



April 23, 2007

**RE: Board of Directors' Introduction to the Audited Financial Statements
for the period ending December 31, 2006**

Dear Supporter:

At the close of FY2006, the Women's Institute recognized an operating shortfall of \$115,391. To assist the reader in understanding the reason for this shortfall, the board of directors has outlined the following information to highlight the continued fiscal stability of the organization.

In 2006, the Women's Institute undertook two affordable housing development projects that will create a combined one hundred fifty new units of affordable housing for individuals and families once completed. As the direct developer of these projects, the organization will provide up-front staff time and out-of-pocket project costs across multiple fiscal years, which will then be compensated at such time as the projects close on financing and enter construction. As a result, the pre-development work on these projects will create a short-term operating deficit until such time as the projects are fully funded.

The Women's Institute takes a conservative and transparent approach to fee recognition in regard to direct development projects such as these and elects to recognize the income derived from developer fees when they are actually received by the organization. The Women's Institute expects to receive approximately \$100,000 for its Indian Field project in 2007 (which represents 30% of its anticipated developer fee), and \$300,000 for the Park City Hospital redevelopment project in 2008 (which represents 15% of its anticipated developer fee). Additional developer fee revenues from these projects will continue into FY2009-2011. To ensure adequate cash flow for the organization until these fees are received, the board of directors has increased the organization's available working capital lines of credit, which are described in the attached audited financial statements.

The Board of Directors continues to strategically position the Women's Institute to ensure its focus on *building affordable housing that fosters economic security for low-income women and families*. The board is pleased to report on the continued strength of the organization as it increases its affordable housing production and values your input if you have questions or comments.

Sincerely,

Nancy Sampson
Treasurer, Board of Directors

Loni Willey
Chief Financial Officer

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**WOMEN'S INSTITUTE FOR HOUSING AND
ECONOMIC DEVELOPMENT, INC.**

FINANCIAL STATEMENTS

with

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2006

**WOMEN'S INSTITUTE FOR HOUSING AND
ECONOMIC DEVELOPMENT, INC.**

FINANCIAL STATEMENTS

DECEMBER 31, 2006

Mission Statement

*The mission of the Women's Institute for Housing and Economic
Development is to build affordable housing that fosters
economic security for low-income women
and families.*

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

REPORT ON FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2006

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Women's Institute for Housing
and Economic Development, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of Women's Institute for Housing and Economic Development, Inc. (a Massachusetts nonprofit organization) as of December 31, 2006, 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 upon our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 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 Women's Institute for Housing and Economic Development, Inc. as of December 31, 2006 and the changes in their net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements for the year ended December 31, 2005 are presented for comparative purposes only. The financial information for that period was extracted from the financial statements presented for that year, on which an unqualified opinion dated January 27, 2006, was expressed.

Westborough, Massachusetts
March 6, 2007

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.
STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2006 AND 2005

<u>ASSETS</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL NET ASSETS</u>	
				<u>2006</u>	<u>2005</u>
<u>CURRENT ASSETS:</u>					
Cash and Cash Equivalents <i>(Notes 3 and 10)</i>	\$ 344,475	\$141,513	\$ -	\$ 485,988	\$ 335,679
Accounts Receivable, Program Services <i>(Notes 3 and 7)</i>	111,222	-	-	111,222	193,970
Accounts Receivable, Affiliates <i>(Note 7)</i>	26,543	-	-	26,543	211,966
Short-Term Project Advances <i>(Note 1)</i>	11,717	-	-	11,717	-
Prepaid Expenses/Deferred Items	<u>33,019</u>	<u>-</u>	<u>-</u>	<u>33,019</u>	<u>9,384</u>
Total Current Assets	<u>526,976</u>	<u>141,513</u>	<u>-</u>	<u>668,489</u>	<u>750,999</u>
<u>NET PROPERTY AND EQUIPMENT</u> <i>(Note 3)</i>	<u>12,305</u>	<u>-</u>	<u>-</u>	<u>12,305</u>	<u>18,693</u>
<u>OTHER ASSETS:</u>					
Long-Term Investments <i>(Note 3)</i>	-	1,202	100,000	101,202	107,045
Real Estate Investments <i>(Note 1)</i>	230,349	-	-	230,349	230,328
Notes and Loans Receivable <i>(Notes 1 and 7)</i>	745,886	-	-	745,886	716,573
Security Deposits	<u>4,212</u>	<u>-</u>	<u>-</u>	<u>4,212</u>	<u>2,572</u>
Total Other Assets	<u>980,447</u>	<u>1,202</u>	<u>100,000</u>	<u>1,081,649</u>	<u>1,056,518</u>
<u>TOTAL ASSETS</u>	<u>\$1,519,728</u>	<u>\$142,715</u>	<u>\$100,000</u>	<u>\$1,762,443</u>	<u>\$1,826,210</u>
<u>LIABILITIES AND NET ASSETS</u>					
<u>CURRENT LIABILITIES:</u>					
Working Capital Lines-of-Credit <i>(Note 4)</i>	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ -
Pre-Development Loan <i>(Note 4)</i>	25,000	-	-	25,000	-
Accounts Payable and Accrued Expenses	18,933	-	-	18,933	48,906
Accrued Payroll and Related Expenses	37,714	-	-	37,714	39,922
Deferred Revenue <i>(Note 5)</i>	<u>12,800</u>	<u>-</u>	<u>-</u>	<u>12,800</u>	<u>-</u>
Total Current Liabilities	<u>169,447</u>	<u>-</u>	<u>-</u>	<u>169,447</u>	<u>88,828</u>
<u>NET ASSETS:</u> <i>(Note 3)</i>					
Unrestricted Net Assets	1,027,135	-	-	1,027,135	1,142,526
Unrestricted Board Designated:					
Operating Reserve	253,146	-	-	253,146	253,146
Strategic Initiatives Fund	70,000	-	-	70,000	70,000
Temporarily Restricted Net Assets	-	142,715	-	142,715	171,710
Permanently Restricted Net Assets	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Total Net Assets	<u>1,350,281</u>	<u>142,715</u>	<u>100,000</u>	<u>1,592,996</u>	<u>1,737,382</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$1,519,728</u>	<u>\$142,715</u>	<u>\$100,000</u>	<u>\$1,762,443</u>	<u>\$1,826,210</u>

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Totals for 2005)

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL ACTIVITIES</u>	
				<u>2006</u>	<u>2005</u>
<u>SUPPORT, REVENUES AND RECLASSIFICATIONS:</u>					
<i>Support and Contributions:</i>					
Foundation and Corporate Grants	\$ 136,962	\$ 32,000	\$ -	\$ 168,962	\$ 155,621
Individual Contributions	46,956	1,000	-	47,956	39,804
Value of In-Kind Services (Note 6)	21,002	-	-	21,002	37,978
Special Events, Net of Direct Costs (Note 5)	<u>16,855</u>	<u>-</u>	<u>-</u>	<u>16,855</u>	<u>99,444</u>
Total Support and Contributions	<u>221,775</u>	<u>33,000</u>	<u>-</u>	<u>254,775</u>	<u>332,847</u>
<i>Program Services:</i>					
Developer Fees (Notes 1 and 7)	-	-	-	-	202,085
Project Management Fees and Reimbursed Costs (Notes 1, 3 and 7)	<u>547,027</u>	<u>-</u>	<u>-</u>	<u>547,027</u>	<u>524,866</u>
Total Program Services	<u>547,027</u>	<u>-</u>	<u>-</u>	<u>547,027</u>	<u>726,951</u>
<i>Other Revenues:</i>					
Interest and Dividend Income (Note 3)	42,495	6,594	-	49,089	37,565
Investment Gains (Note 3)	-	729	-	729	483
Land Rent (Notes 1 and 7)	4,800	-	-	4,800	4,800
Other Miscellaneous Revenues	<u>2,757</u>	<u>-</u>	<u>-</u>	<u>2,757</u>	<u>1,318</u>
Total Other Revenues	<u>50,052</u>	<u>7,323</u>	<u>-</u>	<u>57,375</u>	<u>44,166</u>
<i>Net Assets Released from Restrictions:</i>					
Fulfillment of Program Requirements	<u>69,318</u>	<u>(69,318)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL SUPPORT, REVENUES AND RECLASSIFICATIONS</u>	<u>888,172</u>	<u>(28,995)</u>	<u>-</u>	<u>859,177</u>	<u>1,103,964</u>
<u>FUNCTIONAL EXPENSES AND LOSSES:</u>					
Program Services	716,274	-	-	716,274	723,287
Administrative	155,221	-	-	155,221	185,988
Fund Raising	<u>132,068</u>	<u>-</u>	<u>-</u>	<u>132,068</u>	<u>133,004</u>
Total Functional Expenses	1,003,563	-	-	1,003,563	1,042,279
Loss on Theft of Equipment (Note 3)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>596</u>
<u>TOTAL FUNCTIONAL EXPENSES AND LOSSES</u>	<u>1,003,563</u>	<u>-</u>	<u>-</u>	<u>1,003,563</u>	<u>1,042,875</u>
<u>INCREASE (DECREASE) IN NET ASSETS</u>	<u>(115,391)</u>	<u>(28,995)</u>	<u>-</u>	<u>(144,386)</u>	<u>61,089</u>
<u>NET ASSETS - JANUARY 1</u>	<u>1,465,672</u>	<u>171,710</u>	<u>100,000</u>	<u>1,737,382</u>	<u>1,676,293</u>
<u>NET ASSETS - DECEMBER 31</u>	<u>\$1,350,281</u>	<u>\$142,715</u>	<u>\$100,000</u>	<u>\$1,592,996</u>	<u>\$1,737,382</u>

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2006
(With Comparative Totals for 2005)

	<u>PROGRAM</u> <u>SERVICES</u>	<u>ADMINI-</u> <u>STRATIVE</u>	<u>FUND</u> <u>RAISING</u>	<u>TOTAL</u> <u>FUNCTIONAL EXPENSES</u>	
				<u>2006</u>	<u>2005</u>
Salaries	\$406,456	\$ 69,756	\$ 73,052	\$ 549,264	\$ 539,818
Payroll Taxes and Fringe Benefits <i>(Note 11)</i>	91,946	15,780	16,526	124,252	126,611
Accounting and Auditing Services	-	11,788	-	11,788	12,996
Other Professional Fees/Consultants <i>(Note 6)</i>	68,585	12,712	7,746	89,043	116,781
Occupancy Costs <i>(Notes 8 and 9)</i>	51,680	7,459	7,811	66,950	60,980
Office Supplies and Expenses	7,535	1,751	2,461	11,747	11,794
Printing and Reproduction Costs	10,862	1,512	2,343	14,717	6,706
Postage and Courier	3,347	710	1,366	5,423	6,907
Telephone, Fax and Internet	6,082	1,325	1,004	8,411	7,879
Travel, Meetings and Conferences	25,038	3,194	221	28,453	21,409
General and Project Based Liability Insurance	3,836	2,821	690	7,347	10,172
Equipment Rental and Maintenance <i>(Note 9)</i>	4,467	1,661	1,202	7,330	9,280
Depreciation of Equipment <i>(Note 3)</i>	5,779	1,407	1,338	8,524	6,869
Line-of-Credit Fees and Interest	-	5,296	-	5,296	-
Indirect Costs of Special Events <i>(Notes 5 and 12)</i>	-	-	12,354	12,354	7,560
Project Costs	13,712	-	-	13,712	36,263
Subsidiary Administration Costs <i>(Note 12)</i>	-	6,653	-	6,653	6,857
Miscellaneous Other Costs	<u>2,771</u>	<u>4,572</u>	<u>3,954</u>	<u>11,297</u>	<u>15,419</u>
Subtotal	702,096	148,397	132,068	982,561	1,004,301
Value of In-Kind Goods/Services <i>(Note 6)</i>	<u>14,178</u>	<u>6,824</u>	<u>-</u>	<u>21,002</u>	<u>37,978</u>
Total Functional Expenses	<u>\$716,274</u>	<u>\$155,221</u>	<u>\$132,068</u>	<u>\$1,003,563</u>	<u>\$1,042,279</u>

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

	<u>2006</u>	<u>2005</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Increase (Decrease) in Net Assets	\$(144,386)	\$ 61,089
<i>Adjustments to Reconcile the Above to Net Cash</i>		
<i>Provided by Operating Activities:</i>		
Accrued Interest on Notes Receivable	(32,314)	(28,767)
Investment Income	(5,289)	(4,457)
Depreciation Expense	8,524	6,869
<i>(Increase) Decrease in Current Assets:</i>		
Accounts Receivable, Grants and Pledges	-	15,250
Accounts Receivable, Program Service Revenue	268,171	(242,602)
Prepaid Expenses/Deferred Items	(23,635)	3,890
Short-Term Project Advances	(11,717)	209,336
<i>Increase (Decrease) in Current Liabilities:</i>		
Accounts Payable and Accrued Expenses	(32,181)	(39,712)
Deferred Revenue	<u>12,800</u>	<u>8,657</u>
Net Adjustment	<u>184,359</u>	<u>(71,536)</u>
<u>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u>	<u>39,973</u>	<u>(10,447)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Purchase of Investments	(99,756)	-
Proceeds from Investment Sales	106,883	-
(Increase) Decrease in Real Estate Investments	(21)	-
Net (Loans) to Affiliates and Repayments	3,000	60,487
Purchases of Office Equipment and Furniture	(2,136)	(19,324)
Investment Income transferred to Operating Account	<u>2,366</u>	<u>-</u>
Net Cash Flows Provided by Investing Activities	<u>10,336</u>	<u>41,163</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds From (Repayment of) Notes Payable	<u>100,000</u>	<u>(92,237)</u>
<u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	<u>150,309</u>	<u>(61,521)</u>
<u>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</u>	<u>335,679</u>	<u>397,200</u>
<u>CASH AND CASH EQUIVALENTS AT END OF YEAR</u>	<u>\$ 485,988</u>	<u>\$ 335,679</u>
 <i>Supplemental Disclosures:</i>		
Interest Paid	<u>\$ 3,046</u>	<u>\$ -</u>
Income Taxes Paid	<u>\$ -</u>	<u>\$ -</u>

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

NOTE 1 ORGANIZATION, AFFILIATIONS AND REAL ESTATE VENTURES

The Women's Institute for Housing and Economic Development, Inc. ("Women's Institute" or the "Organization") was organized in 1981 under the provisions of Massachusetts General Laws Chapter 180 and qualifies as a tax-exempt not-for-profit corporation under Section 501(c)(3) of the Internal Revenue Code. The Women's Institute has been classified as an organization which is not a private foundation under Section 509(a); accordingly, contributions made to this Organization qualify for the maximum charitable deduction for federal income tax purposes.

The Women's Institute operates as a regional affordable housing developer, serving as both a direct developer of properties as well as a development consultant to communities and non-profit organizations. As of December 31, 2006, the Women's Institute had an ownership and/or long-term partnership interest in the following projects and entities:

Acushnet Commons, New Bedford, MA

On January 26, 2004, the Board of Directors voted to establish a limited partnership, Acushnet Commons Limited Partnership (ACLPL), and Acushnet Housing, Inc. (AHI), a for-profit corporation pursuant to Massachusetts General Laws Chapter 156B. These entities were established to facilitate the acquisition, renovation, and operation of a property known as Acushnet Commons in New Bedford, Massachusetts. The development is used for low-income residential housing, commercial space for a non-profit tenant, and community space.

The Women's Institute owns 79% of the common stock of AHI, with South Shore Housing Development Corporation, an unrelated charitable organization, holding the remaining 21%. The Women's Institute unconditionally guarantees the performance of AHI in its role as general partner of ACLPL.

The land and building were donated to Women's Institute by another non-profit organization. Women's Institute retained ownership of the land and sold the building to ACLPL for \$634,872. Of the selling price, Women's Institute received 10% of the assessed value of the building as a down payment and holds a mortgage from ACLPL for the balance of \$571,385. The note bears interest at the rate of 5.25% and matures on November 15, 2034. Interest income accrued for the years ended December 31, 2006 and 2005 amounted to \$32,314 and \$28,767, respectively. The mortgage agreement stipulates that no payments are expected against the principal or interest balance; therefore, the entire loan and accrued interest is classified as a long-term asset in the accompanying Statement of Financial Position. As of December 31, 2006 and 2005, the note balance included accrued interest of \$64,501 and \$32,188, respectively.

In connection with the Acushnet Commons project, the Women's Institute had raised \$110,000 in restricted grants for its "sponsorship equity" in the project. Those grants were transferred to ACLPL in December 2004. The sponsorship equity injection is structured as an interest free loan, with no payments scheduled during the 15-year period following project completion. Therefore, the balance of \$110,000 will be carried as a long-term asset in the accompanying Statement of Financial Position. These mortgage notes are secured by real estate and are considered fully collectible.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 1 *(Continued)*

A separate land lease was signed, whereby Women's Institute has leased the land to ACLP for 99 years at an annual rate of \$4,800, commencing November 15, 2004. The value of the land is reported as a real estate investment in the Statement of Financial Position.

Lazarus Hope, LLC, Lawrence, MA

The Women's Institute has served as development consultant to Lazarus House, Inc. in developing 20 units of affordable rental housing in Lawrence, MA. The project is in construction, and occupancy is expected in 2007.

On July 24, 2006, the Women's Institute agreed to serve as the minority partner of Lazarus Hope Housing, Inc., the general partner entity for Lazarus Hope LLC. On August 8, 2006, shares representing 21% of the common stock of Lazarus Hope Housing, Inc. were assigned to the Women's Institute, which it continued to own as of December 31, 2006.

Indian Field, New Milford, CT

In 2006, the Women's Institute was asked to step in as developer for a 40-unit family development in New Milford, CT, called Indian Field. Once completed, the development will provide permanent rental housing for a range of low-income families. The project is expected to close on its financing and enter construction in 2007. As of December 31, 2006, unbilled accrued project management fees associated with this project amounted to \$15,230. The Women's Institute will recognize the project management/development revenue when the fees are legally collectible, which is typically at closing on construction financing.

On December 21, 2006, the Women's Institute acquired common stock shares representing a 51% ownership in Indian Field Housing Corporation (IFHC), which serves as the general partner entity of Indian Field Limited Partnership.

Park City Hospital, Bridgeport, CT

In 2006, the Women's Institute was selected by the Bridgeport Housing Authority as its preferred developer to re-develop the former Park City Hospital into affordable and supportive housing. Once completed, the development will provide 110 new units of affordable housing for low-income individuals, veterans, and seniors. The project is expected to close on project financing and enter construction in 2008.

The Women's Institute expects to have an equity position in the development. As of December 31, 2006, an Interim Development Agreement was in place, with a Memorandum of Agreement pending with the Bridgeport Housing Authority. As of December 31, 2006, unbilled accrued project management fees associated with this project amounted to \$102,083. The Women's Institute will recognize the project management/development revenue when the fees are legally collectible, which is typically at closing on construction financing. Additional out-of-pocket project costs totaling \$11,717 have been recorded as *Short-Term Project Advances* on the accompanying Statement of Financial Position, which are expected to be reimbursed at financing closing.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 1 (Continued)

Women's Institute Realty, Inc.

The Women's Institute is affiliated with Women's Institute Realty, Inc. (WI REALTY), a related organization which was organized in December 1994 and was retroactively approved for tax-exempt status in 1995 in accordance with the above-noted provisions of the Internal Revenue Code. WI REALTY operates primarily as a developer of real estate to be used for affordable and low-income housing. For the years presented, WI REALTY was inactive.

Construction activity and the related funding for the above projects is reported separately by the affiliated entities with the following exception: Women's Institute periodically acts as Project Manager and Real Estate Development for these entities and all program revenues and related expenses arising from these affiliations are reports as revenues and expenses in the accompanying financial statements. For the years ended December 31, 2006 and 2005, Women's Institute recognized project management and developer fees from affiliated entities in the amount of \$88,945 and \$282,313, respectively, which is included in *Project Management Fees and Reimbursed Costs* and *Developer Fees* on the Statement of Activities.

NOTE 2 PROGRAM SERVICES

The mission of the Women's Institute is to *build affordable housing that fosters economic security for low-income women and families*. The Organization's successful strategy is to create long-term partnerships that combine the Women's Institute's core strength as a nonprofit affordable housing developer with the expertise of human service providers and community groups and public agencies who are interested in increasing housing opportunities for their constituents. These partnerships are focused on creating quality, affordable housing and community space for the provision of programs such as job preparation and training, child care and youth programming, and activities to foster resident connection to each other and their neighborhoods.

Through strategic growth and a commitment to excellence, the Women's Institute has grown into a regional affordable housing developer with offices in Boston, MA and Hartford, CT, and development projects throughout Southern New England. Currently, the Organization is serving as developer for two projects in Connecticut which will total 150 new units of affordable housing when completed, and is working with seven organizations as a development consultant to build over 100 additional units in Massachusetts and Connecticut. The Women's Institute is also assisting several non-profit organizations in assessing their existing properties and establishing viable, long-term asset management plans.

The Women's Institute also assists organizations and communities in developing affordable housing strategic plans for their constituents, and is currently assisting four organizations to accomplish this task. Additionally, the Women's Institute continues to provide year-long training programs in partnership with the Corporation for Supportive Housing and its One Step Beyond initiative, which brings together developers, service providers, and property managers to design quality affordable housing development projects for their communities.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 2 (Continued)

The Women's Institute continues to focus its work on increasing economic security for low-income individuals and families. Through training programs and curriculum development, the Women's Institute works with non-profit organizations to create economic literacy and empowerment program modules for implementation with their service consumers.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies which affect significant elements of the Organization's financial statements are described below to enhance the usefulness of the financial statements to the reader. 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 the financial statements and the reported amounts of support, revenues and expenses during the reporting period. Actual results could differ from those estimates; however, adherence to generally accepted accounting principles has, in management's opinion, resulted in reliable and consistent financial reporting by the Organization. The following policies should be read in conjunction with the accompanying notes to the financial statements.

Basis of Accounting:

The Organization's policy is to maintain its books and prepare its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when a liability has been incurred. Financial statement items are recorded at historical costs and often involve the utilization of estimates, and as a result, financial statement items do not necessarily represent current values.

Financial Statement Presentation:

Women's Institute prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization reports 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. These classifications are related to the existence or absence of donor-imposed restrictions as indicated below:

Unrestricted Net Assets - consists of assets, public support and program revenues which are available and used for charitable activities, operations and programs. Unrestricted net assets represents the portion of net assets of the Organization that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Contributions are considered available for unrestricted use unless specifically restricted by the donor. In addition, unrestricted net assets of the Organization includes funds which represent unrestricted resources designated by the Board of Directors for specific purposes.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 3 (Continued)

For the years presented, the following board designated funds have been established:

- An Operating Reserve Fund was established by the Board for the purpose of enhancing the Organization's financial stability and to balance the cash flow in times of cyclical and temporary working capital shortfalls. For the years presented, the balance in the Operating Reserve Fund was \$253,146.
- The Strategic Initiatives Fund was established to create a sustainable funding base for its pre-development work in affordable housing development, sponsoring of its economic empowerment programs, and exploration of other strategic opportunities as they arise. For the years presented, the balance of this fund was \$70,000.

Temporarily Restricted Net Assets - includes funds with donor-imposed restrictions which permit the donee organization to expend the assets as specified and are satisfied either by the passage of time or by actions of the organization. Resources of this nature originate from gifts, grants, bequests, contracts and investment income earned on restricted funds, and as of December 31, 2006 and 2005, were restricted to the projects listed below:

<u>Temporarily Restricted Net Assets</u>	<u>2006</u>	<u>2005</u>
Community Supported Housing Initiative	\$ 24,799	\$ 51,708
Housing Foundations Fund*	86,928	84,894
One Family Campaign - IDA Program	-	12,409
Economic Literacy Program/Training of Trainers	-	9,000
Asian Women's Programs	18,988	13,699
Acushnet Commons	6,000	-
Economic Development Programs	6,000	-
Total	<u>\$142,715</u>	<u>\$171,710</u>

*As part of a cooperative agreement with a donor, Women's Institute is required to contribute an amount equal to the lesser of 15% of developer fees received or 10% of the increase in unrestricted net assets to the Housing Foundations Fund. For the year ending December 31, 2006, there was no contribution to the Housing Foundations Fund, and a contribution of \$21,351 was made for the year ending December 31, 2005. The temporarily restricted net asset balance includes interest earned on invested funds. During 2006, earnings of \$2,034 were added to the Housing Foundations Fund.

Permanently Restricted Net Assets - includes resources which have a permanent donor-imposed restriction which stipulates that the assets are to be maintained permanently, but permits the Organization to expend part or all of the income derived from the donated assets. In 1996, the Women's Institute received a gift of \$100,000 to establish the Fung Kam Fund, a permanently restricted fund. Income from the fund supports Women's Institute programs that benefit low income Asian women.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 3 (Continued)

The accompanying financial statements include certain 2005 comparative information. With respect to the Statement of Activities, such prior year information is not presented by net asset class and, in the Statement of Functional Expenses, 2005 expenses by line item are in total rather than by functional category. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2005, from which the summarized information was derived.

Functional Expenses:

Women's Institute allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated using the Organization's time usage allocation formula.

Supporting services are those related to operating and managing Women's Institute and its programs on a day-to-day basis. Supporting services have been sub-classified below:

Administrative - includes all activities related to Women's Institute's internal management and accounting for program services.

Fund Raising - includes all activities related to maintaining contributor information, writing grant proposals, indirect costs of special fund raising events, distribution of materials and other similar projects related to the procurement of funds for Women's Institute's programs.

Revenue Recognition:

In each of the years presented, program service revenue is shown net of all applicable discounts and waivers. While there is no formal sliding fee scale, the Women's Institute recognizes that many small non-profit organizations cannot afford to pay for the technical assistance and expertise offered by Women's Institute. In such cases, Women's Institute may agree to waive part or all of its fee. For the years presented, discounted and waived fees amounted to \$43,415 and \$37,612, respectively.

The Women's Institute funds its real estate development activities through a combination of grants and program service revenue. Grants are either released from restriction or clients are invoiced for services at standard hourly rates ranging from \$110 - \$125. Under grants and consulting contracts, program service revenue is generally recognized on a monthly basis as services are provided. When the Women's Institute serves as developer, project management and developer fees are recognized on a schedule approved by the project lenders, which typically adheres to benchmarks for financing closing, construction completion, and stable operations. As of December 31, 2006, the Women's Institute had accrued but unbilled project management/development fees of \$117,313.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 3 (Continued)

Contributions, Gifts and Grants:

Women's Institute follows Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." SFAS No. 116 requires that contributions be recorded as receivables and revenues and requires the Organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Contributions may include gifts of cash, collection items, or promises to give. Occasionally Women's Institute receives donations of stocks, which are recorded as contribution revenue when received.

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved, when such amounts are considered material.

Support that is restricted by the donor is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction until restriction conditions are satisfied, at which time temporarily restricted net assets are reclassified to unrestricted net assets.

For the years presented, net assets were released from restriction for the following programs and purposes:

<u>Net Assets Released From Restriction</u>	<u>2006</u>	<u>2005</u>
Community Supported Housing Initiative	\$46,909	\$168,995
One Family Campaign - IDA Program	12,409	11,166
Individual Direct Assistance	-	12,080
Connecticut Housing Projects	-	30,000
Center for Supportive Community	-	2,500
Youth Initiative Programs	-	19,508
Economic Literacy Program/Training of Trainers	9,000	11,500
General Economic Development Programs	-	2,000
Other	<u>1,000</u>	<u>631</u>
Total Net Assets Released from Restriction	<u>\$69,318</u>	<u>\$258,380</u>

Property and Equipment:

Property, equipment, furnishing and improvement purchases in excess of \$500 are capitalized at cost, if purchased, or if donated, at fair market value at the date of receipt. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, whereas major betterments are capitalized as additions to property and equipment.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 3 *(Continued)*

Depreciation of property and equipment is computed using the straight-line method, and is charged against income over the estimated useful lives of the assets as expressed in term of years. The following is a fixed asset summary as of December 31, 2006 and 2005:

	<u>Est.</u> <u>Life</u>	<u>Cost</u>	<u>Accum.</u> <u>Depreciation</u>	<u>Net Book</u> <u>Value</u>	<u>Prior</u> <u>Year</u>
Office Furniture & Equip.	3-5 years	<u>\$33,124</u>	<u>\$20,819</u>	<u>\$12,305</u>	<u>\$18,693</u>

During 2005, fully depreciated equipment with an original cost of \$12,254 was determined to be obsolete and accordingly, was removed from the books. This adjustment did not result in any gain or loss upon disposition. However, during 2005, two computers with a net book value of \$2,348 were stolen. After recovering \$1,752 from insurance proceeds, a loss of \$596 was recognized. Depreciation expense was \$8,524 and \$6,869 for the years ending December 31, 2006 and 2005, respectively.

Cash and Cash Equivalents:

For the purpose of these financial statements, Women's Institute considers equivalent to cash all money market funds and savings deposits which can be and are intended to be converted to cash within 90 days of issuance.

Investments:

Investments are classified as short or long-term depending upon the type of investment and the intended holding period. Highly liquid investments, with maturities of 90 days or less are classified as cash equivalents. Investments of permanently restricted net assets are classified as long-term, along with certificates of deposit and bonds with maturity dates extending beyond one year.

All investments are reported at their market value, including unrealized gains and losses, which are recognized in the current period Statement of Activities. Investments of permanently restricted net assets are considered long-term regardless of the investment liquidity. As of December 31, 2005, long-term investments consisted of mutual funds (Eaton Vance Floating Rate Class C) with a fair market value of \$107,045 and no unrealized gains or losses. As of December 31, 2006, long-term investments consisted of a Federal Home Loan Bank note with a fair market value of \$100,768, including unrealized gains of \$1,011 and cash equivalents of \$434.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 3 (Continued)

Investment income, gains and losses consisted of the following composition for the years presented.

	<u>2006</u>	<u>2005</u>
Realized Gains (Losses)	\$ (282)	\$ 483
Unrealized Gains (Losses)	1,011	-
Dividend Income	4,560	3,974
Interest from Banks	12,215	4,824
Interest Accrued on Notes Receivable	<u>32,314</u>	<u>28,767</u>
Total	<u>\$49,818</u>	<u>\$38,048</u>

Accounts Receivable:

The Organization's management believes that all accounts receivable from program services are collectible, and therefore, no allowance for doubtful accounts has been established. If accounts are determined to be uncollectible in subsequent periods, they will be charged to activities at that time. There were no uncollected program service fees for the years presented.

NOTE 4 DEBT

Corporation for Supportive Housing (CSH) Pre-development Loan:

Women's Institute secured a project-based temporary pre-development loan from CSH in connection with the Park City Hospital development project. The maximum loan amount is \$50,000 per project, and loans are only available for supportive housing projects. The loan is interest free and potentially forgivable if the project does not proceed; otherwise, loans are to be paid back upon closing of the project's financing. As of December 31, 2006, \$25,000 had been borrowed, and the period of availability for the remaining \$25,000 had expired.

Massachusetts Housing Partnership (MHP) Working Capital Line-of-Credit:

Women's Institute has established a working capital line-of-credit with MHP for \$300,000. Proceeds from the line-of-credit are to be used for affordable housing. The borrowing limit may be drawn down within one year from the closing date of June 28, 2006 and must be repaid within 2 years of the closing date; however, the drawdown period may be extended by one year. Presently, the note matures on June 28, 2008, at which time all outstanding amounts plus interest must be paid. The interest rate is prime -1%, which was 7.25% as of December 31, 2006. As of December 31, 2006, \$75,000 had been borrowed and was outstanding.

Citizens Bank Working Capital Line-of-Credit:

Women's Institute has a working capital line-of-credit with Citizens Bank with available credit of \$75,000 subject to interest at the bank's prime rate plus 2%. Borrowings on the line are secured by a first security interest in all business assets of the Organization. As of December 31, 2006 and 2005, the line-of-credit had a zero balance.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 5 FUND RAISING ACTIVITIES

Revenue from special fund raising activities is reflected on the Statement of Activities net of the direct costs of the events, while indirect costs of special events, the costs associated with direct mail and annual appeal campaigns are reported as fund raising expenses on the Statement of Functional Expenses. Indirect event costs include: printing, postage, consulting and other incidental costs of fundraising events.

For several years, the Women's Institute has held an annual fundraising event in the fall, called the *Opening Doors Awards*. In 2006, the Organization moved the annual event to coincide with the culmination of its 25th anniversary year, thereby rescheduling the event to March 2007. As a result, a fundraising event was not held in 2006. Fundraising for the 2007 event began in mid-2006, which will necessitate reporting of the event across fiscal years. For the years presented, revenue and expenses were recognized as follows:

	<u>2006*</u>	<u>2005</u>
Gross Proceeds	\$ 29,655	\$120,169
Less Deferred Revenue for Advertising and Ticket Sales	<u>(12,800)</u>	<u>-</u>
Event Revenue Recognition	16,855	120,169
Direct Costs of Events	<u>-</u>	<u>(20,725)</u>
Net Proceeds from Special Events	16,855	99,444
Less Indirect Event Costs	<u>(12,354)</u>	<u>(7,560)</u>
Net Event Revenue	<u>\$ 4,501</u>	<u>\$ 91,884</u>

*Preliminary fundraising revenue and costs for *Opening Doors 2007*.

As of December 31, 2006, Direct Event Costs of \$2,000 have been deferred and will be recognized when the event is held.

NOTE 6 DONATED ASSETS AND SERVICES

In accordance with generally accepted accounting principles, Women's Institute maintains a policy whereby the value of the donated goods and services which requires a specialized skill and/or which would have otherwise been purchased by the Organization are recognized as in-kind revenue with a corresponding increase in functional expenses, or fixed assets as explained below. The following donated services were recognized in the accompanying financial statements with no impact on the change in net assets:

<u>Description</u>	<u>2006</u>	<u>2005</u>
Legal Fees	<u>\$21,002</u>	<u>\$37,978</u>

Donations of property, material and services are reflected as *In-Kind Donations* in the accompanying Statement of Activities at their fair market value at the date of receipt. Goods and services donated are identified on the Statement of Functional Expenses, while fixed assets are recorded as *Property and Equipment* on the accompanying Statement of Financial Position.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 7 RELATED PARTY TRANSACTIONS

For the years presented, *Accounts Receivable, Affiliates* consist of the following balances:

	<u>2006</u>	<u>2005</u>
Due from Acushnet Commons, LP:		
Project Management Fees	\$ -	\$ 9,481
Developer Fee	-	202,085
Land Rent	<u>1,200</u>	<u>400</u>
Subtotal	1,200	211,966
Due from Lazarus House:		
Project Management Fees	<u>25,343</u>	<u>-</u>
Total	<u>\$26,543</u>	<u>\$211,966</u>

Revenue recognized from affiliated entities for the years presented are as follows:

	<u>2006</u>	<u>2005</u>
Acushnet Commons, LP:		
Accrued Interest on Note Receivable	\$ 32,314	\$ 28,767
Project Management Fees	-	80,228
Developer Fee	-	202,085
Land Rent	<u>4,800</u>	<u>4,800</u>
Subtotal	37,114	315,880
Lazarus House Project Fees	<u>88,945</u>	<u>-</u>
Total	<u>\$126,059</u>	<u>\$315,880</u>

During 2005, Women's Institute loaned Acushnet Housing, Inc. \$3,000 as an advance for start up cash flow, which was repaid in 2006.

As more fully discussed in Note 1, Women's Institute holds long-term notes receivable from Acushnet Commons Limited Partnership totaling \$681,385. The aggregate balance of these notes and loans receivable, including accrued interest, held by Women's Institute as of December 31, 2006 and 2005 was \$745,886 and \$716,573, respectively.

NOTE 8 OCCUPANCY

Occupancy includes the costs associated with renting office space in Boston, Massachusetts and in Hartford, Connecticut. Women's Institute absorbs the costs of occupancy for Women's Institute, WI REALTY and Acushnet Housing, Inc. There has been no allocation of occupancy costs to affiliated entities, nor is any reimbursement anticipated. Occupancy Expense includes expenditures for rent and utilities. (See Note 9)

Each of these items is included in the Organization's occupancy costs and, in accordance with generally accepted accounting principles, is allocated on a functional basis to the various programs and supporting services according to the percentages derived from the usage of the space as expressed in terms of square footage and time spent.

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 8 (Continued)

The *Occupancy* category includes the following costs:

<u>Occupancy Costs</u>	<u>2006</u>	<u>2005</u>
Massachusetts:		
Rent - Office Space	\$56,760	\$56,760
Utilities	1,970	1,970
Connecticut:		
Rent - Office Space	7,600	2,250
Utilities	<u>620</u>	<u>-</u>
Total Occupancy Costs	<u>\$66,950</u>	<u>\$60,980</u>

NOTE 9 LEASE COMMITMENTS

Women's Institute occupies a facility which consists of 2,627 square feet of office space in downtown Boston on a tenancy-at-will basis. The base monthly rent was \$4,730 for the years presented.

Effective February 1, 2005, Women's Institute opened an office in Connecticut pursuant to a lease that expired January 31, 2006. The monthly rent expense was \$250 and included utilities and use of a copier machine. The lease was subsequently extended through June 30, 2006 at a monthly cost of \$500, retroactive to January 1, 2006.

On August 1, 2006, the Connecticut office was relocated pursuant to a one-year lease expiring July 31, 2007. The lease provides 720 square feet of office space at a monthly cost of \$820.

Women's Institute leases telephone equipment pursuant to various operating lease arrangements. The lease terms are 48 - 60 months, and the monthly costs range from \$120 - \$196. The leases are non-cancelable and have been properly classified as operating leases. Copier equipment is also leased pursuant to a 36 month operating lease expiring on September 30, 2008, whereby the payments are \$178 per month. As operating leases, the payments are treated as expenses when incurred and included in *Equipment Rental and Maintenance* in the accompanying Statement of Functional Expenses.

The combined future minimum lease payments arising from the above commitments are scheduled below:

<u>Year Ending</u>	<u>Lease Obligation</u>
December 31, 2007	\$ 9,542
December 31, 2008	3,802
December 31, 2009	3,802
December 31, 2010	2,034
December 31, 2011	<u>1,324</u>
Total	<u>\$20,504</u>

WOMEN'S INSTITUTE FOR HOUSING AND ECONOMIC DEVELOPMENT, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2006

(Continued)

NOTE 10 CONCENTRATION OF CREDIT RISK

Women's Institute maintained bank accounts with balances in excess of insurable limits. The Federal Deposit Insurance Corporation (FDIC) insures an entity up to \$100,000 per financial institution. The total amount of uninsured deposits amounted to approximately \$229,487 on December 31, 2006 and \$68,561 on December 31, 2005; however, the Organization has not experienced any losses on such accounts and credit risk on cash and cash equivalents is considered remote.

NOTE 11 EMPLOYEE BENEFIT PLAN

Women's Institute maintains a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan allows employees of the Organization to defer a percentage of their earnings from current taxation by investing in annuities. Pursuant to the Plan, Women's Institute makes a matching contribution of up to \$500 per employee per calendar year. For the years ending December 31, 2006 and 2005, the employer contributions to the benefit plan were \$3,000 and \$3,500, respectively, and is included on the *Fringe Benefits* line. In addition, employees may also participate in a Section 125 cafeteria plan which provides for pre-tax medical and dependent care deductions.

NOTE 12 RECLASSIFICATIONS

Certain reclassifications have been made to the 2005 Statement of Functional Expenses to conform with the 2006 presentation. Specifically, indirect costs associated with special fundraising events have been regrouped and presented on a single line, rather than dispersed throughout the various expense line items. Also, administrative costs in connection with Women Institute's ownership position in various affiliated real estate venture entities have been reclassified as Subsidiary Administration Costs. Other expense lines were combined and regrouped with the prior year comparative restated.