

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

FINANCIAL STATEMENTS
DECEMBER 31, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.

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(WITH COMPARATIVE TOTALS FOR 2002)

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To the Board of Directors of
Citizens for Affordable Housing in Newton
Development Organization, Inc.
W. Newton, Massachusetts 02465

Independent Auditors' Report on the Basic Financial Statements

We have audited the accompanying statement of financial position of Citizens for Affordable Housing in Newton Development Organization, Inc. as of December 31, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Citizens for Affordable Housing in Newton Development Organization, Inc. as of December 31, 2003, and the 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2004, on our consideration of Citizens for Affordable Housing in Newton Development Organization, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


SANDBERG, GONZALEZ & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
December 14, 2004

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2003
(WITH COMPARATIVE TOTALS FOR 2002)**

	<u>ASSETS</u>	
	<u>2003</u>	<u>2002</u>
<u>Current Assets</u>		
Cash and cash equivalents	\$ 152,930	\$ 197,959
Replacement reserves	5,459	5,615
Accounts receivable	4,931	8,349
Pledge receivable	2,865	
Prepaid insurance		5,409
Development fees receivable		136,024
Sale proceeds receivable	<u>120,780</u>	
Total current assets	286,965	353,356
<u>Property and Equipment</u>		
Land	936,348	392,950
Buildings	3,076,584	1,215,308
Building improvements	1,770,523	2,006,233
Equipment	<u>16,449</u>	<u>9,225</u>
Subtotal	5,799,904	3,623,716
Less: accumulated depreciation	<u>227,662</u>	<u>153,609</u>
Total property and equipment	5,572,242	3,470,107
<u>Other Assets</u>		
Security deposit	3,000	1,500
Loan escrow		143,000
Escrow deposit	<u>10,000</u>	
Total other assets	<u>13,000</u>	<u>144,500</u>
<u>Total Assets</u>	<u>\$ 5,872,207</u>	<u>\$ 3,967,963</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Mortgage payable - current portion	\$ 1,734,414	\$ 26,652
Accrued expenses	205,128	14,508
Revolving loan pool	20,000	20,000
Accrued and deferred interest	52,969	45,433
Tenant security deposit		1,367
Line of credit	<u>10,000</u>	
Total current liabilities	2,022,511	107,960
<u>Long-Term Liabilities</u>		
Mortgage payable	<u>3,394,269</u>	<u>3,497,236</u>
Total long-term liabilities	3,394,269	3,497,236
<u>Net Assets</u>		
Unrestricted	452,562	362,767
Temporarily restricted	<u>2,865</u>	
Total net assets	<u>455,427</u>	<u>362,767</u>
<u>Total Liabilities and Net Assets</u>	<u>\$ 5,872,207</u>	<u>\$ 3,967,963</u>

See accompanying notes and Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003
(WITH COMPARATIVE TOTALS FOR 2002)

	2003			2004
	Unrestricted	Temporarily Restricted	Total	Total
<u>Support and Revenue</u>				
Contributions	\$ 8,568	\$ 111,304	\$ 119,872	\$ 66,116
Government grants	112,849		112,849	93,453
Released from restriction	108,439	(108,439)		
Rental income	149,633		149,633	44,562
Development income	204,725		204,725	58,792
Interest income	350		350	443
Other income	8,432		8,432	804
Management fees	1,200		1,200	
Loss on sale of property	(101,037)		(101,037)	
Total support and revenue	493,159	2,865	496,024	264,170
<u>Expenses</u>				
Housing development	126,986		126,986	115,975
Rental activities	193,056		193,056	56,259
Total program expenses	320,042		320,042	172,234
General and administrative	58,791		58,791	30,187
Fundraising	24,531		24,531	
Total expenses	403,364		403,364	202,421
<u>Change in Net Assets</u>	89,795	2,865	92,660	61,749
<u>Net Assets - Beginning of Year</u>	362,767		362,767	301,018
<u>Net Assets - End of year</u>	\$ 452,562	\$ 2,865	\$ 455,427	\$ 362,767

See accompanying notes and Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2003
(WITH COMPARATIVE TOTALS FOR 2002)**

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	2003					2002	
	Housing Development	Rental Activity	Total Program Services	General and Admini- strative	Fundraising	Total	Total
Salaries	\$ 45,617	\$	\$ 45,617	\$ 16,588	\$ 20,735	\$ 82,940	\$ 78,000
Benefits	3,490		3,490	1,269	1,586	6,345	5,967
Payroll tax	4,861		4,861	1,768	2,210	8,839	6,951
Total salary and related expenses	53,968		53,968	19,625	24,531	98,124	90,918
Advertising							104
Bank charges				147		147	312
Board expenses							21
Conference				15		15	200
Consultants	24,298		24,298	6,895		31,193	7,620
Decorating							1,250
Depreciation		72,572	72,572	1,481		74,053	25,210
Development expenses							1,103
Donation				200		200	100
Dues and subscriptions				2,691		2,691	1,223
Exterminating		214	214			214	195
Filing fees				580		580	255
Insurance		22,979	22,979	3,082		26,061	3,800
Interest	19,207	64,304	83,511			83,511	17,979
Landscaping							2,569
Management fees		11,840	11,840			11,840	10,023
Miscellaneous	3,676		3,676	3,007		6,683	2,712
Office supplies	1,157		1,157	946		2,103	1,780
Payroll service fees				1,203		1,203	948
Postage				466		466	660
Printing				140		140	233
Professional fees				5,000		5,000	4,495
Real estate taxes		5,796	5,796			5,796	
Rent	8,885		8,885	7,269		16,154	10,085
Repairs and maintenance		13,006	13,006			13,006	2,337
Security		2,345	2,345			2,345	
Telephone	2,368		2,368	1,937		4,305	3,429
Travel				2,615		2,615	4,089
Utilities	13,427		13,427	1,492		14,919	5,711
Website							3,060
Total	<u>\$ 126,986</u>	<u>\$ 193,056</u>	<u>\$ 320,042</u>	<u>\$ 58,791</u>	<u>\$ 24,531</u>	<u>\$ 403,364</u>	<u>\$ 202,421</u>

See accompanying notes and Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2003
(WITH COMPARATIVE TOTALS FOR 2002)**

	<u>2003</u>	<u>2002</u>
<u>Cash Flows From Operating Activities</u>		
Change in net assets	\$ 92,660	\$ 61,749
Adjustment to reconcile change in net assets to cash provided by operating activities:		
Depreciation	74,053	25,210
Loss on sale of property	101,037	
(Increase) decrease in:		
Accounts receivable	3,418	(2,140)
Development fees receivable	136,024	(58,793)
Sale proceeds receivable	(120,780)	
Pledge receivable	(2,865)	
Loan escrow	143,000	(143,000)
Prepaid insurance	5,409	(5,409)
Increase (decrease) in:		
Accrued expenses	190,620	456
Accrued interest	7,536	7,542
Tenant security deposit	(1,367)	(150)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>628,745</u>	<u>(114,535)</u>
<u>Cash Flows From Investing Activities</u>		
Purchase of land, building and improvements	(3,874,379)	(1,961,299)
Purchase of equipment	(7,225)	(5,158)
Proceeds from sale of property	1,604,379	
Payment of deposit	(1,500)	
<u>Net Cash (Used) by Investing Activities</u>	<u>(2,278,725)</u>	<u>(1,966,457)</u>
<u>Cash Flows From Financing Activities</u>		
Proceeds from mortgages	3,076,796	2,605,825
Repayment of mortgage principal	(1,472,001)	(392,584)
Borrowing on line of credit	10,000	
Application of escrow deposit	(10,000)	
<u>Net Cash Provided by Financing Activities</u>	<u>1,604,795</u>	<u>2,213,241</u>
<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(45,185)</u>	<u>132,249</u>
<u>Cash and Cash Equivalents - Beginning</u>	<u>203,574</u>	<u>71,325</u>
<u>Cash and Cash Equivalents - Ending</u>	<u>\$ 158,389</u>	<u>\$ 203,574</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 83,511</u>	<u>\$ 17,979</u>

See accompanying notes and Independent Auditors' Report.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

Note 1. Organization

Citizens for Affordable Housing in Newton Development Organization, Inc. (CAN-DO), was organized in January, 1994 in the Commonwealth of Massachusetts as a not-for-profit corporation. The purpose of the organization is to expand the supply of decent and affordable housing in Newton, Massachusetts. The purpose is accomplished by promoting the development, construction and conversion of properties and serving as a Community Housing Development Organization.

The Organization currently owns and rents three residential properties with a total of 14 units.

Note 2. Summary of Significant Accounting Policies

a. Standards of Accounting and Reporting

The Organization follows the standards of accounting and financial reporting as described in the American Institute of Certified Public Accountants' Audit and Accounting Guide for "Not-for-Profit Organizations".

b. Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the organization is subject to donor-imposed restrictions that can be fulfilled by actions of the organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the organization. No permanently restricted assets were received or held during 2003 and 2002 and accordingly, these financials do not reflect any activity related to this class of net assets for 2003 and 2002.

c. Property and Equipment

These assets are stated at cost or if donated, at fair value at date of receipt. Maintenance repairs and minor repairs are expensed as incurred and major renewals which extend the life of the assets are capitalized.

d. Depreciation

Provisions for depreciation are made in the accounts using the straight-line method. Equipment is being depreciated over 5 years and the building and improvements over 27.5 years.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(Continued)

Note 2. Summary of Significant Accounting Policies (Continued)

- e. Allocation of Expenses
Expenses are allocated among program and supporting services directly or on the basis of time records and utilization estimates made by the Organization's management. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

- f. Cash and Cash Equivalents
For purposes of the statement of cash flows, Citizens for Affordable Housing in Newton Development Organization, Inc. considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

- g. Use of Estimates
The presentation 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

- h. Summarized Comparative Financial Statements
The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2002, from which the summarized information was derived.

- i. Restricted and Unrestricted Revenue
Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. When a time or purpose restriction expires, restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions.

Note 3. Tax Status

Citizens for Affordable Housing in Newton Development Organization, Inc. is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and accordingly, no provision for income taxes is included in the financial statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

Note 4. Management Services

Two residential rental properties, Nonantum Place and Christina Street, are managed by the Newton Community Development Foundation. Management fees for years end 2003 and 2002 are \$11,840 and \$10,023, respectively.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(Continued)

Note 5. Mortgage Payable

	<u>Current</u>	<u>Long Term</u>	<u>2003</u>	<u>2002</u>
<u>Nonantum Place - Three Unit Residential</u>				
Auburndale Cooperative Bank dated 12/1/97 of \$100,000 at 7.5%; requiring monthly payments of \$281; due 12/1/25; secured by First Mortgage	\$ 2,036	\$ 16,639	\$ 18,675	\$ 20,564
Newton Community Development Authority-Rehab dated 6/20/96 of \$123,455; at 3% per annum; requires monthly payments of \$685; administered by Brookline Savings Bank, secured by real estate; due 7/1/2016;	5,714	80,270	85,984	91,515
Newton Community Development Authority dated 12/1/95, of \$104,247; forgivable deferred loan; due 15 years from completion date or April, 2011; one-fifteenth of unpaid balance due annually until maturity; payment deferred as long as organization continues to own property and verification of restrictions are filed timely and events of acceleration have not occurred;		104,247	104,247	104,247
Newton Community Development Authority-Historical-Forgivable Deferred Loan dated 6/20/96 of \$36,575, interest deferred at 8% per annum; due 6/20/06 as long as organization continues to own property and verification of restrictions are filed timely and events of acceleration have not occurred; total accrued interest totals \$21,494;		36,575	36,575	36,575
Community Economic Development Corporation (CEDAC) date of 1/3/97 of \$90,000 at 5% accrued for first twenty years; due 2027; a cash payment due annually if gross receipts exceeds 105% of cash expenditures; organization in compliance and all payments deferred; accrued interest totaled \$31,470		90,000	90,000	90,000
Subtotal Nonantum Place	7,750	327,731	335,481	342,901

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(Continued)

Note 5. Mortgage Payable (Continued)

	<u>Current</u>	<u>Long Term</u>	<u>2003</u>	<u>2002</u>
<u>Christina Street – Five Unit Residential</u>				
US Housing and Urban Development deferred grant loan;		171,150	171,150	160,000
Newton Community Development Authority dated 6/18/01 of \$108,455 at 0%; deferred up to three years or sale of unit;	108,455		108,455	108,455
Newton Community Development Authority dated 8/26/99 of \$225,000 at 7%; due forty years from project completion; one-fifteenth of original principal, \$15,000, and accrued interest due each annual anniversary date of completion; payment deferred if organization in compliance; secured by third mortgage on property;		225,000	225,000	225,000
Brookline Savings Bank dated 12/2/02 of \$200,000 at 3%; due in monthly payments of \$843.21; balance due 6/2/2032; secured by third mortgage on property;	4,346	190,058	194,404	198,622
Boston Community Loan Fund dated 5/23/02 of \$101,942 at 7.5%; balance due 5/2022; secured by second mortgage on the subject property;		101,942	101,942	34,867
Auburndale Co-operative Bank dated 12/02 of \$45,150 at 7.5%; balance due 12/2022; secured by second mortgage on the subject property;		45,150	45,150	25,000
Auburndale Co-operative Bank dated 7/18/02 of \$688,315 at 6.375%; balance due by 7/18/2032; interest only;	3,425	295,289	298,714	688,315
CEDAC 8/15/2002 of \$125,000 at 5%; balance due 7/15/2032		87,460	87,460	0
Subtotal Christina Street	<u>116,226</u>	<u>1,116,049</u>	<u>1,232,275</u>	<u>1,440,259</u>

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(Continued)

Note 5. Mortgage Payable (Continued)

	Current	Long Term	2003	2002
<u>Webster Street</u>				
Newton Community Development Authority dated 8/23/00 of \$237,957 at 7%; due forty years from project completion; one-fortieth of original principal, \$5,625, and accrued interest due each annual anniversary date of completion; payment deferred if organization in compliance; secured by third mortgage on property;		237,957	237,957	200,000
Auburndale Co-operative Bank dated 3/14/02 of \$325,000 at 6.375%; due in monthly payments of \$2,052; balance due 3/14/2032	4,206	317,800	322,006	300,917
CEDAC 4/22/02 of \$389,811 at 6.375%		389,811	389,811	389,811
Massachusetts Housing Finance Agency of \$250,000 at 6.375%		250,000	250,000	250,000
Subtotal Webster Street	4,206	1,195,568	1,199,774	1,140,728
<u>Cambria Road - proposed two phase construction of affordable housing units begun in 2002;</u>				
City of Newton deferred grant loan		155,290	155,290	0
Brookline Bank dated 8/1/2003 of \$106,492 at 3% due in monthly payments of \$449 balance due 8/1/2033	2,245	84,441	86,686	0
Auburndale Co-operative Bank dated 12/19/02 of \$400,000 at 5%; due in monthly payments of \$1,740.19; balance due January 2033;	4,987	315,190	320,177	400,000
Newton Community Development Authority dated 12/19/02 of \$200,000 at 7%; due 50 years from completion;		200,000	200,000	200,000
Subtotal Cambria Road	7,232	754,921	762,153	600,000
<u>Chestnut Street - proposed two phase construction of affordable housing units begun in 2003;</u>				
Cambridge Savings Bank construction loan dated 12/30/03 up to \$2,775,000, at 5%, due 12/1/2005	1,055,000		1,055,000	
Subtotal Chestnut Street	1,055,000		1,055,000	

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(Continued)

Note 5. Mortgage Payable (Continued)

	Current	Long Term	2003	2002
<u>Elliot Street</u> – proposed two phase construction of affordable housing units begun in 2003;				
The Village Bank construction loan dated 12/30/2003 up to \$1,949,596; interest at 6.5%; due 1/1/05.				
Subtotal Elliot Street	544,000	_____	544,000	0
	544,000	_____	544,000	0
Total Mortgages Payable	\$ 1,734,414	\$3,394,269	\$5,128,683	\$3,523,888

Current maturities of debt as of December 31:

2004	\$ 1,734,414
2005	28,048
2006	66,181
2007	31,038
2008 and thereafter	3,269,002

Note 6. Leases

Citizens for Affordable Housing in Newton Development Organization, Inc. entered into a lease agreement in June, 2003 expiring June 2, 2004. The lease is automatically renewed annually unless either lessor or lessee provides at least ninety (90) days written notice. This lease was renewed in May 2004 and expires June 1, 2005. Rent expense for the years ended December 31, 2003 and 2002, totaled \$16,154 and \$10,085, respectively. Future minimum rental payments for the year ending December 31 are as follows:

2004	\$ 20,493
2005	8,745

Note 7. Revolving Loan Pool

The Organization received from the Newton Community Development Authority a \$20,000 grant in 1999 to establish a revolving account, which will provide immediate funding for deposits and down payments to acquire property for use as affordable housing.

Note 8. Compensated Absences

Vacation and sick pay are considered expenditures in the year paid. Upon termination the employee is compensated for any accrued but unused vacation pay. The Organization has not accrued compensated absences because the amount cannot be reasonably estimated.

**CITIZENS FOR AFFORDABLE HOUSING IN NEWTON
DEVELOPMENT ORGANIZATION, INC.**

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

(Continued)

Note 9. Uninsured Cash Balances

Citizens for Affordable Housing in Newton Development Organization, Inc. maintains all its accounts at a local bank. The balances are insured by the Federal Deposit Insurance Corporation up to \$100,000. The bank balance is categorized as follows:

Amount insured by FDIC	\$ 100,000
Uninsured	<u>58,676</u>
Total carrying amount	<u>\$ 158,676</u>

Note 10. Line of Credit

The Organization has a \$10,000 line of credit with an interest rate of 6.25%. The balance due at December 31, 2003 was \$10,000.

Note 11. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2003 consists of pledges expected to be received in 2004.

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To the Board of Directors of
Citizens for Affordable Housing in Newton
Development Organization, Inc.
W. Newton, Massachusetts 02465

Report on Internal Control Over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of Citizens for Affordable Housing in Newton Development Organization, Inc. as of and for the year ended December 31, 2003, and have issued our report thereon dated December 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Citizens for Affordable Housing in Newton Development Organization, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Citizens for Affordable Housing in Newton Development Organization, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the management, board of directors and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


SANDBERG, GONZALEZ & CREEDEN, P.C.
Certified Public Accountants

Stoughton, Massachusetts
December 14, 2004