

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Financial Statements

and

Independent Auditors' Report

December 31, 2006 and 2005



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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, 2006 and 2005 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, 2006 and 2005 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 13 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.

A handwritten signature in cursive script that reads "Wald & Ingle, P.C.".

Wald & Ingle, P.C.
Boston, Massachusetts

October 9, 2007

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Financial Position
December 31, 2006 and 2005

Assets

	<u>2006</u>	<u>2005</u>
Current assets:		
Cash	\$ 775,676	\$ 1,130,424
Development fee receivable	644,207	816,929
Development expense advances	1,015,270	387,347
Note receivable - St. Patrick's	262,710	235,142
Prepaid expenses	7,807	9,308
	<hr/>	<hr/>
Total current assets	2,705,670	2,579,150
	<hr/>	<hr/>
Property and equipment, at cost:		
Computer equipment	56,642	56,642
Office equipment	8,830	8,830
	<hr/>	<hr/>
Total	65,472	65,472
Less: accumulated depreciation	(59,846)	(53,164)
	<hr/>	<hr/>
Total property and equipment	5,626	12,308
	<hr/>	<hr/>
Other assets:		
Development fee receivable	2,379,820	2,323,484
Investment in Kent Village	1,348,144	0
Note receivable	0	481,472
Accrued interest receivable	0	839,235
Reserved funds	1,588,426	1,862,284
Deposits	45,650	10,650
	<hr/>	<hr/>
Total other assets	5,362,040	5,517,125
	<hr/>	<hr/>
Total assets	\$ 8,073,336	\$ 8,108,583
	<hr/>	<hr/>

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



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Financial Position
December 31, 2006 and 2005

Liabilities and Net Assets

	<u>2006</u>	<u>2005</u>
Current liabilities:		
Current portion of notes payable	\$ 771,042	\$ 722,235
Accounts payable	34,626	16,540
	<hr/>	<hr/>
Total current liabilities	805,668	738,775
	<hr/>	<hr/>
Long term liabilities:		
Notes payable	1,233,691	1,233,691
	<hr/>	<hr/>
Total long term liabilities	1,233,691	1,233,691
	<hr/>	<hr/>
Commitments		
Net assets:		
Unrestricted net assets	6,033,977	6,136,117
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 8,073,336</u>	<u>\$ 8,108,583</u>

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



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Activities
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Unrestricted net assets:		
Revenues and other support:		
Housing development fees	\$ 810,833	\$ 539,420
Predevelopment expense reimbursement	0	51,889
Grants	0	96,720
Annual fund raising, net of costs of direct benefits \$0 and \$0, respectively	200,100	200,100
Donations	900	0
Investment income	106,200	91,355
	1,118,033	979,484
 Expenses:		
Program services	876,160	646,533
Management and general	218,942	202,465
Fund raising	125,071	90,615
	1,220,173	939,613
 Increase in net assets	(102,140)	39,871
 Net assets at beginning of year	6,136,117	6,096,246
 Net assets at end of year	\$ 6,033,977	\$ 6,136,117

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



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Statements of Cash Flows
Years ended December 31, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Net income (loss)	\$ (102,140)	\$ 39,871
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	6,682	6,341
(Increase) decrease in operating assets:		
Development fee receivable	116,386	1,493,651
Development expense advances	(627,923)	91,078
Note receivable - St. Patrick's	(27,568)	(15,383)
Prepaid expenses	1,501	(1,517)
Accrued interest receivable	(27,437)	(38,930)
Deposits	(35,000)	(3,675)
Increase (decrease) in operating liabilities:		
Accounts payable	18,086	(4,107)
	<u>(677,413)</u>	<u>1,567,329</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	<u>0</u>	<u>(3,686)</u>
Net cash used by investing activities	<u>0</u>	<u>(3,686)</u>
Cash flow from financing activities:		
Reserved funds	273,858	(1,262,268)
Proceeds from notes payable	<u>48,807</u>	<u>(97,914)</u>
Net cash provided by (used by) financing activities	<u>322,665</u>	<u>(1,360,182)</u>
Increase in cash	(354,748)	203,461
Cash at beginning of year	<u>1,130,424</u>	<u>926,963</u>
Cash at end of year	<u>\$ 775,676</u>	<u>\$ 1,130,424</u>

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



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2006 and 2005

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, Lowell Square (West End Place), St. John of God, St. Aidan's, St. Jean Baptiste, St. Joseph's, St. Theresa's, Riley House, Hayes Building and D'Youville Developments as of December 31, 2006. 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 \$ 6,682 and \$ 6,341 for the years ended December 31, 2006 and 2005, respectively.

See independent auditors' report.



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2006 and 2005

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 of God, Lowell Square (West End Place), St. Aidan's, St. Jean Baptiste, St. Theresa's, Riley House, Hayes Building 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 and families. (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, 2006 and 2005

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 \$ 6,033,977 and \$ 6,136,117 for the years ended December 31, 2006 and 2005, 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, the limited partner 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 the 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. On July 27, 2006, the Organization foreclosed on South Shore Associates Limited Partnership's limited partner interest in Kent Village Associates Limited Partnership and pursuant to a Memorandum of Sale, POUA Kent Village LLC, the sole member of which is the Planning Office, became the limited partner of Kent Village Associates Limited Partnership.

See independent auditors' report.



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2006 and 2005

Note 5 - Notes payable.

	<u>2006</u>	<u>2005</u>
Note payable to Roman Catholic Archdiocese of Boston with a fixed interest rate of 10%, payable on demand, unsecured.	\$ 771,042	\$ 722,235
Note payable to bank of America 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>1,233,691</u>
Total notes payable	2,004,733	1,955,926
Less: current maturities	<u>(771,042)</u>	<u>(722,235)</u>
Total long term debt	\$ <u>1,233,691</u>	\$ <u>1,233,691</u>

Maturities of long term debt:

2007	\$ 771,042
2008	<u>1,233,691</u>
Totals	\$ <u>2,004,733</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.

See independent auditors' report.



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2006 and 2005

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, 2006 and 2005, 0 and 78 units respectively were credited to the Organization. The organization was able to reclassify \$ 0 (\$1,240 x 0 units) and \$96,720 (\$1,240 x 78 units), respectively, for the years ending December 31, 2006 and 2005, 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.

The Organization 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.

The minimum rental commitment is as follows:

2007	\$ 134,270
2008	135,428
2009	136,585
2010	137,742
2011	143,530

See independent auditors' report.



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2006 and 2005

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 \$ 15,000 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. Effective July 17, 2007 per new By-laws, the Cardinal will no longer be president and treasurer.

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. As of December 31, 2006, the Organization's uninsured balances were \$ 2,164,102.

See independent auditors' report.



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Notes to Financial Statements
December 31, 2006 and 2005

Note 11 – Supplemental disclosures regarding cash flows.

During the years ended December 31, 2006 and 2005, the Organization paid interest of \$51,739 and \$49,083, respectively.

The following non-cash investment activities impact the financial statements as of December 31, 2006 and 2005.

	<u>2006</u>	<u>2005</u>
Note receivable and accrued interest due from Kent Village Associates LP converted to partnership interest (see note 4).	\$1,348,144	\$ 0

See independent auditors' report.



PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Supplementary Information
Years ended December 31, 2006 and 2005

	2006			2005				
	Total	Program Expenses	Management & General	Fundraising Expenses	Total	Program Expenses	Management & General	Fundraising Expenses
Payroll	\$ 547,402	\$ 376,546	\$ 105,870	\$ 64,986	\$ 492,960	\$ 332,921	\$ 110,558	\$ 49,481
Housing development expenses	151,437	151,437	0	0	36,753	36,753	0	0
Rent and electricity	67,253	46,262	13,007	7,984	101,010	68,217	22,654	10,139
Payroll taxes and fringe benefits	145,580	100,141	28,156	17,283	114,647	77,427	25,712	11,508
Travel and meals	19,724	13,567	3,815	2,342	2,718	1,835	610	273
Office supplies and expenses	34,239	23,552	6,622	4,065	19,485	13,159	4,370	1,956
Telephone	6,885	4,736	1,332	817	6,931	4,681	1,554	696
Equipment rental and maintenance	9,696	6,671	1,875	1,150	9,742	6,579	2,185	978
Dues and subscriptions	8,543	5,877	1,652	1,014	3,037	2,051	681	305
Donations	0	0	0	0	100	100	0	0
Postage and delivery	4,059	2,792	785	482	3,778	2,552	847	379
Professional services	1,247	858	241	148	381	258	85	38
Meeting expenses	14,413	9,915	2,788	1,710	17,938	12,114	4,023	1,801
Depreciation	6,682	4,597	1,292	793	6,341	4,283	1,422	636
Insurance	24,141	16,606	4,669	2,866	25,843	17,453	5,796	2,594
Accounting	26,174	18,005	5,062	3,107	15,972	10,787	3,582	1,603
Printing	3,059	2,105	592	362	1,823	1,231	409	183
Legal expenses	22,713	15,624	4,393	2,696	6,071	4,100	1,362	609
Public Relations	60,009	41,279	11,606	7,124	25,000	16,884	5,607	2,509
Moving expense	15,178	0	15,178	0	0	0	0	0
Interest	51,739	35,590	10,007	6,142	49,083	33,148	11,008	4,927
	<u>\$ 1,220,173</u>	<u>\$ 876,160</u>	<u>\$ 218,942</u>	<u>\$ 125,071</u>	<u>\$ 939,613</u>	<u>\$ 646,533</u>	<u>\$ 202,465</u>	<u>\$ 90,615</u>

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