

**Vietnamese American Initiative for Development, Inc.
and Affiliates**

Consolidated Financial Statements

June 30, 2010

Vietnamese American Initiative for Development, Inc. and Affiliates

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June 30, 2010

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Kevin P. Martin & Associates, P.C.

Independent Auditors' Report

To the Board of Directors of
Vietnamese American Initiative for Development, Inc.

We have audited the accompanying consolidated statement of financial position of Vietnamese American Initiative for Development, Inc. (a nonprofit organization) and Affiliates (the Agency), as of June 30, 2010, 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 Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In compliance with regulatory requirements, the consolidated financial statements present the financial position and results of operations, in accordance with generally accepted accounting principles, of the Agency. The consolidated financial statements do not include the affiliated legally-separate for-profit entity which the Agency has sponsored in furtherance of its affordable housing charitable mission. Summarized financial information of and transactions with, the sponsored entity are disclosed in the accompanying notes to these consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of June 30, 2010, 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, except that the legally-separated entity sponsored by the Agency is not reported within the consolidated financial statements (see Note 6).

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2011, 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.



Braintree, Massachusetts
February 28, 2011



Kevin P. Martin & Associates, P.C.

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of
Vietnamese American Initiative for Development, Inc.

We have audited the consolidated financial statements of Vietnamese American Initiative for Development, Inc. (a nonprofit organization) and Affiliates (the Agency), as of and for the year ended June 30, 2010, and have issued our report thereon dated February 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis. We consider the items #2010-1, #2010-2, #2010-3, #2010-4 and #2010-5 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2010-1, #2010-2, #2010-3, #2010-4 and #2010-5.

The Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the Agency and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Braintree, Massachusetts
February 28, 2011



Kevin P. Martin & Associates, P.C.

Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors of
Vietnamese American Initiative for Development, Inc.

Compliance

We have audited Vietnamese American Initiative for Development, Inc. (a nonprofit organization) and Affiliates' (the Agency) compliance, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The Agency's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

As described in items #2010-1, #2010-3, #2010-4 and #2010-5 in the accompanying schedule of findings and questioned costs, the Agency did not comply with requirements regarding financial reporting, allocation of costs and knowledge of federal funds that is applicable to each of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the Agency to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items #2010-1, #2010-3, #2010-4 and #2010-5 to be material weaknesses.

The Agency's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Agency's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Directors, others within the Agency and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Braintree, Massachusetts
February 28, 2011

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidated Statement of Financial Position

As of June 30, 2010

Assets

Current Assets

Cash and cash equivalents	\$ 94,127
Accounts receivable, net	164,798
Prepaid expenses	25,792
Property held for sale	277,721
Total Current Assets	562,438

Fixed Assets

Land	317,191
Land improvements	114,470
Buildings and improvements	7,692,858
Furniture and equipment	86,452
Total Fixed Assets	8,210,971
Less: Accumulated depreciation	(1,562,440)
Net Fixed Assets	6,648,531

Other Assets

Restricted cash and reserves	79,974
Property under development	1,390,862
Note and interest receivable	48,864
Due from affiliates	36,877
Tenant security deposits	43,383
Financing fees, net of amortization	48,164
Total Other Assets	1,648,124

Total Assets \$ 8,859,093

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$ 140,277
Development costs payable	259,742
Accrued expenses	137,585
Accrued interest, current portion	23,864
Mortgage and notes payable, current portion	378,562
Prepaid rent	1,087
Tenant security deposits payable	36,767
Total Current Liabilities	977,884

Long-Term Liabilities

Accrued interest, net of current portion	107,202
Mortgage and notes payable, net of current portion	4,459,522
Total Long-Term Liabilities	4,566,724

Total Liabilities 5,544,608

Net Assets

Unrestricted net assets	3,283,287
Temporarily restricted net assets	31,198
Total Net Assets	3,314,485

Total Liabilities and Net Assets \$ 8,859,093

The accompanying notes are an integral part of the consolidated financial statements.

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidated Statement of Activities

For the Year Ended June 30, 2010

Operating Revenue	
Program service fees	\$ 792,839
Rental revenue	359,761
Contributions and grants	182,550
Interest and other revenue	31,555
Proceeds from sale of property	640,000
Less: Cost of property sold	<u>(743,270)</u>
Net loss on sale of property	<u>(103,270)</u>
Total Operating Revenue	<u>1,263,435</u>
Operating Expenses	
Program services	1,382,541
General and administrative	421,039
Total Operating Expenses	<u>1,803,580</u>
Change in Net Assets	<u>\$ (540,145)</u>
Net Assets, Beginning of Year	\$ 3,854,630
Change in net assets	<u>(540,145)</u>
Net Assets, End of Year	<u>\$ 3,314,485</u>
Change in Unrestricted Net Assets	
Unrestricted Net Assets, Beginning of Year	\$ 3,770,817
Operating loss	(559,343)
Net assets released from restrictions	<u>71,813</u>
Unrestricted Net Assets, End of Year	<u>3,283,287</u>
Change in Temporarily Restricted Net Assets	
Temporarily Restricted Net Assets, Beginning of Year	83,813
Temporarily restricted contributions and grants	19,198
Net assets released from restrictions	<u>(71,813)</u>
Temporarily Restricted Net Assets, End of Year	<u>31,198</u>
Total Net Assets, End of Year	<u>\$ 3,314,485</u>

The accompanying notes are an integral part of the consolidated financial statements.

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidated Statement of Cash Flows

For the Year Ended June 30, 2010

Cash Flows from Operating Activities

Change in Net Assets	\$	(540,145)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation		250,317
Amortization		618
Interest income earned on restricted deposits		(114)
Decrease (increase) in assets		
Accounts receivable, net		27,859
Prepaid expenses		(10,462)
Property held for sale		244,775
Property under development		(39,891)
Due from affiliates		356,437
Tenant security deposits		(12,156)
Increase (decrease) in liabilities		
Accounts payable		5,106
Development costs payable		(74,155)
Accrued expenses		6,926
Accrued interest		23,812
Prepaid rent		803
Tenant security deposits payable		9,959
Due to affiliates		<u>97,109</u>
Net Cash Provided by Operating Activities		<u>346,798</u>

Cash Flows from Investing Activities

Purchase of fixed assets		(92,500)
Deposits into restricted cash and reserves		(25,908)
Withdrawals from restricted cash and reserves		<u>21,251</u>
Net Cash Used in Investing Activities		<u>(97,157)</u>

Cash Flows from Financing Activities

Repayments of mortgages and notes payable		(68,584)
Proceeds from mortgages and notes payable		122,373
Repayments on line of credit		<u>(250,000)</u>
Net Cash Used in Financing Activities		<u>(196,211)</u>

Net Increase in Cash and Cash Equivalents

53,430

Cash and Cash Equivalents - Beginning

40,697

Cash and Cash Equivalents - Ending

\$ 94,127

Supplement Disclosure of Cash Flow Information

Cash paid during the year for interest expensed	\$	<u>66,967</u>
Cash paid during the year for interest capitalized	\$	<u>34,325</u>

Noncash Investing and Financing Activities

See Note #11.

The accompanying notes are an integral part of the consolidated financial statements.

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2010

Program Services

	Child Care	Affordable Housing and Community Meeting Facility	Economic and Business Development	Homeowner Services	Property Management	Community Building	Total Program Services	General and Administrative	Total
Functional Expenses									
Salaries, payroll taxes and employee benefits	\$ 264,288	\$ -	\$ 77,218	\$ 85,776	\$ 76,076	\$ 2,766	\$ 506,124	\$ 141,340	\$ 647,464
Occupancy	2,024	209,550	25,011	15,196	30,333	-	282,114	6,937	289,051
Consultants and professional fees	20,021	-	22,646	20,031	-	48,911	111,609	150,455	262,064
Depreciation and amortization	71,327	133,818	-	-	-	-	205,145	45,790	250,935
Subcontractors	122,883	-	-	-	-	-	122,883	-	122,883
Other operating expenses	34,468	205	2,999	-	-	20,856	58,528	60,447	118,975
Interest	-	83,646	-	-	-	-	83,646	-	83,646
Office supplies and expenses	-	2,012	1,842	641	-	430	4,925	9,694	14,619
Telephone	-	3,210	342	487	-	-	4,039	3,726	7,765
Travel and meetings	240	-	826	545	139	1,264	3,014	1,320	4,334
Postage and printing	-	-	514	-	-	-	514	1,330	1,844
Total Functional Expenses	\$ 515,251	\$ 432,441	\$ 131,398	\$ 122,676	\$ 106,548	\$ 74,227	\$ 1,382,541	\$ 421,039	\$ 1,803,580

The accompanying notes are an integral part of the consolidated financial statements.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America (GAAP). The nature of operations and significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

(a) Nature of Activities

The following is a description of the nature of operations of Vietnamese American Initiative for Development, Inc. (Viet-Aid) and Affiliates (the Agency):

Viet-Aid was founded in 1994 by community leaders and residents who believed that a community development corporation would provide comprehensive economic development programs and services to alleviate poverty and advance civic participation in the Field's Corner Vietnamese community of Dorchester, Massachusetts. The Agency's mission is to build a strong Vietnamese community and a vibrant Field's Corner neighborhood through the following measures: promoting civic engagement and community building; developing affordable housing and commercial space; providing small business technical assistance and micro-enterprise development; and offering high quality early childhood education services.

The Agency is organized into the following divisions, which are listed in order of relative importance, based on programmatic expenditures:

Child care - The child care division provides education services through a state of the art preschool center and micro-enterprise opportunities for Dorchester residents in becoming licensed child care providers. Child Care activity accounted for approximately 37% of total program expenditures for the year ended June 30, 2010.

Affordable housing and community meeting facility - The affordable housing and community meeting facility division provides opportunities for developing affordable housing and commercial space; commercial tenants include Vietnamese cultural organizations and other non-profit organizations that have partnered with Viet-Aid on several initiatives. The affordable housing and community meeting facility division accounted for approximately 31% of total program expenditures for the year ended June 30, 2010.

Economic and business development - The economic and business development division provides technical assistance to business owners and entrepreneurs. The economic and business development division accounted for approximately 10% of total program expenditures for the year ended June 30, 2010.

Homeowner services - The housing development division provides ownership classes for first-time homebuyers foreclosure counseling services and weatherization counseling services for home owners. The housing development division accounted for approximately 9% of total program expenditures for the year ended June 30, 2010.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(a) *Nature of Activities - continued*

Property management - The property management division provides property management services for rental property entities. The property management division accounted for approximately 8% of total program expenditures for the year ended June 30, 2010.

Community building - The community building division conducts civic engagement and community organizing. The community building division accounted for approximately 5% of total program expenditures for the year ended June 30, 2010.

(b) *Basis of Consolidation*

It is the Agency's policy to consolidate all of its wholly owned subsidiaries as well as those entities that are controlled by the Agency.

The consolidated financial statements of present the consolidated financial position and results of operations of Viet-Aid, Fields Corner Housing Corporation (FCHC), Bloomfield Gardens Limited Partnership (Bloomfield Gardens), 1392 Dorchester Avenue LLC and Vietnamese Community Center LLC (VCC). All material inter-company transactions and accounts have been eliminated in consolidation.

FCHC was formed for the purposes of developing affordable housing and provide community initiatives in the Field's Corner neighborhood of Dorchester, Massachusetts. Viet-Aid shares a common board with FCHC.

Bloomfield Gardens was formed to acquire, develop and operate 27 affordable residential rental units. The general partner, Bloomfield Gardens, Inc., is wholly owned by FCHC and Viet-Aid is the limited partner.

FCHC is the sole member of 1392 Dorchester Avenue LLC which was formed to develop, own and operate affordable housing and community initiative projects. FCHC also operates two affordable housing properties located at 7 Toledo Terrace and 17-23 Faulkner Street, Dorchester, Massachusetts.

Viet-Aid is the sole member of VCC. VCC was formed in April 2001 to provide a community center for the Vietnamese community in Dorchester, Massachusetts.

The consolidated statement of activities reports all changes in net assets, including changes in unrestricted net assets from operating. Operating revenues consist of those monies received and other contributions attributable to the Agency's ongoing efforts.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(c) *Revenue Recognition*

The Agency earns revenue as follows:

Program Service Fees - Program service fee revenue is earned and recognized by the Agency when units or services are provided and billed.

Rental Revenue - Rental revenue is derived from commercial and residential tenant rent. Rental revenue is recognized as rents are earned. All leases between the Agency and its tenants are operating leases.

Contributions - Contributions are recorded upon receipt or pledge as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

Grants - Grants are recorded as revenue as costs related to the services provided are incurred.

Substantially all of the Agency's revenue is derived from its activities in Massachusetts. During the year ended June 30, 2010, the Agency derived approximately 46% of its total revenue from governmental agencies, 27% from rental income, 25% from corporate and individuals and 2% from other sources. All revenue is recorded at the estimated net realizable amounts.

(d) *Accounts Receivable*

The Agency carries its accounts receivable at an amount equal to uncollected but earned revenue less an allowance for doubtful accounts. On a periodic basis, the Agency evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. As of June 30, 2010, management has determined any allowance would be immaterial.

The Agency does not have a policy to accrue interest on account receivables.

The Agency has no policies requiring collateral or other security to secure the accounts receivable. During the year ended June 30, 2010, the Agency's trade receivables were due as follows: approximately 49% due from governmental agencies, 36% are due from corporate and individual donors and 15% due from rental tenants.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(e) Notes Receivable

Notes receivable and accrued interest are recorded at estimated net realizable amounts. On a periodic basis, the Agency evaluates its notes receivable and estimates collectability, based on a history of past write-offs and collections, cash flow analysis and current credit conditions. Interest accrues in accordance with the agreements.

(f) Standards of Accounting and Reporting

The Agency's net assets (excess of its assets over liabilities) and its revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

The consolidated statement of financial position presents three classes of net assets (permanently restricted, temporarily restricted and unrestricted) and the consolidated statement of activities displays the amounts of change in each of those classes of net assets.

The two classes of net assets applicable to the Agency are presented as follows:

Unrestricted Net Assets - Net assets that are not subject to donor imposed restrictions. Unrestricted net assets consist of assets and contributions available for the support of operations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Agency and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Restricted contributions and investment income whose restrictions are met in the same reporting period are recorded as unrestricted income.

(g) Income Taxes

Viet-Aid and FCHC qualify as organizations formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code and therefore is not subject to income tax. Neither Viet-Aid nor FCHC are private foundations under Section 509(a)(1). Certain unrelated business income, as defined in the Internal Revenue Code, is subject to federal income tax. For the year ended June 30, 2010, there was no liability for tax on unrelated business income.

Bloomfield Gardens was formed as a limited partnership. No provision has been made for income taxes since the income and losses for Bloomfield Gardens passes through to and are reportable by the partners individually.

VCC is a sole member LLC and is reported with Viet-Aid for tax reporting purposes. 1392 Dorchester Avenue LLC is a sole member LLC and is reported with FCHC for tax reporting purposes.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(g) Income Taxes - continued

The Agency follows the provisions of U.S. generally accepted accounting principles require that a tax position be recognized or derecognized based on a more-likely-than-not threshold. This applies to tax positions taken or expected to be taken in a tax return. The implementation of these provisions had no impact on the Agency's financial statements. The Agency does not believe its financial statements include any uncertain tax positions.

All tax years prior to 2006 are closed via the passing of the Statute of Limitations. No notices have been received from either the Internal Revenue Service or Commonwealth of Massachusetts addressing any subsequent year.

(h) Fundraising

Fundraising relates to the activities of raising general and specific contributions to the Agency. Immaterial amounts of fundraising are included in administration expenses.

(i) Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services. Administration expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Agency.

Payroll and associated costs are allocated to functions based upon actual time charges. Occupancy costs are allocated based upon square footage.

(j) Advertising Costs

The Agency expenses advertising costs when they are incurred. Advertising expense was immaterial for the year ended June 30, 2010.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(k) Use of Estimates

In preparing the Agency's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(l) Cash and Cash Equivalents

The Agency considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Agency maintains its cash deposit balances in banks located in Massachusetts. As of June 30, 2010, the Agency did not have any cash balances in excess of FDIC insured limits.

(m) Property Held for Sale

Property held for sale consists of one commercial condominium unit and is recorded on the cost method. Cost associated with the acquisition, development and construction of property held for sale including property taxes, interest and insurance are capitalized as a cost of the property.

(n) Property Under Development

Property under development is recorded on the cost method. Cost associated with the acquisition, development and construction of property under development, including property taxes, interest and insurance are capitalized as a cost of the property. Property under development costs associated with projects that are determined to be unfeasible are written off in the period in which this determination is made.

(o) Financing fees

Financing fees are amortized over the term of the loan using the effective interest method.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(p) Fair Value Measurements

The Agency determines the fair market values of its financial assets and liabilities, as well as non-financial assets and liabilities that are recognized or disclosed at fair value on a recurring basis, based on the following fair value hierarchy established in accordance with generally accepted accounting principles.

Level 1: Quoted prices in active markets for identical assets or liabilities the Agency has the ability to access. The Agency currently has no Level 1 assets or liabilities that are measured at fair value on a recurring basis.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Agency currently has no Level 2 assets or liabilities that are measured at fair value on a recurring basis.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include items where the determination of fair value requires significant management judgment or estimation. The Agency currently has no Level 3 assets or liabilities that are measured at fair value on a recurring basis.

The Agency's financial instruments include cash and cash equivalents, accounts receivables, net, accounts payable, accrued expenses, development costs payable and prepaid rent. The carrying amount of these financial instruments approximates their fair value due to their short maturities. The fair value of the Agency's long-term debt, including the current portion, is estimated based on the borrowing rates currently available for loans with similar terms and maturities.

The Agency is required to apply the provisions of U.S. generally accepted accounting principles to fair value measurements for non-financial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a non-recurring basis. The Agency has no non-financial assets or liabilities required to be accounted for on a non-recurring basis as of June 30, 2010.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(1) Nature of Operations and Summary of Significant Accounting Policies - continued

(g) *Fixed Assets and Depreciation*

Land, land improvements, building and improvements and furniture and equipment are recorded at cost or if donated, fair value on the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives. Improvements, including planned major maintenance activities are capitalized, while expenditures for routine maintenance and repairs are charged to expense as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the consolidated statement of activities.

The Agency computes depreciation using the straight-line method over the following estimated lives:

Land improvements	20-40 years
Building and improvements	40 years
Furniture and equipment	3-10 years

The Agency reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized during the year ended June 30, 2010.

(2) Restricted Cash and Reserves

(a) *FCHC*

In accordance with the Boston Private Bank and Trust Deposit and Pledge Agreement, FCHC is required to maintain a pledge account with a minimum balance of \$13,983 as collateral for the note payable. During the year ended June 30, 2010, this account was established with a deposit of \$13,983. During the year ended June 30, 2010, this account earned \$26 of interest income. As of June 30, 2010, the balance in the pledge account totaled \$14,009.

(b) *1392 Dorchester Avenue LLC*

In accordance with the Boston Community Loan Fund (BCLF) Loan Agreement, 1392 Dorchester Avenue LLC is required to maintain a replacement reserve. All withdrawals require written approval of BCLF. During the year ended June 30, 2010, withdrawals were made without approval (see Note 4d). During the year ended June 30, 2010, withdrawals totaled \$2,041. During the year ended June 30, 2010, this account earned \$15 of interest income. As of June 30, 2010, the balance in the replacement reserve account totaled \$27,670.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(2) Restricted Cash and Reserves - continued

(b) 1392 Dorchester Avenue LLC - continued

In accordance with the BCLF Loan Agreement, 1392 Dorchester Avenue LLC is required to maintain a tax and insurance escrow. 1392 Dorchester Avenue LLC is required to make monthly payments to the escrow account and make all payments for taxes and insurance expenses with disbursements from this account. As of June 30, 2010 this account had not been established (see Note 4d).

(c) FCHC - 7 Toledo Terrace

In accordance with the BCLF Loan Agreement, FCHC is required to maintain a replacement reserve. All withdrawals require written approval of BCLF. During the year ended June 30, 2010, withdrawals were made without approval (see Note 4b). During the year ended June 30, 2010, withdrawals totaled \$1,097. During the year ended June 30, 2010, this account earned \$3 of interest income. As of June 30, 2010, the balance in the replacement reserve account totaled \$5,094.

(d) FCHC - 17-23 Faulkner Street

In accordance with the Massachusetts Housing Partnership Fund (MHP) loan, FCHC is required to maintain a operating debt service reserve. FCHC is required to maintain the operating debt service reserve at a level equal to three months debt service for the MHP loan. During the year ended June 30, 2010, this account earned \$34 of interest income. As of June 30, 2010, the balance in the operating debt service reserve totaled \$15,505.

In accordance with the MHP Loan Agreement, FCHC is required to maintain a replacement reserve. FCHC is required to fund the replacement reserve in monthly deposits of \$163 increasing by 5% annually, or \$223 for the year ended June 30, 2010. During the year ended June 30, 2010, deposits and withdrawals totaled \$2,679 and \$8,091, respectively. During the year ended June 30, 2010, this account earned \$36 of interest income. As of June 30, 2010, the balance in the replacement reserve account totaled \$15,008.

In accordance with the MHP Loan Agreement, FCHC is required to maintain a tax and insurance escrow. FCHC is required to make monthly deposits sufficient to make the required payments for taxes and insurance. During the year ended June 30, 2010, deposits and withdrawals totaled \$9,246 and \$9,294, respectively. As of June 30, 2010, the balance in the tax and insurance escrow totaled \$2,688.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(3) Notes Receivable

FCHC has a note receivable from 1460 House Limited Partnership in the original amount of \$45,000, which is secured by the property located at 1460 Dorchester Avenue in Dorchester, Massachusetts. The note accrues interest at a rate of 6%, compounded annually. The note is to be repaid from available cash flows, if any, as defined in the promissory note agreement, or at maturity in October 2037. As of June 30, 2010, the principal and accrued interest receivable was \$41,310 and \$7,554, respectively.

(4) Mortgages and Notes Payable

(a) Viet-Aid

Viet-Aid has a mortgage note payable related to the development of Bloomfield Gardens with the Community Economic Development Assistance Corporation (CEDAC) in the original amount of \$400,000 of which \$230,216 has been drawn through June 30, 2010. The note bears interest at 7% per annum. Interest only payments were required through the maturity date at which time the note was repaid from the proceeds of permanent financing which occurred in January 2011 (see Note 15). During the year ended June 30, 2010, loan proceeds of \$104,041 were received. The note is secured by the property located at 4-6 Bloomfield Street in Dorchester, Massachusetts. Capitalized interest for the year ended June 30, 2010 totaled \$17,325. At June 30, 2010, the principal balance and accrued interest due was \$230,216 and \$17,102, respectively.

Viet-Aid had available an unsecured working capital line of credit with MHP of \$250,000 to be drawn upon as needed, with interest at the prime rate, or 4.00% as of June 30, 2010. As of June 30, 2010, the line of credit was fully satisfied.

(b) FCHC

FCHC had a mortgage note payable for development of the commercial space at 1460 House with Citizens Bank in the original amount of \$1,500,000. The note was secured by the property located at 1460 Dorchester Avenue in Dorchester, Massachusetts. The note bore simple interest at a rate equal to the sum of LIBOR Advantage rate, as defined in the promissory note plus 1.75% per annum. At June 30, 2010, all outstanding principal and accrued interest was fully satisfied.

FCHC has a mortgage note payable with Boston Private Bank and Trust in the original amount of \$187,500. The note bears simple interest at the five year FHLBB CDA rate plus 2.5% (fixed at 5.4%). The total outstanding principal and interest will be due on March 15, 2015. During the year ended June 30, 2010, loan proceeds of \$186,931 were received. The note is secured by the property at 1460 Dorchester Avenue, Unit C-3 in Dorchester Massachusetts. At June 30, 2010, the principal balance due was \$186,931.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(4) Mortgages and Notes Payable - continued

(b) FCHC - continued

FCHC has a first mortgage note payable with BCLF in the original amount of \$133,250. The note is due in monthly installments of \$985 and bears simple interest at 7.5%. The original maturity date was in September 2010; during 2010 the note was extended through November 2010. Subsequent to year end the note was extended through January 2011. No further waivers or extensions have been obtained, accordingly the note is in default. The note is secured by a first mortgage, security agreement and conditional assignment of leases and rents in relation to the property located at 7 Toledo Terrace in Dorchester, Massachusetts. At June 30, 2010, the principal balance due was \$104,001. The mortgage note requires certain debt covenants (see Note 2c). As of June 30, 2010, the Agency was not in compliance with certain debt covenants for which a waiver was not obtained. As a result, the outstanding balance of \$104,001 has been included in mortgage and notes payable, current portion on the consolidated statement of financial position.

FCHC has a second mortgage note payable with the City of Boston Department of Neighborhood Development in the original amount of \$222,735. The note bears interest at 3% compounded annually. All unpaid principal and accrued interest is due on the maturity date in January 2030. The note is secured by a mortgage, security agreement and conditional assignment of leases and rents in relation to the property located at 7 Toledo Terrace in Dorchester, Massachusetts. At June 30, 2010, the principal balance and accrued interest due was \$218,663 and \$76,217, respectively.

FCHC has a first mortgage note payable with MHP in the original amount of \$218,829. The note is due in monthly installments of \$1,449 and bears simple interest at 6.95%. The note is secured by a mortgage, security agreement and conditional assignment of leases rents and contracts in relation to the property located at 17-21 Faulkner Street in Dorchester, Massachusetts. The final payment on the note is due in August 2022. At June 30, 2010, the principal balance due was \$196,899.

FCHC has entered into a second pari passu mortgage note payable with the City of Boston's Department of Neighborhood Development in the amount of \$240,000. The loan is non-interest bearing and all unpaid principal is due at maturity in March 2031. The note is secured by the property at 17-23 Faulkner Street in Dorchester, Massachusetts. As of June 30, 2010, the outstanding principal balance was \$238,200.

FCHC has entered into a second pari passu mortgage note payable with MHP in the amount of \$625,812. The note is non-interest bearing. Total unpaid principal is due at maturity of August 2032. The note is secured by the property at 17-23 Faulkner Street in Dorchester, Massachusetts. As of June 30, 2010, the outstanding principal was \$625,812.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(4) Mortgages and Notes Payable - continued

(c) Bloomfield Gardens

Bloomfield Gardens has a mortgage note payable with Boston Private Bank and Trust in the original amount of \$850,000. The note bears simple interest at 2%. Interest only payments were required through the maturity date at which time the note was paid from the proceeds of permanent financing which occurred in January 2011 (see Note 15). The note is secured by a mortgage, security agreement and assignment of leases and rents on the property located at 4-6 Bloomfield Street in Dorchester, Massachusetts. Capitalized interest for the year ended June 30, 2010 totaled \$17,000. At June 30, 2010, the principal balance and accrued interest due was \$850,000 and \$4,297, respectively.

(d) 1392 Dorchester Avenue LLC

1392 Dorchester Avenue LLC has a first mortgage note payable with BCLF in the original amount of \$280,477. The note is separated into two tranches. The note is due in total monthly installments of \$1,970 and bears simple interest at 4% and 7%. The final payment on the note is due in March 2024. The note is secured by a mortgage, security agreement and assignment of leases and rents in relation to the property located at 1392 Dorchester Avenue in Dorchester, Massachusetts. At June 30, 2010, the principal balance due for the two tranches was \$122,280 and \$106,698, respectively. The mortgage note requires certain debt covenants (see Note 2b). As of June 30, 2010, the Agency was not in compliance with certain debt covenants for which a waiver was not obtained. As a result, the outstanding balance of \$228,978 has been included in mortgage and notes payable, current portion on the consolidated statement of financial position.

1392 Dorchester Avenue LLC has a second pari passu mortgage note payable with DHCD in the original amount of \$480,000. The note is non-interest bearing and is secured by the property at 1392 Dorchester Avenue in Dorchester, Massachusetts. The final payment on the note is due in December 2033. At June 30, 2010, the principal balance due was \$480,000.

1392 Dorchester Avenue LLC has a second pari passu mortgage note payable with CEDAC in the original amount of \$500,000. The note is non-interest bearing. The note agreement specifies that no payment of principal shall be due and payable except in an amount by which gross cash receipts exceeds one hundred five percent of gross cash expenditures. The note is secured by the property at 1392 Dorchester Avenue in Dorchester, Massachusetts. All unpaid principal is due in December 2033. At June 30, 2010, the principal balance due was \$500,000.

1392 Dorchester Avenue LLC has a second pari passu mortgage note payable with the City of Boston's Department of Neighborhood Development in the original amount of \$515,000. The note bears interest at 1% compounded annually. The final payment on the note is due in August 2035. The note is secured by a second mortgage, security agreement and conditional assignment of leases and rents in relation to the property located at 1392 Dorchester Avenue in Dorchester, Massachusetts. At June 30, 2010, the principal balance and accrued interest due was \$515,000 and \$30,985, respectively.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(4) Mortgages and Notes Payable - continued

(d) 1392 Dorchester Avenue LLC - continued

1392 Dorchester Avenue LLC has an unsecured junior note payable with the City of Boston's Department of Neighborhood Development in the original amount of \$50,000. The note is due in monthly installments of \$500 and bears interest at 6% per annum. The final payment on the note was due in December 2010; no waivers or extensions have been obtained, accordingly the note is in default. At June 30, 2010, the principal balance due was \$30,500.

(e) VCC

VCC has a note payable with Citizens Bank in the original amount of \$480,000. The note is due in total monthly installments of \$3,253 and bears simple interest at 6.54%. The final payment on the note is due in January 2015. The note is secured by a mortgage, security agreement and assignment of leases and rents in relation to the properties located at 36-46 Charles Street and 484X Geneva Avenue in Dorchester, Massachusetts. At June 30, 2010, the principal balance and accrued interest due was \$432,884 and \$2,465, respectively.

(f) Debt Maturities and Interest

Maturities of mortgages and notes payable are as follows:

2011	\$ 378,562
2012	16,116
2013	17,220
2014	18,399
2015	388,099
Thereafter	4,019,688

As of June 30, 2010, interest incurred on mortgages and notes payable totaled \$117,971, of which \$83,646 was expensed and \$34,325 was capitalized.

(5) Commercial Operating Leases

The Agency leases a portion of its facilities to tenants under operating leases that have expired or are due to expire at various dates through fiscal year 2011. The Agency is currently renegotiating leases with all tenants. These leases were accounted for as operating leases. Rental revenue for these leases amounted to \$169,527 for the year ended June 30, 2010.

The minimum annual operating non-cancelable lease commitments on property for the Agency are as follows:

2011	\$ 27,870
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Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(6) Affiliated Entity

GAAP provides guidance on whether a partnership should be consolidated by one of its partners. The assessment of limited partners' rights and their impact on the presumption of control of the limited partnership by the general partner should be made when an investor(s) first becomes a general partner(s) and should be reassessed at each reporting period thereafter for which financial statements of the general partner are prepared.

The Agency has an investment of less than 1% in 1460 House Limited Partnership that owns and operates 43 residential units of low income housing in Dorchester, Massachusetts. The following summarizes the unaudited financial condition of 1460 House Limited Partnership as of June 30, 2010:

Total assets	\$ <u>12,135,861</u>
Total liabilities	\$ 6,671,137
Equity	<u>5,464,724</u>
Total liabilities and equity	\$ <u>12,135,861</u>
Revenue	\$ 189,519
Expense	<u>(172,305)</u>
Net income	\$ <u>17,214</u>

(7) Property Held for Sale

FCHC has developed five commercial condominium units located at 1460-1474 Dorchester Avenue in Dorchester, Massachusetts. During the year ended June 30, 2010, two units were sold for \$640,000 resulting in a loss of \$103,270. As of June 30, 2010, one unit is held for sale and is included on the consolidated statement of financial position with current assets. The remaining unit is under agreement and expected to be sold in January 2011 (see Note 15).

(8) Property Under Development

Bloomfield Gardens includes the acquisition and pre-development costs of approximately 27 affordable residential rental units located in Dorchester, Massachusetts. The 27 unit development has received zoning approval and approval for low income tax credits from DHCD. The Agency has entered into several loans totaling \$1,080,216 (see Note 4). As of June 30, 2010, development costs totaling \$1,390,862 have been incurred of which a substantial portion have been funded by mortgage loans (see Note 4). Construction commenced in 2010 with an expected completion in late 2011. Construction financing closed in January 2011 as discussed in Note 15.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(9) Lien

As of June 30, 2010, there is a lien against the community building located at 42 Charles Street in Dorchester, Massachusetts in the amount of \$20,992. The amount is payable to the Commonwealth of Massachusetts Executive Office of Labor and Workforce Development for prior years of unpaid unemployment assistance and surcharge fees and interest. The charges are related to an inactive not-for-profit organization which Viet-Aid acted as fiscal agent. As of June 30, 2010, the total amount of \$20,992 was outstanding and is included in accrued expenses on the consolidated statement of financial position.

(10) Schedule of Federal Awards

Determination of federal major programs was made using a risk based approach. For the fiscal year ended June 30, 2010, the Agency did not qualify as a low-risk auditee. The major programs tested are disclosed as such in the schedule of findings and questioned costs.

(11) Non Cash Investing and Financing Transactions

At June 30, 2010, property held for development additions totaling \$259,742 were included in development costs payable.

During the year ended June 30, 2010, \$330,605 and \$47,902 in proceeds from the sale of condo units were used to repay the FCHC Citizens mortgage.

During the year ended June 30, 2010, \$168,599 in proceeds from the Boston Private Bank and Trust mortgage were used to repay the Citizens mortgage.

(12) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of resources available to meet future obligations, but only in compliance with the restrictions specified by donors. Donor restrictions limit the use of the resources within the particular purposes listed below.

<u>Nature of Restriction</u>	<u>Amount</u>
Natural playground	\$ 14,698
Environmental protection	12,000
Summer program	<u>4,500</u>
Total	\$ <u>31,198</u>

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(13) Commitments and Contingencies

(a) Regulatory Agencies

The Agency receives a portion of its funding from government agencies under unit rate contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed, if any, and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Agency's operations are concentrated in the social service provider field. As such, the Agency operates in a heavily regulated environment. The operations of the Agency are subject to administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to the following:

- Massachusetts Department of Early Education and Care
- Massachusetts Department of Education
- Massachusetts Operational Services Division
- United States Department of Health and Human Services
- United States Department of Housing and Urban Development
- United States Environmental Protection Agency

Such administrative directives, rules and regulations are subject to change by an act of Congress, act of the state and local legislature or an administrative change mandated by, the United States Departments or Commonwealth of Massachusetts Departments listed above. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change. Additionally, contractual funding may decrease or be withdrawn with little notice.

(b) Guarantees

In connection with the Agency's development and financing activities, under certain conditions and agreements, the Agency has committed to guarantee repayment on funds advanced to various affiliated entities for the purchase of property and development costs. The Agency has currently guaranteed debt in the original amount of approximately \$4,810,500 covering six entities. In the opinion of management, such guarantees will not have a material effect upon the financial position of the Agency.

Vietnamese American Initiative for Development, Inc. and Affiliates

Notes to Consolidated Financial Statements

June 30, 2010

(14) Related Party Transactions

(a) Lease Transactions

Viet-Aid leases its facility from VCC as a tenant at will at a monthly rental rate of \$7,845. During 2010, rental charges totaled \$93,528. This amount has been eliminated in the accompanying consolidated financial statements.

(b) Fees

As of June 30, 2010, Viet-Aid has earned a developer fee of \$25,211 and a partnership management fee of \$11,666 from 1460 House LP which are included in due from affiliate on the consolidated statement of financial position.

(c) Expenses

During the year ended June 30, 2010, a board member was paid \$9,750 for consulting fees related to management duties performed in a prior year.

(15) Subsequent Events

The Agency has performed an evaluation of subsequent events through February 28, 2011, which is the date the Agency's consolidated financial statements were available to be issued. No material subsequent events, other than the items disclosed below, have occurred since June 30, 2010 that required recognition or disclosure in these consolidated financial statements.

In January 2011, the Agency sold the remaining commercial condominium unit for \$270,000, resulting in an estimated immaterial loss on sale. Proceeds from the sale of \$189,591 were used to fully satisfy the mortgage note payable and accrued interest to Boston Private Bank and Trust.

In January 2011, the Agency closed on construction financing related to Bloomfield Gardens. Construction loan proceeds of \$1,000,000 from MassHousing, \$502,911 from DHCD and equity contributions of \$244,550 were received. Of the closing proceeds, \$542,203 of the funds were used to satisfy the CEDAC predevelopment loan (see Note 4a) balance at the date of the closing, \$336,371 for outstanding invoices for development costs, \$851,247 to satisfy the outstanding balance of interest and principal on the Boston Private Bank and Trust note (see Note 4c) and \$17,640 of financing costs.

In January 2011, the Agency received a third allonge to the \$133,250 promissory note with BCLF extending the maturity date to January 31, 2011 (see Note 4b).

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(1) Summary of Auditor's Results

Financial Statements:

Type of Auditor's Report Issued: Qualified

Internal Control over Financial Reporting:
Material Weakness(es) Identified? yes no
Significant Deficiency(ies) Identified yes none

Noncompliance Material to Financial Statements Noted? yes no

Federal Awards:

Internal Control over Major Programs:
Material Weakness(es) Identified? yes no
Significant Deficiency(ies) Identified yes none

Type of Auditor's Report Issued on Compliance:
for Major Programs: Qualified

Any Audit Findings Disclosed that are Required
to be Reported in Accordance with
Circular A-133, Section .510(a)? yes no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grants/Entitlement Grants
14.239	Home Investment Partnerships Programs

Dollar Threshold Used to Distinguish
Between Type A and Type B Programs: \$ 300,000

Auditee Qualified as Low-Risk Auditee? yes no

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(2) Financial Statement Findings

Item #2010-1 - Reconciliations

Criteria: Internal accounting controls should be in place that will provide a system which will identify and record all valid transactions, process, summarize and report financial activity accurately and in a timely manner.

Condition: The Agency did not maintain a system of internal controls that was adequate to ensure transactions were properly recorded and authorized and financial results were summarized timely. During the year ended June 30, 2010, the deficiency in the design and/or operation of several accounting controls adversely affected the Agency's ability to report financial results timely and accurately.

Specifically, we noted that internal controls were inadequate in the following areas:

- Fixed asset schedules and the related calculation of depreciation were not properly maintained.
- The costs related to property held for sale were not properly accounted for.
- Due to affiliates and due from affiliates were not reconciled on a timely basis.
- Detailed subsidiary records were not maintained in proper format or reconciled for accounts receivable.
- Accruals were not properly identified and recorded.
- Temporarily restricted net assets were not properly accounted for.
- Restricted cash and reserves were not monitored for compliance with regulatory requirements.
- Long term debt was not monitored for compliance with debt covenants.
- Rental income was not reconciled to the rates per the lease agreements.
- Employee vacation accruals were not maintained in accordance with written policies.
- Security deposit cash was not properly recorded and accounted for.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(2) Financial Statement Findings - continued

Item #2010-1 - Reconciliations - continued

Cause: The Agency did not have adequate internal accounting controls in place over financial reporting to properly account for and reconcile significant financial statement amounts in a timely manner. The lack of control procedures could cause a material error to go undetected by employees in the normal course of performing their assigned functions.

Effect: The Agency could not meet its financial reporting, regulatory and contract requirements or review operating results in relation to expectations in a timely manner. Financial reporting errors occurred resulting in material adjustments. In addition, these weaknesses could lead to errors that might go undetected by management and the procurement of an improper audit.

Questioned Costs: We believe that the deficiency noted above is not considered to be a questioned cost. The consolidated financial statements were adjusted to correct the effect of the internal control deficiencies.

Recommendation: Internal controls should be enhanced to ensure that timely and accurate consolidated financial statements are prepared.

Management Response: During fiscal year 2010, the Agency experienced significant staff turnover in the accounting department and management area. In September 2010, the Agency hired an outsourced accounting consultant. The consulting firm specializes in non-profit accounting and financial management. In addition, a new executive director took over in December 2010. Management has since implemented a process improvement plan to address the identified areas pertaining to reconciliations. Management will be training staff as to how to perform reconciliations, documenting all of these policies and procedures and updating the accounting manual. Management will be working closely with our property management agent to ensure all of our records are reconciled and debt covenants are maintained and met. Management and the finance committee are committed to implementing the proper procedures to ensure that all transactions are recorded properly and in a timely manner.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(2) Financial Statement Findings - continued

Item #2010-2 - Failure to Timely File Reports

Criteria: Operational Services Division of Massachusetts requires the Agency to submit an audit of the Agency's financial records within five and a half months after the end of the audit period.

Condition: The Agency did not submit its audit reporting packages for the year ended June 30, 2010 in a timely manner.

Cause: The Agency did not have adequate internal controls in place to properly present financial records in a timely manner.

Effect: The Agency could not meet financial reporting requirements with the filing requirements of the Commonwealth of Massachusetts.

Questioned Costs: We believe that the deficiency noted above is not considered to be a questioned cost. The consolidated financial statements were adjusted to correct the effect of the internal control deficiencies.

Recommendation: We recommend that internal controls be implemented to ensure that management has its financial audit performed on a timely basis in order to meet its regulatory financial filing requirements.

Management Response: During fiscal year 2010, the Agency experienced significant staff turnover in the accounting department and management area. In September 2010, the Agency hired an outsourced accounting consultant. Management will implement a process to ensure that the Agency has its financial audit performed on a timely basis in order to meet its regulatory financial filing requirements. Management is also committed to building capacity within the finance and accounting operations in order to be able to meet the requirements.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(2) Financial Statement Findings - continued

Item #2010-3 - Allocation of Costs

Criteria: Per OMB Circular A-122, Cost Principles of Non-Profit Organizations and 808 CMR 1.04 of the Division of Purchased Services Compliance, Reporting and Auditing for Human and Social Services, organizations must maintain financial books and records which distinguish the direct expenses of each program and/or function and which make a reasonable allocation of the organization's indirect expenses (costs which pertain to various functions) to such programs.

Condition: The Agency did not maintain a written cost allocation plan. Further, the Agency did not make reasonable allocations of its indirect costs.

Cause: Management did not have adequate internal controls in place to allocate indirect costs to the programs.

Effect: The Agency could not meet functional and program financial reporting requirements. The Agency did not review program financial results in a timely manner. The Agency has subsequently allocated indirect costs based upon employee payroll records and square foot analysis of office space. We have examined the allocations of indirect costs, noting that they are fairly presented in relation to the consolidated financial statements as a whole. The consolidated financial statements have been adjusted to reflect the proper capture of program and functional cost for the year ended June 30, 2010.

Questioned Costs: We believe that the deficiency noted above is not considered to be a questioned cost. The consolidated financial statements were adjusted to correct the effect of the internal control deficiencies.

Recommendation: Internal controls should be implemented to identify accounting and reporting requirements for all revenue sources. Further, the accounting system should be maintained to ensure proper capture of indirect costs by program and/or function.

Management Response: As part of the process improvement plan, management will be documenting the cost allocation plan, following the cost allocation plan and performing allocations on a monthly basis. Revenue and expenses will be allocated upon entry into the accounting system. Supporting schedules will be reviewed and reconciled on a monthly basis.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(2) Financial Statement Findings - continued

Item #2010-4 - Financial Statements Preparation in accordance with Generally Accepted Accounting Principles (GAAP)

Criteria: Financial statements are the responsibility of management. Therefore, a system of internal control over financial reporting should include controls over the preparation or review of financial statements, including footnote disclosures and the schedule of expenditures of federal awards.

Condition: The design of the Agency's internal controls does not provide for controls over the preparation of consolidated financial statements including the schedule of expenditures of federal awards to be prepared in accordance with GAAP. Therefore, errors or omissions in the consolidated financial statements could occur and go undetected.

Cause: The Agency has historically relied on its auditors to prepare consolidated financial statements in accordance with GAAP.

Effect: Inadequate financial reporting may result in the board making decisions using inaccurate financial information. In addition, the Agency was not aware of the federal expenditures and the related monitoring that was required.

Questioned Costs: We believe that the deficiency noted above is not considered to be a questioned cost. The consolidated financial statements were adjusted to correct the effect of the internal control deficiencies.

Recommendation: We recommend that management hire and train accounting staff to be aware of relevant accounting issues and implement controls to ensure that transactions are accurately and properly recorded in a timely manner and in accordance with GAAP.

Management's Response: As part of the process improvement plan, Management will be training staff on accounting issues and relevant compliance requirements. Management has also implemented a month-end closing schedule as part of the control process to ensure that transactions are recorded on a timely basis and in accordance with GAAP. These controls will be documented in the accounting manual.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(2) Financial Statement Findings - continued

Item #2010-5 - Supervision of Accounting Functions

Criteria: The Agency should maintain a system of management supervision controls to ensure that transactions are authorized, assets are safeguarded from loss, financial results are summarized timely, financial stability is maintained and that a high level of program services are provided. Further, supervision controls should be in place in order to reduce the risk that financial statement misstatements may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Condition: The complexity and volume of accounting transactions appear to be beyond the ability and experience of management. Therefore, the Agency is unable to process accounting information in an efficient and timely basis.

Cause: The Corporation experienced a high turnover of management, bookkeepers and board members.

Effect: As a result of the high turnover, the Agency could not meet financial reporting requirements. The Agency did not review operating results in a timely manner. The Agency did not utilize financial reporting results to make judicious business decisions.

Questioned Costs: We believe that the deficiency noted above is not considered to be a questioned cost. The consolidated financial statements were adjusted to correct the effect of the internal control deficiencies.

Recommendation: Supervision and monitoring controls should be implemented to ensure that timely and accurate monthly financial statements are prepared. Further, the Agency should undertake a comprehensive review of the current and future accounting personnel requirements. Finance personnel with the appropriate expertise should be hired and current finance personnel should receive additional training. Finance personnel should be involved and receive signed agreements for transactions for the Agency.

Management's Response: The Agency is committed to building capacity within the finance and accounting operations in order to be able to produce accurate and timely financial statements. The Agency is addressing this issue and will add the support and training it needs for efficiency. Finance will also be collaborating with Management to ensure that all relevant parties are involved when negotiating and signing agreements that affect the organization.

(3) Federal Award Findings and Questioned Costs

See items #2010-1, #2010-3, #2010-4 and #2010-5.

We believe that none of the deficiencies noted above in the schedule of findings and questioned costs were considered to be questioned costs. The consolidated financial statements were adjusted to correct the effects of the internal control deficiencies.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Findings and Questioned Costs

June 30, 2010

(4) Status of Prior Year Findings

Item #2009-1 - Board Governance, Accounting Policies / Procedures and Financial Reporting

Criteria: Management must have a sufficient understanding of financial reporting requirements under GAAP. Further, Management must have a formal financial reporting closing procedure in place for the preparation of consolidated financial statements in accordance with GAAP.

Condition: Management has maintained a functioning level of internal controls in light of its level of human resources, however, more responsibility and comprehensive documentation should be clarified as it relates to Board Governance, Accounting Policies and Procedures relative to Financial Reporting.

Status: Not corrected. See items #2010-01, #2010-3, #2010-4 and #2010-5.



Kevin P. Martin & Associates, P.C.

**Independent Auditors' Report on
Schedule of Expenditures of Federal Awards**

To the Board of Directors of
Vietnamese American Initiative for Development, Inc.

We have audited the consolidated financial statements of Vietnamese American Initiative for Development, Inc. (a nonprofit organization) and Affiliates (the Agency), for the year ended June 30, 2010. That audit was conducted for the purpose of forming an opinion on the basic financial statements of the Agency taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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.

Kevin P. Martin & Associates, P.C.

Braintree, Massachusetts
February 28, 2011

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Major Programs:			
U.S. Department of Housing and Urban Development			
<i>Passed through City of Boston Department of Housing and Community Development</i>			
Community Development Block Grants/Entitlement Grants	14.218		\$ <u>512,322</u>
U.S. Department of Housing and Urban Development			
<i>Passed through City of Boston</i>			
Home Investment Partnerships Programs	14.239		515,000
<i>Passed through Local Initiative and Support Corporation</i>			
Home Investment Partnerships Programs	14.239		12,850
<i>Passed through Enterprise Community Partners</i>			
Home Investment Partnerships Programs	14.239		<u>5,000</u>
			<u>532,850</u>
Total Major Programs			\$ <u><u>1,045,172</u></u>
Non Major Programs:			
U.S. Department of Housing and Urban Development			
<i>Passed through the City of Boston, Department of Neighborhood Development</i>			
<i>Passed through Boston Home Center</i>			
Neighborhood Stabilization Program	14.256		\$ <u>45,000</u>
U.S. Department of Health and Human Services:			
<i>Passed through ACYF/Family and Youth Services Bureau</i>			
Basic Center Grant	93.623		<u>202,258</u>
<i>Passed through Commonwealth of Massachusetts, Department of Early Education and Care</i>			
Child Care and Development Block Grant	93.575		10,215
Child Care Mandatory and Matching Funds of Child Care and Development Fund	93.596		6,824
Child Care and Development Block Grant	93.713 - ARRA		<u>1,425</u>
			<u>18,464</u>
<i>Passed through Commonwealth of Massachusetts, Department of Early Education and Care</i>			
Temporary Assistance for Needy Families	93.558		<u>29,765</u>
			<u>250,487</u>
U.S Environmental Protection Agency, Office of Enforcement and Compliance Assurance			
Environmental Justice Cooperative Agreements Program	66.306		<u>29,167</u>
			<u>29,167</u>
U.S. Department of Agriculture			
<i>Passed through Commonwealth of Massachusetts Department of Education</i>			
Child and Adult Food Care Program	10.558		<u>27,486</u>
			<u>27,486</u>
Total Non Major Programs			\$ <u><u>352,140</u></u>
Total Expenditures of Federal Awards			\$ <u><u>1,397,312</u></u>

See independent auditors' report.

Vietnamese American Initiative for Development, Inc. and Affiliates

Schedule of Expenditures of Federal Awards - continued

For the Year Ended June 30, 2010

Note to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Vietnamese American Initiative for Development, Inc. and Affiliates and is presented on the accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the consolidated financial statements.

See independent auditors' report.

Supplemental Information



Kevin P. Martin & Associates, P.C.

Independent Auditors' Report on Supplemental Information

To the Board of Directors of
Vietnamese American Initiative for Development, Inc.

We have audited the basic consolidated financial statements of Vietnamese American Initiative for Development, Inc. (a nonprofit organization) and Affiliates (the Agency), for the year ended June 30, 2010. That audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Agency taken as a whole. The *Supplemental Information* including the Consolidating Statement of Financial Position, the Consolidating Statement of Activities and the Consolidating Statement of Cash Flows are presented solely for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements, and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Kevin P. Martin & Associates, P.C." in a cursive script.

Braintree, Massachusetts
February 28, 2011

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidating Statement of Financial Position

As of June 30, 2010

	Viet-Aid, Inc.	Development	Rental Properties		Eliminations	Total
			Residential	Commercial		
Assets						
Current Assets						
Cash and cash equivalents	\$ 56,702	\$ 13,164	\$ 23,238	\$ 1,023	\$ -	\$ 94,127
Accounts receivable, net	136,862	-	19,456	8,480	-	164,798
Prepaid expenses	11,999	-	6,717	7,076	-	25,792
Property held for sale	-	277,721	-	-	-	277,721
Total Current Assets	<u>205,563</u>	<u>290,885</u>	<u>49,411</u>	<u>16,579</u>	<u>-</u>	<u>562,438</u>
Fixed Assets						
Land	170,000	-	147,191	-	-	317,191
Land improvements	-	-	114,470	-	-	114,470
Buildings and improvements	4,653,580	-	3,039,278	-	-	7,692,858
Furniture and equipment	85,818	-	-	634	-	86,452
Total Fixed Assets	4,909,398	-	3,300,939	634	-	8,210,971
Less: Accumulated depreciation	(961,508)	-	(600,869)	(63)	-	(1,562,440)
Net Fixed Assets	<u>3,947,890</u>	<u>-</u>	<u>2,700,070</u>	<u>571</u>	<u>-</u>	<u>6,648,531</u>
Other Assets						
Restricted cash and reserves	-	14,009	65,965	-	-	79,974
Property under development	-	1,390,862	-	-	-	1,390,862
Note and interest receivable	-	48,864	-	-	-	48,864
Due from affiliates	340,672	139,191	10,055	48,297	(501,338)	36,877
Tenant security deposits	3,324	9,390	19,911	14,082	(3,324)	43,383
Financing fees, net of amortization	-	-	48,164	-	-	48,164
Total Other Assets	<u>343,996</u>	<u>1,602,316</u>	<u>144,095</u>	<u>62,379</u>	<u>(504,662)</u>	<u>1,648,124</u>
Total Assets	<u>\$ 4,497,449</u>	<u>\$ 1,893,201</u>	<u>\$ 2,893,576</u>	<u>\$ 79,529</u>	<u>\$ (504,662)</u>	<u>\$ 8,859,093</u>
Liabilities and Net Assets						
Current Liabilities						
Accounts payable	\$ 106,332	\$ 750	\$ 19,860	\$ 13,335	\$ -	\$ 140,277
Development costs payable	-	259,742	-	-	-	259,742
Accrued expenses	110,881	-	14,717	11,987	-	137,585
Accrued interest, current portion	17,102	4,297	-	2,465	-	23,864
Mortgage and notes payable, current portion	-	-	367,297	11,265	-	378,562
Prepaid rent	-	-	1,087	-	-	1,087
Tenant security deposits payable	-	9,390	17,311	13,390	(3,324)	36,767
Total Current Liabilities	<u>234,315</u>	<u>274,179</u>	<u>420,272</u>	<u>52,442</u>	<u>(3,324)</u>	<u>977,884</u>
Long-Term Liabilities						
Accrued interest, net of current portion	-	-	107,202	-	-	107,202
Mortgage and notes payable, net of current portion	230,216	1,036,931	2,770,756	421,619	-	4,459,522
Due to affiliates	177,895	308,698	13,470	1,275	(501,338)	-
Total Long-Term Liabilities	<u>408,111</u>	<u>1,345,629</u>	<u>2,891,428</u>	<u>422,894</u>	<u>(501,338)</u>	<u>4,566,724</u>
Total Liabilities	<u>642,426</u>	<u>1,619,808</u>	<u>3,311,700</u>	<u>475,336</u>	<u>(504,662)</u>	<u>5,544,608</u>
Net Assets						
Unrestricted net assets	3,823,825	273,393	(418,124)	(395,807)	-	3,283,287
Temporarily restricted net assets	31,198	-	-	-	-	31,198
Total Net Assets	<u>3,855,023</u>	<u>273,393</u>	<u>(418,124)</u>	<u>(395,807)</u>	<u>-</u>	<u>3,314,485</u>
Total Liabilities and Net Assets	<u>\$ 4,497,449</u>	<u>\$ 1,893,201</u>	<u>\$ 2,893,576</u>	<u>\$ 79,529</u>	<u>\$ (504,662)</u>	<u>\$ 8,859,093</u>

See independent auditors' report.

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidating Statement of Activities

For the Year Ended June 30, 2010

	Viet-Aid, Inc.	Development *	Rental Properties		Eliminations	Total
			Residential **	Commercial ***		
Operating Revenue						
Program service fees	\$ 792,839	\$ -	\$ -	\$ -	\$ -	\$ 792,839
Rental revenue	-	12,918	208,996	231,375	(93,528)	359,761
Contributions and grants	182,550	-	-	-	-	182,550
Interest and other revenue	27,227	4,155	169	4	-	31,555
Proceeds from sale of property	-	640,000	-	-	-	640,000
Less: Cost of property sold	-	(743,270)	-	-	-	(743,270)
Net gain on sale of property	-	(103,270)	-	-	-	(103,270)
Total Operating Revenue	1,002,616	(86,197)	209,165	231,379	(93,528)	1,263,435
Operating Expenses						
Program services	926,413	8,868	326,018	201,278	(80,036)	1,382,541
General and administrative	405,652	265	18,202	10,412	(13,492)	421,039
Total Operating Expenses	1,332,065	9,133	344,220	211,690	(93,528)	1,803,580
Change in Net Assets	\$ (329,449)	\$ (95,330)	\$ (135,055)	\$ 19,689	\$ -	\$ (540,145)
Net Assets, Beginning of Year	\$ 4,184,472	\$ 368,723	\$ (283,069)	\$ (415,496)	\$ -	\$ 3,854,630
Change in net assets	(329,449)	(95,330)	(135,055)	19,689	-	(540,145)
Net Assets, End of Year	\$ 3,855,023	\$ 273,393	\$ (418,124)	\$ (395,807)	\$ -	\$ 3,314,485
Change in Unrestricted Net Assets						
Unrestricted Net Assets, Beginning of Year	\$ 4,115,659	\$ 368,723	\$ (298,069)	\$ (415,496)	\$ -	\$ 3,770,817
Operating income (loss)	(348,647)	(95,330)	(135,055)	19,689	-	(559,343)
Net assets released from restrictions	56,813	-	15,000	-	-	71,813
Unrestricted Net Assets, End of Year	3,823,825	273,393	(418,124)	(395,807)	-	3,283,287
Change in Temporarily Restricted Net Assets						
Temporarily Restricted Net Assets, Beginning of Year	68,813	-	15,000	-	-	83,813
Temporarily restricted contributions and grants	19,198	-	-	-	-	19,198
Net assets released from restrictions	(56,813)	-	(15,000)	-	-	(71,813)
Temporarily Restricted Net Assets, End of Year	31,198	-	-	-	-	31,198
Total Net Assets, End of Year	\$ 3,855,023	\$ 273,393	\$ (418,124)	\$ (395,807)	\$ -	\$ 3,314,485

* - Development includes Bloomfield Gardens Limited Partnership and Field's Corner Housing Corporation development activity.

** - Residential rental properties include 7 Toledo Terrace, 17-23 Faulkner Street and 1392 Dorchester Avenue LLC.

*** - Commercial rental property includes Vietnamese Community Center LLC.

See independent auditors' report.

Vietnamese American Initiative for Development, Inc. and Affiliates

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2010

Cash Flows from Operating Activities	Viet-Aid, Inc.	Development	Rental Properties		Eliminations	Total
			Residential	Commercial		
Change in Net Assets	\$ (329,449)	\$ (95,330)	\$ (135,055)	\$ 19,689	\$ -	\$ (540,145)
Adjustments to reconcile change in net assets to net cash provided by operating activities						
Depreciation	117,117	-	133,137	63	-	250,317
Amortization	-	-	618	-	-	618
Interest income earned on restricted deposits	-	(26)	(88)	-	-	(114)
Decrease (increase) in assets						
Accounts receivable, net	40,078	-	(3,819)	(8,400)	-	27,859
Prepaid expenses	(5,746)	-	(2,475)	(2,241)	-	(10,462)
Property held for sale	-	244,775	-	-	-	244,775
Property under development	-	(39,891)	-	-	-	(39,891)
Due from affiliates	338,466	23,586	(2,162)	(3,453)	-	356,437
Tenant security deposits	-	(9,390)	(1,259)	(1,507)	-	(12,156)
Increase (decrease) in liabilities						
Accounts payable	(17,219)	-	20,517	1,808	-	5,106
Development costs payable	-	(74,155)	-	-	-	(74,155)
Accrued expenses	27,965	(12,770)	(3,936)	(4,333)	-	6,926
Accrued interest	12,102	-	11,710	-	-	23,812
Prepaid rent	-	-	803	-	-	803
Tenant security deposits payable	-	9,390	569	-	-	9,959
Due to affiliates	97,436	(327)	-	-	-	97,109
Net Cash Provided by Operating Activities	280,750	45,862	18,560	1,626	-	346,798
Cash Flows from Investing Activities						
Purchase of fixed assets	(85,005)	-	(6,861)	(634)	-	(92,500)
Deposits into restricted cash and reserves	-	(13,983)	(11,925)	-	-	(25,908)
Withdrawals from restricted cash and reserves	-	-	21,251	-	-	21,251
Net Cash (Used in) Provided by Investing Activities	(85,005)	(13,983)	2,465	(634)	-	(97,157)
Cash Flows from Financing Activities						
Repayments of mortgages and notes payable	-	(37,050)	(24,123)	(7,411)	-	(68,584)
Proceeds from mortgages and notes payable	104,041	18,332	-	-	-	122,373
Repayments on line of credit	(250,000)	-	-	-	-	(250,000)
Net Cash Used in Financing Activities	(145,959)	(18,718)	(24,123)	(7,411)	-	(196,211)
Net Increase (Decrease) in Cash and Cash Equivalents	49,786	13,161	(3,098)	(6,419)	-	53,430
Cash and Cash Equivalents - Beginning	6,916	3	26,336	7,442	-	40,697
Cash and Cash Equivalents - Ending	\$ 56,702	\$ 13,164	\$ 23,238	\$ 1,023	\$ -	\$ 94,127
Supplement Disclosure of Cash Flow Information						
Cash paid during the year for interest expensed	\$ 1,406	\$ -	\$ 36,402	\$ 29,159	\$ -	\$ 66,967
Cash paid during the year for interest capitalized	\$ -	\$ 34,325	\$ -	\$ -	\$ -	\$ 34,325

Noncash Investing and Financing Activities

See Note #11.

See independent auditors' report.