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Eisner LLP
Accountants and Advisors

**WEST SIDE FEDERATION FOR SENIOR
AND SUPPORTIVE HOUSING, INC.
AND CERTAIN AFFILIATES**

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009 and 2008

Eisner

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INDEPENDENT AUDITORS' REPORT

Board of Directors
West Side Federation for Senior and Supportive Housing, Inc.
New York, New York

We have audited the accompanying consolidated statements of financial position of West Side Federation for Senior and Supportive Housing, Inc. and certain affiliates (the "Organization") as of June 30, 2009 and 2008, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits.

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

In our opinion, the consolidated financial statements enumerated above present fairly, in all material respects, the financial position of West Side Federation for Senior and Supportive Housing, Inc. and certain affiliates as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
December 14, 2009

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Consolidated Statements of Financial Position

	June 30,	
	<u>2009</u>	<u>2008</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,031,658	\$ 1,566,677
Grants and government contracts receivable	808,989	570,629
Receivable from affiliates	1,095,563	1,136,141
Rents receivable, net	173,908	131,741
Advances receivable from residents, net	32,069	51,454
Other receivables	165,024	150,574
Prepaid expenses	<u>215,971</u>	<u>227,609</u>
Total current assets	4,523,182	3,834,825
Reserves and escrow	1,154,599	1,311,363
Security deposits	19,110	22,030
Investment in partnership	4,017,659	4,060,620
Property and equipment	33,195,297	33,726,431
Deferred financing cost	<u>644,491</u>	<u>683,873</u>
	<u>\$ 43,554,338</u>	<u>\$ 43,639,142</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 975,255	\$ 1,481,973
Due to residents	799,181	803,206
Tenants' security deposits held	135,954	115,963
Payable to affiliates		26,728
Rents received in advance	69,802	66,270
Long-term debt - current portion	<u>409,185</u>	<u>542,596</u>
Total current liabilities	2,389,377	3,036,736
Long-term debt	15,872,707	15,661,425
Bonds payable	<u>12,825,000</u>	<u>13,025,000</u>
Total liabilities	<u>31,087,084</u>	<u>31,723,161</u>
Commitments and contingencies (Note P)		
Net assets:		
Unrestricted	12,288,067	11,833,074
Temporarily restricted	<u>179,187</u>	<u>82,907</u>
Total net assets	<u>12,467,254</u>	<u>11,915,981</u>
	<u>\$ 43,554,338</u>	<u>\$ 43,639,142</u>

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Consolidated Statements of Activities

	Year Ended June 30, 2009			Year Ended June 30, 2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and grants	\$ 721,160	\$ 164,577	\$ 885,737	\$ 562,544	\$ 22,749	\$ 585,293
Government contracts	7,049,052		7,049,052	6,837,003		6,837,003
Rental income	7,033,704		7,033,704	6,483,879		6,483,879
Management and other fees	1,015,122		1,015,122	1,064,345		1,064,345
Overhead income	86,115		86,115	86,021		86,021
Development fee income	305,000		305,000	78,202		78,202
Income from partnership	628,879		628,879	498,359		498,359
Interest and other income	78,517		78,517	72,721		72,721
	<u>16,917,549</u>	<u>164,577</u>	<u>17,082,126</u>	<u>15,683,074</u>	<u>22,749</u>	<u>15,705,823</u>
Total public support and revenue before net assets released from restrictions						
Net assets released from restrictions	<u>68,297</u>	<u>(68,297)</u>	<u>0</u>	<u>2,350</u>	<u>(2,350)</u>	<u>0</u>
Total public support and revenue	<u>16,985,846</u>	<u>96,280</u>	<u>17,082,126</u>	<u>15,685,424</u>	<u>20,399</u>	<u>15,705,823</u>
Expenses:						
Program services:						
Social services and residential care	6,566,544		6,566,544	6,415,700		6,415,700
Housing	6,707,400		6,707,400	6,342,316		6,342,316
Total program services	<u>13,273,944</u>		<u>13,273,944</u>	<u>12,758,016</u>		<u>12,758,016</u>
Supporting services:						
Management and general	1,842,712		1,842,712	1,637,724		1,637,724
Fund-raising	42,295		42,295	39,118		39,118
Total supporting services	<u>1,885,007</u>		<u>1,885,007</u>	<u>1,676,842</u>		<u>1,676,842</u>
Total expenses before amortization and depreciation	<u>15,158,951</u>		<u>15,158,951</u>	<u>14,434,858</u>		<u>14,434,858</u>
Change in net assets before amortization and depreciation	1,826,895	96,280	1,923,175	1,250,566	20,399	1,270,965
Amortization and depreciation expense	<u>1,371,902</u>		<u>1,371,902</u>	<u>1,143,678</u>		<u>1,143,678</u>
Change in net assets	454,993	96,280	551,273	106,888	20,399	127,287
Net assets - beginning of year, as restated	<u>11,833,074</u>	<u>82,907</u>	<u>11,915,981</u>	<u>11,726,186</u>	<u>62,508</u>	<u>11,788,694</u>
Net assets - end of year	<u>\$ 12,288,067</u>	<u>\$ 179,187</u>	<u>\$ 12,467,254</u>	<u>\$ 11,833,074</u>	<u>\$ 82,907</u>	<u>\$ 11,915,981</u>

See notes to consolidated financial statements

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2009**

(with summarized financial information for June 30, 2008)

	Program Services			Supporting Services			Total Expenses	
	Social and Supportive Services	Housing	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2009	2008
Salaries and temporary employees	\$ 4,338,822	\$ 2,936,536	\$ 7,275,358	\$ 1,285,963	\$ 32,551	\$ 1,318,514	\$ 8,593,872	\$ 8,015,178
Payroll taxes and employee benefits	<u>1,087,120</u>	<u>795,520</u>	<u>1,882,640</u>	<u>242,888</u>	<u>7,191</u>	<u>250,079</u>	<u>2,132,719</u>	<u>2,091,483</u>
Total salaries and related expenses	5,425,942	3,732,056	9,157,998	1,528,851	39,742	1,568,593	10,726,591	10,106,661
Professional fees and contract service payments	206,342	83,585	289,927	120,091		120,091	410,018	439,667
Telephone and telecommunications	30,878	44,507	75,385	12,205	311	12,516	87,901	87,437
Administrative expenses	57,657	95,263	152,920	89,326	1,347	90,673	243,593	201,531
Insurance	45,408	134,895	180,303	8,525	157	8,682	188,985	207,428
Lease expenses	37,611	46,638	84,249				84,249	46,638
Real estate taxes		4,208	4,208				4,208	38,537
Interest and finance charges	220	991,673	991,893	29,625		29,625	1,021,518	1,075,538
Food	293,114	366,410	659,524	666		666	660,190	635,239
Utilities	127,639	600,103	727,742				727,742	569,153
Supplies	91,765	162,262	254,027	26,753	670	27,423	281,450	259,329
Equipment, maintenance and repairs	53,032	331,819	384,851	3,848	68	3,916	388,767	414,109
Social and recreation expense	51,026	82,285	133,311	645		645	133,956	136,259
Michalski housing expenses	145,910		145,910				145,910	144,678
Bad debt expense		<u>31,696</u>	<u>31,696</u>	<u>22,177</u>		<u>22,177</u>	<u>53,873</u>	<u>72,654</u>
Total expenses before amortization and depreciation	6,566,544	6,707,400	13,273,944	1,842,712	42,295	1,885,007	15,158,951	14,434,858
Amortization and depreciation		<u>1,348,918</u>	<u>1,348,918</u>	<u>22,409</u>	<u>575</u>	<u>22,984</u>	<u>1,371,902</u>	<u>1,143,678</u>
	<u>\$ 6,566,544</u>	<u>\$ 8,056,318</u>	<u>\$ 14,622,862</u>	<u>\$ 1,865,121</u>	<u>\$ 42,870</u>	<u>\$ 1,907,991</u>	<u>\$ 16,530,853</u>	<u>\$ 15,578,536</u>

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2008**

	Program Services			Supporting Services			Total Expenses
	Social and Supportive Services	Housing	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	
Salaries and temporary employees	\$ 4,231,732	\$ 2,596,977	\$ 6,828,709	\$ 1,156,762	\$ 29,707	\$ 1,186,469	\$ 8,015,178
Payroll taxes and employee benefits	<u>1,091,280</u>	<u>746,316</u>	<u>1,837,596</u>	<u>246,947</u>	<u>6,940</u>	<u>253,887</u>	<u>2,091,483</u>
Total salaries and related expenses	5,323,012	3,343,293	8,666,305	1,403,709	36,647	1,440,356	10,106,661
Professional fees and contract service payments	216,340	116,070	332,410	107,257		107,257	439,667
Telephone and telecommunications	30,116	42,389	72,505	14,557	375	14,932	87,437
Administrative expenses	47,917	147,462	195,379	4,914	1,238	6,152	201,531
Insurance	54,346	147,407	201,753	5,572	103	5,675	207,428
Lease expenses		46,638	46,638				46,638
Real estate taxes		38,537	38,537				38,537
Interest and finance charges		1,022,267	1,022,267	53,271		53,271	1,075,538
Food	269,474	364,531	634,005	1,234		1,234	635,239
Utilities	116,666	452,487	569,153				569,153
Supplies	77,821	150,498	228,319	30,264	746	31,010	259,329
Equipment, maintenance and repairs	70,170	341,662	411,832	2,268	9	2,277	414,109
Social and recreation expense	65,160	71,045	136,205	54		54	136,259
Michalski housing expenses	144,678		144,678				144,678
Bad debt expense		<u>58,030</u>	<u>58,030</u>	<u>14,624</u>		<u>14,624</u>	<u>72,654</u>
Total expenses before amortization and depreciation	6,415,700	6,342,316	12,758,016	1,637,724	39,118	1,676,842	14,434,858
Amortization and depreciation		<u>1,123,106</u>	<u>1,123,106</u>	<u>20,050</u>	<u>522</u>	<u>20,572</u>	<u>1,143,678</u>
	<u>\$ 6,415,700</u>	<u>\$ 7,465,422</u>	<u>\$ 13,881,122</u>	<u>\$ 1,657,774</u>	<u>\$ 39,640</u>	<u>\$ 1,697,414</u>	<u>\$ 15,578,536</u>

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Consolidated Statements of Cash Flows

	<u>Year Ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 551,273	\$ 127,287
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,371,902	1,143,678
Change in reserve for bad debt	53,874	72,653
Changes in:		
Grants and government contracts receivable	(238,360)	521,300
Receivable from affiliates	(13,296)	(321,827)
Rents receivable	(42,167)	(38,119)
Advances receivable from residents	19,385	41,876
Other receivables	(14,450)	(62,470)
Prepaid expenses	11,638	(61,075)
Accounts payable and accrued expenses	(506,718)	(307,800)
Due to residents	(4,025)	240,818
Tenants' security deposits held	19,991	205
Payable to affiliates	(26,728)	26,728
Rents received in advance	<u>3,532</u>	<u>(19,145)</u>
Net cash provided by operating activities	<u>1,185,851</u>	<u>1,364,109</u>
Cash flows from investing activities:		
Purchases of property and equipment	(801,386)	(2,849,198)
Investment in partnership	42,961	(57,251)
Changes in reserves and escrow	156,764	(26,564)
Security deposit paid	<u>2,920</u>	<u>6,525</u>
Net cash used in investing activities	<u>(598,741)</u>	<u>(2,926,488)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable		115,230
Proceeds from issuance of mortgage loan payable	601,845	2,703,074
Capitalized financing costs		
Principal payments on mortgage loan payable	(55,027)	(51,368)
Principal payments on notes payable	(468,947)	(521,810)
Principal payments on bonds payable	<u>(200,000)</u>	<u>(200,000)</u>
Net cash (used in) provided by financing activities	<u>(122,129)</u>	<u>2,045,126</u>
Net increase in cash and cash equivalents	464,981	482,747
Cash and cash equivalents - beginning of year	<u>1,566,677</u>	<u>1,083,930</u>
Cash and cash equivalents - end of year	<u>\$ 2,031,658</u>	<u>\$ 1,566,677</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,024,597	\$ 1,030,322

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

West Side Federation for Senior and Supportive Housing, Inc. ("WSFSSH") is a not-for-profit housing development corporation committed to developing and managing housing for low-income, elderly, disabled and homeless persons and providing them with supportive services. As described in the accompanying notes, WSFSSH is affiliated with, and has transactions with, a number of entities. The financial position, changes in net assets, and cash flows of certain of those entities are required to be consolidated with those of WSFSSH, in accordance with accounting principles generally accepted in the United States of America, while others are not. Accordingly, the accompanying consolidated financial statements include the financial statements of WSFSSH and the following certain entities (together, the "Organization"):

Marseilles LLC ("Marseilles") is organized as a limited liability company to acquire and operate real property. WSFSSH is the sole member of Marseilles.

West Side Special Housing Development Fund Corporation ("West Side Special") is a not-for-profit housing development fund corporation organized exclusively for the charitable purpose of developing, operating and managing housing projects for low-income persons. West Side Special is funded primarily by a variety of government sources.

WSFSSH and West Side Special share common members of their respective boards of directors. In addition, WSFSSH has use-agreements with West Side Special for several real estate properties owned and reflected on the books of West Side Special, including West 74th Street Home, 129th Street Residence, Valley Lodge Transitional Shelter, Revella, One Twenties Cluster and 459 West 147th Street. WSFSSH uses these properties for its housing programs.

West Side Special has a 99% limited-partnership interest in One Forty Nine Housing Company. This interest, which was previously held by National Equity Fund 1987 Partnership ("NEF"), was transferred to West Side Special at no cost under an agreement dated September 2003. The general partner of One Forty Nine Housing Company is Federation Housing Support Services, Inc. ("FHSS"), an affiliated entity.

WSFSSH has been determined to be a publicly-supported organization which is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). For income tax purposes, Marseilles is a non-reporting entity whose sole member is WSFSSH. Consequently, Marseilles reports all of its activities as part of WSFSSH, and is also exempt from income taxes under Section 501(c)(3) of the Code. West Side Special is exempt under Section 501(c)(2) of the Code.

All intercompany accounts and transactions have been eliminated in consolidation.

[2] Basis of accounting:

The accompanying consolidated financial statements of the Organization have been prepared using the accrual basis of accounting and conform to generally accepted accounting principles, as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[4] Functional allocation of expenses:

The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying consolidated statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by the Organization's management.

[5] Cash and cash equivalents:

For financial-reporting purposes, the Organization considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. Cash also includes amounts which are held by the Organization for its tenants. Restricted cash for fiscal years ended June 30, 2009 and June 30, 2008 was \$799,181 and \$803,206, respectively. This is included in due to residents.

[6] Property and equipment:

Property and equipment are reported at their original costs or their fair values on the dates of donation. Depreciation is provided over the estimated useful lives of these assets, which range from 5 to 31.5 years. Likewise, leasehold improvements are amortized over the term of the underlying leases. Depreciation and amortization are calculated using the straight-line method.

[7] Accrued vacation:

Based on their tenure and an annual carryover provision, the Organization's employees are entitled to be paid for unused vacation time if they leave the Organization's employ. Accordingly, at each year-end, the Organization must recognize a liability for the amount that would be incurred if employees with such unused vacation were to leave. At June 30, 2009 and 2008, this accrued vacation was approximately \$62,000 and \$69,000, respectively.

[8] Net assets:

The Organization's net assets and changes therein are classified and reported as follows:

(a) Unrestricted:

Unrestricted net assets represent those resources that have no donor restrictions as to their use.

(b) Temporarily restricted:

Temporarily restricted net assets represent those resources the use of which has been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor or the occurrence of other events. Temporarily restricted contributions and grants, the requirements of which are met in the year of donation, are reported as unrestricted.

[9] Contributions and government grants contracts:

Contributions to support the Organization's operations are recognized as unrestricted. Contributions which support future operations or donor-restricted purposes are reflected as temporarily restricted contributions in the accompanying consolidated financial statements. All contributions are recognized at their fair values at the dates received. Revenues from government contracts and grants are recognized when costs are incurred or services have been performed. Contracts and grants received in advance are recorded as advances from governmental agencies, and revenue is deferred until the related expenses are incurred.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Fees and rental revenue:

Fees and rental revenue are recognized based upon services rendered in accordance with contractual provisions. Rental income relating to the current year is recognized as revenue in the current year. The recognition of revenue related to rents received in advance is deferred until the following year.

[11] Funds held on behalf of residents:

Funds held on behalf of residents represent cash held by the Organization which is used to pay living expenses on their behalf.

[12] Income tax:

In fiscal-year 2010, the Organization will adopt Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). Due to the Organization's general tax-exempt status, FIN 48 is not expected to have a material effect on its financial statements.

[13] Subsequent events:

The Organization considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

[14] Restatement of prior year's balances:

Effective July 1, 2007, the Organization revised the accumulated depreciation on one of its buildings to adjust the amount of depreciation previously calculated through June 30, 2007. As a result, the balance of net assets at July 1, 2007 increased by \$641,638, and the change in net assets for fiscal-year 2008 increased by \$256,655. Also, certain information in prior-year's financial statements has been reclassified to conform to the current-year's presentation.

NOTE B - GRANTS AND GOVERNMENT CONTRACTS RECEIVABLE

At each fiscal year-end, amounts due to the Organization from governmental agencies, in support of client services and under the terms of agreements signed with various federal, state and city agencies, were as follows:

	June 30,	
	<u>2009</u>	<u>2008</u>
Federal	\$ 181,479	\$ 66,758
New York State	296,734	106,176
New York City	<u>330,776</u>	<u>397,695</u>
	<u>\$ 808,989</u>	<u>\$ 570,629</u>

Based on prior history, management considers these receivables to be fully collectible; accordingly, no allowance for doubtful amounts has been established.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE C - RELATED-PARTY TRANSACTIONS

[1] Property management:

The following not-for-profit corporations share common members of their respective boards of directors with the Organization. The Organization provides centralized accounting, property management and/or social services functions to these corporations, although the criteria for consolidation is not present.

- 1) Westbourne Housing Development Fund Company, Inc.
- 2) WSA Housing Development Fund Company, Inc.
- 3) K & L Housing Development Fund Company, Inc.
- 4) Euclid Hall Housing Development Fund Company, Inc.
- 5) Frederic Fleming Housing Development Fund Corporation

In December 2009, the partners of Westbourne Associates, LP, transferred their partnership interest to Westbourne Housing Development Fund Company, Inc.

In addition, the following organizations, which are affiliated with the Organization, serve as general partners in certain limited partnerships related to buildings sponsored by the Organization. The Organization performs centralized accounting, property management and/or social services functions for these limited partnerships, although the criteria for consolidation is not present.

- 1) Federation Housing Support Services, Inc., general partner for:
Manhattan West Associates, LP
One Forty Nine Housing Company
- 2) Nine Thirty Housing Company, Inc., general partner for:
Westbourne Associates, LP
- 3) 2345 Housing Company, Inc., general partner for:
Euclid Hall Associates, LP
- 4) PSS/WSF Housing Development Fund Company, Inc., general partner for:
PSS/WSF Housing Company, LP
- 5) Ben Michalski Housing Development Fund Company, Inc., general partner for:
Two Hundred Six Associates, LP
- 6) One Hundred Forty Housing Company, Inc., general partner for:
One Hundred Forty Associates, LP
- 7) Claremont Park Housing Company, Inc., general partner for:
Claremont Park Associates, LP
- 8) West Eighties Housing Company, Inc., general partner for:
West Eighties Associates, LP

Management and social-service and consulting fees for each of the fiscal-years 2009 and 2008 were \$1,015,122 and \$1,064,345, respectively.

[2] Loan agreement:

The Organization entered into a loan agreement with Euclid Hall Associates, LP (see Note L). The general partner of Euclid Hall Associates, LP is 2345 Housing Company, Inc., an affiliate of WSFSSH.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Notes to Consolidated Financial Statements
June 30, 2009 and 2008**

NOTE D - AFFILIATE RECEIVABLES/PAYABLES

As described in Note A[1], the Organization is affiliated with numerous entities the financial statements of many of which have not been included in the accompanying consolidated financial statements. At each fiscal year-end, amounts due to and from affiliates were as follows:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
<u>Receivables</u>		
West Eighties Associates, LP	\$ 211,001	\$ 385,352
K & L HDFC, Inc.	261,322	291,035
Two Hundred Six Associates, LP	193,031	132,046
PSS/WSF Housing Company, LP	126,860	118,945
Manhattan West Associates, LP	90,667	94,270
WSA HDFC, Inc.	9,332	54,406
One Forty Nine Housing Company	18,188	29,475
Westbourne Associates, LP	41,703	14,282
One Hundred Forty Associates, LP	8,941	12,431
Federation Housing Support Services, Inc.	243	3,664
PSS/WSF HDFC, Inc.		235
Claremont Park Associates, LP	65,604	
Euclid Hall Associates, LP	68,671	
	<u>\$ 1,095,563</u>	<u>\$ 1,136,141</u>
<u>Payables</u>		
Claremont Park Associates, LP		\$ 14,202
Euclid Hall Associates, LP		<u>12,526</u>
		<u>\$ 26,728</u>

NOTE E - RENTS RECEIVABLE

At June 30, 2009 and 2008, net rents receivable, consisted of balances due to the Organization from tenants and government subsidies. All amounts were due within one year. Based on management's past experience, approximately \$99,287 and \$106,600 have been reserved for an allowance for uncollectible accounts for fiscal-years 2009 and 2008, respectively.

NOTE F - ADVANCES RECEIVABLE FROM RESIDENTS

At June 30, 2009 and 2008, net advances receivable, net from residents, consisted of balances due to the Organization from residents. All amounts are due within one year. Based on management's past experience, approximately \$41,000 has been reserved for doubtful collections in both fiscal years 2009 and 2008.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE G - INVESTMENT IN PARTNERSHIP

In 2002, WSFSSH acquired a 45% limited-partnership interest in Manhattan West Associates LP, a New York limited partnership. The investment in the partnership is accounted for using the equity method. The value of the investment in the partnership as of June 30, 2009 and 2008 was \$4,017,659 and \$4,060,620, respectively. In fiscal-year 2009 and 2008, WSFSSH recognized \$628,879 and \$498,359, respectively, of partnership income, net of an amortization charge for the excess of cost over the underlying equity. WSFSSH received a distribution of \$671,840 and \$441,008 from the partnership in fiscal-year 2009 and 2008, respectively.

To finance the purchase of the partnership interest, WSFSSH borrowed \$1,806,011 from Euclid Hall Associates LP, an affiliated organization (see related Notes C, D and L).

NOTE H - RESERVES AND ESCROW

In accordance with the provisions of the Organization's regulatory agreements, reserves and escrow are to be used for the replacement of property and equipment and repayment of bonds. The use of these funds requires prior approval from the applicable regulatory agency.

At each fiscal year-end, reserves and escrow consisted of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
NYC HPD - Operating Reserve for WSFSSH	\$ 30,783	\$ 29,773
WSFSSH - Reserve for Fania Gersham Apts	92,287	91,989
459 W. 147th Street - Water and Sewer Escrow	(19)	2,088
459 W. 147th Street - Replacement Reserve	5,437	3,088
Revella - Replacement Reserve	59,696	47,451
Marseilles - Principal Reserve Fund	123,942	95,530
Marseilles - Replacement Reserve	<u>842,473</u>	<u>1,041,444</u>
	<u>\$ 1,154,599</u>	<u>\$ 1,311,363</u>

NOTE I - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 7,058,020	\$ 7,058,020
Buildings and leasehold improvements	33,254,534	27,462,394
Equipment	1,374,493	1,166,519
Furniture	<u>315,097</u>	<u>233,889</u>
	42,002,144	35,920,822
Less accumulated depreciation	<u>8,806,847</u>	<u>7,474,327</u>
	33,195,297	28,446,495
Construction-in-progress	<u>33,195,297</u>	<u>5,279,936</u>
	<u>\$ 33,195,297</u>	<u>\$ 33,726,431</u>

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Notes to Consolidated Financial Statements
June 30, 2009 and 2008**

NOTE I - PROPERTY AND EQUIPMENT (CONTINUED)

Construction-in-progress relates to the renovation of the One Twenties Cluster project in New York City, which was completed and placed in service during fiscal-year 2009.

For fiscal-years 2009 and 2008, depreciation expense was \$1,332,520 and \$1,104,295, respectively.

NOTE J - DEFERRED FINANCING COST

At each fiscal year-end, deferred financing cost related to Marseilles consisted of the following:

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Deferred financing cost	\$ 799,242	\$ 799,242
Less accumulated amortization	<u>(154,751)</u>	<u>(115,369)</u>
	<u>\$ 644,491</u>	<u>\$ 683,873</u>

Amortization expense was \$39,382 and \$39,383 for the fiscal-years 2009 and 2008, respectively.

NOTE K - BONDS PAYABLE - NEW YORK CITY MULTI-FAMILY MORTGAGE REVENUE BONDS

The New York City Housing Development Corporation ("HDC") issued \$13,625,000 in tax-exempt, multi-family mortgage revenue bonds (2004 Series A) on behalf of Marseilles. The bonds have a term of 30 years. Under an interest-rate-swap arrangement with Citigroup, the bonds carry an interest rate of 4.06%. The swap interest rate will be renegotiated at the end of 15 years. Citigroup is also providing credit enhancement for the bonds through a letter of credit. Including the letter of credit fee charged by Citigroup, as well as other servicing fees, the overall effective rate of the bonds is approximately 5.36% for the first fifteen years. Under the terms of the arrangement with HDC and Citigroup, Marseilles must make certain monthly principal payments into a principal reserve fund which is held in trust for the bondholders at Deutsche Bank, the trustee. Furthermore, to the extent that at least \$100,000 has accumulated in the principal reserve fund, on each February 1, May 1, August 1 and November 1, all amounts in the principal reserve fund, rounded down to the nearest multiple of \$100,000, are transferred by the trustee into a redemption account where the monies are used on the first day of the next succeeding March, June, September and December to redeem the bonds. At both June 30, 2009 and 2008, cash and cash equivalents of \$123,942 and \$95,530, respectively, were restricted for debt service. The bond balance at June 30, 2009 and 2008 was \$12,825,000 and \$13,025,000, respectively.

Minimum annual future payments under the loan agreements, for years subsequent to June 30, 2009, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 238,835
2011	251,956
2012	265,798
2013	280,400
2014	295,805
Thereafter	<u>11,492,206</u>
	<u>\$ 12,825,000</u>

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Notes to Consolidated Financial Statements
June 30, 2009 and 2008**

NOTE L - LONG-TERM DEBT

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Mortgage loans payable to the City of New York Department of Housing Preservation and Development ("HPD"):		
Mortgage loan payable, bearing interest at 1%, secured by a general assignment of leases and rents to HPD on the building located at 300 Amsterdam Avenue, New York City, due in December 2021	\$ 3,107,778	\$ 3,107,778
Mortgage loan payable, bearing interest at 1%, secured by an encumbrance on the property located at 109 West 129 th Street, New York City, due in April 2032	1,405,991	1,405,991
Mortgage loan payable, bearing interest at 1%, secured by a mortgage encumbering the property and improvements located at 307 West 116 th Street, New York City, due in June 2033	<u>1,712,585</u>	<u>1,712,585</u>
Total mortgage loans payable to HPD	6,226,354	6,226,354
Loan payable to Euclid Hall Associates, LP in 14 semi-annual payments of principal and interest at 6% per annum commencing November 1, 2003. The note matures May 1, 2010. The loan is collateralized by the assignment of WSFSSH's partnership interest in Manhattan West Associates, L.P.	305,925	594,288
Loan payable, unsecured, non-interest bearing, to Deutsche Bank Americas Foundation, \$25,000 due October 15, 2009, 2010 and 2011	75,000	100,000
Mortgage loan payable to United States Department of Housing and Urban Development (HUD) non-interest bearing and secured by a mortgage encumbering the property and improvements for the One Twenties Cluster project, due in 2036	5,217,441	4,615,596
Three mortgage loans payable to Community Preservation Corporation and NYC Department of Housing Preservation and Development, secured by liens on the property located at 459 West 147 th Street, New York City. At June 30, 2009 the loans consisted of 1) \$214,678 loan, bearing interest of 6.27%, amortized over 25 years; 2) \$291,050 loan bearing, interest of 1%, amortized over 30 years (with a step-up in years 26-30); 3) \$302,500 HOME loan, bearing no interest. At June 30, 2008 the loans consisted of 1) \$218,840 loan, bearing interest of 6.27%, amortized over 25 years; 2) \$294,875 loan, bearing interest of 1%, amortized over 30 years (with a step-up in years 26-30); 3) \$302,500 HOME loan, bearing no interest.	808,228	816,215

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Notes to Consolidated Financial Statements
June 30, 2009 and 2008**

NOTE L - LONG-TERM DEBT (CONTINUED)

	<u>June 30,</u>	
	<u>2009</u>	<u>2008</u>
Local Initiatives Support Corporation line of credit totaling \$1,500,000, bearing interest of 3%	\$ 19,300	\$ 174,884
Subordinate note and mortgage loan payable in monthly installments to Citibank, bearing interest of 7.45% secured by a lien on the property located at 230 West 103rd Street, New York City, the Marseilles, due on December 1, 2019	<u>3,629,644</u>	<u>3,676,684</u>
Total long-term debt	16,281,892	16,204,021
Less: current portion	<u>409,185</u>	<u>542,596</u>
	<u>\$ 15,872,707</u>	<u>\$ 15,661,425</u>

Interest on the HPD loans will accrue at the maturity of these loans, and the principal, together with interest, will be due on maturity. However, if the properties are still owned by a not-for-profit organization on the 25th anniversary of the loans, the unpaid principal balance, together with the accrued interest thereon, will be reduced and deemed paid in five annual decrements of 20% of the respective balances.

The required principal payments by the Organization on the above obligations, in each of the five fiscal years subsequent to June 30, 2009, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 409,185
2011	88,191
2012	92,742
2013	72,637
2014	77,903

Interest expense for each of the fiscal-years 2009 and 2008 was \$1,012,197 and \$1,074,194, respectively.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2009 and 2008, net assets of \$179,187 and \$82,907 were temporarily restricted for housing. During fiscal-years 2009 and 2008, net assets in the amounts of \$68,297 and \$2,350 were released from temporary restrictions for housing.

NOTE N - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject WSFSSH to concentrations of credit risk consist principally of cash and cash-equivalent accounts that are deposited in financial institutions in amounts which, from time to time, may exceed federal insurance limits. However, management believes that the Organization does not face a significant risk of loss on these accounts related to the possible failure of these financial institutions.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

Notes to Consolidated Financial Statements June 30, 2009 and 2008

NOTE O - EMPLOYEE BENEFIT PLAN

The Organization maintains a defined-contribution pension plan (the "Plan"), operating under Section 403(b) of the Internal Revenue Code for the benefit of all eligible employees. Plan expenses for fiscal-years 2009 and 2008 were approximately \$189,000 and \$174,000, respectively.

NOTE P - COMMITMENTS AND CONTINGENCIES

[1] Government-funded activities:

Government-funded activities are subject to audit by the applicable funding agencies. At June 30, 2009, there were no material obligations outstanding as a result of such audits, and management believes that unaudited projects would not result in any material obligations.

[2] Asserted claim:

The Organization has retained counsel to represent its interests in connection with a claim by the New York State Workers' Compensation Board that, as a former member of the New York Health Care Facilities Workers' Compensation Trust, it is jointly and severally liable for the obligations of the Trust. The Organization intends to defend vigorously the claim asserted against it. The eventual outcome cannot be determined, and the effect, if any, has not been recorded in the accompanying consolidated financial statements. In the opinion of management and its legal counsel, the complaint is without merit, and, absent discovery, it is difficult to assess any potential success or loss.

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Notes to Consolidated Financial Statements
June 30, 2009 and 2008**

NOTE Q - MARSEILLES LLC FINANCIAL STATEMENTS

The statements of financial position for the affiliate, the financial statements of which are consolidated herein, Marseilles LLC, as of June 30, 2009 and 2008, and the statements of its results of operations for the fiscal years then ended are as follows:

	June 30,	
	2009	2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 97,085	\$ 80,584
Receivable from affiliates	1,909,796	1,152,536
Rents receivable, net	9,687	19,258
Other receivables	1,230	15,892
Prepaid expenses	<u>23,896</u>	<u>3,709</u>
Total current assets	2,041,694	1,271,979
Reserves and escrow	966,448	1,136,974
Security deposits	10,550	10,550
Property and equipment	20,209,536	20,592,497
Deferred financing cost	<u>644,491</u>	<u>683,873</u>
	<u>\$ 23,872,719</u>	<u>\$ 23,695,873</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 113,401	\$ 178,154
Due to residents	32,557	31,257
Rents received in advance	<u>7,288</u>	<u>3,000</u>
Total current liabilities	153,246	212,411
Long-term debt	3,629,644	3,676,684
Bonds payable	<u>12,825,000</u>	<u>13,025,000</u>
Total liabilities	16,607,890	16,914,095
Unrestricted net assets	<u>7,264,829</u>	<u>6,781,778</u>
	<u>\$ 23,872,719</u>	<u>\$ 23,695,873</u>

WEST SIDE FEDERATION FOR SENIOR AND SUPPORTIVE HOUSING, INC. AND CERTAIN AFFILIATES

**Notes to Consolidated Financial Statements
June 30, 2009 and 2008**

NOTE Q - MARSEILLES LLC FINANCIAL STATEMENTS (CONTINUED)

	Year Ended June 30,	
	2009	2008
Income:		
Gross potential rent - tenant	\$ 2,372,625	\$ 2,272,104
Less: vacancy loss	<u>(46,927)</u>	<u>(72,540)</u>
Net residential rent	<u>2,325,698</u>	2,199,564
Gross potential rent - commercial	793,730	604,865
Less: vacancy loss	<u>(118,773)</u>	<u> </u>
Net commercial rent	<u>674,957</u>	604,865
Total rental income	3,000,655	2,804,429
Interest and other income	<u>12,976</u>	<u>27,748</u>
Total income	<u>3,013,631</u>	<u>2,832,177</u>
Operating expenses:		
Salaries	210,112	206,087
Payroll taxes and employment benefits	74,867	75,097
Professional fees	22,552	21,022
Management fees	149,608	138,376
Administrative expenses	12,717	21,108
Real estate taxes	4,208	38,537
Insurance	56,284	65,389
Utilities	262,613	177,659
Supplies	7,249	7,314
Equipment, maintenance and repair	137,552	121,482
Social and recreation expenses	<u>5,816</u>	<u>5,977</u>
Total operating expenses	<u>943,578</u>	<u>878,048</u>
Net operating income before financial and depreciation expense	<u>2,070,053</u>	<u>1,954,129</u>
Financial and depreciation expense:		
Interest and finance charges	972,969	1,004,761
Depreciation and amortization	<u>614,033</u>	<u>605,671</u>
Total financial and depreciation expense	<u>1,587,002</u>	<u>1,610,432</u>
Change in net assets	483,051	343,697
Net assets - beginning of year	<u>6,781,778</u>	<u>6,438,081</u>
Net assets - end of year	<u>\$ 7,264,829</u>	<u>\$ 6,781,778</u>