Housing FAMILIES Transforming lives

FINANCIAL STATEMENTS IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS AND OMB CIRCULAR A-133

JUNE 30, 2009

TOGETHER WITH

INDEPENDENT AUDITOR'S REPORT

Alexander Aronson Finning
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS
Where Every Client Is A Valued Client

Alexander, Aronson, Finning & Co., P.C.
21 East Main Street, Westborough, MA 01581-1461 (508) 366-9100
Boston, MA (617) 205-9100 Wellesley, MA (781) 965-9100
www.aafcpa.com FAX (508) 366-9789 info@aafcpa.com

UNQUALIFIED OPINION ON FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - NOT-FOR-PROFIT ORGANIZATION

Independent Auditor's Report

To the Board of Directors of
Housing Families Inc.:

We have audited the accompanying statement of financial position of Housing Families Inc. (a Massachusetts corporation, not for profit) (the Agency) as of June 30, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Agency's 2008 financial statements and in our report dated December 8, 2008, we expressed an unqualified opinion on those financial statements.

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 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 Housing Families Inc. as of June 30, 2009, 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 October 8, 2009, on our consideration of the Agency'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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Housing Families Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Alexander, Aronson, Finning & Co., P.C.

Wellesley, Massachusetts
October 8, 2009

ORGANIZATION : Housing Families Inc. **FEIN:** 042925846

STATEMENT OF FINANCIAL POSITION AS OF 06/30/2009 **WITH COMPARATIVE TOTALS AS OF** 6/30/2008

(BALANCE SHEET)

		CURRENT OPERATIONS	PLANT	ENDOWMENT	CUSTODIAN	TOTAL THIS YEAR	TOTAL LAST YEAR
	ASSETS						
1	Cash and Cash Equivalents	213,914				213,914	42,723
2	Accounts Receivable, Program Services	36,412				36,412	45,387
3	Allowance for Doubtful Accounts						
4	Net Accounts Receivable, Program Services	36,412				36,412	45,387
5	Contributions Receivable	1,500				1,500	2,000
6	Notes Receivable						
7	Prepaid Expenses	26,163				26,163	26,108
8	Other Accounts Receivable						
9	Other Current Assets	4,187				4,187	1,572
10	Short-Term Investments						
11	**TOTAL CURRENT ASSETS**	282,176				282,176	117,790
12	Land, Buildings, and Equipment		1,435,787			1,435,787	1,483,214
13	Accumulated Depreciation		(602,093)			(602,093)	(605,236)
14	Net Land, Buildings and Equipment		833,694			833,694	877,978
15	Long-Term Investments						
16	Other Assets	1,243,374				1,243,374	1,250,634
17	Due From Other Funds						
18	**TOTAL ASSETS**	1,525,550	833,694			2,359,244	2,246,402
	LIABILITIES AND NET ASSETS						
19	Accounts Payable	15,811				15,811	36,863
20	Subcontract Payable						
21	Accrued Expenses	114,549				114,549	102,066
22	Current Notes Payable		6,834			6,834	4,177
23	Current Portion Long-Term Debt		9,226			9,226	8,886
24	Deferred Revenue						
25	Other Current Liabilities						
26	**TOTAL CURRENT LIABILITIES**	130,360	16,060			146,420	151,992
27	Long-Term Notes & Mortgage Payable		696,364			696,364	542,236
28	Other Liabilities	22,007	16,000			38,007	39,831
29	Due to Other Funds						
30	**TOTAL LIABILITIES**	152,367	728,424			880,791	734,059
	NET ASSETS						
31	Unrestricted	1,337,226	105,270			1,442,496	1,450,582
32	Temporarily Restricted	35,957				35,957	61,761
33	Permanently Restricted						
34	**TOTAL NET ASSETS**	1,373,183	105,270			1,478,453	1,512,343
35	**TOTAL LIABILITIES AND NET ASSETS**	1,525,550	833,694			2,359,244	2,246,402

See Accompanying Notes to the Financial Statements

HOUSING FAMILIES INC.
FEIN #04-2925846
STATEMENT OF FINANCIAL POSITION -
OTHER ASSETS AND LIABILITIES
JUNE 30, 2009

Line 16 - Other Assets

Security deposits	$ 22,007
Due from affiliate, net current portion	1,221,367
	$ 1,243,374

Line 28 - Other Liabilities

Security deposits payable	$ 22,007
Accrued interest on long-term debt	16,000
	$ 38,007

ORGANIZATION : Housing Families Inc. FEIN: 042925846

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED 06/30/2009 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED 06/30/2008

		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL THIS YEAR	TOTAL LAST YEAR
	REVENUES, GAINS, AND OTHER SUPPORT					
1	Contributions, Gifts, Legacies, Bequests & Special Events	226,489	31,164		257,653	444,787
2	In-Kind Contributions	88,003			88,003	85,729
3	Grants	594,850			594,850	418,439
4	Program Service Fees	2,145,842			2,145,842	1,950,023
5	Federated Fundraising Organization Allocation					
6	Investment Revenue	105			105	833
7	Revenue from Commercial Products & Services					
8	Other	141,742			141,742	167,532
9	Net Assets Released From Restrictions:					
10	Satisfaction of Program Restrictions	56,968	(56,968)			
11	Satisfaction of Equipment Acquisition Restrictions					
12	Expiration of Time Restrictions					
13	**TOTAL REVENUE, GAINS, AND OTHER SUPPORT**	3,253,999	(25,804)		3,228,195	3,067,343
	EXPENSES AND LOSSES					
14	Administration (Management & General)	300,187			300,187	283,222
15	Fundraising	174,859			174,859	182,075
16	Total Program Services	2,627,039			2,627,039	2,675,957
17	**TOTAL EXPENSES**	3,102,085			3,102,085	3,141,254
18	Losses					
19	**TOTAL EXPENSES AND LOSSES**	3,102,085			3,102,085	3,141,254
	CHANGES IN NET ASSETS:					
20	Property & Equipment Acquisitions from Unrestricted Funds					
21	Transfer of Realized Endowment Fund Appreciation					
22	Return to Donor					
23	Other Increases (Decreases)	(160,000)			(160,000)	
24	**TOTAL CHANGES IN NET ASSETS**	(8,086)	(25,804)		(33,890)	(73,911)
25	**NET ASSETS AT BEGINNING OF YEAR**	1,450,582	61,761		1,512,343	1,426,254
26	**NET ASSETS AT END OF YEAR**	1,442,496	35,957		1,478,453	1,352,343

See Accompanying Notes to Financial Statements

ORGANIZATION : Housing Families Inc. **FEIN:** 042925846

STATEMENT OF CASH FLOWS for the YEAR ENDED 06/30/2009

INDIRECT METHOD

		TOTAL
	Cash Flows from Operating Activities:	
1	Changes in Net Assets	(33,890)
	Adjustments to Reconcile Change In Net Assets to Net Cash provided by/(used in) Operating Activities:	
2	Depreciation	57,474
3	Losses	
4	Increase/Decrease in Net Accounts Receivable	8,975
5	Increase/Decrease in Prepaid Expenses	(55)
6	Increase/Decrease in Contributions Receivable	500
7	Increase/Decrease in Accounts Payable	(21,052)
8	Increase/Decrease in Accrued Expenses	12,483
9	Increase/Decrease in Deferred Revenue	
10	Increase/Decrease in Subcontract Payable	
11	Contributions Restricted for Long-Term Investment	
12	Net Unrealized and Realized Gains on Long-Term Investments	
13	Other Cash Used in/Provided by Operating Activities	105,074
14	Net Cash Provided by/(used in) Operating Activities	129,509
	Cash Flows from Investing Activities:	
15	Insurance Proceeds	
16	Purchase(s) of Capital Assets (Land, Bldgs. & Equip.)	
17	Proceeds from Sale(s) of Investments	
18	Purchase(s) of Investments	
19	Purchase(s) of Assets Restricted To Long-Term Investment	
20	Other Investing Activities	57,747
21	Net Cash Provided by/(used in) Investing Activities	57,747
	Cash from Financing Activities:	
	Proceeds from Contributions Restricted For:	
22	Investment in Endowment	
23	Investment in Term Endowment	
24	Investment in Plant (Land Bldgs. & Equip.)	
	Other Financing Activities:	
25	Contributions Restricted for Long-Term Investment	
26	Interest and Dividends Restricted for Reinvestment	
27	Payments on Notes Payable	(4,968)
28	Payments on Long-Term Debt	(11,097)
29	Other Finance Payments/Reciepts	
30	Net Cash Provided by/(used in) Financing Activities	(16,065)

See Accompanying Notes to the Financial Statements

ORGANIZATION : Housing Families Inc. FEIN: 042925846

STATEMENT OF CASH FLOWS for the YEAR ENDED 06/30/2009

INDIRECT METHOD

31	**Net Increase/(Decrease) in Cash and Cash Equivalents**		171,191
32	**Cash and Cash Equivalents at Beginning of Year**		42,723
33	**Cash and Cash Equivalents at End of Year**		213,914

Supplemental Disclosure of Cash Flow Information:

34	Cash Paid During the Year for Interest	7,362	
35	Cash Paid During the Year for Taxes/Other		

Supplemental Data for Noncash Investing and Financing Activities:

36	Gifts of Equipment		
37	Other Noncash Investing and Financing Activities		
38	Disposal of fully depreciated property & equipment	60,617	
39	Equipment acquired under capital lease obligation	13,190	
40			

See Accompanying Notes to the Financial Statements

ORGANIZATION : Housing Families Inc. FEIN: 042925846

Statement of Functional Expenses for the Year Ended: 06/30/2009

		SUPPORTING SERVICES		PROGRAM SERVICES
	TOTALS	ADMINISTRATION (MNGT. & GEN.)	FUND RAISING	TOTAL ALL PROGRAMS
1. Employee Compensation & Related Expenses	1,506,977	186,049	112,634	1,208,294
2. Occupancy	1,094,713	11,962	1,490	1,081,261
3. Other Program / Operating Expense	203,642	4,462	6,181	192,999
4. Subcontract Expense				
5. Direct Administrative Expense	235,105	91,645	49,619	93,841
6. Other Expenses	4,174	9	4,165	
7. Depreciation of Buildings and Equipment	57,474	6,060	770	50,644
8. TOTAL EXPENSES	3,102,085	300,187	174,859	2,627,039

See Accompanying Notes to Financial Statements

*

ORGANIZATION : Housing Families Inc. FEIN: 042925846

Statement of Functional Expenses for the Year Ended: 06/30/09

	PROGRAM # 01	PROGRAM # 02	PROGRAM # 03	PROGRAM # 04	PROGRAM # 06
1. Employee Compensation & Related Expenses	184,962	215,253	46,372	128,819	95,641
2. Occupancy	23,911	243,047	33,695	147,776	13,464
3. Other Program / Operating Expense	4,396	4,162	4,478	16,906	77,467
4. Subcontract Expense					
5. Direct Administrative Expense	10,425	5,424	5,903	14,812	6,363
6. Other Expenses					
7. Depreciation of Buildings and Equipment	8,541		26,630	766	5,977
8. TOTAL EXPENSES	232,235	467,886	117,078	309,079	198,912

See Accompanying Notes to Financial Statements

*

ORGANIZATION : Housing Families Inc. FEIN: 042925846

Statement of Functional Expenses for the Year Ended: 06/30/09

	PROGRAM # 07	PROGRAM # 08	PROGRAM # 24	PROGRAM # 13	PROGRAM # 15
1. Employee Compensation & Related Expenses	82,264		176,183		
2. Occupancy	200,085	1,376	192,938	4,000	108,694
3. Other Program / Operating Expense	68,347		6,311		3,209
4. Subcontract Expense					
5. Direct Administrative Expense	11,249	1,068	10,623		7,299
6. Other Expenses					
7. Depreciation of Buildings and Equipment	1,313	770	547		
8. TOTAL EXPENSES	363,258	3,214	386,602	4,000	119,202

See Accompanying Notes to Financial Statements

*

ORGANIZATION : Housing Families Inc. FEIN: 042925846

Statement of Functional Expenses for the Year Ended: 06/30/09

	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #	PROGRAM #
	21	22	23		
1. Employee Compensation & Related Expenses	200,828	31,600	46,372		
2. Occupancy	109,673	1,460	1,142		
3. Other Program / Operating Expense	6,077	948	698		
4. Subcontract Expense					
5. Direct Administrative Expense	12,857	4,065	3,753		
6. Other Expenses					
7. Depreciation of Buildings and Equipment	6,100				
8. TOTAL EXPENSES	335,535	38,073	51,965		

See Accompanying Notes to Financial Statements

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES

OPERATIONS AND NONPROFIT STATUS

Housing Families Inc. (the Agency) was founded in 1986 by community members concerned about the growing crisis of homelessness among families in the cities of Everett, Malden and Medford, Massachusetts. The Agency has grown into one of the largest providers of family housing in Massachusetts. Over 1,700 families have been helped since the Agency first opened its doors.

The Agency works to end family homelessness in the communities they serve by providing safe, temporary shelter, creating affordable housing, and offering individualized supportive services to family members of all ages. The Agency respects each family in its journey toward greater security and stability.

The Agency develops new programs and project, in response to the emerging needs of homeless families. Board, staff and volunteers are dedicated to raising awareness of homelessness and poverty, and helping families to move into, retain and sustain permanent housing.

The Agency is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. The Agency is also exempt from state income taxes. Donors may deduct contributions made to the Agency within Internal Revenue Code requirements.

SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Program service fees are recorded over the contract period or as services are provided. Unrestricted grants and contributions are recorded as revenue when received or unconditionally pledged. Restricted grants and contributions are recorded as temporarily restricted revenues and net assets when received or unconditionally pledged. Transfers are made to unrestricted net assets as costs are incurred or time restrictions or program restrictions have lapsed. Donor restricted grants received and satisfied in the same period are included in unrestricted net assets. Rental income is recognized over the lease term. All other revenue is recognized as earned.

Fair Value Measurement

During 2009, The Agency adopted the criteria of Financial Accounting Standards Board Statement No. 157, "*Fair Value Measurements*" (Statement of Financial Accounting Standards 157 (SFAS 157)). SFAS 157 defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

The three levels of the fair value framework under SFAS 157 are as follows:

Level I: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level II: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level III: Inputs that are unobservable.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Agency values all qualifying assets and liabilities using Level I inputs.

Description of Net Assets

Unrestricted Net Assets -

Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

Operating - consists of amounts relating to program and other operating activities and are currently available for operations.

Property and equipment - reflects the net book value of the Agency's property and equipment, net of related debt.

Housing development - represents funds for the Agency's development related activities (see Note 2). Housing development net assets are included in operating net assets in the accompanying statement of financial position.

Temporarily Restricted Net Assets are those unexpended financial resources that are restricted by donors as to purpose or timing of expenditure. At June 30, 2009, all temporarily restricted net assets are purpose restricted.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, management considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and their estimate of amounts that may be uncollectible, if any. There is no allowance for doubtful accounts as of June 30, 2009.

Property, Equipment and Depreciation

Property and equipment are capitalized at cost when purchased or at fair market value at the date of donation. Renewals and betterments are capitalized as additions to the related asset accounts while repairs and maintenance are expensed as incurred.

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives and property and equipment consist of the following at June 30, 2009:

	Estimated Useful Lives	
Land	-	$ 228,600
Buildings and improvements	40 years	879,473
Leasehold improvements	20 - 40 years	247,037
Furniture and equipment	3 - 10 years	52,433
Vehicles	5 years	28,244
		1,435,787
Less – accumulated depreciation		602,093
		$ 833,694

Substantially all property and equipment is pledged as collateral on long-term and contingent debt (see Notes 4 and 5).

The Agency currently has equipment under four capital lease agreements (see Note 6). Depreciation expense for the year ended June 30, 2009 for the equipment was $6,878. As of June 30, 2009, accumulated deprecation was $12,035 on these assets.

Donated Goods and Services

The Agency receives goods and services from various organizations for use in its programs. These goods and services are reflected in the accompanying financial statements at fair market value, determined by the Agency, as follows:

Contracted services	$64,314
Program supplies	23,689
	$88,003

(1) OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

The financial statements present expenses by functional classification in accordance with the overall service mission of the Agency. Each functional classification displays all expenses related to the underlying operations by natural classification. Expenses are allocated among program and supporting services on the basis of the time records and on estimates made by the Agency's management. During the year ended June 30, 2009, the Agency amended their functional program classifications to align with changes in its program services.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2009 was $15,562 and is included in professional services on the statements of functional expenses.

Subsequent Events

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through October 8, 2009, which is the date the financial statements were available to be issued.

(2) RELATED PARTY TRANSACTIONS

The Agency is related to the following entities:

Cross Street Housing Limited Partnership (the Partnership) is a Massachusetts limited partnership. The Partnership owns and operates a building located in Malden, Massachusetts consisting of nineteen units of low-income housing, one rent-free unit, and one commercial space which is rented to the Agency (the Project).

Cross Street Realty, Inc. (the General Partner) is a Massachusetts corporation, 79% owned by the Agency. The General Partner holds a .01% ownership interest in the Partnership. The General Partner's activity is not included in the accompanying financial statements since it is not material to the accompanying financial statements.

(2) **RELATED PARTY TRANSACTIONS** (Continued)

The Agency owns the controlling interest in the General Partner. The General Partner has insufficient equity at risk in the Partnership and, based on FASB Interpretation No. 46R (FIN 46R), the Partnership is deemed a variable interest entity within the meaning of FIN 46R. The Agency has not consolidated the Partnership into the financial statements under FIN 46R since the General Partner is not the primary beneficiary.

Transactions among the entities described above and the Agency are as follows:

The Project was developed by the Agency. The Agency has an agreement with the Partnership to receive a development fee for various services rendered in connection with the development of the Project. These fees are payable from development financing, cash flow or from the proceeds of sale or refinancing or at the latest December 31, 2018. The Project paid the Agency $57,747 in developer fee payments during 2009.

The Agency provides management services and staff to the Partnership. The Agency billed the Partnership approximately $16,000 for these services during the year ended June 30, 2009.

The Agency has a 5.375% note receivable from the Partnership of $998,598, of which $805,583 has been advanced at June 30, 2009. Principal and interest are due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due for the year ended June 30, 2009. All unpaid principal and deferred interest are due in full on July 23, 2033. For the year ended June 30, 2009, interest revenue was $52,311. This note is secured by a third mortgage on the Partnership's property.

The Partnership has a lease agreement with the Agency to rent its commercial space to the Agency (see Note 6). Future annual minimum lease payments through the end of the agreement are $30,000. The Agency also must pay their proportionate share of utilities and real estate taxes. The lease term is for fifteen years through December, 2019. The monthly rent is $2,500 and amounted to $30,000 for the year ended June 30, 2009. Under the terms of the lease agreement, rent will be increased annually for increases in real estate taxes and operating expenses

Due from affiliate, net consists of the following:

Sponsor loan receivable	$ 805,583
Interest receivable on sponsor loan	230,912
Developer fee receivable	184,872
Management fee	4,187
	1,225,554
Less - current portion	4,187
	$1,221,367

The sponsor loan, developer fee and interest receivable on sponsor loan amounts are expected to be repaid when the Project is sold or refinanced, which is expected to be in 2019.

As part of the development of the Project, the General Partner has agreed to operating deficit contributions to the Partnership to the extent that operating deficits exceed the funds available in the Partnership's operating reserve account.

(3) FUNDING

The Agency receives a significant portion of its total unrestricted operating support and revenues (approximately 77% at June 30, 2009) from two funding sources under unit-rate and cost reimbursable contracts. These reimbursements are subject to audit by the funding sources. In the opinion of management, the results of such audits, if any, will not have a material affect on the financial position of the Agency as of June 30, 2009, or on the changes in its net assets for the years then ended. Approximately 58% of the Agency's accounts receivable was due from these two funding sources at June 30, 2009.

(4) LONG-TERM DEBT

Long-term debt consists of the following:

3% interest bearing note payable with Malden Redevelopment Authority (MRA). The note matures in July, 2027. Payments of 75% of net operating income as defined in the agreement are due annually. There were payments made of $2,210 on this note during the year ended June 30, 2009. The note is secured by property in Malden, Massachusetts.	$154,169
4% interest bearing note payable to MRA. Principal and interest payments of $597 are due monthly. The note matures in April, 2025, and is secured by property located in Malden, Massachusetts.	82,713
Note payable to MRA. Interest only payments are due annually each August of no more than 5% per annum depending on the annual net revenues of the Project as defined by the agreement. The note matures in August, 2023, and is secured by property located in Malden, Massachusetts. Accrued interest on this note is $13,000 as of June 30, 2009. No payments of principal and/or interest have been made since inception of this loan.	65,000
3% interest bearing note payable to MRA. Principal and interest payments of $274 are due monthly. The note matures in January, 2024, and is secured by property located in Malden, Massachusetts.	40,206
3% interest bearing note payable to MRA. Principal and interest payments of $171 are due monthly. The note matures in February, 2018, and is secured by the property located in Malden, Massachusetts.	15,522

(4) LONG-TERM DEBT (Continued)

Note payable to MRA. Interest only payments are due annually each August of no more than 5% per annum depending on the annual net revenues of the Project as defined in the agreement. The note matures in February, 2025, and is secured by property located in Malden, Massachusetts. Accrued interest on this note is $3,000 as of June 30, 2009. No payments of principal and/or interest have been made since inception of this loan.	15,000
5% interest bearing note payable to MRA. Principal and interest payments of $156 are due monthly. The note matures in July, 2013, and is secured by property in Malden, Massachusetts.	6,684
Subtotal – long-term debt	379,294
Less - current portion	9,226
Total – long-term debt	$370,068

Aggregate maturities of long-term debt are as follows:

2010	$ 9,226
2011	$ 9,580
2012	$ 9,948
2013	$ 10,209
2014	$ 8,806
Thereafter	$331,525

The mortgage notes payable contain various covenants and restrictions on the Agency as described in the agreements. The Agency was in compliance with these covenants at June 30, 2009.

(5) CONTINGENT DEBT

Contingent debt consists of the following:

Non-interest bearing note payable with MRA. All outstanding principal is due during March, 2034. The note is secured by property in Malden, Massachusetts. (See Note 9)	$160,000
Non-interest bearing note payable to Community Economic Development Assistance Corporation (CEDAC). All outstanding principal is due in February, 2028, and the note is secured by property in Malden, Massachusetts. Payments are due annually from surplus cash as defined in the agreement.	90,000

(5) CONTINGENT DEBT (Continued)

Non-interest bearing note payable to CEDAC. All outstanding principal is in due July, 2030, and the note is secured by property in Malden, Massachusetts. Payments are due annually from surplus cash as defined in the agreement.	60,000
Total contingent debt	$310,000

CEDAC and MRA may extend the maturity dates of the above notes for an additional forty years if the property continues to be used for low-income housing. The reporting requirements for the CEDAC loans were not met as of June 30, 2009, the Agency has submitted the required information to CEDAC as of October 8, 2009.

(6) LEASE AGREEMENTS

The Agency leases program facilities under various operating leases, which are renewable annually. Rent expense under the facility leases was approximately $923,000 for the year ended June 30, 2009.

The Agency leases certain equipment with an aggregate cost of $34,602 under capital lease agreements as of June 30, 2009. Interest rates under these agreements range between 6.5% during the year ended June 30, 2009. The remaining terms of these agreements are from two to five years. Future minimum lease payments under these agreements are as follows:

2010	$ 8,198
2011	8,198
2012	4,594
2013	3,110
2014	1,978
Total future minimum payments	26,078
Less - amounts representing interest	2,948
Present value of future minimum lease payments	23,130
Less - current portion	6,834
Long-term portion capital lease obligations	$16,296

(7) NOTE PAYABLE TO A BANK

The Agency has available up to $175,000 under a line of credit agreement with a bank at June 30, 2009. Borrowings under the agreement are due on demand, and interest is payable monthly at the bank's base lending rate (3.25% at June 30, 2009), plus 1%. As of June 30, 2009, there were no outstanding balances under this agreement.

(8) CONCENTRATION OF CREDIT RISK

The Agency maintains its cash balances in two banks located in Everett and Cambridge, Massachusetts. The balances are insured by the Federal Deposit Insurance Corporation up to certain amounts. At certain times during the year, cash balances exceed the insured amounts. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk on cash and cash equivalents.

(9) PRIOR PERIOD ADJUSTMENT

The Agency discovered during 2009 that a note payable received during 1994 was improperly recorded as revenue instead of a liability. The Agency has recorded a prior period adjustment as of June 30, 2007 to properly reflect this liability (see Note 5). The net effect of this misstatement resulted in a $160,000 overstatement of net assets and understatement of liabilities at June 30, 2007.

Net assets as of June 30, 2007, have been restated as follows:

Net assets, June 30, 2007, as previously stated	$1,586,254
To record note payable	(160,000)
Net assets, June 30, 2007, as restated	$1,426,254

(10) SURPLUS REVENUE RETENTION (DEFICIT)

A nonprofit provider is allowed to retain an annual net surplus of up to 5% of gross revenues derived from delivering services to clients of the Commonwealth of Massachusetts, beginning with the fiscal year ended June 30, 1993. The cumulative amount retained may not exceed 20% of the prior year's gross revenues from Commonwealth of Massachusetts purchasing agencies, and must be segregated as surplus revenue retention net assets. A current year surplus which exceeds the 5% level or a cumulative surplus exceeding the 20% amount may be: 1) reinvested in program services as stipulated by the purchasing agencies; 2) recouped or; 3) used by the Commonwealth to reduce the price of future contracts.

Following are the surplus (deficit) amounts as of June 30, 2009

Surplus revenue retention (deficit), June 30, 2008	$(1,088,655)
Plus - current year surplus revenue retention	20,206
Surplus revenue retention (deficit), June 30, 2009	$(1,068,449)