

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

Consolidated Financial Statements

and

Independent Auditor's Report

December 31, 2013 and 2012

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35 Walnut Street, Suite 100, Wellesley Hills, MA 02481
89 Main Street, Suite 109, Medway, MA 02053
Direct: 781-425-2056 Direct Fax: 781-425-2047
Email: george.roberts@groberts-cpa.com

INDEPENDENT AUDITOR'S REPORT

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

I 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, 2013 and 2012, 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

My responsibility is to express an opinion on these financial statements based on my audits. I 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, I 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. I did not audit the financial statements of Kent Village Associates Limited Partnership, which statements reflect total assets of \$1,256,659 as of December 31, 2013, and total support and revenues of \$1,459,103 for the year then ended. I did not audit the financial statements of 40 Upton Street LLC, which statements reflect total assets of \$8,185,709 as of December 31, 2013, and total support and revenues of \$181,837 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to me, and my opinion, insofar as it relates to the amounts included for Kent Village Associates Limited Partnership and 40 Upton Street LLC, is based solely on the reports of the other auditors. My responsibility is to express an opinion on these financial statements based on my audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, based on my 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, 2013 and 2012, 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

My 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.

A handwritten signature in blue ink that reads "George J. Roberts, CPA". The signature is written in a cursive style.

GEORGE J. ROBERTS, CPA, P.C.
August 1, 2014

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

Consolidated Statement of Financial Position
December 31, 2013 and 2012

	<u>Assets</u>	
	<u>12/31/13</u>	<u>12/31/12</u>
Current assets:		
Cash	\$ 5,047,481	\$ 3,832,400
Development fee receivable	1,551,774	609,408
Accounts receivable	122,337	112,847
Pre-development advances	1,282,702	1,033,691
Prepaid expenses	<u>61,642</u>	<u>58,898</u>
Total current assets	<u>8,065,936</u>	<u>5,647,244</u>
Property and equipment, at cost:		
Land	1,336,423	651,289
Building and improvements	25,322,941	12,917,792
Office equipment	<u>278,051</u>	<u>272,676</u>
Total	26,937,415	13,841,757
Less: accumulated depreciation	<u>(13,562,511)</u>	<u>(5,581,202)</u>
Total property and equipment	<u>13,374,904</u>	<u>8,260,555</u>
Other assets:		
Development fee receivable	738,121	1,731,284
Investments in limited partnerships	267,443	109,157
Reserved funds	4,312,483	2,837,772
Lender reserved funds	104,196	681,977
Deferred financing costs, net	31,911	---
Deposits	<u>74,576</u>	<u>52,641</u>
Total other assets	<u>5,528,730</u>	<u>5,412,831</u>
Total assets	<u>\$ 26,969,570</u>	<u>\$ 19,320,630</u>

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, 2013 and 2012

Liabilities and Net Assets

	12/31/13	12/31/12
Current liabilities:		
Current portion of notes payable	\$ 104,927	\$ 488,893
Construction costs payable	48,830	48,830
Accounts payable	161,701	93,113
Accrued expenses and other current liabilities	969,632	896,621
Total current liabilities	1,285,090	1,527,457
Long term liabilities:		
Notes payable - long term portion	3,400,651	2,437,355
Deferred revenue	594,076	609,764
Deferred interest payable	298,496	---
Accrued pension benefits	247,000	348,000
Residual receipts - HUD	32,545	304,313
Total long term liabilities	4,572,768	3,699,432
Commitments		
Net assets:		
Unrestricted net assets	21,111,712	14,093,741
Total liabilities and net assets	\$ 26,969,570	\$ 19,320,630

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, 2013 and 2012

	12/31/13	12/31/12
Unrestricted net assets:		
Revenues and other support:		
Housing development fees	\$ 743,644	\$ 792,788
Development grants earned	---	46,536
Income from rental operations	2,779,020	1,668,356
Annual fund raising, net of costs of direct benefits \$30,601	236,698	---
Sale of property	375,000	---
Other income	218,239	475,153
Interest income	18,507	8,996
Total revenues and direct support	4,371,108	2,991,829
Expenses:		
Program services	721,936	793,255
Management and general	452,318	378,109
Fund raising	16,799	14,486
Cost of rental operations	1,631,424	973,815
Pension expense	(101,000)	206,000
Depreciation & amortization	381,324	602,434
Other expenses	54,696	156,275
Total expenses	3,157,497	3,124,374
Increase/(decrease) in net assets	1,213,611	(132,545)
Net assets at beginning of year	14,093,741	6,953,210
Capital contributions	5,804,360	7,315,010
Syndication costs	---	(14,891)
Distributions	---	(27,043)
Net assets at end of year	\$ 21,111,712	\$ 14,093,741

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 Year ended December 31, 2013

	12/31/13	12/31/12
Change in net assets	\$ 1,213,611	\$ (132,545)
Adjustments to reconcile net income		
to net cash provided by operating activities:		
Residual receipts expense	(271,768)	(103,187)
Depreciation	754,945	345,227
Non-capitalized development costs	---	23,947
Kent Village income	(415,169)	---
Bad debt	1,804	180
Restricted interest income	9,752	---
Unrealized loss on mutual funds	(2,661)	---
(Increase) decrease in operating assets:		
Development fee receivable	50,797	414,013
Accounts receivable	15,552	(50,510)
Predevelopment advances	(397,949)	(113,081)
Prepaid expenses	(4,646)	(1,072)
Deposits	15,342	(2,432)
Increase (decrease) in operating liabilities:		
Accounts payable	50,863	(42,426)
Accrued expenses	(124,968)	(77,098)
Deferred revenue	(15,688)	75,070
Accrued interest payable	---	---
Accrued pension benefits	(101,000)	206,000
Net cash provided by operating activities	778,817	542,086
Cash flows from investing activities:		
Purchase of property and equipment	(48,202)	(1,261,708)
Development expense advances, net	(103,308)	(23,947)
Investment in partnership	---	(145,821)
Release of reserve for replacements	439,409	63,395
Reserve for replacements funded	(109,264)	(1,535,302)
Residual receipts funded	271,768	87,187
Net cash used by investing activities	450,403	(2,816,196)
Cash flow from financing activities:		
Reserved funds	(1,509)	(4,139)
Repayment of note payable	(12,630)	(4,712,581)
Syndication costs	---	(14,891)
Capital contributions	---	7,315,010
Distribution from partnership	---	---
Net cash used by financing activities	(14,139)	2,583,399
(Decrease)/increase in cash	1,215,081	309,289
Cash at beginning of year	3,832,400	3,523,111
Cash at end of year	\$ 5,047,481	\$ 3,832,400

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, 2013 and 2012

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 (the “Partnership”) was organized as a Massachusetts Limited Partnership in December, 1984. The Partnership owns and operates a government-sponsored, multi-family apartment complex of sixty-four (64) units located in Scituate, Massachusetts. The accounts of the Partnership 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 19 unit property located in Boston. The accounts of the entity are included in these financial statements.

Saint Aidan’s Developer LLC (“St Aidan’s”), a wholly-owned development subsidiary, developed the former St Aidan’s church property in Brookline, Massachusetts, into a mixed-income development. The remaining balance of development funds has been included in the consolidated financial statements pending the final review of overall project costs and determination of grant settlements. 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 of Lowell Square Associates JV separately owns one condominium unit in West End Place consisting of three commercial spaces and owns 24 parking spaces in the garage at West End Place. On March 31, 2013, Chesapeake Partners Limited Partnership (the “Limited Partner”), donated all of its right, title and interest of the Limited Partner in its limited partnership interest in Lowell Square to the Organization, and the Organization accepted such donation from the Limited Partner.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

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 development fees on the Rollins Square, Lowell Square, St. John of God, St. Joseph's, and St. Kevin's projects as of December 31, 2013. Management believes that the fees are fully collectible and approximates the fair market values. Development fees are recorded as earned, as defined by contracts.

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 2013.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 2 - continued.

Revenues:

Development fees are generated from development service fees and contributions. The primary sources of the development fees are from the Barstow Village, Winter Street and St. Joseph's projects as of December 31, 2013.

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.

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.

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. The Partnership, 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, 2010 through 2013 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.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

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 consolidated unrestricted net assets amounted to \$8,586,096 and \$14,093,741 for the years ended December 31, 2013 and 2012, respectively.

Note 4 - Notes payable.

ORGANIZATION

Roman Catholic Archdiocese of Boston – Unsecured Note payable with a fixed interest rate of 2.64% per annum and equal annual payments of \$90,768, due in full July 1, 2018. The total outstanding balance at December 31, 2012 was \$407,845.

UPTON STREET

City of Boston Neighborhood Trust - Non-interest bearing note payable secured by a third mortgage on the property. The balance due at December 31, 2012, is \$712,500

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 third mortgage on the property and assignment of leases and rents. The balance due at December 31, 2013, is \$511,543

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 January, 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, 2013, is \$205,833.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 4 - continued.

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, 2013 is \$477,796.

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. The balance of the loan at December 31, 2013 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 six months ended December 31, interest expense was \$34,692. As of December 31, 2013, the outstanding principal was \$862,061.

A summary of consolidated debt reflects the following:

Total notes payable	\$ 2,926,248
Less: current maturities	<u>(488,893)</u>
Total long term debt	\$ <u>2,437,355</u>

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 4 - continued.

Maturities of long term debt:

2015	\$ 104,927
2016	104,927
2017	104,927
2018	104,927
2019	104,927
Thereafter	<u>2,057,290</u>
Totals	\$ <u>2,437,355</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 5 - 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 \$ 1,193,906 in 2013.

In accordance with the HAP contract, surplus cash (as defined) in excess of amounts necessary to fund the annual partners' distributions is required to be transferred to Kent Village's residual receipts fund. These funds are available to meet future project needs, including the payment of earned partner distributions, with the prior approval of HUD. At the expiration of the HAP contract, the unused portions of these funds may revert to HUD.

In accordance with these contract provisions, Kent Village established a residual receipts fund which has accumulated a balance of \$ 48,545 as of December 31, 2013. In addition, a liability has been recorded in a corresponding amount to reflect the disposition of these funds.

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PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 6 - 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:

2014	\$ 152,790
2015	155,105
2016	85,270

Note 7 - 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 \$7,200 and \$8,900 for the years ended December 31, 2013 and 2012, respectively.

Note 8 – 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 \$23,664 for the years ended December 31, 2013 and 2012, respectively.

See independent auditor's report.

PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 8 - continued.

The Organization's share of Pension Plan financial results at July 1, 2013 reflected \$747,000 in net assets available for benefits and \$994,000 in accumulated plan benefits. At October 1, 2012, the Organization's share reflected \$717,000 in net assets available for benefits and \$1,065,000 in accumulated plan benefits. No benefit payments were made to Organization participants during 2013 or 2012. At October 1, 2012, the plan was underfunded in the amount of (\$247,000).

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 9 - Related party transactions.

As more fully described in Note 4, 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 a member of the Organization.

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.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 10 - continued.

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.

Construction and pre-development loan agreement obligations of the Organization outstanding as of December 31, 2013 are as follows:

	Pre-Development Projects	Projects under Construction
Maximum loan amounts guaranteed	\$ 1,075,000	\$ 10,500,000
Outstanding loan balances as of December 31, 2013	1,075,000	8,233,112
Amount of outstanding loan balance guaranteed as of December 31, 2012	1,075,000	8,233,112
Amount of outstanding loan balance that is secured	1,075,000	8,233,112

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 10 - continued.

Construction and pre-development loan agreement obligations of the Organization outstanding as of December 31, 2012 are as follows:

	Pre-Development Projects	Projects under Construction
Maximum loan amounts guaranteed	\$ 125,541	\$ 11,000,000
Outstanding loan balances guaranteed as of December 31, 2012	125,541	5,414,617
Amount of outstanding loan balance that is secured	125,541	5,414,617

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, 2013, guarantees totaled \$912,000 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.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Notes to Consolidated Financial Statements
December 31, 2013 and 2012

Note 12 – Government regulations.

Affiliate operations are concentrated in the multifamily real estate market. In addition, the Partnership 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.

Note 13 – Supplemental disclosures of cash flows:

During the year ended December 31, 2013, interest payments totaled \$ 67,774. No income taxes were paid.

During the year ended December 31, 2012, interest payments totaled \$ 152,242. No income taxes were paid.

Note 14 - Evaluation of subsequent events:

The Company has evaluated subsequent events through August 1, 2013, the date which the financial statements were available to be issued. On July 28, 2014, the Partnership obtained a mortgage in the amount of \$9,274,600 secured by the property.

See independent auditor's report.

**PLANNING OFFICE FOR URBAN AFFAIRS, INC.
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Consolidating Statement of Financial Position
December 31, 2013

	Planning Office for Urban Affairs	St. Aidan's	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
Current assets:							
Cash	\$ 2,589,736	\$ 669,637	\$ 566,992	\$ 930,440	\$ 290,676		\$ 5,047,481
Development fee receivable	1,551,774	---	---	---	---		1,551,774
Accounts receivable	28,899	63,321	14,197	13,398	2,522		122,337
Pre-development advances	1,282,702	---	---	---	---		1,282,702
Prepaid expenses	10,547	---	19,784	22	31,289		61,642
Total current assets	5,463,658	732,958	600,973	943,860	324,487	---	8,065,936
Property and equipment, at cost:							
Land	---	---	300,628	685,134	350,661		1,336,423
Building and improvements	---	---	5,125,707	13,816,927	6,380,307		25,322,941
Office equipment	82,224	---	142,321	---	53,506		278,051
Total	82,224	---	5,568,656	14,502,061	6,784,474		26,937,415
Less: accumulated depreciation	(77,724)	---	(4,961,530)	(8,169,282)	(353,975)		(13,562,511)
Total property and equipment	4,500	---	607,126	6,332,779	6,430,499	---	13,374,904
Other assets:							
Development fee receivable	738,121	---	---	---	---		738,121
Investment in limited partnerships	3,505,882	---	---	---	---	(3,238,439)	267,443
Reserved funds	1,401,144	---	---	1,480,616	1,430,723		4,312,483
Lender reserved funds	---	---	48,560	55,636	---		104,196
Deferred financing costs, net	---	---	---	31,911	---		31,911
Deposits	35,000	8,703	---	30,873	---		74,576
Total other assets	5,680,147	8,703	48,560	1,599,036	1,430,723	(3,238,439)	5,528,730
Total assets	\$ 11,148,305	\$ 741,661	\$ 1,256,659	\$ 8,875,675	\$ 8,185,709	\$ (3,238,439)	\$ 26,969,570

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, 2013

	Planning Office for Urban Affairs	St. Aidan's LLC	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
Current liabilities:							
Current portion of notes payable	\$ 76,013	\$ ---	\$ ---	\$ 28,914	\$ ---		\$ 104,927
Construction costs payable	---	48,830	---	---	---		48,830
Accounts payable	141,301	---	1,854	18,546	---		161,701
Accrued expenses and current liabilities	<u>42,439</u>	<u>692,831</u>	<u>38,194</u>	<u>152,502</u>	<u>43,666</u>		<u>969,632</u>
Total current liabilities	<u>259,753</u>	<u>741,661</u>	<u>40,048</u>	<u>199,962</u>	<u>43,666</u>	---	<u>1,285,090</u>
Long term liabilities:							
Notes payable - long term portion	331,832	---	---	5,058,943	1,429,876	(3,420,000)	3,400,651
Deferred revenue	594,076						594,076
Deferred interest payable	---	---	---	9,693,680	---	(9,395,184)	298,496
Accrued pension benefits	247,000						247,000
Residual receipts - HUD	<u>---</u>	<u>---</u>	<u>32,545</u>	<u>---</u>	<u>---</u>		<u>32,545</u>
Total long term liabilities	<u>1,172,908</u>	<u>---</u>	<u>32,545</u>	<u>14,752,623</u>	<u>1,429,876</u>	<u>(12,815,184)</u>	<u>4,572,768</u>
Commitments							
Net assets:							
Unrestricted net assets	<u>9,715,644</u>	<u>---</u>	<u>1,184,066</u>	<u>(6,076,910)</u>	<u>6,712,167</u>	<u>9,576,745</u>	<u>21,111,712</u>
Total liabilities and net assets	<u>\$ 11,148,305</u>	<u>\$ 741,661</u>	<u>\$ 1,256,659</u>	<u>\$ 8,875,675</u>	<u>\$ 8,185,709</u>	<u>\$ (3,238,439)</u>	<u>\$ 26,969,570</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, 2013

	Planning Office for Urban Affairs	St. Aidan's	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
Unrestricted net assets:							
Revenues and other support:							
Housing development fees	\$ 743,644	\$ ---	\$ ---	\$ ---	\$ ---		\$ 743,644
Development grants earned	---	---	---	---	---		---
Income from rental operations	---	---	1,455,915	1,143,553	179,552		2,779,020
Annual fund raising, net	236,698	---	---	---	---		236,698
Sale of property	375,000	---	---	---	---		375,000
Other income	1,683,373	---	2,411	274	---	(1,467,819)	218,239
Interest income	5,502	---	777	9,943	2,285		18,507
	<u>3,044,217</u>	<u>-</u>	<u>1,459,103</u>	<u>1,153,770</u>	<u>181,837</u>	<u>(1,467,819)</u>	<u>4,371,108</u>
Total revenues and direct support							
Expenses:							
Program services	721,936	---	---	---	---		721,936
Management and general	342,465	---	---	109,853	---		452,318
Fund raising	16,799	---	---	---	---		16,799
Cost of rental operations	---	---	875,719	568,119	190,236	(2,650)	1,631,424
Pension expense	(101,000)	---	---	---	---		(101,000)
Interest expense	---	---	---	406,900	---	(406,900)	---
Depreciation & amortization	---	---	160,215	49,139	171,970		381,324
Other expenses	---	---	8,000	34,847	11,849		54,696
	<u>980,200</u>	<u>---</u>	<u>1,043,934</u>	<u>1,168,858</u>	<u>374,055</u>	<u>(409,550)</u>	<u>3,157,497</u>
Total expenses							
Increase (decrease) in net assets	2,064,017	---	415,169	(15,088)	(192,218)	(1,058,269)	1,213,611
Net assets at beginning of year	7,651,627	---	865,599	657,142	6,904,385	(1,985,012)	14,093,741
Net investing & financing proceeds	---	---	---	(6,718,964)	---	12,523,324	5,804,360
Distributions	---	---	(96,702)	---	---	96,702	---
	<u>\$ 9,715,644</u>	<u>\$ ---</u>	<u>\$ 1,184,066</u>	<u>\$ (6,076,910)</u>	<u>\$ 6,712,167</u>	<u>\$ 9,576,745</u>	<u>\$ 21,111,712</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, 2013

	Planning Office for Urban Affairs	St. Aidan's	Kent Village	Lowell Square	Upton Street	Eliminating Entries	Consolidated
Change in net assets	\$ 2,064,017	\$ ---	\$ 415,169	\$ (15,088)	\$ (192,218)	\$ (1,058,269)	\$ 1,213,611
Adjustments to reconcile net income to net cash provided by operating activities:							
Residual receipts expense	---	---	(271,768)	---	---	---	(271,768)
Depreciation	1,200	---	160,215	421,560	171,970	---	754,945
Kent Village income	(415,169)	---	---	---	---	---	(415,169)
Bad debt	---	---	---	---	1,804	---	1,804
Restricted interest income	---	---	---	9,752	---	---	9,752
Unrealized loss on mutual funds	---	---	---	(2,661)	---	---	(2,661)
Contribution of partnership interest	(1,050,000)	---	---	---	---	1,050,000	---
(Increase) decrease in operating assets:							
Development fee receivable	50,797	---	---	---	---	---	50,797
Accounts receivable	(28,899)	---	34,120	13,448	(3,117)	---	15,552
Predevelopment advances	(397,949)	---	---	---	---	---	(397,949)
Prepaid expenses	(3,746)	---	(899)	(1)	---	---	(4,646)
Deposits	---	---	15,457	(115)	---	---	15,342
Increase (decrease) in operating liabilities:							
Accounts payable	48,329	---	1,713	(1,465)	2,286	---	50,863
Accrued expenses	(72,389)	---	(4,358)	(53,125)	4,904	---	(124,968)
Deferred revenue	(15,688)	---	---	---	---	---	(15,688)
Accrued interest payable	---	---	---	468,120	---	(468,120)	---
Accrued pension benefits	(101,000)	---	---	---	---	---	(101,000)
Net cash provided by (used by) operating activities	<u>79,503</u>	<u>---</u>	<u>349,649</u>	<u>840,425</u>	<u>(14,371)</u>	<u>(476,389)</u>	<u>778,817</u>
Cash flows from investing activities:							
Development expense advances, net	---	---	---	(103,308)	---	---	(103,308)
Fixed assets additions	(5,375)	---	---	(30,152)	(12,675)	---	(48,202)
Reserve for replacements funded	---	---	(116,678)	---	7,414	---	(109,264)
Release of reserve for replacements	---	---	439,409	---	---	---	439,409
Release of residual receipts	---	---	271,768	---	---	---	271,768
Net cash provided by (used by) investing activities	<u>(5,375)</u>	<u>---</u>	<u>594,499</u>	<u>(133,460)</u>	<u>(5,261)</u>	<u>---</u>	<u>450,403</u>
Cash flow from financing activities:							
Reserved funds	(1,509)	---	---	---	---	---	(1,509)
Net proceeds (repayment) of note payable	(73,544)	---	(415,349)	(13,577)	---	489,840	(12,630)
Distribution from partnership	96,702	---	(96,702)	---	---	---	---
Net cash provided by (used by) financing activities	<u>21,649</u>	<u>---</u>	<u>(512,051)</u>	<u>(13,577)</u>	<u>---</u>	<u>489,840</u>	<u>(14,139)</u>
Increase/(Decrease) in cash	95,777	---	432,097	693,388	(19,632)	13,451	1,215,081
Cash at beginning of year	<u>2,493,959</u>	<u>669,637</u>	<u>134,895</u>	<u>237,052</u>	<u>310,308</u>	<u>(13,451)</u>	<u>3,832,400</u>
Cash at end of year	<u>\$ 2,589,736</u>	<u>\$ 669,637</u>	<u>\$ 566,992</u>	<u>\$ 930,440</u>	<u>\$ 290,676</u>	<u>\$ ---</u>	<u>\$ 5,047,481</u>

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

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Supplementary Information
December 31, 2013

	12/31/13	12/31/12
Current assets:		
Cash	\$ 2,589,736	\$ 2,493,959
Development fee receivable	1,551,774	609,408
Pledge receivable	28,899	---
Pre-development advances	1,207,692	1,039,717
Prepaid expenses	10,547	6,801
Total current assets	5,388,648	4,149,885
Property and equipment, at cost:		
Office equipment	82,224	76,849
Total	82,224	76,849
Less: accumulated depreciation	(77,724)	(74,346)
Total property and equipment	4,500	2,503
Other assets:		
Development fee receivable	738,121	1,731,284
Investment in limited partnerships	3,580,892	1,979,129
Reserved funds	1,401,144	1,399,635
Deposits	35,000	35,000
Total other assets	5,755,157	5,145,048
Total assets	\$ 11,148,305	\$ 9,297,436

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

PLANNING OFFICE FOR URBAN AFFAIRS, INC.

Supplementary Information
December 31, 2013

	<u>12/31/13</u>	<u>12/31/12</u>
Current liabilities:		
Current portion of notes payable	\$ 76,013	\$ 73,544
Accounts payable	141,301	92,972
Accrued expenses and current liabilities	<u>42,439</u>	<u>113,684</u>
Total current liabilities	<u>259,753</u>	<u>280,200</u>
Long term liabilities:		
Deferred revenue	594,076	609,764
Accrued pension benefits	247,000	348,000
Notes payable - long term portion	<u>331,832</u>	<u>407,845</u>
Total long term liabilities	<u>1,172,908</u>	<u>1,365,609</u>
Commitments		
Net assets:		
Unrestricted net assets	<u>9,715,644</u>	<u>7,651,627</u>
Total liabilities and net assets	<u><u>\$ 11,148,305</u></u>	<u><u>\$ 9,297,436</u></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, 2013

	12/31/13	12/31/12
Unrestricted net assets:		
Revenues and other support:		
Housing development fees	\$ 743,644	\$ 792,788
Annual fund raising, net of costs of direct benefits \$30,601 and \$0, respectively.	236,698	---
Contribution of partnership interest	1,050,000	---
Other income	633,373	472,884
Sale of property	375,000	---
Interest income	5,502	6,973
Total revenues and direct support	3,044,217	1,272,645
Expenses:		
Program services	721,936	852,157
Management and general	342,465	321,380
Fund raising	16,799	12,313
Pension expense	(101,000)	206,000
Total expenses	980,200	1,391,850
Increase in net assets	2,064,017	(119,205)
Net assets at beginning of year	7,651,627	7,770,832
Net assets at end of year	\$ 9,715,644	\$ 7,651,627

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, 2013

	<u>12/31/13</u>	<u>12/31/12</u>
Change in net assets	\$ 2,064,017	\$ (119,205)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,200	500
Kent Village income	(415,169)	---
Contribution of partnership interest	(1,050,000)	---
(Increase) decrease in operating assets:		
Development fee receivable	50,797	414,013
Development expense advances	(239,663)	(113,081)
Pledge receivable	(28,899)	---
Prepaid expenses	(3,746)	1,999
Increase (decrease) in operating liabilities:		
Accounts payable	48,329	85,980
Accrued expenses	(72,389)	54,700
Deferred revenue	(15,688)	75,070
Accrued pension benefits	<u>(101,000)</u>	<u>206,000</u>
 Net cash provided by (used by) operating activities	 <u>237,789</u>	 <u>605,976</u>
 Cash flows from investing activities:		
Purchase of property and equipment	(5,375)	---
Investment in partnership	(158,286)	(145,821)
Distribution from partnership	<u>96,702</u>	<u>27,043</u>
 Net cash provided by (used by) investing activities	 <u>(66,959)</u>	 <u>(118,778)</u>
 Cash flow from financing activities:		
Reserved funds	(1,509)	(4,139)
Repayment of note payable	<u>(73,544)</u>	<u>(71,214)</u>
 Net cash provided by (used by) financing activities	 <u>(75,053)</u>	 <u>(75,353)</u>
 (Decrease)/increase in cash	 95,777	 411,845
 Cash at beginning of year	 <u>2,493,959</u>	 <u>2,082,114</u>
 Cash at end of year	 <u><u>\$ 2,589,736</u></u>	 <u><u>\$ 2,493,959</u></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, 2013

	2013				2012			
	<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	\$ 547,944	\$ 364,640	\$ 174,733	\$ 8,571	\$ 686,621	\$ 490,294	\$ 189,082	\$ 7,245
Housing development expenses	575	575	---	---	16,753	16,753	---	---
Rent and electricity	173,042	115,154	55,181	2,707	165,214	117,974	45,497	1,743
Payroll taxes and fringe benefits	146,119	97,237	46,596	2,286	138,511	98,906	38,143	1,462
Donations	6,695	6,695	---	---	2,060	2,060	---	---
Travel and meals	23,347	15,537	7,445	365	25,527	18,228	7,030	269
Office supplies and expenses	41,640	27,710	13,279	651	39,753	28,387	10,947	419
Telephone	6,710	4,465	2,140	105	7,288	5,204	2,007	77
Equipment rental and maintenance	3,411	2,270	1,088	53	4,000	2,856	1,102	42
Dues and subscriptions	7,944	5,287	2,533	124	4,330	3,092	1,192	46
Postage and delivery	1,123	747	358	18	1,032	737	284	11
Meeting expenses	4,321	2,875	1,378	68	6,482	4,629	1,785	68
Depreciation	1,200	798	383	19	500	357	138	5
Insurance	29,187	19,423	9,307	457	30,040	21,451	8,272	317
Accounting	26,400	17,568	8,419	413	12,000	8,568	3,305	127
Legal	525	350	167	8	---	---	---	---
Printing	275	183	88	4	---	---	---	---
Public Relations	44,741	29,774	14,267	700	27,237	19,449	7,501	287
Interest	16,001	10,648	5,103	250	18,502	13,212	5,095	195
	<u>\$ 1,081,200</u>	<u>\$ 721,936</u>	<u>\$ 342,465</u>	<u>\$ 16,799</u>	<u>\$ 1,185,850</u>	<u>\$ 852,157</u>	<u>\$ 321,380</u>	<u>\$ 12,313</u>

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