



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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2010 and 2009

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, 2010 and 2009, 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 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 internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 consolidated financial position of West Side Federation for Senior and Supportive Housing, Inc. and certain affiliates as of June 30, 2010 and 2009, 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.

EisnerAmper LLP

New York, New York
January 27, 2011

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

Consolidated Statements of Financial Position

	June 30,	
	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,425,907	\$ 2,031,658
Grants and government contracts receivable	775,382	808,989
Receivable from affiliates	1,121,479	1,095,563
Rents receivable, net	211,374	173,908
Advances receivable from residents, net	42,259	32,069
Other receivables	203,017	165,024
Prepaid expenses	<u>575,763</u>	<u>215,971</u>
Total current assets	6,355,181	4,523,182
Reserves and escrow	3,190,433	1,154,599
Security deposits	11,240	19,110
Investment in partnership	3,944,744	4,017,659
Property and equipment	36,498,727	33,195,297
Deferred financing cost	<u>605,109</u>	<u>644,491</u>
	<u>\$ 50,605,434</u>	<u>\$ 43,554,338</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 968,921	\$ 975,255
Due to residents	835,414	799,181
Tenant security deposits held	168,711	135,954
Rents received in advance	86,630	69,802
Long-term debt - current portion	<u>88,191</u>	<u>409,185</u>
Total current liabilities	2,147,867	2,389,377
Long-term debt	20,902,613	15,872,707
Bonds payable	<u>12,525,000</u>	<u>12,825,000</u>
Total liabilities	<u>35,575,480</u>	<u>31,087,084</u>
Commitments and contingencies (Note P)		
Net assets:		
Unrestricted	14,827,457	12,288,067
Temporarily restricted	<u>202,497</u>	<u>179,187</u>
Total net assets	<u>15,029,954</u>	<u>12,467,254</u>
	<u>\$ 50,605,434</u>	<u>\$ 43,554,338</u>

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

Consolidated Statements of Activities

	Year Ended June 30, 2010			Year Ended June 30, 2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and grants	\$ 567,147	\$ 144,111	\$ 711,258	\$ 721,160	\$ 164,577	\$ 885,737
In-kind contributions	1,713,270		1,713,270			
Government contracts	7,231,816		7,231,816	7,049,052		7,049,052
Rental income	8,151,771		8,151,771	7,033,704		7,033,704
Management and other fees	1,108,735		1,108,735	1,015,122		1,015,122
Overhead income	86,799		86,799	86,115		86,115
Development fee income	607,533		607,533	305,000		305,000
Income from partnership	760,100		760,100	628,879		628,879
Interest and other income	55,443		55,443	78,517		78,517
Total public support and revenue before net assets released from restrictions	20,282,614	144,111	20,426,725	16,917,549	164,577	17,082,126
Net assets released from restrictions	120,801	(120,801)	0	68,297	(68,297)	0
Total public support and revenue	20,403,415	23,310	20,426,725	16,985,846	96,280	17,082,126
Expenses:						
Program services:						
Social services and residential care	6,831,107		6,831,107	6,566,544		6,566,544
Housing	7,546,561		7,546,561	6,707,400		6,707,400
Total program services	14,377,668		14,377,668	13,273,944		13,273,944
Supporting services:						
Management and general	2,068,265		2,068,265	1,842,712		1,842,712
Fund-raising	44,928		44,928	42,295		42,295
Total supporting services	2,113,193		2,113,193	1,885,007		1,885,007
Total expenses before amortization and depreciation	16,490,861		16,490,861	15,158,951		15,158,951
Change in net assets before amortization and depreciation	3,912,554	23,310	3,935,864	1,826,895	96,280	1,923,175
Amortization and depreciation	1,373,164		1,373,164	1,371,902		1,371,902
Change in net assets	2,539,390	23,310	2,562,700	454,993	96,280	551,273
Net assets - beginning of year	12,288,067	179,187	12,467,254	11,833,074	82,907	11,915,981
Net assets - end of year	\$ 14,827,457	\$ 202,497	\$ 15,029,954	\$ 12,288,067	\$ 179,187	\$ 12,467,254

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, 2010**

(with summarized financial information for June 30, 2009)

	Program Services			Supporting Services			Total Expenses	
	Social and Supportive Services	Housing	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2010	2009
Salaries and temporary employees	\$ 4,428,859	\$ 3,215,300	\$ 7,644,159	\$ 1,382,908	\$ 32,551	\$ 1,415,459	\$ 9,059,618	\$ 8,593,872
Payroll taxes and employee benefits	<u>1,130,485</u>	<u>921,076</u>	<u>2,051,561</u>	<u>275,548</u>	<u>6,722</u>	<u>282,270</u>	<u>2,333,831</u>	<u>2,132,719</u>
Total salaries and related expenses	5,559,344	4,136,376	9,695,720	1,658,456	39,273	1,697,729	11,393,449	10,726,591
Professional fees and contract service payments	215,658	151,333	366,991	166,989		166,989	533,980	410,018
Telephone and telecommunications	35,055	51,148	86,203	15,593	317	15,910	102,113	87,901
Administrative expenses	63,056	123,167	186,223	92,215	3,273	95,488	281,711	243,593
Insurance	42,158	138,777	180,935	15,215	304	15,519	196,454	188,985
Lease expenses	53,833	46,638	100,471				100,471	84,249
Real estate taxes		43,805	43,805				43,805	4,208
Interest and finance charges	354	981,687	982,041	16,149		16,149	998,190	1,021,518
Food	318,347	344,561	662,908	924		924	663,832	660,190
Utilities	121,398	652,020	773,418				773,418	727,742
Supplies	111,047	197,175	308,222	70,352	1,654	72,006	380,228	281,450
Equipment, maintenance and repairs	89,611	507,385	596,996	7,728	107	7,835	604,831	388,767
Social and recreation expense	64,083	92,376	156,459	455		455	156,914	133,956
Michalski housing expenses	157,163		157,163				157,163	145,910
Bad debt expense		80,113	80,113	24,189		24,189	104,302	53,873
Total expenses before amortization and depreciation	6,831,107	7,546,561	14,377,668	2,068,265	44,928	2,113,193	16,490,861	15,158,951
Amortization and depreciation		<u>1,352,156</u>	<u>1,352,156</u>	<u>20,522</u>	<u>486</u>	<u>21,008</u>	<u>1,373,164</u>	<u>1,371,902</u>
	<u>\$ 6,831,107</u>	<u>\$ 8,898,717</u>	<u>\$ 15,729,824</u>	<u>\$ 2,088,787</u>	<u>\$ 45,414</u>	<u>\$ 2,134,201</u>	<u>\$ 17,864,025</u>	<u>\$ 16,530,853</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**

	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	\$ 4,338,822	\$ 2,936,536	\$ 7,275,358	\$ 1,285,963	\$ 32,551	\$ 1,318,514	\$ 8,593,872
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>
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
Professional fees and contract service payments	206,342	83,585	289,927	120,091		120,091	410,018
Telephone and telecommunications	30,878	44,507	75,385	12,205	311	12,516	87,901
Administrative expenses	57,657	95,263	152,920	89,326	1,347	90,673	243,593
Insurance	45,408	134,895	180,303	8,525	157	8,682	188,985
Lease expenses	37,611	46,638	84,249				84,249
Real estate taxes		4,208	4,208				4,208
Interest and finance charges	220	991,673	991,893	29,625		29,625	1,021,518
Food	293,114	366,410	659,524	666		666	660,190
Utilities	127,639	600,103	727,742				727,742
Supplies	91,765	162,262	254,027	26,753	670	27,423	281,450
Equipment, maintenance and repairs	53,032	331,819	384,851	3,848	68	3,916	388,767
Social and recreation expense	51,026	82,285	133,311	645		645	133,956
Michalski housing expenses	145,910		145,910				145,910
Bad debt expense		<u>31,696</u>	<u>31,696</u>	<u>22,177</u>		<u>22,177</u>	<u>53,873</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
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>\$ 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>

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

Consolidated Statements of Cash Flows

	<u>Year Ended June 30,</u>	
	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,562,700	\$ 551,273
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,373,164	1,371,902
Change in reserve for bad debt	104,303	53,874
Changes in:		
Grants and government contracts receivable	33,607	(238,360)
Receivable from affiliates	(130,219)	(13,296)
Rents receivable	(37,466)	(42,167)
Advances receivable from residents	(10,190)	19,385
Other receivables	(37,993)	(14,450)
Prepaid expenses	(359,792)	11,638
Accounts payable and accrued expenses	(6,334)	(506,718)
Due to residents	36,233	(4,025)
Tenants' security deposits held	32,757	19,991
Payable to affiliates		(26,728)
Rents received in advance	<u>16,828</u>	<u>3,532</u>
Net cash provided by operating activities	<u>3,577,598</u>	<u>1,185,851</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,637,212)	(801,386)
Investment in partnership	72,915	42,961
Changes in reserves and escrow	(2,035,834)	156,764
Security deposit reimbursements	<u>7,870</u>	<u>2,920</u>
Net cash used in investing activities	<u>(6,592,261)</u>	<u>(598,741)</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	25,000	
Proceeds from issuance of mortgage loan payable	5,093,099	601,845
Principal payments on mortgage loan payable	(58,961)	(55,027)
Principal payments on notes payable	(350,226)	(468,947)
Principal payments on bonds payable	<u>(300,000)</u>	<u>(200,000)</u>
Net cash provided by (used in) financing activities	<u>4,408,912</u>	<u>(122,129)</u>
Net increase in cash and cash equivalents	1,394,249	464,981
Cash and cash equivalents - beginning of year	<u>2,031,658</u>	<u>1,566,677</u>
Cash and cash equivalents - end of year	<u>\$ 3,425,907</u>	<u>\$ 2,031,658</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 992,174	\$ 1,024,597

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

Notes to Consolidated Financial Statements June 30, 2010 and 2009

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.

The Westbourne Housing Development Fund Company, Inc ("Westbourne") owns and operates property located at 930 West End Avenue, New York consisting of one building containing 128 residential units and three commercial units, previously owned by a limited partnership, Westbourne Associates, LP ("Westbourne LP"). Westbourne LP was comprised of two partners: a 99% limited partner which was an affiliate of the National Equity Fund, and a 1% general partner, Nine Thirty Housing Company, Inc., which is a wholly controlled subsidiary of WSFSSH. Effective December 11, 2009, the partners of Westbourne LP contributed their partnership interest to Westbourne. By operation of law, after the transfer occurred, Westbourne LP was dissolved (see Note C [3]).

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. Westbourne has been determined to be a publicly-supported organization which is exempt from income taxes under Section 501(c)(3) of the Code and from state and local taxes under comparable law. West Side Special is exempt under Section 501(c)(2) of the Code.

All intercompany accounts and transactions have been eliminated in consolidation.

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

Notes to Consolidated Financial Statements June 30, 2010 and 2009

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

[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.

[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, 2010 and June 30, 2009 was \$835,414 and \$799,181, 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 40 years. Likewise, leasehold improvements are amortized over the terms 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, 2010 and 2009, this accrued vacation was approximately \$76,000 and \$62,000, respectively.

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

Notes to Consolidated Financial Statements June 30, 2010 and 2009

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

[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.

[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 adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting for uncertainty in income taxes. ASC 740-10-05 has not had, and is not expected to have, a material impact on the Organization's financial statements.

[13] Fair-value measurement:

The Organization reports a fair-value measurement of all applicable financial assets and liabilities including grants and other receivables, short-term payables and long-term debt.

[14] 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.

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

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:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Federal	\$ 178,120	\$ 181,479
New York State	110,183	296,734
New York City	<u>487,079</u>	<u>330,776</u>
	<u>\$ 775,382</u>	<u>\$ 808,989</u>

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

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 are not present.

- 1) WSA Housing Development Fund Company, Inc.
- 2) K & L Housing Development Fund Company, Inc.
- 3) Euclid Hall Housing Development Fund Company, Inc.
- 4) Frederic Fleming Housing Development Fund Corporation
- 5) East One Thirty Eighth 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 are not present.

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

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE C - RELATED-PARTY TRANSACTIONS (CONTINUED)

[1] Property management: (continued)

- 1) Federation Housing Support Services, Inc., general partner for:
Manhattan West Associates, LP
One Forty Nine Housing Company
- 2) 2345 Housing Company, Inc., general partner for:
Euclid Hall Associates, LP
- 3) PSS/WSF Housing Development Fund Company, Inc., general partner for:
PSS/WSF Housing Company, LP
- 4) Ben Michalski Housing Development Fund Company, Inc., general partner for:
Two Hundred Six Associates, LP
- 5) One Hundred Forty Housing Company, Inc., general partner for:
One Hundred Forty Associates, LP
- 6) Claremont Park Housing Company, Inc., general partner for:
Claremont Park Associates, LP
- 7) 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 2010 and 2009 were \$1,108,735 and \$1,015,122, 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. The loan was fully repaid in May 2010.

[3] Dissolution of Westbourne LP:

As disclosed in Note A [1], on December 11, 2009, the partners of Westbourne LP contributed their partnership interest to Westbourne. Westbourne assumed the net assets of Westbourne LP, including the land and building, restricted deposits and reserves, accounts payable, the loan payable, and operating cash of approximately \$4,100. The fair value of the assets received from Westbourne LP exceeded the liabilities by approximately \$1,713,000 and, accordingly, Westbourne reported this difference as an in-kind contribution on the statement of activities.

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

Notes to Consolidated Financial Statements June 30, 2010 and 2009

NOTE D - AFFILIATE RECEIVABLES

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 from affiliates were as follows:

	June 30,	
	<u>2010</u>	<u>2009</u>
West Eighties Associates, LP	\$ 260,000	\$ 211,001
K & L HDFC, Inc.	250,720	261,322
Two Hundred Six Associates, LP	213,207	193,031
PSS/WSF Housing Company, LP	170,235	126,860
Claremont Park Associates, LP	138,088	65,604
Manhattan West Associates, LP	57,918	90,667
WSA HDFC, Inc.	9,572	9,332
One Hundred Forty Associates, LP	8,802	8,941
Euclid Hall Associates, LP	6,067	68,671
East One Thirty Eighth HDFC	5,000	
One Forty Nine Housing Company	1,870	18,188
Westbourne Associates, LP		41,703
Federation Housing Support Services, Inc.		243
	<u>\$ 1,121,479</u>	<u>\$ 1,095,563</u>

NOTE E - RENTS RECEIVABLE

At June 30, 2010 and 2009, 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 \$148,000 and \$99,000 have been reserved for an allowance for uncollectible accounts for fiscal-years 2010 and 2009, respectively.

NOTE F - ADVANCES RECEIVABLE FROM RESIDENTS

At June 30, 2010 and 2009, 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 \$37,000 and \$41,000 have been reserved for doubtful collections in fiscal-years 2010 and 2009, respectively.

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, 2010 and 2009 was \$3,944,744 and \$4,017,659, respectively. In fiscal-year 2010 and 2009, WSFSSH recognized \$760,100 and \$628,879, respectively, of partnership income, net of an amortization charge for the excess of cost over the underlying equity. WSFSSH received a distribution of \$833,015 and \$671,840 from the partnership in fiscal-year 2010 and 2009, respectively.

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE G - INVESTMENT IN PARTNERSHIP (CONTINUED)

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 and L). The loan was fully repaid in May 2010.

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:

	June 30,	
	2010	2009
NYC HPD - Operating Reserve for WSFSSH	\$ 30,783	\$ 30,783
WSFSSH - Reserve for Fania Gersham Apts	92,338	92,287
459 W. 147th Street - Water and Sewer Escrow	7,580	(19)
459 W. 147th Street - Replacement Reserve	7,582	5,437
Revella - Replacement Reserve	71,848	59,696
Marseilles - Principal Reserve Fund	95,863	123,942
Marseilles - Replacement Reserve	878,677	842,473
Westbourne - Operating Reserve	512,000	
Westbourne - Replacement Reserve	1,465,394	
One Twenties Clusters - Replacement Reserve	28,368	
	<u>\$ 3,190,433</u>	<u>\$ 1,154,599</u>

NOTE I - PROPERTY AND EQUIPMENT

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

	June 30,	
	2010	2009
Land	\$ 8,908,020	\$ 7,058,020
Buildings and leasehold improvements	35,892,480	33,254,534
Equipment	1,494,038	1,374,493
Furniture	344,818	315,097
	46,639,356	42,002,144
Less accumulated depreciation	<u>10,140,629</u>	<u>8,806,847</u>
	<u>\$ 36,498,727</u>	<u>\$ 33,195,297</u>

For fiscal-years 2010 and 2009, depreciation expense was \$1,333,782 and \$1,332,520, respectively.

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

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>2010</u>	<u>2009</u>
Deferred financing cost	\$ 799,242	\$ 799,242
Less accumulated amortization	(194,133)	(154,751)
	<u>\$ 605,109</u>	<u>\$ 644,491</u>

Amortization expense was \$39,382 for the fiscal-years 2010 and 2009, 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 June 30, 2010 and 2009 the principal reserve fund held cash and cash equivalents of \$95,863 and \$123,942, respectively, which were restricted for debt service. The bond balance at June 30, 2010 and 2009 was \$12,525,000 and \$12,825,000, respectively.

Minimum annual future payments under the loan agreements, for years subsequent to June 30, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 251,956
2012	265,798
2013	280,400
2014	295,805
2015	312,056
Thereafter	<u>11,118,985</u>
	<u>\$ 12,525,000</u>

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE L - LONG-TERM DEBT

	June 30,	
	2010	2009
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 (a)	\$ 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 (a)	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 (a)	1,712,585	1,712,585
Mortgage loan payable, bearing no interest, secured by a mortgage encumbering the property and improvements located at 930 West End Ave., New York City, due in November 2024	4,665,028	
Total mortgage loans payable to HPD	10,891,382	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. This note matured and was fully repaid in May, 2010.		305,925
Loan payable, unsecured, non-interest bearing, to Deutsche Bank Americas Foundation, \$25,000 due October 15, 2010, 2011 and 2012	75,000	75,000
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	5,645,511	5,217,441
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, 2010 the loans consisted of 1) \$210,248 loan, bearing interest of 6.27%, amortized over 25 years; 2) \$287,186 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, 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.	799,934	808,228

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE L - LONG-TERM DEBT (CONTINUED)

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
Local Initiatives Support Corporation line of credit totaling \$1,500,000, bearing interest of 3%. The balance on the line of credit was fully repaid in May 2010.		\$ 19,300
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>\$ 3,578,977</u>	<u>3,629,644</u>
Total long-term debt	20,990,804	16,281,892
Less: current portion	<u>88,191</u>	<u>409,185</u>
	<u>\$ 20,902,613</u>	<u>\$ 15,872,707</u>

(a) Interest on these 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, 2010, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2011	\$ 88,191
2012	92,742
2013	97,637
2014	77,903
2015	83,568

Interest expense for each of the fiscal-years 2010 and 2009 was \$988,914 and \$1,012,197, respectively.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010 and 2009, net assets of \$202,497 and \$179,187 were temporarily restricted for housing. During fiscal-years 2010 and 2009, net assets in the amounts of \$120,801 and \$68,297 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, 2010 and 2009

NOTE O - EMPLOYEE BENEFIT PLAN

The Organization maintains a defined-contribution pension plan (the "Plan"), operating under Section 403(b) of the Code for the benefit of all eligible employees. Plan expenses for fiscal-years 2010 and 2009 were approximately \$192,000 and \$189,000, 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, 2010, 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 (the "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.

[3] Line of credit:

Subsequent to year-end, the Organization obtained a \$700,000 line of credit with Local Initiatives Support Corporation.

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS

[1] Marseilles LLC:

The statements of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2010 and 2009, and the statements of its results of operations for the fiscal years then ended are as follows:

	<u>June 30,</u>	
	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 59,571	\$ 65,307
Tenant security deposits held	32,971	31,778
Receivable from affiliates	2,727,646	1,909,796
Rents receivable, net	43,754	9,687
Other receivables	20,546	1,230
Prepaid expenses	<u>45,397</u>	<u>23,896</u>
Total current assets	2,929,885	2,041,694
Reserves and escrow	974,541	966,448
Security deposits	4,200	10,550
Property and equipment	19,644,703	20,209,536
Deferred financing cost	<u>605,109</u>	<u>644,491</u>
	<u>\$ 24,158,438</u>	<u>\$ 23,872,719</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 138,092	\$ 113,401
Tenant security deposits held	32,971	32,557
Rents received in advance	<u>2,469</u>	<u>7,288</u>
Total current liabilities	173,532	153,246
Long-term debt	3,578,977	3,629,644
Bonds payable	<u>12,525,000</u>	<u>12,825,000</u>
Total liabilities	16,277,509	16,607,890
Unrestricted net assets	<u>7,880,929</u>	<u>7,264,829</u>
	<u>\$ 24,158,438</u>	<u>\$ 23,872,719</u>

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[1] Marseilles LLC: (continued)

	Year Ended June 30,	
	2010	2009
Income:		
Gross potential rent - tenant	\$ 2,457,117	\$ 2,372,625
Less: vacancy loss	<u>(33,535)</u>	<u>(46,927)</u>
Net residential rent	<u>2,423,582</u>	<u>2,325,698</u>
Gross potential rent - commercial	793,580	793,730
Less: rent concession	<u> </u>	<u>(118,773)</u>
Net commercial rent	<u>793,580</u>	<u>674,957</u>
Total rental income	3,217,162	3,000,655
Interest and other income	<u>16,862</u>	<u>12,976</u>
Total income	<u>3,234,024</u>	<u>3,013,631</u>
Operating expenses:		
Salaries	242,746	210,112
Payroll taxes and employment benefits	90,676	74,867
Professional fees	22,523	22,552
Management fees	156,851	149,608
Administrative expenses	32,142	12,717
Real estate taxes	39,193	4,208
Insurance	49,167	56,284
Utilities	226,706	262,613
Supplies	10,705	7,249
Equipment, maintenance and repair	157,164	137,552
Social and recreation expenses	<u>6,605</u>	<u>5,816</u>
Total operating expenses	<u>1,034,478</u>	<u>943,578</u>
Net operating income before financial and depreciation expense	<u>2,199,546</u>	<u>2,070,053</u>
Financial and depreciation expense:		
Interest and finance charges	962,667	972,969
Depreciation and amortization	<u>620,779</u>	<u>614,033</u>
Total financial and depreciation expense	<u>1,583,446</u>	<u>1,587,002</u>
Increase in net assets	616,100	483,051
Net assets - beginning of year	<u>7,264,829</u>	<u>6,781,778</u>
Net assets - end of year	<u>\$ 7,880,929</u>	<u>\$ 7,264,829</u>

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[2] The Westbourne Housing Development Fund Company, Inc.:

The statement of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2010, and the statement of its results of operations for the fiscal year then ended are presented below:

ASSETS

Current assets:

Cash and cash equivalents	\$ 357,844
Tenant security deposits held	23,553
Rents receivable, net	53,687
Other receivables	5,794
Prepaid expenses	<u>41,480</u>

Total current assets 482,358

Reserves and escrow	1,977,394
Property and equipment	<u>4,252,396</u>

\$ 6,712,148

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable and accrued expenses	\$ 49,929
Tenant security deposits held	23,553
Payable to affiliate	77,880
Rents received in advance	<u>14,927</u>

Total current liabilities 166,289

Long-term debt 4,665,028

Total liabilities 4,831,317

Unrestricted net assets 1,880,831

\$ 6,712,148

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

**Notes to Consolidated Financial Statements
June 30, 2010 and 2009**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[2] The Westbourne Housing Development Fund Company, Inc.: (CONTINUED)

Revenue:

Rent - tenant	\$ 593,858
Rent - commercial	<u>73,836</u>
Total rental income	667,694
In-kind contributions	1,713,270
Interest and other income	<u>1,068</u>
Total revenue	<u>2,382,032</u>

Operating expenses:

Salaries	134,342
Payroll taxes and employment benefits	37,085
Professional fees	40,417
Management fees	53,461
Administrative expenses	49,090
Real estate taxes	4,614
Insurance	18,695
Utilities	91,761
Supplies	5,234
Equipment, maintenance and repair	21,611
Social and recreation expenses	<u>6,351</u>
Total operating expenses	<u>462,661</u>
Net operating income before financial and depreciation expense	<u>1,919,371</u>

Financial and depreciation expense:

Interest and finance charges	83
Depreciation and amortization	<u>38,457</u>
Total financial and depreciation expense	<u>38,540</u>

Increase in net assets - unrestricted	1,880,831
Net assets - beginning of year	<u>0</u>

Net assets - end of year \$ 1,880,831