c)(3) of the IRC. Management believes that the exemption will be granted retroactively and that no income taxes will be due. No provision has been made for such taxes in the accompanying combining financial statements.

NOAH and its Affiliates share common management, facilities and Board membership.

SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of combining financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Combination

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

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

Cash

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Projects Under Development

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

Property, Equipment and Depreciation

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

Buildings and improvements	25 – 40 years
Furniture, fixtures and equipment	5 – 7 years

Revenue Recognition

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

Allocation Method

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

Donated Services

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications

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

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

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

NeighborWorks ® America (NW) capital grants	\$1,547,238
Community services	179,251
Rental housing	100,000
Capital grants invested in project in Development (see below)	100,000
Homebuyer and Homeowner Services	<u>35,000</u>
	<u>\$1,961,489</u>

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

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

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Classifications (Continued)

When the timing of collection is deferred or uncertain, the value of the underlying asset may be reduced by a valuation allowance. In these circumstances, funds are treated as released from restriction. When valuation allowances are reduced by later recoveries or because collection is assured, unrestricted net assets will be increased. During fiscal year 2006, NW approved the write-off of \$18,844 of NW funds.

NW's temporarily restricted net assets were as follows as of June 30, 2006:

Cumulative capital grants received	\$1,974,232
Amounts released from restriction as invested in deferred or contingently recoverable development costs	(408,150)
Amount written off on loan sale (see Note 12)	<u>(18,844)</u>
	<u>\$1,547,238</u>

Because NW funds are available to invest in assets which may decline in value, they are not properly categorized as permanently restricted as they were reported prior to the year ended June 30, 2006. Accordingly these funds were reclassified as temporarily restricted by prior period adjustment as of June 30, 2006 (see Note 15).

(2) RELATED PARTY TRANSACTIONS

Combining Entities

NOAH's combining financial statements include the following entities:

Rental Programs

Pace Border Limited Liability Corporation (Pace Border) was formed as a limited liability company for the purposes of acquiring and developing a commercial property located at 143 Border Street, East Boston. The commercial property consists of two condominium units, one of which was sold in August, 2004. The remaining unit is occupied by NOAH as tenant. Rental income from NOAH was approximately \$96,000 for the year ended June 30, 2006.

Pace Border's fiscal year end is December 31st. The financial statements of Pace Border are reflected as of December 31, 2005. There were no transactions during the period January 1, 2006 through June 30, 2006, that were material and required adjustment of the December 31, 2005 financial statements.

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combining Entities (Continued)

Rental Programs (Continued)

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

Pace Border has a \$235,000 note payable to Peace Properties, Inc. (see Note 4). The note bears interest at 3.5% and is due March 31, 2034. There was outstanding principal balance of \$235,000 and accrued interest of \$19,189 at June 30, 2006, which is included in notes payable, accrued interest, and due from affiliate in the accompanying combining statement of financial position. During the year ended June 30, 2006, NOAH billed Pace Border \$1,060 for management, administrative and maintenance expenses. As of June 30, 2006, Pace Border also owed NOAH \$136,062 for developer fees which is included in deferred developer fees payable in the accompanying combining statement of financial position. These amounts are fully reserved by NOAH because they are not expected to be realized in the near term.

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

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

Project Development

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

NOAH CDFI lent Peace Properties capital funds to invest in its real estate development activities. There was \$100,000 outstanding at June 30, 2006, which is included in contracts, loans and other receivables and notes payable in the accompanying combining statement of financial position. Borrowings are due August, 2007, and bear interest at 5% per annum, payable monthly. As of June 30, 2006, Peace Properties also owed NOAH \$19,619 for cash advances. This amount is included in due to affiliate in the accompanying combining statement of financial position at June 30, 2006. These amounts are fully reserved by NOAH and NOAH CDFI because the amounts are not expected to be realized in the near term.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

Combining Entities (Continued)

Project Development (Continued)

Peace Properties (Continued)

Peace Properties has an investment in Pace Border. Peace Properties records its investment under the equity method of accounting. As of June 30, 2006, Peace Properties investment in Pace Border is \$143,850 and is included in investments in the accompanying combining statement of financial position. Peace Properties' share of Pace Border's losses for the year ended December 31, 2005 was \$43,607 and is included in the accompanying combining statement of activities.

Amani Properties Limited Liability Corporation (Amani Properties) was formed in June, 2006, as a limited liability company for the purpose of engaging in the development, management and conveyance of interests in the real properties known as and located at 10 Border Street and 427-429 Falcon Street in East Boston, Massachusetts. NOAH is the sole member of Amani Properties. During fiscal year 2006, NOAH made a capital contribution of \$100 to Amani Properties.

NOAH Community Development Fund, Inc. (NOAH CDFI) was formed in 2001 as a non-profit affiliate of NOAH to provide loans and counseling for home ownership to low to moderate income residents.

NOAH CDFI is certified by the United States Department of Treasury's Community Development Financial Institutions Fund as a Community Development Financial Institution and as a Community Development Entity.

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

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

Other Entities

NOAH also maintains the following interest in other general partners:

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

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(2) RELATED PARTY TRANSACTIONS (Continued)

Combining Entities (Continued)

Transactions between NOAH and these combining entities were as follows:

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

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

	<u>NOAH</u>	<u>Peace and Amani Properties</u>	<u>Rental Programs</u>	<u>NOAH CDFI</u>	<u>Total</u>
NOAH	\$ -	\$305,224	\$328,453	\$252,348	\$ 886,025
Peace Properties receivables	100	-	400,039	-	400,139
Rental Program receivables	1,055	103,324	-	-	104,379
NOAH CDFI receivable	<u>45,000</u>	<u>144,402</u>	<u>14,325</u>	<u>-</u>	<u>203,727</u>
Subtotal	46,155	552,950	742,817	252,348	1,594,270
Less - allowances for doubtful accounts	<u>-</u>	<u>480,223</u>	<u>582,642</u>	<u>-</u>	<u>1,062,865</u>
Total	<u>\$46,155</u>	<u>\$ 72,727</u>	<u>\$160,175</u>	<u>\$252,348</u>	<u>\$ 531,405</u>

Uncombined Entities

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

NOAH Trinity Limited Partnership (NOAH Trinity) was formed in December, 1990, as a limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project. NOAH has equity of \$71,470 in NOAH Trinity, Inc. NOAH has advanced funds of \$9,914 to NOAH Trinity, Inc. and \$80,372 to NOAH Trinity. NOAH also provides management services to NOAH Trinity. During 2006, NOAH billed NOAH Trinity \$27,989 for management fees.

Siochain Properties Limited Partnership was formed in October, 1999, as a limited partnership for the purpose of acquiring, rehabilitating, and operating a rental housing project. Siochain Properties, Inc. is the General Partner, holding a .01% interest and the Limited Partner, Citizens Bank of Massachusetts, holds a 99.99% interest. NOAH has advanced funds of \$44,249 to Siochain Properties Limited Partnership. NOAH also earned management fees of \$38,027 for the year. Amounts due from the partnership were \$17,898 at June 30, 2006.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

Uncombined Entities (Continued)

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

(3) **RESTRICTED DEPOSITS**

The balance of restricted deposits includes the following:

	<u>Current Portion</u>	<u>Non- Current Portion</u>	<u>Total</u>
Rental Programs:			
Shalom Properties, Inc. -			
Operating escrows	\$30,999	\$ -	\$ 30,999
Tenant security deposit	-	22,848	22,848
Replacement reserve	-	24,900	24,900
Sub-total Shalom Properties, Inc.	<u>30,999</u>	<u>47,748</u>	<u>78,747</u>
Paz Properties, Inc. -			
Operating escrows	18,034	-	18,034
Tenant security deposit	-	22,135	22,135
Replacement reserve	-	92,494	92,494
Sub-total Paz Properties, Inc.	<u>18,034</u>	<u>114,629</u>	<u>132,663</u>
Pace Border LLC -			
Special reserves	-	29,064	29,064
Other operating escrows	8,905	-	8,905
Sub-total Pace Border LLC	<u>8,905</u>	<u>29,064</u>	<u>37,969</u>
Sub-total Rental Programs	<u>57,938</u>	<u>191,441</u>	<u>249,379</u>
NOAH CDFI -			
Revolving loan fund capital	-	413,952	413,952
Loan reserve	4,246	89,116	93,362
Sub-total NOAH CDFI	<u>4,246</u>	<u>503,068</u>	<u>507,314</u>
Total restricted deposit	<u>\$62,184</u>	<u>\$694,509</u>	<u>\$756,693</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(4) MORTGAGE NOTES PAYABLE

Mortgage notes payable consists of:

Shalom Properties

Note payable to Massachusetts Housing Partnership (MHP), bearing interest at 7.97% per annum, due and payable October 6, 2017. This note is secured by a mortgage on the properties. Principal and interest is due in monthly installments of 5,726 based on a twenty-year amortization schedule.	\$ 631,416
Notes payable to Dovenmuehle Mortgage/CCO, bearing interest at 5.375%, due in monthly installments of \$3,292, principal and interest, through December 1, 2033. These notes are secured by a mortgage on the properties.	477,302
Non-interest bearing note payable to MHP, due and payable October 6, 2017. This note is secured by a mortgage on the properties.	245,339
Non-interest bearing note payable to the City of Boston, due and payable October 6, 2017, secured by a mortgage on the properties.	<u>245,339</u>
Sub-total Shalom Properties	<u>1,599,396</u>

Paz Properties, Inc.

Non-interest bearing note payable to MHP, due and payable July 6, 2031, secured by second mortgages on 115 and 109 Everett Street and 376 Summer Street.	561,316
Non-interest bearing note payable to MHP, due and payable July 6, 2031, secured by a second mortgage on 115 Everett Street.	452,369
Non-interest bearing note payable to MHP, due and payable July 6, 2021, secured by a second mortgage on 115 Everett Street.	400,000
Note payable to MHP for the development of Eagle Hill Rental Rehabilitation Project (the Project), original amount of note was \$450,000, bearing interest at 4.52% per annum, due and payable May, 2010. Principal and interest is due in monthly installments of \$7,934 based on a thirty-year amortization schedule. This note is secured by a mortgage on the property.	338,976
Note payable to Boston Community Loan Fund (BCLF) for Eutaw and Meridian Streets, bearing interest at 7.23% per annum, due and payable March 31, 2013. Principal and interest is due in monthly installments of \$721 based on a fourteen-year amortization schedule. This note is secured by a mortgage on Eutaw and Meridian Street Project.	46,715

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

Paz Properties, Inc. (Continued)

Note payable to MHP for rehabilitation of 115 Everett Street, original amount of note was \$412,000, bearing interest at 6.27% per annum, due and payable October 3, 2021. Principal and interest is due in monthly installments of \$2,627 based on a thirty-year amortization schedule. This note is secured by a first mortgage on 115 Everett Street.	392,000
Sub-total Paz Properties, Inc.	<u>2,191,376</u>

Pace Border LLC

Note payable to MHIC New Markets, due March 1, 2034. Interest only is due monthly at the rate of 1.98% through March 1, 2014. Additional interest accrues monthly at .695% through maturity. A payment of \$100,000 of principal and \$50,000 of accrued interest is due March 1, 2014. The remaining principal balance outstanding and accrued interest are due March 1, 2034. This note is secured by a second mortgage on Pace Border's building.	815,454
Note payable to MHIC New Markets CDE LLC Series I (MHIC New Markets), bearing interest at 6.144%, due June 1, 2011. Interest only is due in monthly installments through maturity. This note is secured by a first mortgage on the building.	688,522
Note payable to Peace Properties for 143 Border Street, bearing interest at 3.5% per annum, compounded annually. Principal and interest is due if certain cash flows are achieved. There was no payment due at June 30, 2006. Principal and accrued interest is due March 31, 2034.	235,000
Note payable to MHIC New Market, bearing interest at 2.5% through March 1, 2011, and thereafter 4% through March 1, 2024. Interest only is due in monthly installments in an amount equal to the lesser of interest rate times outstanding principal balance or 50% of available cash flow through March 1, 2011. Beginning April 1, 2011 through March 1, 2016, interest only is due in monthly installments at the rate of 4% through March 1, 2016. Thereafter, principal and interest is due in monthly installments through maturity. All outstanding principal balance and accrued interest is due March 1, 2024. This note is secured by a third mortgage on Pace Border's building.	200,000
Note payable to Life Insurance Community Investment Initiative, LLC, bearing interest at 6.5%, due July 24, 2013. Interest only is due monthly through July, 2013. The entire outstanding principal balance and accrued interest is due at maturity. This note is secured by a mortgage on the property.	50,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(4) MORTGAGE NOTES PAYABLE (Continued)

Pace Border LLC (Continued)

Note payable to Local Initiatives Support Corporation (LISC) for 143 Border Street, bearing interest at 6.3% per annum, original due and payable September 1, 2005. In November, 2005, the note was extended through September 1, 2009. Interest only is due quarterly commencing December, 2005 through September, 2006. Commencing October 1, 2006, principal and interest is due in thirty-five equal consecutive monthly installments. Each installment of principal and interest will equal an amount calculated to amortize the outstanding principal balance of the notes over a three-year period ending September 1, 2009. This note is secured by a mortgage on the property.

	<u>25,000</u>
Sub-total Pace Border LLC	<u>2,013,976</u>
Total Rental Programs	5,804,748
Less – inter-affiliate eliminations	<u>235,000</u>
	<u>\$5,569,748</u>

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

2007	\$ 108,587
2008	\$ 78,383
2009	\$ 81,063
2010	\$ 294,365
2011	\$ 741,707
Thereafter	\$4,500,643

(5) NOTES PAYABLE

Notes payable consist of:

NOAH, Inc.

Line of credit payable to BCLF, bearing interest at 7.5%, due December 31, 2008. This note is secured by all assets of NOAH and a lien on Eutaw Meridian Property. Interest only is due in monthly installments of \$1,021 with principal due no later than the note expiration date of December, 2008.

\$ 175,000

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

50,000

225,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(5) NOTES PAYABLE (Continued)

Peace and Amani Properties

Note payable to MHIC for the Border Falcon Condo Project, bearing interest at an adjustable rate, due and payable September, 2006. Interest only is due monthly through September, 2006. This note is secured by the project.	471,788
Note payable to Wainwright Bank and Trust for the 328-332 Meridian Street project, bearing interest at 7.22%, due and payable November 6, 2006. Interest is due monthly. This note is secured by the project.	433,708
Note payable to the City of Boston for the construction of the 328-332 Meridian Street project, bearing interest at 5% annum, due the earlier of obtaining permanent financing on the project or August, 2007. During fiscal year 2006, \$60,000 of the note was forgiven. This note is secured by the project.	251,750
Construction loan payable to Massachusetts Department of Housing and Community Development (DHCD), for the 328-332 Meridian Street project, bearing interest at 7.22%, due and payable November 6, 2006. Original note was \$250,000; there is a 10% or \$25,000 holdback on the loan. This note is secured by the project.	225,000
Note payable to BCLF for pre-development costs on the Border Falcon project for construction of fourteen homeownership units, bearing interest at 7% per annum, due and payable July, 2006. Interest only is due in monthly installments of \$1,326. This note is secured by the project.	220,050
Non-interest bearing note payable to Massachusetts Affordable Housing Trust Fund for the 328-332 Meridian Street project, due and payable the earlier of November, 2010 or sale of the project. This note is secured by the project.	124,238
Note payable to NOAH CDFI, Inc. for the Border Falcon Condo Project, bearing interest at 5% per annum, due and payable August, 2007. Principal and interest is due in monthly installments of \$417 through August, 2007. This note is secured by the project.	100,000
Note payable to Partners for the Common Good, Inc. for acquisition of the property secured by real property, bearing interest at 5.5%, due and payable January, 2007. Interest only is due in quarterly installments of \$1,114. This note is secured by the project.	81,515
Non-interest bearing note payable to the City of Boston. This note was used to fund pre-development costs associated with 2-10 Maverick Square and 200-202 Summer Street Project. This note is secured by the project.	25,000

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

Peace and Amani Properties (Continued)

Non-interest bearing note payable to MassDevelopment Finance Agency, due March, 1996. Note proceeds were used for the development of 2-10 Maverick Square and 200-202 Summer Street. Peace Properties is negotiating the payment of this note. 25,000

Sub-total Peace and Amani Properties 1,958,049

NOAH CDFI

Note payable to a bank, bearing interest at 5%, due on demand, secured by all assets of NOAH CDFI. 185,271

Total Notes Payable 2,368,320
Less -- inter-affiliate eliminations 100,000

\$2,268,320

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

Year Ending
June 30, 2006

2007	\$1,642,332
2008	\$ 426,750
2009	\$ 175,000
2010	\$ -
2011	\$ 124,238

(6) **CONTINGENT LOANS AND ADVANCES**

NOAH and Affiliates have received several contingent loans from various organizations to help in the development of projects. These loans and advances generally are not required to be repaid unless the Projects fails to maintain their status as low-income housing or default on other covenants as described in the agreements. It is the intention of the Board of Directors and management of NOAH to maintain these properties as low-income housing and to meet other conditions. Therefore, these loans have been classified as contingent loans and no interest has been accrued on them. Total accrued interest due upon default of the agreements would be approximately \$790,000 at June 30, 2006.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

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

Contingent loans and advances are as follows:

Rental Programs

Paz Properties, Inc. –

Note payable to City of Boston for improvements at 367-363 Meridian and Eutaw Street, bearing interest at 5% per annum, compounded annually, due June 23, 2012. Principal and interest are due in annual installments equal to the lesser of 100% of certain cash flow achieved as defined in the note agreement or the amount due or payable based upon amortization of this note on a fifteen-year direct reduction basis plus any amount that may be due and unpaid from a prior year.	\$ 727,245
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Note payable to the City of Boston for improvements at 49-55 Putnam Street, bearing interest at 3% per annum, compounded annually, due June 9, 2009.	472,325
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Note payable to City of Boston for improvements at 449-451 Saratoga Street, bearing interest at 3% per annum, compounded annually, due September 20, 2009. Annual payments of principal and interest are due within 90 days of the close of the fiscal year end and equal amounts set forth in the note agreement (\$2,500 for fiscal year 2006). This note is secured by a second mortgage on 449-451 Saratoga Street and assignment of rents and leases.	354,811
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Note payable to City of Boston for improvements at 108-110 White Street, bearing interest at 3% per annum, compounded annually, due and payable February 22, 2009. Annual payments of principal and interest are due within 90 days of the close of the fiscal year end and equal amounts set forth in the note agreement (\$8,600 for fiscal year 2006). This note is secured by a second mortgage on 108-110 White Street and assignment of rents and leases.	<u>355,120</u>
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Sub-total Paz Properties, Inc.	<u>1,909,501</u>
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Shalom Properties, Inc. –

Note payable to City of Boston for improvements at 440 Meridian Street, bearing interest at 5% per annum, due December, 2022.	164,000
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Note payable to City of Boston for improvements at 108-110 White Street, bearing interest at 3% per annum, due February 22, 2009.	<u>45,000</u>
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Sub-total Shalom Properties, Inc.	<u>209,000</u>
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Total Rental Programs	<u>\$2,118,501</u>
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NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(7) PROJECTS UNDER DEVELOPMENT

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

The following are projects that were completed or currently under development as of June 30, 2006:

87 Princeton Street

87 Princeton Street is an abandoned, dilapidated single family house located near the corner of Marion Street and Princeton Street, East Boston. The property has been placed in Receivership by the Boston Housing Court, at the petition of Boston Inspectional Services Department. Peace Properties was named Receiver on February 8, 2005.

During fiscal year 2006, Peace Properties completed reconstruction of the property and sold the property for approximately \$335,000.

328-332 Meridian Street

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

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

Border/Falcon Condominiums

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

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(7) PROJECTS UNDER DEVELOPMENT (Continued)

Border/Falcon Condominiums (Continued)

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

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

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

328-332 Meridian	\$1,371,921
Border/Falcon Condominium	<u>958,228</u>
	<u>\$2,330,149</u>

(8) PROPERTY AND EQUIPMENT

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

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

Included in property and equipment are approximately \$122,000 of fully depreciated assets which are still being utilized by NOAH as of June 30, 2006.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(9) LOANS RECEIVABLE

NOAH CDFI, Inc. has outstanding loans receivable from local residents for purchase and/or rehabilitation of low-moderate incoming housing of \$755,543 as of June 30, 2006. Interest rates ranged from 5% to 6.5% and maturity dates range from 10 to 30 years. Loans are secured by a second or third lien on the property purchased or improved. Maturities of loans receivable are as follows:

-	
2007	\$ 18,814
2008	117,713
2009	16,966
2010	14,031
2011	14,744
Thereafter	<u>573,275</u>
Sub-total loans receivable	755,543
Other NOAH CDFI receivables	<u>20,835</u>
	<u>\$776,378</u>

(10) COMMITMENTS AND CONTINGENCIES

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

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

(11) CAPITAL LEASES

NOAH leases certain equipment under capital lease agreements expiring June, 2009. Future minimum lease payments as of June 30, 2006, are:

2007	\$29,995
2008	29,995
2009	<u>29,995</u>
Total future minimum payments	89,985
Less - amounts representing interest	<u>18,137</u>
Present value of future minimum lease payments	71,848
Less - current portion	<u>20,424</u>
	<u>\$51,424</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(12) LOAN SALE ACTIVITIES

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

(13) RETIREMENT PLAN

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

(14) CONTINUING OPERATIONS

In recent years, NOAH has maintained its program operations while making a few changes in certain programs. NOAH has also increased its borrowing by \$570,000, in part to carry out a strategic effort aimed at carrying out real estate development projects that are in progress. Management believes that these projects will yield significant developer fee revenues for NOAH over the next few years.

NOAH continues to carefully maintain and manage 93 units in 17 properties. While the property's cash flow did not significantly change in fiscal year 2006, allowing it to repay a portion of prior advances from NOAH and management fees, management expects that cash flow may improve slightly in fiscal year 2007 given the fact that some of the properties were approved for tax abatements. The properties will continue efforts to make progress on repaying NOAH in fiscal year 2007 and future years.

NOAH's Maverick Loan-to-Purchaser Program closed 37 loans as of June 30, 2006. This program helps families affiliated with the Boston Housing Authority become homebuyers. NOAH's staff work closely with these families to educate these families about the home-buying process including how to locate an affordable condo or single-family property in the area, and secure financing. The programs' goal is to help fifty BHA families.

NOAH CDFI's lending activities remain in suspension in fiscal year 2006. However, management has made significant efforts in reaching out to other organizations and corporations for guidance and expertise in lending operations and activities. While no decisions had been made on the future of lending activities as of June 30, 2006, management believes there will be a resolution in fiscal year 2007.

NOAH has established certain financial targets and identified a pipeline of current and potential new development projects, some of which are connected to imminent new development opportunities and anticipates that the organization's significantly leveraged position will ease during that period. In the meantime, NOAH continues in fiscal year 2007 to aggressively manage operating expenses and cash flow, with monthly financial reviews by management and the Board and monthly reviews of the status of development projects. NOAH has established annual operating plans to ensure timely progress against specific financial, development, fundraising, property management and other goals. NOAH has already demonstrated important results thus far in relation to its fiscal year 2007 operating plan.

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

NOTES TO COMBINING FINANCIAL STATEMENTS

JUNE 30, 2006

(Continued)

(15) PRIOR PERIOD ADJUSTMENTS

Net assets as of June 30, 2005, have been restated in the accompanying combining statement of changes in net assets. The restatements relate primarily to recording allowance for doubtful accounts and properly reclassifying NW capital grants from permanently restricted to temporarily restricted. Further corrections were made to properly release NW capital funds and adjust the noncontrolling entity interest in Pace Border. A summary of these change are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Elimi- nations</u>	<u>Total</u>
Net assets, June 30, 2005, as previously stated	\$ 439,027	\$ 383,441	\$1,974,232	\$ (485,170)	\$2,311,530
To record allowance for doubtful accounts	(1,475,841)	-	-	1,062,867	(412,974)
To release NW capital funds for investment in Pace Border	264,543	(264,543)	-	-	-
To reclass NW capital funds as temporarily restricted	-	1,974,232	(1,974,232)	-	-
To record release of NW capital funds for funds lent to Peace Properties	100,000	(100,000)	-	-	-
To adjust noncontrolling entity interest in Pace Border to proper	(22,583)	-	-	-	(22,583)
Net assets, June 30, 2005, as restated	<u>\$ (694,854)</u>	<u>\$1,993,130</u>	<u>\$ -</u>	<u>\$ 577,697</u>	<u>\$1,875,973</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES

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

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY STATEMENT OF ACTIVITIES - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
 SUPPLEMENTARY STATEMENT OF CHANGES IN NET ASSETS - RENTAL PROGRAMS
 FOR THE YEAR ENDED JUNE 30, 2006

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
NET ASSETS, June 30, 2005, as previously stated	\$ 135,806	\$ (222,399)	\$ 209,986	\$ 123,393
Prior period adjustment	-	<u>(75,000)</u>	<u>(22,583)</u>	<u>(97,583)</u>
NET ASSETS, June 30, 2005, as restated	135,806	(297,399)	187,403	25,810
Changes in net assets	<u>(12,402)</u>	<u>(68,224)</u>	<u>(43,607)</u>	<u>(124,233)</u>
NET ASSETS, June 30, 2006	<u>\$ 123,404</u>	<u>\$ (365,623)</u>	<u>\$ 143,796</u>	<u>\$ (98,423)</u>

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY STATEMENT OF CASH FLOWS - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006

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

NEIGHBORHOOD OF AFFORDABLE HOUSING, INC. AND AFFILIATES
SUPPLEMENTARY STATEMENT OF FUNCTIONAL EXPENSES - RENTAL PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2006

	<u>SHALOM PROPERTIES, INC.</u>	<u>PAZ PROPERTIES, INC.</u>	<u>PACE BORDER LLC</u>	<u>TOTAL</u>
PERSONNEL AND RELATED COSTS:				
Salaries	\$ -	\$ -	\$ -	\$ -
Consulting and contract labor	4,632	6,817	439	11,888
Employee benefits	-	-	-	-
Payroll taxes	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total personnel and related costs	4,632	6,817	439	11,888
OTHER EXPENSES:				
Special events and other program expenses	12,473	21,999	-	34,472
Interest expense and bank fees	70,544	44,932	74,207	189,683
Insurance and taxes	72,211	73,464	9,693	155,368
Telephone and utilities	32,533	28,595	-	61,128
Professional fees	8,042	10,037	4,246	22,325
Condo fee	13,203	-	31,433	44,636
Repairs, maintenance and security	112,226	133,771	1,091	247,088
Travel and conferences	1,169	5,920	-	7,089
Bad debt	-	3,338	-	3,338
Equipment rental and purchases	429	1,157	-	1,586
Miscellaneous	145	1,186	507	1,838
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation	327,607	331,217	121,616	780,439
DEPRECIATION	<hr/>	<hr/>	<hr/>	<hr/>
	53,261	110,764	57,301	221,326
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 380,868</u>	<u>\$ 441,980</u>	<u>\$ 178,917</u>	<u>\$ 1,001,765</u>