

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Financial Statements

and

Independent Auditors' Report

December 31, 2005 and 2004

WALD & INGLE, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Planning Office for Urban Affairs, Inc.
Boston, Massachusetts

We have audited the accompanying statements of financial position of the Planning Office for Urban Affairs, Inc. a Massachusetts corporation as of December 31, 2005 and 2004 and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Planning Office for Urban Affairs, Inc. as of December 31, 2005 and 2004 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on Page 12 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.



Wald & Ingle, P.C.
Boston, Massachusetts

June 6, 2006

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Financial Position
December 31, 2005 and 2004

Assets

	<u>2005</u>	<u>2004</u>
Current assets:		
Cash	\$ 1,130,424	\$ 926,963
Development fee receivable	816,929	2,150,000
Development expense advances	387,347	478,425
Note receivable - St. Patrick's	235,142	219,759
Prepaid expenses	<u>9,308</u>	<u>7,791</u>
Total current assets	<u>2,579,150</u>	<u>3,782,938</u>
Property and equipment, at cost:		
Computer equipment	56,642	53,656
Office equipment	<u>8,830</u>	<u>8,130</u>
Total	65,472	61,786
Less: accumulated depreciation	<u>(53,164)</u>	<u>(46,823)</u>
Total property and equipment	<u>12,308</u>	<u>14,963</u>
Other assets:		
Development fee receivable	2,323,484	2,484,064
Note receivable	481,472	481,472
Accrued interest receivable	839,235	800,305
Reserved funds	1,862,284	600,016
Deposits	<u>10,650</u>	<u>6,975</u>
Total other assets	<u>5,517,125</u>	<u>4,372,832</u>
Total assets	<u>\$ 8,108,583</u>	<u>\$ 8,170,733</u>

See accompanying notes to financial statements
and independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Financial Position
December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Current liabilities:		
Current portion of notes payable	\$ 722,235	\$ 723,429
Accounts payable	<u>16,540</u>	<u>20,647</u>
Total current liabilities	<u>738,775</u>	<u>744,076</u>
Long term liabilities:		
Notes payable	<u>1,233,691</u>	<u>1,330,411</u>
Total long term liabilities	<u>1,233,691</u>	<u>1,330,411</u>
Commitments		
Net assets:		
Unrestricted net assets	<u>6,136,117</u>	<u>6,096,246</u>
Total liabilities and net assets	<u>\$ 8,108,583</u>	<u>\$ 8,170,733</u>

See accompanying notes to financial statements
and independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Activities
Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Unrestricted net assets:		
Revenues and other support:		
Housing development fees	\$ 539,420	\$ 1,631,389
Predevelopment expense reimbursement	51,889	190,597
Grants	96,720	152,920
Annual fund raising, net of costs of direct benefits \$0 and \$0, respectively	200,100	200,000
Investment income	<u>91,355</u>	<u>69,964</u>
Total revenues and direct support	<u>979,484</u>	<u>2,244,870</u>
Expenses:		
Program services	646,533	494,406
Management and general	202,465	162,182
Fund raising	<u>90,615</u>	<u>153,088</u>
Total expenses	<u>939,613</u>	<u>809,676</u>
Increase in net assets	39,871	1,435,194
Net assets at beginning of year	<u>6,096,246</u>	<u>4,661,052</u>
Net assets at end of year	<u>\$ 6,136,117</u>	<u>\$ 6,096,246</u>

See accompanying notes to financial statements
and independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Cash Flows
Years ended December 31, 2005 and 2004

	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net income (loss)	\$ 39,871	\$ 1,435,194
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	6,341	7,796
(Increase) decrease in operating assets:		
Development fee receivable	1,493,651	379,464
Development expense advances	91,078	(478,425)
Note receivable - St. Patrick's	(15,383)	(14,377)
Prepaid expenses	(1,517)	293
Accrued interest receivable	(38,930)	(38,928)
Deposits	(3,675)	0
Increase (decrease) in operating liabilities:		
Accounts payable	<u>(4,107)</u>	<u>(10,200)</u>
Net cash provided by operating activities	<u>1,567,329</u>	<u>1,280,817</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(3,686)</u>	<u>0</u>
Net cash used by investing activities	<u>(3,686)</u>	<u>0</u>
Cash flow from financing activities:		
Reserved funds	(1,262,268)	(600,016)
Proceeds from notes payable	(97,914)	146,020
Payments of notes payable	<u>0</u>	<u>(112,500)</u>
Net cash provided by (used by) financing activities	<u>(1,360,182)</u>	<u>(566,496)</u>
Increase in cash	203,461	714,321
Cash at beginning of year	<u>926,963</u>	<u>212,642</u>
Cash at end of year	<u>\$ 1,130,424</u>	<u>\$ 926,963</u>
Interest paid	<u>\$ 49,083</u>	<u>\$ 51,792</u>

See accompanying notes to financial statements
and independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2005 and 2004

Note 1 - Nature of business.

Planning Office for Urban Affairs, Inc. (the Organization) is a non-profit corporation established to develop low and moderate mixed income housing for families and the elderly. The Organization also provides for planning for the homeless and programs to assist the elderly. Through proper development and programs they enhance the urban character of our local communities.

Note 2 - Summary of significant accounting policies.

Cash equivalents:

The Organization considers all unrestricted bank checking and savings accounts as cash equivalents.

Development fee receivable:

The Organization's development fee receivable consists of the earned development fee on the Rollins Square Development, and Lowell Square (West End), St. John of God, St. Adian's, St. Jean Baptiste, St. Joseph's, St. Theresa's and D'Youville Developments as of December 31, 2005. The Rollins Square and St. John of God receivable is due to be collected during the years ending December 31, 2005 and 2006, based on the Development service contract's projected payout schedules. Management believes that the fees are fully collectible and approximates the fair market values.

Property and equipment:

Property and equipment are stated at cost. Depreciation is provided using the straight-line method for financial reporting and tax purposes. Estimated useful lives are as follows:

Computer equipment	5 years
Office equipment	7-10 years

Expenditures for renewals and betterments that materially extend the life of the asset are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation amounted to \$ 6,341 and \$ 7,796 for the years ended December 31, 2005 and 2004, respectively.

See independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2005 and 2004

Note 2 - continued.

Revenues:

Revenues are generated from development service fees and contributions. The primary sources of the development fees are from the Rollins Square, St. John God, St. Aidan's, St. Jean Baptiste, and St. Joseph's Projects. In addition, the Organization is receiving grants based on the amount of housing units constructed and developed for low to moderate income individuals. (see note 6)

Contributions:

The organization uses statement of financial accounting standards (SFAS) No. 116, "Accounting for Contributions Received" and in accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. To date, the organization has only received unrestricted contributions.

Income taxes:

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is considered other than a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Financial statement presentation:

The Organization adopted SFAS No. 117, "Financial Statements of Not-for-Profit Organization". Under SFAS. No. 117, the Organization is required to report information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Organization only has unrestricted net assets to date.

Use of estimates:

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

See independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2005 and 2004

Note 3 - Unrestricted net assets.

Unrestricted net assets are available for general business purposes. There are no restrictions on the use of these net assets. The balance of the unrestricted net assets is made up of beginning unrestricted net assets plus the increase (decrease) in unrestricted net assets during the year. The unrestricted net assets amounted to \$ 6,136,117 and \$ 6,096,246 for the years ended December 31, 2005 and 2004, respectively.

Note 4 - Other assets.

In December 1984, an affiliate of the Planning Office, Scituate Homes, Inc., sold its ownership in 64 residential apartment units of low income housing located in Scituate, Massachusetts to Kent Village Associates Limited Partnership of Washington, D.C. Principal financing for the housing had previously been provided by the Massachusetts Finance Agency (MHFA) in the amount of approximately \$ 4,125,000. Kent Village Associates Limited Partnership succeeded Scituate Homes, Inc. as the obligor on the MHFA debt. In addition, Scituate Homes, Inc. received a purchase money promissory note in the amount of \$ 481,472 from South Shore Associates Limited Partnership, an affiliate of Kent Village Associates Limited Partnership.

On March 10, 1992, Scituate Homes, Inc., in consideration of financing services rendered by Planning Office, assigned the promissory note to Planning Office. The note was renewed for an additional five year term on December 28, 1999 at the rate of 10% per year. The note was payable on December 28, 2004. The organization has started foreclosure procedures to collect the outstanding balance.

Interest income from the note is accrued annually. It is management's opinion that the promissory note and related accrued interest receivable are fully collectible.

See independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2005 and 2004

Note 4 - continued.

Collateral for the note and accumulated interest receivable is a multi-family complex located in Scituate, Massachusetts. An appraisal report dated December 29, 2005, valued the property at \$6,700,000. The appraisal, at fair market value was a requirement pursuant to the note extension. The fair market value appears to be sufficient to completely collateralize the outstanding first mortgage and also the outstanding principal and accumulated interest \$ 1,320,707 owed to the Organization at December 31, 2005.

Note 5 - Notes payable.

	<u>2005</u>	<u>2004</u>
Note payable to Roman Catholic Archdiocese of Boston with a fixed interest rate of 10%, payable on demand, unsecured.	\$ 722,235	\$ 723,429
Note payable to Fleet Real Estate Inc.(subsidiary of Fleet Bank) with no stated interest rate, the unamortized balance (see note 6) due in full on June 20, 2008, unsecured.	<u>1,233,691</u>	<u>1,330,411</u>
Total notes payable	1,955,926	2,053,840
Less: current maturities	<u>(722,235)</u>	<u>(723,429)</u>
Total long term debt	<u>\$ 1,233,691</u>	<u>\$ 1,330,411</u>

See independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2005 and 2004

Note 5 -- continued.

Maturities of long term debt:

2006	\$ 722,235
2007	0
2008	<u>1,233,691</u>
Totals	<u>\$ 1,955,926</u>

The carrying value of the long term debt, based on the terms of which those same loans would be made currently, approximate their fair value.

Note 6 – Bank of America Real Estate Inc. - Grant allocation.

The Organization entered into an agreement with a subsidiary of Bank of America on May 18, 2001, in which The Organization received \$1,000,000 which is due in seven years from the disbursement date, June 20, 2001. The loan advance will be reclassified as grant income as the Organization develops affordable housing units. For the years ending December 31, 2005 and 2004, 78 and 83 units respectively were credited to the Organization. The organization was able to reclassify \$96,720 (\$1,240 x 78 units) and \$102,920 (\$1,240 x 83 units), respectively, for the years ending December 31, 2005 and 2004, as grant income and the note payable forgiven by the similar amount. The Organization is also entitled to receive additional funds as a match (1:1) based on other funds received from other corporate investors comparable to Bank of America. Additional funds received to date since the inception of the agreement total is \$600,000.

Note 7 - Commitments.

The Company is, from time to time, involved with lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Company's results of operations.

On June 16, 2003, the Organization entered into a lease agreement expiring on July 31, 2006. The monthly obligation started at \$7,475 and increases to \$7,762 then \$8,050 upon the annual periods. The Organization has entered into a lease agreement in a new building beginning on July 15, 2006 and a term of 120 months. The initial base rent is \$11,189 per month with scheduled increases at various times throughout the lease.

See independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2005 and 2004

Note 7 - continued.

The minimum rental commitment is as follows:

2006	\$ 112,296
2007	134,270
2008	135,428
2009	136,585
2010	<u>137,742</u>
Total	<u>\$ 656,321</u>

Note 8 - Tax sheltered annuity.

The Organization has a tax sheltered annuity program qualified under Section 403(b) of the Internal Revenue Code covering all eligible employees through the Roman Catholic Archdiocese of Boston. The program is completely voluntary and funded only by the employees' contributions. Employees may contribute up to \$ 14,000 per year.

Note 9 - Related party transactions.

As more fully described in Note 5, the Organization is indebted to several parties, one of which is a "related party".

That related party is the Roman Catholic Archdiocese of Boston which is under the direction of Cardinal Sean O'Malley, who is also the president and treasurer of this Organization.

Note 10 - Significant concentration of credit risk.

The Organization has concentrated its credit risk by maintaining cash deposits in a couple of local banks. Deposits in excess of \$ 100,000 are not insured by the Federal Deposit Insurance Corporation. During the year, the Organization exceeded this limit at various times.

See independent auditors' report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Supplementary Information
Years ended December 31, 2005 and 2004

WALD & INGLE, P.C.

	2005				2004			
	<u>Total</u>	<u>Program Expenses</u>	<u>Management & General</u>	<u>Fundraising Expenses</u>	<u>Total</u>	<u>Program Expenses</u>	<u>Management & General</u>	<u>Fundraising Expenses</u>
Payroll	\$ 492,960	\$ 332,921	\$ 110,558	\$ 49,481	\$ 437,684	\$ 264,350	\$ 89,167	\$ 84,167
Housing development expenses	36,753	36,753	0	0	12,984	12,984	0	0
Rent and electricity	101,010	68,217	22,654	10,139	98,291	59,366	20,024	18,901
Payroll taxes and fringe benefits	114,647	77,427	25,712	11,508	88,207	53,275	17,970	16,962
Travel and meals	2,718	1,835	610	273	4,922	2,972	1,003	947
Office supplies and expenses	19,485	13,159	4,370	1,956	11,977	7,234	2,440	2,303
Telephone	6,931	4,681	1,554	696	6,172	3,728	1,257	1,187
Equipment rental and maintenance	9,742	6,579	2,185	978	6,309	3,811	1,285	1,213
Dues and subscriptions	3,037	2,051	681	305	2,767	1,671	564	532
Donations	100	100	0	0	600	600	0	0
Postage and delivery	3,778	2,552	847	379	3,746	2,263	763	720
Professional services	381	258	85	38	7,305	4,412	1,488	1,405
Meeting expenses	17,938	12,114	4,023	1,801	5,028	3,037	1,024	967
Depreciation	6,341	4,283	1,422	636	7,796	4,709	1,588	1,499
Insurance	25,843	17,453	5,796	2,594	25,174	15,204	5,129	4,841
Accounting	15,972	10,787	3,582	1,603	16,123	9,738	3,285	3,100
Printing	1,823	1,231	409	183	8,057	4,867	1,641	1,549
Legal expenses	6,071	4,100	1,362	609	14,742	8,904	3,003	2,835
Public Relations	25,000	16,884	5,607	2,509	0	0	0	0
Interest	49,083	33,148	11,008	4,927	51,792	31,281	10,551	9,960
	<u>\$ 939,613</u>	<u>\$ 646,533</u>	<u>\$ 202,465</u>	<u>\$ 90,615</u>	<u>\$ 809,676</u>	<u>\$ 494,406</u>	<u>\$ 162,182</u>	<u>\$ 153,088</u>

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