

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidated Financial Statements

and

Independent Auditors' Report

December 31, 2015 and 2014

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**Ingle & Associates LLC**  
Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated statement of financial position of the Planning Office for Urban Affairs, Inc. (a non-profit organization) and affiliates as of December 31, 2015 and 2014, and the related consolidated statements of activities and cash flows for the year then ended and the related notes to the financial statements.

### *Management Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on my audits. We conducted my 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We did not audit the financial statements of Kent Village Associates Limited Partnership, which statements reflect total assets of \$10,283,263 as of December 31, 2015, and total support and revenues of \$1,482,926 for the year then ended. We did not audit the financial statements of 40 Upton Street LLC, which statements reflect total assets of \$7,692,934 as of December 31, 2015, and total support and revenues of \$178,416 for the year then ended. We did not audit the financial statements of Lowell Square LP, which statements reflect total assets of \$8,419,269 as of December 31, 2015, and total support and revenues of \$1,945,190 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Kent Village

**Where Knowledge, Creativity & Trust Meet.**

Associates Limited Partnership and 40 Upton Street LLC, is based solely on the reports of the other auditors. Our responsibility is to express an opinion on these financial statements based on our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Planning Office for Urban Affairs, Inc. and affiliates as of December 31, 2015 and 2014, and the results of its activities, changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other-Matter***

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information starting on Page 18 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ingle & Associates LLC*

Ingle & Associates, LLC.  
July 5, 2016

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Financial Position  
December 31, 2015 and 2014

	<u>Assets</u>	
	12/31/15	12/31/14
Current assets:		
Cash	\$ 5,577,447	\$ 11,156,482
Development fee receivable	1,275,830	1,212,396
Accounts receivable	63,628	125,717
Pre-development advances	1,375,109	603,372
Prepaid expenses	87,459	113,146
Total current assets	8,379,473	13,211,113
Property and equipment, at cost:		
Land	1,613,004	1,613,004
Building and improvements	25,250,414	24,920,072
Office equipment	421,911	278,051
Total	27,285,329	26,811,127
Less: accumulated depreciation	(14,599,945)	(13,902,075)
Total property and equipment	12,685,384	12,909,052
Other assets:		
Development fee receivable	---	560,757
Investments in joint ventures	673,979	601,786
Reserved funds	13,021,459	9,202,727
Property under development, less retainage	21,827,816	15,337,828
Lender reserved funds	667,174	599,492
Deferred financing costs, net	179,050	185,021
Deposits	35,000	43,703
Total other assets	36,404,478	26,531,314
Total assets	\$ 57,469,335	\$ 52,651,479

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Financial Position  
December 31, 2015 and 2014

Liabilities and Net Assets

	<u>12/31/15</u>	<u>12/31/14</u>
Current liabilities:		
Current portion of notes payable	\$ 164,731	\$ 157,025
Construction costs payable	4,373,688	48,830
Accounts payable	576,086	203,232
Accrued expenses and other current liabilities	<u>585,042</u>	<u>953,050</u>
Total current liabilities	<u>5,699,547</u>	<u>1,362,137</u>
Long term liabilities:		
Notes payable - long term portion	11,904,291	12,068,935
Property development financing	17,455,873	16,642,239
Deferred revenue	684,111	703,371
Deferred interest payable	347,703	322,670
Accrued pension benefits	<u>282,000</u>	<u>247,000</u>
Total long term liabilities	<u>30,673,978</u>	<u>29,984,215</u>
Commitments		
Net assets:		
Unrestricted net assets	<u>21,095,810</u>	<u>21,305,127</u>
Total liabilities and net assets	<u>\$ 57,469,335</u>	<u>\$ 52,651,479</u>

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Activities

For the years ended December 31, 2015 and 2014

	12/31/15	12/31/14
Unrestricted net assets:		
Revenues and other support:		
Housing development fees	\$ 766,026	\$ 960,131
Income from rental operations	3,576,264	3,394,270
Other income	199,455	310,859
Interest income	38,437	31,027
Total revenues and direct support	4,580,182	4,696,287
Expenses:		
Program services	817,847	749,701
Management and general	472,337	553,565
Fund raising	19,398	18,343
Cost of rental operations	2,436,663	2,032,040
Pension expense	35,000	---
Interest expense	297,786	86,402
Depreciation & amortization	703,624	884,553
Other expenses	140,144	127,863
Total expenses	4,922,799	4,452,467
Increase/(decrease) in net assets	(342,617)	243,820
Net assets at beginning of year	21,305,132	21,111,712
Capital contributions	---	
Distributions	133,295	(50,405)
Net assets at end of year	\$ 21,095,810	\$ 21,305,127

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidated Statement of Cash Flows  
For the Years ended December 31, 2015 and 2014

	12/31/15	12/31/14
Change in net assets	\$ (342,615)	\$ 243,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	705,926	884,553
Income from ltd. Partnerships	132,236	141,429
Bad debt	3,221	3,818
Loss on disposal	3,680	---
Restricted interest income	---	21,007
Unrealized loss on mutual funds	---	21,905
(Increase) decrease in operating assets:		
Development fee receivable	496,574	533,599
Accounts receivable	(4,334)	(5,009)
Predevelopment advances	(1,195,793)	604,320
Prepaid expenses	21,346	(53,144)
Deposits	---	587
Increase (decrease) in operating liabilities:		
Accounts payable	370,354	(101,553)
Accrued expenses	328,075	66,847
Accrued pension payable	35,000	---
Deferred revenue	(18,998)	109,295
Accrued interest payable	25,033	1,057,381
Net cash provided by operating activities	559,705	3,528,855
Cash flows from investing activities:		
Purchase of property and equipment	(478,101)	(195,954)
Development expense advances, net	---	27,869
Investment in joint venture	528,891	(601,786)
Properties under development	(6,489,988)	(15,337,828)
Net deposits to other reserves	(7,866,241)	(5,335,525)
Release of reserve for replacements	---	(492,169)
Distribution from partnership	(506,637)	(155,105)
Reserve for replacements funded	4,370,358	556,593
Residual receipts funded	---	---
Net cash (used)/provided by investing activities	(10,441,718)	(21,533,905)
Cash flow from financing activities:		
Reserved funds	(57,769)	(93)
Property development financing	813,634	16,642,239
Proceeds/(repayment) of note payable	(156,938)	7,658,507
Deferred financing costs	4,373,688	---
Net cash (used)/provided by financing activities	4,972,615	24,300,653
(Decrease)/increase in cash	(4,909,398)	6,295,603
Cash at beginning of year	10,486,845	5,047,481
Cash at end of year	\$ 5,577,447	\$ 11,343,084

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 1 - Nature of business.

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

Kent Village Associates Limited Partnership (“Kent Village”) was organized as a Massachusetts Limited Partnership in December, 1984. It owns and operates a government-sponsored, multi-family apartment complex of sixty-four (64) units located in Scituate, Massachusetts. The accounts of the entity are also included in these financial statements.

40 Upton Street LLC (“Upton Street”), a Massachusetts limited liability company organized on July 15, 2011, provides single room occupancy housing to low income, formerly homeless individuals. Housing activities commenced in December 2011 upon completion of renovations to the rental property. Upton St. owns and operates a 19-unit property located in Boston. The accounts of the entity are included in these financial statements.

Lowell Square Limited Partnership (“Lowell Square”) was formed in November 1994 for the purpose of owning, developing and operating low-income housing units. The project consists of 82 residential units located in Boston, Massachusetts. Lowell Square owns one condominium unit of the five condominium units at West End Place Condominium. The general partner, Lowell Square Associates JV, separately owns one condominium unit in West End Place consisting of three commercial spaces and 24 parking spaces in the garage at West End Place.

Property under development during 2015 includes Harbor Place in Haverhill, Massachusetts. Harbor Place is a two building, mixed use complex in downtown Haverhill. Once completed, Harbor Place will consist of (i) an approximately 61,000 square foot commercial building, (ii) an approximately 119,000 square foot mixed-use building that will have 80 mixed income rental units and approximately 13,000 square feet of ground floor retail space, and (iii) a parking garage and public plaza.

In 2015, St. Kevin’s, Uphams Corner, and Winter Street were also under development.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 1 – continued.

For all properties under development, the combined value of construction completed to date is reflected in the consolidated financial statements as “property under development, less retainage” and construction period financing outstanding as of December 31, 2015 is reflected in the consolidated financial statements as “property development financing”.

Note 2 - Summary of significant accounting policies.

Basis of Consolidation:

The consolidated financial statements include the accounts of the Organization and its affiliates in which a controlling or 100% ownership interest exists. The consolidated operating entities are; Kent Village, Upton Street, Lowell Square and its general partner, Lowell Square Associates Joint Venture. All material inter-company transactions and accounts have been eliminated in consolidation.

Cash equivalents:

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

Development fee receivable:

Development fees receivable consist of the earned and unpaid development fees on the Kennedy Building, Rollins Square, Winter St., St. Joseph’s, and Upham’s Corner/St. Kevin’s projects as of December 31, 2015. Management believes that the fees are fully collectible and approximates the fair market values.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 2 – continued.

Property, plant and equipment:

Property, plant and equipment are stated at cost. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities. Depreciation for rental property is computed under the straight-line method based on an estimated useful life of forty years. Depreciation for furniture and equipment is computed under the straight-line method based on an estimated useful life of five to seven years. Depreciation for leasehold improvements is computed over the life of the lease.

The Organization reviews its investments in property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. There was no impairment loss recognized in fiscal year 2015.

Revenues:

Development fees are recorded as earned, as defined by contracts. The primary sources of the development fees are from the St. Kevin's, Uphams Corner, Winter Street and St. Joseph's projects as of December 31, 2015.

Fees earned from the development of Upton Street have been deferred and are being earned ratably over the estimated useful life of the asset categories within which the fees were capitalized. The balance of deferred fees is \$684,110 and \$703,370 at December 31, 2015 and 2014, respectively.

Contributions:

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 recorded unrestricted contributions.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
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Note 2 – continued.

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. Kent Village, Lowell Square and 40 Upton Street do not pay income taxes but allocates profits and losses to its partners who are responsible for the payment of the resulting income taxes.

The Organization's tax returns for the years ended December 31, 2012 through 2015 are subject to examination by the Internal Revenue Service and the Commonwealth of Massachusetts.

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.

Note 3 – Advances to and equity in joint venture

An affiliate of the Organization has a non-controlling 50% interest in a limited liability joint venture, Merrimack Street Ventures LLC, formed to construct Harbor Place in Haverhill, MA. Equity investment in the joint venture totaled \$674,000 and \$601,000 at December 31, 2015 and 2014, respectively. All of the members participate in the general management of the joint venture.

Note 4 - 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 consolidated unrestricted net assets amounted to \$21,305,127 and \$21,111,712 for the years ended December 31, 2015 and 2014, respectively.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 5 - Notes payable.

UPTON STREET

Department of Housing and Community Development - Non-interest bearing note payable to DHCD under the Home Investments Partnership Program (HOME) due January, 2051. The note is secured by a shared mortgage on the property and assignment of leases and rents. During 2014, \$39,645 of development cost savings was used to fund a payment of principle. The balance due at December 31, 2015, is \$672,855.

Bank of America of RI under the Federal Home Loan Bank of Boston - Non-interest bearing note payable under the Affordable Housing program in the amount of \$205,833 due November, 2026. The note is secured by a shared third mortgage on the property and assignment of leases and rents. The balance due at December 31, 2015 and 2014 is \$205,833.

Department of Housing and Community Development - Non-interest bearing note payable to DHCD under the Home Investments Partnership Program (HOME) due September, 2041. The note is secured by a shared mortgage on the property and assignment of leases and rents. During 2014, \$51,430 of development cost savings was used to fund a payment of principle. The balance due at December 31, 2015, is \$460,113.

LOWELL SQUARE

Boston Redevelopment Authority (BRA) - in the original amount of \$502,000. The loan bears simple interest at the annual rate of 3% and is secured by the property. No payments of principal or interest are due until maturity on December 31, 2034. The balance of the loan at December 31, 2015 is \$492,130.

Boston Redevelopment Authority (BRA) - in the original amount of \$328,000. The loan bears simple interest at the annual rate of 3% and is secured by the property. No payments of principal or interest are due until maturity on December 31, 2034. Interest expense during the year ended December 31, 2014 was \$9,840 and deferred interest at December 31, 2015 was \$182,004. The balance of the loan at December 31, 2015 is \$328,000.

Permanent financing is being provided in the form of a non-recourse loan from First National Bank of Boston which was immediately assigned to the Federal National Mortgage Association (FNMA) and administered by Red Mortgage Capital, Inc. (formerly Banc One). The loan in the original amount of \$1,099,000 bears interest at a rate not to exceed 9.525% per annum. Principal and interest are payable in monthly installments of \$8,045 through maturity on September 30, 2029. During the year ended December 31, 2015, interest expense was \$67,711. As of December 31, 2015, the outstanding principal was \$802,019.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 5 - continued.

KENT VILLAGE

On July 28, 2014, Kent Village obtained a HUD-insured 223(f) mortgage in an original amount of \$9,274,600 with Red Mortgage Capital, LLC. The new mortgage note is payable in monthly installments of \$41,065 for principle and interest, with interest at the rate of 4%. The mortgage note is due August 1, 2049 and is collateralized by substantially all of the rental property as well as an assignment of rents and leases. In connection with the refinancing, Kent Village entered into a Regulatory Agreement with HUD. Among other HUD matters, the agreement calls for the establishment of a reserve for replacements fund with an initial deposit of \$484,608 and a deferred repairs escrow fund in the amount of \$607,926. The agreement also required a 50% Equity Escrow of cash proceeds of \$4,141,825 to be held by the mortgagee until non-critical repairs are completed. HUD approved the release of the 50% Equity Reserve in the amount of \$4,143,955, \$362,274 of which was used to fund a mortgagor designated replacement reserve. Interest incurred on this note amounted to \$366,645 during 2015, including accrued interest of \$30,360 as of December 31, 2015. The total outstanding principal balance as of December 31, 2015 is \$9,108,072.

PROPERTY UNDER DEVELOPMENT

Funding balances as of December 31, 2015 for the development and construction of the Harbor Place property are listed below. The commercial loan from Bank of America is due within the 12 months following estimated substantial completion. Interest rate for the loan is 2.5% above the LIBOR rate. No interest accrues during the construction period for the government funded loans and maturity dates vary from 30 to 50 years following completion of construction.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 5 - continued.

**Massachusetts, Department of Housing & Community Development**

Mass Works Grant	\$14,708,873
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**Bank of America, NA**

Construction Loan	<u>2,747,434</u>
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Total	<u>\$17,455,803</u>
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A summary of consolidated debt reflects the following:

Total notes payable	\$ 29,524,895
Less: current maturities	<u>( 164,731)</u>
Total long term debt	\$ <u>29,360,164</u>

Principal payments due during the next five years are as follows:

2016	\$ 164,731
2017	172,860
2018	181,437
2019	190,490
2020	200,048

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 - Government rental assistance – Kent Village

Tenants' rents are being subsidized by the U.S. Department of Housing and Urban Development (HUD) under its Section 8 Housing Assistance Payments (HAP) program. This program restricts assistance to those tenants who qualify by meeting certain HUD established criteria, including maximum income limitations. The assistance contract obligates HUD to provide rent subsidies through October 2033. Rent subsidies totaled \$ 1,238,698 in 2015.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**  
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Notes to Consolidated Financial Statements  
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Note 7 - Commitments.

The Organization entered into a lease agreement in an office building commencing July 15, 2006 and expiring at the end of 2024. The initial base rent is \$11,382 per month with scheduled increases at various times throughout the lease. The office is used by the Organization for its administrative and development activities.

The future minimum rental commitment is as follows:

2016	\$ 167,283
2017	191,759
2018	197,160
2019	201,790
2020	205,846

Note 8 - Tax sheltered annuity.

The Organization sponsors a tax sheltered annuity program qualified under Section 403(b) of the Internal Revenue Code covering all full-time employees. The program is completely voluntary and funded only by the employees' contributions. Employees may contribute up to the allowed statutory maximum contribution amount.

On January 1, 2012, the Organization joined a new 401(k) defined contribution plan (the "Plan"). The Organization participates with other related Archdiocesan organizations in this new plan, which is administered by TIAA-CREF. Eligible employees may elect to make retirement savings contributions to the Plan, which are matched by up to 2% of employee compensation. Employee benefit costs associated with this Plan amounted to \$14,249 and \$8,400 for the years ended December 31, 2015 and 2014, respectively.

Note 9 – Pension Obligations.

The Organization participates with other related Archdiocesan organizations in a noncontributory, defined benefit multi-employer pension plan covering substantially all lay employees known as the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974. Pension expense allocated to the Organization is based on payroll cost and amounted to \$23,659 and \$23,659 for the years ended December 31, 2015 and 2014, respectively.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**  
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Notes to Consolidated Financial Statements  
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Note 9 - continued.

The Organization's share of Pension Plan financial results at July 1, 2015 reflected \$832,000 in net assets available for benefits and \$1,114,000 in accumulated plan benefits. No benefit payments were made to Organization participants during 2015 or 2014. At October 1, 2015, the plan was underfunded in the amount of \$282,000.

Effective December 31, 2011, per a vote of the Pension Plan Trustees, the Pension Plan was amended to freeze the accrual of additional benefits. Under the provision of the amendment, employees hired after December 1, 2010, are not eligible to become participants in the Pension Plan. Employees with five or more years of service as of December 31, 2011 remain vested.

The weighted average discount rate used to determine annuity benefits was 3.0% and a zero expense load rate was assumed.

Note 10 - Commitments and contingencies.

The Organization provides certain assurances and guarantees to third parties in support of its affordable housing development activities. The guarantees follow guidelines and practices common to the real estate development industry and are typically limited to the guarantee of construction and pre-development loans, with such loans also typically secured by property.

Affiliates of the Organization incur pre-development loans during the preliminary feasibility phase of a development project. The loans are typically obtained from quasi-public agencies created for the purposes of fostering the development of affordable housing. The pre-development loans are then paid-off when the closing of the construction loan occurs. The Organization and its affiliates have been consistently successful in completing their projects lien free and unencumbered for construction period obligations. In addition, management believes that in the event any of the above projects are not completed, the values of the underlying mortgage security interests are sufficient to meet all obligations.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Note 10 - continued.

Construction and pre-development loan agreement obligations of the Organization outstanding as of December 31, 2015 are as follows:

	Pre-Development Projects	Projects under Construction
Maximum loan amounts guaranteed	\$ 240,000	\$ 53,150,000
Outstanding loan balances as of December 31, 2015	11,429,450	16,473,281
Amount of outstanding loan balance guaranteed as of December 31, 2014	11,429,450	16,473,281
Amount of outstanding loan balance that is secured	80,000	16,473,281

Construction and pre-development loan agreement obligations of the Organization outstanding as of December 31, 2014 are as follows:

	Pre-Development Projects	Projects under Construction
Maximum loan amounts guaranteed	\$ 240,000	\$ 22,400,000
Outstanding loan balances as of December 31, 2015	80,000	6,701,300
Outstanding loan balances guaranteed as of December 31, 2014	80,000	6,701,300
Amount of outstanding loan balance that is secured	80,000	6,701,300

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 10 - continued.

The Organization has provided certain limited operating financial guarantees to the investors of completed project affiliates. The guarantees stipulate the maximum amount of funds committed and the nature of the financial event being secured. At December 31, 2015, guarantees totaled \$2,187,911 and were fully secured by restricted cash reserves.

The Organization is contingently liable to an affiliate for the principal sum of \$500,000 related to an agreement to transfer parking spaces at one of the Organization's developments. The agreement stipulates that a certain number of underground parking spaces at a developed property shall be transferred to the affiliate when, and if, the Organization obtains title to the parking spaces. At the option of the obligee, the sum of \$500,000 is due and payable in lieu of the transfer of title to the parking spaces. Such claim has not been made by the obligee as of the date of these financial statements.

Note 11 - Concentration of credit risk.

The Organization maintains its cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances at each bank up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in the accounts. The Organization believes it is not exposed to any significant credit risk on its operating cash balances.

Note 12 – Government regulations.

Affiliate operations are concentrated in the multifamily real estate market. In addition, Kent Village operates in a heavily regulated environment subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including but not limited to HUD and MHFA. Such administrative directives, rules and regulations are subject to change by an Act of Congress or an administrative change mandated by regulatory authorities. Changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with such changes.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
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Notes to Consolidated Financial Statements  
December 31, 2015 and 2014

Note 13 – Supplemental disclosures of cash flows:

During the year ended December 31, 2015, interest payments totaled \$ 367,064. No income taxes were paid.

During the year ended December 31, 2014, interest payments totaled \$ 240,825. No income taxes were paid.

Note 14 - Evaluation of subsequent events:

The Company has evaluated subsequent events through July 7, 2016, the date which the financial statements were available to be issued. During 2016, Kent Village transferred \$7,853,733 from cash to reserved funds. This transfer is reflected in the cash amount reported as well as the reserved funds reported. These amounts differ from the audited financial statements by the \$7,853,733.

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See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidating Statement of Financial Position  
December 31, 2015

	Planning Office for Urban Affairs	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
<b>Current assets:</b>						
Cash	\$ 3,984,608	\$ 239,378	\$ 1,276,804	\$ 76,657		\$ 5,577,447
Development fee receivable	1,275,830	---	---	---		1,275,830
Accounts receivable	---	29,220	30,297	3,362	749	63,628
Pre-development advances	1,375,109	---	---	---		1,375,109
Prepaid expenses	10,412	50,742	---	26,305		87,459
<b>Total current assets</b>	<b>6,645,959</b>	<b>319,340</b>	<b>1,307,101</b>	<b>106,324</b>	<b>749</b>	<b>8,379,473</b>
<b>Property and equipment, at cost:</b>						
Land	---	368,008	768,321	350,661	126,014	1,613,004
Building and improvements	---	5,456,048	13,285,484	6,508,882		25,250,414
Office equipment	82,224	286,181	---	53,506		421,911
<b>Total</b>	<b>82,224</b>	<b>6,110,237</b>	<b>14,053,805</b>	<b>6,913,049</b>	<b>126,014</b>	<b>27,285,329</b>
Less: accumulated depreciation	(78,724)	(5,166,066)	(8,655,959)	(699,196)		(14,599,945)
<b>Total property and equipment</b>	<b>3,500</b>	<b>944,171</b>	<b>5,397,846</b>	<b>6,213,853</b>	<b>126,014</b>	<b>12,685,384</b>
<b>Other assets:</b>						
Development fee receivable	749	---	---	---	(749)	---
Investment in limited partnerships	2,222,289	---	18,498	---	(2,240,787)	---
Investment in joint ventures	673,979					673,979
Reserved funds	1,779,350	8,228,965	1,640,387	1,372,757		13,021,459
Property under development, less retainage	21,827,816	---	---	---		21,827,816
Lender reserved funds	---	611,737	55,437	---		667,174
Deferred financing costs, net	---	179,050	---	---		179,050
Deposits	35,000	---	---	---		35,000
<b>Total other assets</b>	<b>26,539,183</b>	<b>9,019,752</b>	<b>1,714,322</b>	<b>1,372,757</b>	<b>(2,241,536)</b>	<b>36,404,478</b>
<b>Total assets</b>	<b>\$ 33,188,642</b>	<b>\$ 10,283,263</b>	<b>\$ 8,419,269</b>	<b>\$ 7,692,934</b>	<b>\$ (2,114,773)</b>	<b>\$ 57,469,335</b>

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidating Statement of Financial Position  
December 31, 2015

	Planning Office for Urban Affairs	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
<b>Current liabilities:</b>						
Current portion of notes payable	\$ ---	\$ 130,846	\$ 33,885	\$ ---		\$ 164,731
Construction costs payable	4,373,688	---	---	---		4,373,688
Accounts payable	526,493	10,916	20,452	18,225		576,086
Accrued expenses and current liabilities	<u>414,732</u>	<u>80,784</u>	<u>63,523</u>	<u>26,003</u>		<u>585,042</u>
<b>Total current liabilities</b>	<u>5,314,913</u>	<u>222,546</u>	<u>117,860</u>	<u>44,228</u>	<u>---</u>	<u>5,699,547</u>
<b>Long term liabilities:</b>						
Notes payable - long term portion	---	8,977,226	5,008,264	1,338,801	(3,420,000)	11,904,291
Property development financing	17,455,873					17,455,873
Deferred revenue	684,111					684,111
Deferred interest payable	---	---	10,704,026	---	(10,356,323)	347,703
Accrued pension benefits	282,000	---	---	---		282,000
Residual receipts - HUD	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>		<u>---</u>
<b>Total long term liabilities</b>	<u>18,421,984</u>	<u>8,977,226</u>	<u>15,712,290</u>	<u>1,338,801</u>	<u>(13,776,323)</u>	<u>30,673,978</u>
<b>Commitments</b>						
<b>Net assets:</b>						
Unrestricted net assets	<u>9,451,745</u>	<u>1,083,491</u>	<u>(7,410,881)</u>	<u>6,309,905</u>	<u>11,661,550</u>	<u>21,095,810</u>
<b>Total liabilities and net assets</b>	<u>\$ 33,188,642</u>	<u>\$ 10,283,263</u>	<u>\$ 8,419,269</u>	<u>\$ 7,692,934</u>	<u>\$ (2,114,773)</u>	<u>\$ 57,469,335</u>

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**

Consolidating Statement of Activities  
For the Year ended December 31, 2015

	Planning Office for Urban Affairs	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
Unrestricted net assets:						
Revenues and other support:						
Housing development fees	\$ 766,026	\$ ---	\$ ---	\$ ---		\$ 766,026
Income from rental operations	---	1,481,339	1,919,979	174,946		3,576,264
Other income	197,868	1,587	---	---		199,455
Interest income	9,756	---	25,211	3,470		38,437
	<u>973,650</u>	<u>1,482,926</u>	<u>1,945,190</u>	<u>178,416</u>	<u>---</u>	<u>4,580,182</u>
Total revenues and direct support						
Expenses:						
Program services	817,847	---	---	---		817,847
Management and general	472,337	---	---	---		472,337
Fund raising	19,398	---	---	---		19,398
Cost of rental operations	---	998,836	1,237,860	199,967		2,436,663
Pension expense	35,000	---	---	---		35,000
Interest expense	---	208,286	89,500	---		297,786
Depreciation & amortization	---	35,808	494,130	173,686		703,624
Other expenses	---	88,481	36,113	15,550		140,144
	<u>1,344,582</u>	<u>1,331,411</u>	<u>1,857,603</u>	<u>389,203</u>	<u>---</u>	<u>4,922,799</u>
Total expenses						
Increase (decrease) in net assets	(370,932)	151,515	87,587	(210,787)	---	(342,617)
Net assets at beginning of year	9,822,677	1,414,061	(6,990,182)	6,520,692	10,537,884	21,305,132
Net investing & financing proceeds	---	---	---	---		---
Distributions	---	(482,085)	(508,286)	---	1,123,666	133,295
	<u>\$ 9,451,745</u>	<u>\$ 1,083,491</u>	<u>\$ (7,410,881)</u>	<u>\$ 6,309,905</u>	<u>\$ 11,661,550</u>	<u>\$ 21,095,810</u>
Net assets at end of year						

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.  
AND SUBSIDIARIES**  
Consolidating Statement of Cash Flows  
For the Year ended December 31, 2015

	Planning Office for Urban Affairs	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
Change in net assets	\$ (370,930)	\$ 151,515	\$ 87,587	\$ (210,787)	\$ ---	\$ (342,615)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation and amortization	500	35,808	494,130	175,488		705,926
Income from ltd. Partnerships	132,236	---	---	---		132,236
Bad debt	---	---	---	3,221		3,221
Loss on disposal	---	---	---	3,680		3,680
Restricted interest income	---	---	---	---		---
Unrealized loss on mutual funds	---	---	---	---		---
(Increase) decrease in operating assets:						
Development fee receivable	496,574	---	---	---		496,574
Accounts receivable	---	11,381	(10,307)	(5,408)		(4,334)
Predevelopment advances	(1,195,793)	---	---	---		(1,195,793)
Prepaid expenses	5,624	16,876	(829)	(325)		21,346
Deposits	---	---	---	---		---
Increase (decrease) in operating liabilities:						
Accounts payable	376,596	(7,505)	(1,207)	2,470		370,354
Accrued expenses	375,005	(4,803)	(42,906)	779		328,075
Accrued pension benefits	35,000	---	---	---		35,000
Deferred revenue	(19,261)	263	---	---		(18,998)
Accrued interest payable	---	---	25,033	---	---	25,033
Net cash provided by (used by) operating activities	<u>(164,449)</u>	<u>203,535</u>	<u>551,501</u>	<u>(30,882)</u>	<u>---</u>	<u>559,705</u>
Cash flows from investing activities:						
Development expense advances, net	---	---	---	---		---
Fixed assets additions	---	(474,201)	---	(3,900)		(478,101)
Reserve for replacements released	---	4,318,053	---	52,305		4,370,358
Investment in joint ventures	504,633	---	24,258	---		528,891
Properties under development	(6,489,988)	---	---	---		(6,489,988)
Net deposits to other reserves	---	(7,866,241)	---	---		(7,866,241)
Funding of reserve for replacements	---	---	---	---		---
Distribution from partnership	482,085	(482,085)	(506,637)	---		(506,637)
Net cash provided by (used by) investing activities	<u>(5,503,270)</u>	<u>(4,504,474)</u>	<u>(482,379)</u>	<u>48,405</u>	<u>---</u>	<u>(10,441,718)</u>
Cash flow from financing activities:						
Reserved funds	(2,972)	---	(54,797)	---		(57,769)
Property development financing	813,634	---	---	---		813,634
Construction costs payable	4,373,688	---	---	---		4,373,688
Net proceeds (repayment) of note payable	---	(125,724)	(31,214)	---	---	(156,938)
Net cash provided by (used by) financing activities	<u>5,184,350</u>	<u>(125,724)</u>	<u>(86,011)</u>	<u>---</u>	<u>---</u>	<u>4,972,615</u>
Increase/(Decrease) in cash	(483,369)	(4,426,663)	(16,889)	17,523	---	(4,909,398)
Cash at beginning of year	4,467,977	4,666,041	1,293,693	59,134	---	10,486,845
Cash at end of year	<u>\$ 3,984,608</u>	<u>\$ 239,378</u>	<u>\$ 1,276,804</u>	<u>\$ 76,657</u>	<u>\$ ---</u>	<u>\$ 5,577,447</u>

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**

Supplementary Information  
December 31, 2015 and 2014

	12/31/15	12/31/14
Current assets:		
Cash	\$ 3,984,608	\$ 4,467,977
Development fee receivable	1,276,579	1,212,396
Pledge receivable	---	---
Pre-development advances	1,375,109	603,372
Prepaid expenses	10,412	16,100
Total current assets	6,646,708	6,299,845
Property and equipment, at cost:		
Office equipment	82,224	82,224
Total	82,224	82,224
Less: accumulated depreciation	(78,724)	(78,224)
Total property and equipment	3,500	4,000
Other assets:		
Development fee receivable	---	560,757
Investment in limited partnerships	2,222,289	3,364,453
Investment in joint ventures	673,979	601,786
Reserved funds	1,779,350	1,401,237
Property under development, less retainage	21,827,816	15,337,828
Deposits	35,000	35,000
Total other assets	26,538,434	21,301,061
Total assets	\$ 33,188,642	\$ 27,604,906

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**

Supplementary Information  
December 31, 2015 and 2014

	<u>12/31/15</u>	<u>12/31/14</u>
Current liabilities:		
Construction costs payable	\$ 4,373,688	\$ ---
Accounts payable	526,493	149,897
Accrued expenses and current liabilities	<u>414,732</u>	<u>39,727</u>
Total current liabilities	<u>5,314,913</u>	<u>189,624</u>
Long term liabilities:		
Deferred revenue	684,111	703,371
Accrued pension benefits	282,000	247,000
Property development financing	17,455,873	16,642,239
Total long term liabilities	<u>18,421,984</u>	<u>17,592,610</u>
Commitments		
Net assets:		
Unrestricted net assets	<u>9,451,745</u>	<u>9,822,672</u>
Total liabilities and net assets	<u><u>\$ 33,188,642</u></u>	<u><u>\$ 27,604,906</u></u>

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**

Supplementary Information  
For the Years ended December 31, 2015 and 2014

	12/31/15	12/31/14
Unrestricted net assets:		
Revenues and other support:		
Housing development fees	\$ 766,026	\$ 960,131
Contribution of partnership interest	5,000	---
Other income	192,870	306,259
Interest income	9,756	7,158
Total revenues and direct support	973,652	1,273,548
Expenses:		
Program services	817,847	749,701
Management and general	472,337	398,476
Fund raising	19,398	18,343
Pension expense	35,000	---
Total expenses	1,344,582	1,166,520
Increase (decrease) in net assets	(370,930)	107,028
Net assets at beginning of year	9,822,675	9,715,647
Net assets at end of year	\$ 9,451,745	\$ 9,822,675

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**

Supplementary Information  
For the Years ended December 31, 2015 and 2014

	<u>12/31/15</u>	<u>12/31/14</u>
Change in net assets	\$ (370,930)	\$ 107,028
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	500	500
Income from ltd. partnerships	132,236	141,429
(Increase) decrease in operating assets:		
Development fee receivable	496,574	533,599
Development expense advances	(1,195,793)	604,320
Pledge receivable	---	28,899
Prepaid expenses	5,624	(5,553)
Increase (decrease) in operating liabilities:		
Accounts payable	376,596	8,596
Accrued expenses	375,005	(2,712)
Accrued pension benefits	35,000	---
Deferred revenue	<u>(19,261)</u>	<u>109,295</u>
 Net cash used by operating activities	 <u>(164,449)</u>	 <u>1,525,401</u>
 Cash flows from investing activities:		
Properties under development	(6,489,988)	(15,337,828)
Investment in joint ventures	504,633	(601,786)
Distribution from partnership	<u>482,085</u>	<u>58,153</u>
 Net cash used by investing activities	 <u>(5,503,270)</u>	 <u>(15,881,461)</u>
 Cash flow from financing activities:		
Reserved funds	(2,972)	(93)
Property development financing	813,634	16,642,239
Construction costs payable	4,373,688	---
Repayment of note payable	<u>---</u>	<u>(407,845)</u>
 Net cash provided by (used by) financing activities	 <u>5,184,350</u>	 <u>16,234,301</u>
 (Decrease)/increase in cash	 (483,369)	 1,878,241
 Cash at beginning of year	 <u>4,467,977</u>	 <u>2,589,736</u>
 Cash at end of year	 <u>\$ 3,984,608</u>	 <u>\$ 4,467,977</u>

See accompanying notes to financial statements  
and independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.**

Supplementary Information  
For the Year ended December 31, 2015

	<b>2015</b>				<b>2014</b>			
	<u>Total</u>	<u>Program Expenses</u>	<u>Management &amp; General</u>	<u>Fundraising Expenses</u>	<u>Total</u>	<u>Program Expenses</u>	<u>Management &amp; General</u>	<u>Fundraising Expenses</u>
Payroll	\$ 750,813	\$ 468,023	\$ 271,633	\$ 11,157	\$ 640,486	\$ 410,960	\$ 219,426	\$ 10,100
Housing development expenses	---	---	---	---	(3,740)	(3,740)	---	---
Rent and electricity	181,310	113,021	65,595	2,694	177,658	113,992	60,864	2,802
Payroll taxes and fringe benefits	164,721	102,679	59,594	2,448	137,774	88,401	47,200	2,173
Donations	4,010	4,010	---	---	7,145	7,145	---	---
Travel and meals	23,888	14,891	8,642	355	19,726	12,657	6,758	311
Office supplies and expenses	61,245	38,177	22,158	910	64,212	41,200	21,999	1,013
Telephone	7,815	4,872	2,827	116	7,000	4,492	2,398	110
Equipment rental and maintenance	3,721	2,320	1,346	55	3,721	2,387	1,275	59
Dues and subscriptions	9,172	5,718	3,318	136	8,304	5,328	2,845	131
Postage and delivery	969	604	351	14	1,137	729	390	18
Meeting expenses	8,822	5,499	3,192	131	5,385	3,455	1,845	85
Depreciation	500	312	181	7	500	321	171	8
Insurance	29,213	18,210	10,569	434	25,114	16,114	8,604	396
Accounting	12,000	7,481	4,341	178	12,000	7,700	4,111	189
Legal	---	---	---	---	---	---	---	---
Consulting	37,500	23,376	13,567	557	20,000	12,833	6,852	315
Printing	---	---	---	---	---	---	---	---
Public Relations	13,883	8,654	5,023	206	22,483	14,425	7,703	355
Interest	---	---	---	---	17,615	11,302	6,035	278
	<u>\$ 1,309,582</u>	<u>\$ 817,847</u>	<u>\$ 472,337</u>	<u>\$ 19,398</u>	<u>\$ 1,166,520</u>	<u>\$ 749,701</u>	<u>\$ 398,476</u>	<u>\$ 18,343</u>

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