

**OAK HILL COMMUNITY
DEVELOPMENT CORPORATION AND AFFILIATE
AUDITED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2008)**

**OAK HILL COMMUNITY DEVELOPMENT CORPORATION
AND AFFILIATE**

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BISCEGLIA, STEIMAN & FUDEMAN, LLP

Certified Public Accountants and Consultants

Member, American Institute of Certified Public Accountants

Member, Massachusetts Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

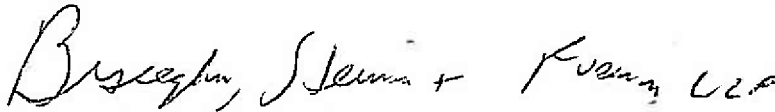
To The Board of Directors
Oak Hill Community Development Corporation and Affiliate
Worcester, Massachusetts

We have audited the accompanying consolidated statement of financial position of Oak Hill Community Development Corporation (the Organization; a not-for-profit organization) and Affiliate (LLC) as of June 30, 2009, and the related consolidated 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. The prior year summarized comparative information has been derived from the Organization's 2008 financial statements, and in our report dated November 10, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oak Hill Community Development Corporation and Affiliate 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 also issued our report dated December 10, 2009, on our consideration of Oak Hill Community Development Corporation'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.



BISCEGLIA, STEIMAN & FUDEMAN, LLP

Worcester, Massachusetts

December 10, 2009

OAK HILL COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2009	TOTAL 2008
PUBLIC SUPPORT AND REVENUE					
Public Support	\$ 5,181	\$ -	\$ -	\$ 5,181	\$ 7,700
Contributions					
Grants:					
NeighborWorks America (NWA)	119,250	-	100,000	219,250	206,897
United Way	25,000	-	-	25,000	-
Loan program	-	50,000	-	50,000	-
Foreclosure prevention	-	218,149	-	218,149	272,900
Other	-	92,250	-	92,250	100,150
TOTAL PUBLIC SUPPORT	149,431	360,399	100,000	609,830	587,647
Revenue					
Contract revenue and program fees	438,206	-	-	438,206	367,110
Rental income	219,433	-	-	219,433	206,601
Interest income	19,987	-	-	19,987	13,912
Loss on real estate projects	(2,243)	-	-	(2,243)	(52,379)
Allowance for property value decline	-	-	-	-	(92,913)
Miscellaneous	16	-	-	16	76
TOTAL REVENUE	675,399	-	-	675,399	442,407
NET ASSETS RELEASED FROM RESTRICTIONS					
Net assets released from program and time restrictions	398,501	(398,501)	-	-	-
NET ASSETS TRANSFERRED FROM PERMANENTLY RESTRICTED					
	221,913	15,000	(236,913)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	\$ 1,445,244	\$ (23,102)	\$ (136,913)	\$ 1,285,229	\$ 1,030,054

Continued -

OAK HILL COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2009

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
	2009	2009	2009	2008
EXPENSES				
Program Services				
Real estate development	\$ 166,235	\$ -	\$ -	\$ 166,235
Home ownership center	657,992	-	-	657,992
Economic development	42,133	-	-	42,133
Leadership development	111,882	-	-	111,882
Rental properties	326,890	-	-	326,890
TOTAL PROGRAM SERVICES	<u>1,305,132</u>	<u>-</u>	<u>-</u>	<u>1,305,132</u>
Supporting Services				
Management and general	57,741	-	-	57,741
Fundraising	6,433	-	-	6,433
TOTAL SUPPORTING SERVICES	<u>64,174</u>	<u>-</u>	<u>-</u>	<u>64,174</u>
TOTAL EXPENSES	<u>1,369,306</u>	<u>-</u>	<u>-</u>	<u>1,369,306</u>
CHANGE IN NET ASSETS	75,938	(23,102)	(136,913)	(84,077)
NET ASSETS - BEGINNING (AS ORIGINALLY REPORTED)	(494,845)	107,856	839,285	452,296
ELIMINATION OF CONTINGENT LOANS	<u>1,253,303</u>	<u>-</u>	<u>-</u>	<u>1,253,303</u>
NET ASSETS - BEGINNING (AS RESTATED)	<u>758,458</u>	<u>107,856</u>	<u>839,285</u>	<u>1,705,599</u>
NET ASSETS - ENDING	<u>\$ 834,396</u>	<u>\$ 84,754</u>	<u>\$ 702,372</u>	<u>\$ 1,621,522</u>
	<u>\$ 1,098,735</u>	<u>(68,681)</u>	<u>520,977</u>	<u>1,774,280</u>
	<u>\$ 1,705,599</u>	<u>\$ 1,621,522</u>	<u>\$ 1,705,599</u>	<u>\$ 1,705,599</u>

The accompanying notes are an integral part of these financial statements

OAK HILL COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	Program Services					Supporting Services			TOTAL		
	Real Estate Development	Home Ownership Center	Economic Development	Leadership Development	Rental Properties	Total Program Services	Management and General	Fundraising		Total Supporting Services	
Salaries and wages	\$ 36,759	\$ 350,206	\$ 22,459	\$ 58,214	\$ 25,227	\$ 492,865	\$ 4,982	\$ 4,982	\$ 9,964	\$ 502,829	\$ 425,443
Employee benefits	1,537	14,638	1,350	4,677	702	22,904	214	214	428	23,332	34,600
Payroll taxes	2,441	33,521	3,081	4,837	2,177	46,057	1,437	352	1,789	47,846	42,809
TOTAL SALARIES AND RELATED EXPENSES	40,737	398,365	26,890	67,728	28,106	561,826	6,633	5,548	12,181	574,007	502,852
Real estate taxes	16,121	-	-	-	-	16,121	-	-	-	16,121	-
Utilities	-	5,854	-	-	55,045	60,899	-	-	-	60,899	55,295
Repairs and maintenance	-	104	51	-	93,813	93,968	-	-	-	93,968	103,849
Interest	66,759	-	-	-	16,202	82,961	-	-	-	82,961	17,372
Other	14,187	6,396	-	-	47,575	68,158	-	-	-	68,158	60,343
TOTAL OCCUPANCY	97,067	12,354	51	-	212,635	322,107	-	-	-	322,107	236,859
Accounting	-	14,400	-	-	-	14,400	19,200	-	19,200	33,600	33,000
Audit	-	-	-	-	-	-	24,200	-	24,200	24,200	25,900
Property manager	-	-	-	-	17,213	17,213	-	-	-	17,213	16,112
Subcontractors	-	87,078	-	-	-	87,078	-	-	-	87,078	31,210
Other	5,555	13,197	1,140	13,546	997	34,435	4,034	60	4,094	38,529	30,008
TOTAL PROFESSIONAL FEES	5,555	114,675	1,140	13,546	18,210	153,126	47,434	60	47,494	200,620	136,230
Forgivable loans-Bell Hill	-	33,500	-	-	-	33,500	-	-	-	33,500	16,500
Subrecipient	-	-	-	-	-	-	-	-	-	-	12,875
Supplies	790	18,911	2,613	9,035	1,036	32,385	731	86	817	33,202	17,531
Telephone	2,424	8,017	906	2,004	699	14,050	249	104	353	14,403	8,196
Equipment lease and maintenance	2,066	14,845	5,960	5,327	1,859	30,057	276	275	551	30,608	34,610
Postage and shipping	567	3,159	699	1,655	511	6,591	89	76	165	6,756	5,808
Travel, training and conferences	2,431	26,844	1,919	10,203	104	41,501	2,099	15	2,114	43,615	36,225
Printing and publications	17	4,889	20	35	15	4,976	2	2	4	4,980	9,132
Insurance	10,472	3,814	817	1,459	630	17,192	94	93	187	17,379	7,966
Membership dues	144	3,574	918	650	130	5,416	19	19	38	5,454	3,407
Bad debt	-	13,697	-	-	-	13,697	-	-	-	13,697	-
Advertising	3,000	-	-	-	-	3,000	-	-	-	3,000	1,954
Miscellaneous	765	-	-	-	-	765	-	-	-	765	782
TOTAL EXPENSES BEFORE DEPRECIATION	166,035	656,644	41,933	111,642	263,935	1,240,189	57,626	6,278	63,904	1,304,093	1,030,927
Depreciation of property and equipment	200	1,348	200	240	62,955	64,943	115	155	270	65,213	67,808
TOTAL EXPENSES	\$ 166,235	\$ 657,992	\$ 42,133	\$ 111,882	\$ 326,890	\$ 1,305,132	\$ 57,741	\$ 6,433	\$ 64,174	\$ 1,369,306	\$ 1,098,735

The accompanying notes are an integral part of these financial statements

OAK HILL COMMUNITY DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2008)

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 75,938	\$ (23,102)	\$ (136,913)	\$ (84,077)	\$ (68,681)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	65,213	-	-	65,213	67,808
Allowance for property value decline	1,993	-	-	1,993	92,913
(Increase) decrease in:					
Accounts receivable	33,256	-	-	33,256	(30,557)
Refundable property deposit	-	-	-	-	50,000
Loans receivable	-	-	8,615	8,615	(100,370)
Pledge receivable	(6,250)	-	-	(6,250)	20,000
Security deposits	(2,022)	-	-	(2,022)	(1,361)
Property development	(165,193)	-	163,693	(1,500)	233,062
Prepaid expenses and other assets	253	-	-	253	2,480
Increase (decrease) in:					
Accounts payable	12,609	-	-	12,609	(3,323)
Accrued expenses	11,563	-	-	11,563	11,673
Security deposits	2,022	-	-	2,022	1,361
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	<u>29,382</u>	<u>(23,102)</u>	<u>35,395</u>	<u>41,675</u>	<u>275,005</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property and equipment	<u>(41,123)</u>	<u>-</u>	<u>41,123</u>	<u>-</u>	<u>(1,993)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Principal payments on long-term debt	<u>(6,839)</u>	<u>-</u>	<u>-</u>	<u>(6,839)</u>	<u>(5,843)</u>
INCREASE (DECREASE) IN CASH	<u>(18,580)</u>	<u>(23,102)</u>	<u>76,518</u>	<u>34,836</u>	<u>267,169</u>
CASH - BEGINNING	<u>578,082</u>	<u>107,856</u>	<u>65,480</u>	<u>751,418</u>	<u>484,249</u>
CASH - ENDING	<u>\$ 559,502</u>	<u>\$ 84,754</u>	<u>\$ 141,998</u>	<u>\$ 786,254</u>	<u>\$ 751,418</u>
SUPPLEMENTAL CASH FLOW INFORMATION					
Interest paid	\$ 82,961	\$ -	\$ -	\$ 82,961	\$ 84,780
Less - expensed	82,961	-	-	82,961	34,706
Amount capitalized for property development	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,074</u>

The accompanying notes are an integral part of these financial statements

**OAK HILL COMMUNITY DEVELOPMENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(1) NATURE OF ACTIVITIES

Oak Hill Community Development Corporation (Oak Hill; the Organization) provides housing services and oversees developments relating to housing needs, economic development and community services in the Union Hill, Oak Hill and Vernon Hill neighborhoods of Worcester, Massachusetts.

The Organization set up a limited liability company (LLC). This entity, (Oak Hill Real Estate, LLC) is organized to hold real estate development projects as described in Note 5. This LLC is considered a single member LLC whereby Oak Hill Community Development Corporation (a non-profit organization) is the only owner of this LLC. All assets and liabilities of the LLC are reflected in these financial statements.

The Organization's programs are as follows:

Real Estate Development

Preservation and expansion of homeownership and the creation of a range of safe, quality and affordable housing opportunities through the rehabilitation of distressed and abandoned housing and new construction.

HomeOwnership Center

Oak Hill Community Development Corporation, in partnership with the Worcester City Manager's Executive Office of Economic and Neighborhood Development, the Central Massachusetts Housing Alliance, Inc., the Worcester Community Housing Resources, Inc. and the Worcester East Side Community Development Corporation collaborated in the staffing of the Neighbor Works Homeownership Center of Worcester (HOCW) to provide the resources and coordination essential for expanding and stabilizing homeownership in the City of Worcester, Massachusetts. In addition to homebuyer education training, the program provides eligible recipients forgivable home improvement and down payment loans. Staffing is provided by the Central Massachusetts Housing Alliance, Inc. and the Worcester East Side Community Development Corporation through Community Development Block Grant funds and are committed fully to the NeighborWorks HomeOwnership Center of Worcester.

Economic Development

Promotion of economic stability and self-sufficiency through access to training and planning resources for low and moderate-income residents.

Leadership Development

Providing opportunities and support for residents to develop leadership skills by planning and participating in revitalization activities.

Rental Properties

Oak Hill Community Development Corporation renovated six formerly abandoned properties to create twenty-one units of rental housing maintaining these properties as affordable family housing.

Continued-

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

These financial statements include all the assets of the Organization's affiliate, Oak Hill Real Estate, LLC.

Method of Accounting

The financial statements of the Organization have been prepared on the accrual method of accounting. Accordingly, assets are recorded when the Organization obtains the rights of ownership or is entitled to claims for receipt. Liabilities are recorded when the obligation is incurred.

Contributions, Gifts and Grants

The Organization records contributions in accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." SFAS No. 116 requires contributions to 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. Fund campaign contributions are recorded as revenue when the pledge is verified or received. Such contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor. Contributions of assets other than cash are recorded at their fair value at the date of the gift. Conditional promises to give, which depend on the occurrence of a specified future and uncertain event to bind the promisor, are recognized when the conditions on which they depend are substantially met.

Financial Statement Presentation

The Organization prepares its financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations." SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into different net asset categories according to externally (donor) imposed restrictions.

Accordingly, net assets of the Organization and changes therein are reported in the following net asset categories:

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations and include all revenues and expenses associated with the principal mission of the Organization. The Board of Directors has discretionary control over all of these assets. The governing board of the Organization may elect to designate such resources for specific purposes. This designation may be removed at the board's discretion.

Temporarily restricted net assets represent net assets subject to donor-imposed or grant stipulations for specific operating or capital purposes. These assets will become unrestricted when the requirements of the donor or grantor have been satisfied either by the expenditure for the specified purpose or program or through the passage of time.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (continued)

Permanently restricted net assets represent net assets restricted to investment in perpetuity, the income of which is unrestricted to support the operations of the Organization. At June 30, 2009, permanently restricted net assets totaled \$702,372 of which \$692,372 was received from Neighborhood Reinvestment Corporation dba as NeighborWorks America (NWA) under Revolving Loan and Capital Projects Fund. NWA is a non-profit entity created by the Federal Government. Funds provided by NWA are to be used for the purpose of making loans and for capital projects. All resources granted to this fund must be maintained permanently. The Organization is permitted to transfer or expend the income derived from capital assets in excess of the relevant Capital Fund Agreement. Interest income of \$11,659 has been transferred to unrestricted net assets.

During fiscal 2009, NWA allowed a transfer of \$15,000 to temporarily restricted and \$221,913 to unrestricted. Included in the transfer to unrestricted were property improvements funded by NWA in previous years with a cost of \$50,000 and accumulated depreciation of \$8,877. Therefore, the net transfer was \$236,913 (\$245,790 less depreciation of \$8,877).

Should the Organization become defunct or cease to be affiliated with NWA, all remaining grant funds, interest earnings, capital project proceeds and the loan and capital portfolios representing the use of these funds will revert to NWA. In accordance with the capital funds agreement with NWA, the entire amount was expended on various projects and loan programs of the Organization.

Revenue Recognition

Contract fees are recorded over the term of the contract as services are provided and costs are incurred. Developer fees (gains on property sales) are recognized as revenue when the properties are sold. There were no development fees for the year ended June 30, 2009. Rental income is recorded when earned.

Expense Allocation

Expenses related directly to a program or function are distributed to that function. Other expenses are allocated based upon management's estimate of the percentage attributable to each program or function.

Income Taxes

The Organization 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. Donors may deduct contributions made to the Organization within Internal Revenue Code regulations.

The Affiliate (LLC) is considered a disregarded entity for income tax purposes.

Continued-

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Equipment and Depreciation

Property and equipment are recorded at cost when purchased. Improvements and major repairs in excess of \$5,000 are capitalized while ordinary repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the following estimated useful lives:

Buildings and improvements	7 - 27 years
Office equipment	5 years

Accounts Receivable/Loans Receivable

Accounts receivable and loans receivable are recorded at the amount expected to be collected on balances outstanding at year end. Management closely monitors outstanding balances and writes off, as of year end, all balances that are determined to be uncollectible. Additionally, an allowance for doubtful accounts is provided based on management's estimate of potential uncollectible accounts.

Use of 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 may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of 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.

Advertising

Advertising costs are charged to operations when incurred. Advertising expense totaled \$3,000 for the year ended June 30, 2009.

Prior-Year Summarized Information

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 June 30, 2008, from which the summarized information was derived.

Recently Issued Accounting Pronouncements

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification (the "Codification") and the Hierarchy of Generally Accepted Accounting Principles, as the single source of authoritative nongovernmental Generally Accepted Accounting Principles in the United States. The Codification will be effective for interim and annual periods ending after September 15, 2009. Upon the effective date, the Codification will be the single source of authoritative accounting principles to be applied by all nongovernmental U.S. entities. All other accounting literature not included in the Codification will be non-authoritative. The Organization does not expect the adoption of the Codification to have an impact on its financial position or results of operations.

Continued -

(3) LOAN PROGRAMS

The Organization received funding source commitments to extend loans to low and moderate-income residents to provide home improvements and down payment funds. There are two types of loans under this program, repayment loans and forgivable loans. All loans are approved by a loan committee, are made in accordance with grant restrictions and are secured by mortgage security agreements.

Repayment Loans

Repayment loans were funded by a commitment from NWA whereby NWA provided the Organization with \$300,000 of cash in the permanently restricted net assets. Loans are granted to low and moderate-income homeowners who are unable to obtain conventional financing through other means because of income levels, net equity in their properties or are "unbankable" for other reasons. These loans are for home improvement, reconstruction and remodeling with interest rates ranging from 5.50% to 7.25%. Terms range from 10 to 30 years, with some loans due on sale or death. Loans receivable on funding provided by the Neighborworks America Fund at June 30, 2009 consisted of the following:

Total loans receivable (10 loans)	<u>Total</u> \$ 168,002
<u>Loan Delinquency Status</u>	
Current	\$ 125,816 7 loans 75%
30-60 days delinquent	\$ 42,186 3 loans 25%

No loans were greater than 60 days delinquent but one loan during the fiscal year was deemed uncollectible and a total of \$13,697 was written off.

Forgivable Loans

These loans are provided through funding commitments from the Massachusetts Housing Partnership Fund (MHP) and the University of Massachusetts Medical Center (UMass). Funding from MHP has a total commitment of \$165,000. The Organization draws down these funds as loans are approved. Through June 30, 2009, the Organization made loans totaling \$36,938 from this funding arrangement. The UMass commitment is \$250,000. To date, the Organization received \$250,000 from UMass for loans. Through June 30, 2009, the Organization made \$225,000 of loans to recipients.

Continued -

(3) LOAN PROGRAM (CONTINUED)

The loans with MHP and UMass are forgivable loans. If the property owner does not sell the property within five years of the borrowing, the property owner is entitled to a 50% forgiveness of the loan at the end of the fifth year. For each subsequent year of ownership, years six to ten, the recipient receives a further forgiveness of 10% each year. Thus, if the property is held for ten years, these loans become totally forgiven. If the property owner sells the property within five years, these loans would be repaid through the sales proceeds of the properties.

The MHP and UMass loans are considered grants to the recipients. The Organization upon receipt of a loan repayment within the five years is not entitled to keep the funds. The funds are required to be re-loaned to other eligible recipients. The Organization treats these loans as temporarily restricted grants. Funds received are recorded as a temporarily restricted contribution and funds paid to recipients are recorded as an expense under the Home Ownership Center program.

(4) PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings and improvements	\$ 1,651,349
Office equipment	<u>82,564</u>
TOTAL	1,733,913
Less – accumulated depreciation	<u>845,690</u>
NET PROPERTY AND EQUIPMENT	<u>\$ 888,223</u>

(5) PROPERTY DEVELOPMENT

Included in property development are real estate and economic development activities related to the Organization's construction and development projects.

All project related costs incurred during construction and property acquisition costs are capitalized for developments currently owned by the Organization. As of June 30, 2009, costs of properties being developed and completed by the Organization are included in the property development in the accompanying financial statements. A reconciliation of the property development is as follows:

	Projects In Process	Completed For Sale Properties	Future Development	TOTAL
Project costs – July 1, 2008	\$ 105,000	\$1,000,701	\$ 7,920	\$1,113,621
Costs incurred during fiscal 2009	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
Project Costs – June 30, 2009	<u>\$ 105,000</u>	<u>\$1,000,701</u>	<u>\$ 9,420</u>	<u>\$1,115,121</u>

Continued -

(5) PROPERTY DEVELOPMENT (CONTINUED)

The estimated market value of the completed for sale properties is less than the amount recorded. Because certain government funding that is committed to the Organization upon sale of the properties exceeds the market decline, no write-down to market value was recorded.

(6) NOTES PAYABLE

The Organization has a note payable to a bank. The note bears interest at 6.375% and is due in monthly principal and interest installments of \$1,876, through May 2028. The note is secured by a first security interest in all of the Organization's buildings. \$ 247,157

The Organization has a construction loan payable to a bank secured by a mortgage on certain property. The proceeds are to be used to finance certain costs relating to development of the Organization's projects. The total borrowing capacity is \$300,000 and payment is due January 11, 2010. The loan bears interest at 1% above prime (4.25%). 300,000

The Organization has a note payable to fund certain costs relating to development of the Organization projects. The note bears interest at 6.5%. Interest is due quarterly with the principal balance due April 30, 2010. As part of the agreement, the Organization is required to maintain an \$80,000 certificate of deposit. 800,000

TOTAL \$1,347,157

Maturities of the notes payable over the next five years are as follows:

YEAR ENDING	AMOUNT
JUNE 30,	
2010	\$1,106,913
2011	7,367
2012	7,851
2013	8,366
2014	8,915
Thereafter	<u>207,745</u>
TOTAL	<u>\$1,347,157</u>

(7) CONTINGENT LOANS

The Organization received contingent loans for the development of its housing and other projects. These loans generally are not required to be repaid unless the project fails to maintain its low-income housing status or the Organization fails to comply with other conditions. Currently, the Organization is in compliance with these restrictions and it is the future intent of the Board of Directors and the management of the Organization to maintain these properties as low-income housing and to meet the other conditions. Therefore, these loans are not reflected as liabilities in the statement of financial position.

Continued -

(7) CONTINGENT LOANS (CONTINUED)

Contingent loans and advances are as follows:

Non-interest bearing note payable to the City of Worcester, due August 2016, secured by a second mortgage on the buildings. The loan will become due and payable if buildings are sold, refinanced or converted to a use other than low-income housing. \$1,158,041

Non-interest bearing from a Federal Organization, due August 2036, secured by a third mortgage on the buildings. The loan will become due and payable if buildings are sold, refinanced or converted to a use other than low-income housing. 95,262

TOTAL \$1,253,303

(8) RELATED PARTY TRANSACTIONS

The Organization maintains a cash account and has a note payable to a bank in which a senior lending officer at this bank is a member of the Organization's Board of Directors.

The Organization had consulting services in the amount of \$7,620 with a company that a board member has an ownership in.

(9) RETIREMENT PLAN

The Organization has a tax sheltered annuity savings plan (403(b) plan) for employees who have earned one full year of employment and have reached the age of twenty-one. Employees may annually contribute a percentage of their pay up to the IRS maximum. The Organization matches 100% of employee contributions on the first 3% of gross salaries. Employee contributions are vested immediately and the Organization's contribution is vested based upon completion of employment terms. Employer contributions are made at the end of the calendar year. The Organization did not make a contribution to this plan for the year ended June 30, 2009.

Continued -

(10) NET ASSETS RELEASED FROM RESTRICTIONS

The following is a schedule of temporarily restricted net assets:

Funder and Restrictive Use	July 1, 2008 Balance	Contributions	Satisfactions	June 30, 2009 Balance
Greater Worcester Community Foundation:				
Homeownership Center	\$ -	\$15,000	\$15,000	\$ -
Neighborhood Revitalization	-	20,000	20,000	-
TJX Foundation – Job Training and Placement	-	5,000	5,000	-
Digital Federal Credit Union - Homeownership Center	-	5,000	5,000	-
UMass Memorial Medical Center – Loan Program	8,500	50,000	33,500	25,000
Foreclosure Prevention:				
NeighborWorks America	40,856	83,518	124,374	-
City and State Funding	58,500	134,631	134,680	58,451
Bank of America Charitable Foundation –				
Neighborhood Revitalization	-	15,000	15,000	-
Bay State Savings Charitable Foundation –				
Neighborhood Revitalization	-	4,500	4,500	-
Commerce Bank – Homeownership Center	-	5,000	5,000	-
Citizens Bank -Homeownership Center	-	5,000	5,000	-
NeighborWorks America- Loan Loss Reserve	-	15,000	13,697	1,303
Webster Five Foundation – Homeownership Center	-	5,000	5,000	-
Webster Five Foundation – Job Training and Placement	-	2,500	2,500	-
Homeownership Preservation	-	4,600	4,600	-
Other	-	5,650	5,650	-
TOTAL	<u>\$ 107,856</u>	<u>\$375,399</u>	<u>\$398,501</u>	<u>\$ 84,754</u>

(11) CONCENTRATIONS

The Organization received a substantial amount of its revenue under contracts with the City of Worcester for \$278,000 and funding of \$339,000 from NeighborWorks America. A significant reduction in the level of this revenue may have an adverse effect on the Organization's ability to provide programs and activities.

A concentration risk in the real estate market exists, for the Central Massachusetts area. Oak Hill receives developer fees based on profits from sales and growth in this real estate market.

Continued -

(12) COMMITMENTS AND CONTINGENCIES

Environmental Issue

In 1999, the Organization purchased a vacant lot from the City of Worcester. It was the intention of the organization to build a duplex for resale. However, in the process of obtaining financing, an environmental study was performed and a soil contaminant was discovered. In 1999, the cost to clean up the site was estimated to be \$135,000 to \$180,000. To date, the Organization is not required to clean the site as long as the soil is not disturbed. No provision has been included in these financial statements for the estimated cost to clean up the site. However, all of the capitalized costs related to the purchase of this property have been written off.

Operating Leases

The Organization leases various office equipment under separate operating leases. Total rent expense for the year ended June 30, 2009 totaled \$23,388.

Future minimum rentals are as follows:

YEAR ENDING JUNE 30,	AMOUNT
2010	\$ 14,520
2011	13,170
2012	<u>6,080</u>
TOTAL	<u>\$ 33,770</u>

Other

In the normal course of operations, the Organization participates in a number of Federal and State assisted grant programs. These programs are subject to audit by the grantors or their representatives. Such audits could lead to request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Presently, the Organization has no such request pending, and in the opinion of management, any such amounts would not be considered material.

(13) RESTATEMENT OF NET ASSETS

The Organization has restated its net assets to reflect the contingent nature of the loans described in Note 7 totaling \$1,253,303. Because these loans are ultimately forgivable under an agreement to maintain the properties as low-income properties, these loans should not be recorded as liabilities of the Organization.

(14) SUBSEQUENT EVENTS

In September of 2009, the Organization purchased a three-decker in Worcester for approximately \$120,000. The intention of the organization is to rehabilitate and rent the house.

After the fiscal year, the Organization sold two single-family houses for approximately \$311,000.