



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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2011 and 2010

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, 2011 and 2010, 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 financial position of West Side Federation for Senior and Supportive Housing, Inc. and certain affiliates as of June 30, 2011 and 2010, 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 19, 2011

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

Consolidated Statements of Financial Position

| | June 30, | |
|--|-----------------------------|-----------------------------|
| | <u>2011</u> | <u>2010</u> |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,829,287 | \$ 3,286,962 |
| Grants and government contracts receivable | 1,447,454 | 775,382 |
| Receivable from affiliates | 1,272,064 | 1,108,542 |
| Rents receivable, net | 491,377 | 233,495 |
| Advances receivable from residents, net | 59,748 | 42,259 |
| Tenants' security deposits held | 226,536 | 178,335 |
| Other receivables | 213,264 | 203,015 |
| Prepaid expenses | <u>423,065</u> | <u>579,560</u> |
| Total current assets | 7,962,795 | 6,407,550 |
| Reserves and escrow | 5,649,860 | 3,377,000 |
| Security deposits | 38,600 | 11,239 |
| Investment in partnership | 3,972,486 | 3,944,744 |
| Property and equipment | 42,642,156 | 37,891,260 |
| Deferred financing cost | <u>668,017</u> | <u>605,109</u> |
| | <u>\$ 60,933,914</u> | <u>\$ 52,236,902</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 1,375,452 | \$ 1,002,407 |
| Due to residents | 837,506 | 835,414 |
| Tenants' security deposits held | 226,536 | 178,335 |
| Payable to affiliates | 92,921 | 9,640 |
| Rents received in advance | 129,857 | 91,922 |
| Deferred government contracts | 92,975 | |
| Long-term debt - current portion | <u>92,742</u> | <u>88,191</u> |
| Total current liabilities | 2,847,989 | 2,205,909 |
| Long-term debt | 26,067,910 | 23,343,943 |
| Bonds payable | <u>12,325,000</u> | <u>12,525,000</u> |
| Total liabilities | <u>41,240,899</u> | <u>38,074,852</u> |
| Commitments and contingencies (Note P) | | |
| Net assets: | | |
| Unrestricted | 19,569,875 | 13,959,553 |
| Temporarily restricted | <u>123,140</u> | <u>202,497</u> |
| Total net assets | <u>19,693,015</u> | <u>14,162,050</u> |
| | <u>\$ 60,933,914</u> | <u>\$ 52,236,902</u> |

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

Consolidated Statements of Activities

| | Year Ended June 30, 2011 | | | Year Ended June 30, 2010 | | |
|---|--------------------------|------------------------|----------------------|--------------------------|------------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Total | Unrestricted | Temporarily Restricted | Total |
| Public support and revenue: | | | | | | |
| Contributions and grants | \$ 765,059 | \$ 27,369 | \$ 792,428 | \$ 567,147 | \$ 144,111 | \$ 711,258 |
| In-kind contributions | 5,296,406 | | 5,296,406 | 1,713,270 | | 1,713,270 |
| Government contracts | 8,072,046 | | 8,072,046 | 7,231,816 | | 7,231,816 |
| Rental income | 9,958,977 | | 9,958,977 | 8,803,875 | | 8,803,875 |
| Management and other fees | 959,763 | | 959,763 | 1,037,820 | | 1,037,820 |
| Overhead income | 48,784 | | 48,784 | 73,930 | | 73,930 |
| Development fee income | 164,497 | | 164,497 | 607,533 | | 607,533 |
| Income from partnership | 848,882 | | 848,882 | 760,100 | | 760,100 |
| Interest and other income | 41,999 | | 41,999 | 61,449 | | 61,449 |
| Total public support and revenue before net assets released from restrictions | 26,156,413 | 27,369 | 26,183,782 | 20,856,940 | 144,111 | 21,001,051 |
| Net assets released from restrictions | 106,726 | (106,726) | 0 | 120,801 | (120,801) | 0 |
| Total public support and revenue | 26,263,139 | (79,357) | 26,183,782 | 20,977,741 | 23,310 | 21,001,051 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Social services and residential care | 7,102,873 | | 7,102,873 | 6,673,944 | | 6,673,944 |
| Housing | 9,586,203 | | 9,586,203 | 8,253,672 | | 8,253,672 |
| Total program services | 16,689,076 | | 16,689,076 | 14,927,616 | | 14,927,616 |
| Supporting services: | | | | | | |
| Management and general | 2,203,300 | | 2,203,300 | 2,068,265 | | 2,068,265 |
| Fund-raising | 43,275 | | 43,275 | 44,928 | | 44,928 |
| Total supporting services | 2,246,575 | | 2,246,575 | 2,113,193 | | 2,113,193 |
| Total expenses before amortization and depreciation | 18,935,651 | | 18,935,651 | 17,040,809 | | 17,040,809 |
| Change in net assets before amortization and depreciation | 7,327,488 | (79,357) | 7,248,131 | 3,936,932 | 23,310 | 3,960,242 |
| Amortization and depreciation expense | 1,717,166 | | 1,717,166 | 1,511,973 | | 1,511,973 |
| Change in net assets | 5,610,322 | (79,357) | 5,530,965 | 2,424,959 | 23,310 | 2,448,269 |
| Net assets - beginning of year, as restated | 13,959,553 | 202,497 | 14,162,050 | 11,534,594 | 179,187 | 11,713,781 |
| Net assets - end of year | \$ 19,569,875 | \$ 123,140 | \$ 19,693,015 | \$ 13,959,553 | \$ 202,497 | \$ 14,162,050 |

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, 2011

(with summarized financial information for June 30, 2010)

| | Program Services | | | Supporting Services | | | Total Expenses | |
|---|--------------------------------|-----------------------------|-----------------------------|----------------------------|-------------------------|----------------------------|-----------------------------|-----------------------------|
| | Social and Supportive Services | Housing | Total Program Services | Management and General | Fund-Raising | Total Supporting Services | 2011 | 2010 |
| | | | | | | | | |
| Salaries and temporary employees | \$ 4,488,524 | \$ 3,879,900 | \$ 8,368,424 | \$ 1,480,429 | \$ 33,374 | \$ 1,513,803 | \$ 9,882,227 | \$ 9,284,569 |
| Payroll taxes and employee benefits | <u>1,200,626</u> | <u>1,133,847</u> | <u>2,334,473</u> | <u>299,851</u> | <u>6,911</u> | <u>306,762</u> | <u>2,641,235</u> | <u>2,409,793</u> |
| Total salaries and related expenses | 5,689,150 | 5,013,747 | 10,702,897 | 1,780,280 | 40,285 | 1,820,565 | 12,523,462 | 11,694,362 |
| Professional fees and contract service payments | 272,521 | 206,845 | 479,366 | 260,440 | | 260,440 | 739,806 | 566,466 |
| Telephone and telecommunications | 51,445 | 51,406 | 102,851 | 18,475 | 336 | 18,811 | 121,662 | 107,910 |
| Administrative expenses | 106,436 | 123,213 | 229,649 | 74,316 | 1202 | 75,518 | 305,167 | 287,864 |
| Insurance | 80,143 | 206,211 | 286,354 | 20,044 | 462 | 20,506 | 306,860 | 215,218 |
| Lease expenses | 77,822 | 130,952 | 208,774 | | | | 208,774 | 100,471 |
| Real estate taxes | | 66,688 | 66,688 | | | | 66,688 | 43,805 |
| Interest and finance charges | 355 | 1,003,475 | 1,003,830 | 4,891 | | 4,891 | 1,008,721 | 998,843 |
| Food | 325,660 | 403,364 | 729,024 | 847 | | 847 | 729,871 | 682,181 |
| Utilities | 169,817 | 902,033 | 1,071,850 | | | | 1,071,850 | 871,165 |
| Supplies | 166,488 | 198,967 | 365,455 | 38,611 | 889 | 39,500 | 404,955 | 389,229 |
| Equipment, maintenance and repairs | 86,130 | 763,581 | 849,711 | 5,233 | 101 | 5,334 | 855,045 | 662,190 |
| Social and recreation expense | 76,906 | 71,977 | 148,883 | 163 | | 163 | 149,046 | 157,080 |
| Housing project expenses | | 356,132 | 356,132 | | | | 356,132 | 157,163 |
| Bad debt expense | | <u>87,612</u> | <u>87,612</u> | | | | <u>87,612</u> | <u>106,862</u> |
| Total expenses before amortization and depreciation | 7,102,873 | 9,586,203 | 16,689,076 | 2,203,300 | 43,275 | 2,246,575 | 18,935,651 | 17,040,809 |
| Amortization and depreciation | | <u>1,702,509</u> | <u>1,702,509</u> | <u>14,327</u> | <u>330</u> | <u>14,657</u> | <u>1,717,166</u> | <u>1,511,973</u> |
| | <u>\$ 7,102,873</u> | <u>\$ 11,288,712</u> | <u>\$ 18,391,585</u> | <u>\$ 2,217,627</u> | <u>\$ 43,605</u> | <u>\$ 2,261,232</u> | <u>\$ 20,652,817</u> | <u>\$ 18,552,782</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, 2010**

| | 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 | \$ 4,428,859 | \$ 3,440,251 | \$ 7,869,110 | \$ 1,382,908 | \$ 32,551 | \$ 1,415,459 | \$ 9,284,569 |
| Payroll taxes and employee benefits | <u>1,130,485</u> | <u>997,038</u> | <u>2,127,523</u> | <u>275,548</u> | <u>6,722</u> | <u>282,270</u> | <u>2,409,793</u> |
| Total salaries and related expenses | 5,559,344 | 4,437,289 | 9,996,633 | 1,658,456 | 39,273 | 1,697,729 | 11,694,362 |
| Professional fees and contract service payments | 215,658 | 183,819 | 399,477 | 166,989 | | 166,989 | 566,466 |
| Telephone and telecommunications | 35,055 | 56,945 | 92,000 | 15,593 | 317 | 15,910 | 107,910 |
| Administrative expenses | 63,056 | 129,320 | 192,376 | 92,215 | 3,273 | 95,488 | 287,864 |
| Insurance | 42,158 | 157,541 | 199,699 | 15,215 | 304 | 15,519 | 215,218 |
| Lease expenses | 53,833 | 46,638 | 100,471 | | | | 100,471 |
| Real estate taxes | | 43,805 | 43,805 | | | | 43,805 |
| Interest and finance charges | 354 | 982,340 | 982,694 | 16,149 | | 16,149 | 998,843 |
| Food | 318,347 | 362,910 | 681,257 | 924 | | 924 | 682,181 |
| Utilities | 121,398 | 749,767 | 871,165 | | | | 871,165 |
| Supplies | 111,047 | 206,176 | 317,223 | 70,352 | 1,654 | 72,006 | 389,229 |
| Equipment, maintenance and repairs | 89,611 | 564,744 | 654,355 | 7,728 | 107 | 7,835 | 662,190 |
| Social and recreation expense | 64,083 | 92,542 | 156,625 | 455 | | 455 | 157,080 |
| Housing project expenses | | 157,163 | 157,163 | | | | 157,163 |
| Bad debt expense | | <u>82,673</u> | <u>82,673</u> | <u>24,189</u> | | <u>24,189</u> | <u>106,862</u> |
| Total expenses before amortization and depreciation | 6,673,944 | 8,253,672 | 14,927,616 | 2,068,265 | 44,928 | 2,113,193 | 17,040,809 |
| Amortization and depreciation | | <u>1,490,965</u> | <u>1,490,965</u> | <u>20,522</u> | <u>486</u> | <u>21,008</u> | <u>1,511,973</u> |
| | <u>\$ 6,673,944</u> | <u>\$ 9,744,637</u> | <u>\$ 16,418,581</u> | <u>\$ 2,088,787</u> | <u>\$ 45,414</u> | <u>\$ 2,134,201</u> | <u>\$ 18,552,782</u> |

See notes to consolidated financial statements

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

Consolidated Statements of Cash Flows

| | <u>Year Ended June 30,</u> | |
|---|----------------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 5,530,965 | \$ 2,448,269 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| In-kind contribution of property | (5,296,406) | (1,709,123) |
| Depreciation and amortization | 1,717,166 | 1,511,973 |
| Change in reserve for bad debt | 87,614 | 106,859 |
| Changes in: | | |
| Grants and government contracts receivable | (672,072) | 33,607 |
| Receivable from affiliates | (251,135) | (31,112) |
| Rents receivable | (257,882) | (21,763) |
| Advances receivable from residents | (17,489) | (10,190) |
| Other receivables | (10,246) | 38,167 |
| Prepaid expenses | 156,492 | (346,782) |
| Accounts payable and accrued expenses | 373,045 | 3,745 |
| Due to residents | 2,092 | 36,233 |
| Payable to affiliates | 83,280 | 9,640 |
| Tenants' security deposits held | | 661 |
| Deferred government contracts | 92,975 | |
| Rents received in advance | 37,935 | (27,970) |
| | <u>1,576,334</u> | <u>2,042,214</u> |
| Net cash provided by operating activities | | |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (1,699,620) | (415,926) |
| Investment in partnership | (27,742) | 72,915 |
| Changes in reserves and escrow | (1,685,695) | (85,597) |
| Security deposit paid | (27,361) | 7,870 |
| | <u>(3,440,418)</u> | <u>(420,738)</u> |
| Net cash used in investing activities | | |
| Cash flows from financing activities: | | |
| Proceeds from issuance of notes payable | 198,080 | 25,000 |
| Proceeds from issuance of mortgage loan payable | 2,618,628 | 428,070 |
| Principal payments on mortgage loan payable | (88,190) | (58,961) |
| Principal payments on notes payable | | (350,226) |
| Capitalized financed costs | (122,109) | |
| Principal payments on bonds payable | (200,000) | (300,000) |
| | <u>2,406,409</u> | <u>(256,117)</u> |
| Net cash provided by (used in) financing activities | | |
| Net increase in cash and cash equivalents | 542,325 | 1,365,359 |
| Cash and cash equivalents - beginning of year | <u>3,286,962</u> | <u>1,921,603</u> |
| Cash and cash equivalents - end of year | \$ 3,829,287 | \$ 3,286,962 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for interest | <u>\$ 989,714</u> | <u>\$ 992,174</u> |

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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. WSFSSH, incorporated in 1977 in the State of New York, is exempt from federal income taxes under 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws. 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.

WSFSSH and West Side Special Housing Development Fund Corp ("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 (as described in Note C[3]).

East One Thirty Eighth HDFC, Inc. ("East 138 HDFC") is a not-for-profit housing development corporation, whose boards of directors are appointed by the board of directors of WSFSSH. East 138 HDFC has filed for exemption under 501(c)(3) of the U.S. Internal Revenue Code. As further described in Note C[3], during 2011, East 138 HDFC purchased and is currently operating property located at 285 East 138th Street, Bronx, New York consisting of one building containing 145 residential units. The property is also subject to a Section 8 housing assistance payment agreement with the U.S. Department of Housing and Urban Development ("HUD"), which provides housing rental subsidies to its residents. WSFSSH provides building management and social services to East 138 HDFC.

One Forty Nine Housing Company ("149 Housing") is a limited partnership that was formed under the laws of the State of New York on October 15, 1985 to acquire, construct, rehabilitate, operate and manage low-income housing properties. 149 Housing operates one building containing 73 residential units located at 149 Manhattan Avenue, New York, New York. The general partner of 149 Housing, Federation Housing Support Service, Inc., a not-for-profit corporation whose board of directors are appointed by the board of WSFSSH, has a 1% ownership interest, and the limited partner, West Side Special, has a 99% ownership interest.

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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

[1] Organization: (continued)

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.

[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 2011 and 2010 was \$837,506 and \$835,414, 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, 2011 and 2010, this accrued vacation was approximately \$142,000 and \$76,000, respectively.

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

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:

The Organization is subject to the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, ASC 740-10-05 has not had, and is not expected to have, a material impact on its consolidated 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.

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

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

[14] Subsequent events:

The Organization considers the accounting treatments, and the related disclosures in the current fiscal-year's consolidated 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.

[15] Restatement of net assets:

Effective July 1, 2009, the Organization restated its net assets to include the activities of 149 Housing, a limited partnership controlled by WSFSSH. As a result, the unrestricted net assets at July 1, 2009 decreased by approximately \$753,000 and the change in net assets for fiscal 2010 decreased by approximately \$114,000. In addition, certain amounts in the accompanying consolidated financial statements have been reclassified to conform to the fiscal-year 2011 presentation.

NOTE B - GRANTS AND GOVERNMENT CONTRACTS RECEIVABLE

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

| | June 30, | |
|----------------|----------------------------|-------------------|
| | 2011 | 2010 |
| Federal | \$ 139,946 | \$ 178,120 |
| New York State | 11,594 | 279,685 |
| New York City | <u>1,295,914</u> | <u>317,577</u> |
| | <u>\$ 1,447,454</u> | <u>\$ 775,382</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 is 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

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE C - RELATED-PARTY TRANSACTIONS (CONTINUED)

[1] Property management: (continued)

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) 2345 Housing Company, Inc., general partner for:
Euclid Hall Associates, LP
- 2) PSS/WSF Housing Development Fund Company, Inc., general partner for:
PSS/WSF Housing Company, LP
- 3) Ben Michalski Housing Development Fund Company, Inc., general partner for:
Two Hundred Six Associates, LP
- 4) One Hundred Forty Housing Company, Inc., general partner for:
One Hundred Forty Associates, LP
- 5) 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 2011 and 2010 were \$959,763 and \$1,037,820, 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 and in-kind contribution in fiscal year 2011:

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 consolidated statement of activities for fiscal year 2010. During fiscal year 2011, Westbourne also received the sinking fund reserve account associated with the property amounting to approximately \$196,000 which was reported as an in-kind contribution for fiscal year 2011.

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE C - RELATED-PARTY TRANSACTIONS (CONTINUED)

[4] In-kind Contribution to East One Thirty Eighth HDFC, Inc:

As disclosed in Note A[1], on February 28, 2011, East 138 HDFC purchased property located at 285 East 138th Street, Bronx, New York, from New York City Housing Development Corporation ("HDC"). The property, a HUD Section 202 project that was under foreclosure, was purchased by HDC and then immediately sold to East 138 HDFC for approximately \$3.8 million. The purchase agreement stipulates that there would be a dollar-for-dollar reduction in the purchase price, up to the entire \$3.8 million, if East 138 HDFC undertakes repairs in excess of the required HUD repairs of approximately \$4.9 million. Since East 138 HDFC is estimating the total repairs/renovations to be sufficient to obtain the entire credit on the purchase price, the purchase price has not been reported in the accompanying consolidated financial statements. The fair market value of the property, as is, less certain outstanding liens on the property and closing costs, was approximately \$4.7 million. In addition, the prior owner of the property subsequently transferred a replacement reserve account associated with the property amounting to approximately \$391,000, to East 138 HDFC. The property and related replacement reserve have been reported in the accompanying consolidated statement of activities for 2011 as an in-kind contribution of approximately \$5.1 million.

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:

| | June 30, | |
|----------------------------------|----------------------------|----------------------------|
| | 2011 | 2010 |
| Receivables | | |
| West Eighties Associates, LP | \$ 507,831 | \$ 260,000 |
| K & L HDFC, Inc. | 268,553 | 250,720 |
| Two Hundred Six Associates, LP | 192,570 | 213,207 |
| PSS/WSF Housing Company, LP | 233,703 | 170,235 |
| Manhattan West Associates, LP | 16,870 | 57,918 |
| WSA HDFC, Inc. | 9,805 | 9,572 |
| One Hundred Forty Associates, LP | | 8,802 |
| Claremont Park Associates, LP | <u>42,732</u> | <u>138,088</u> |
| | <u>\$ 1,272,064</u> | <u>\$ 1,108,542</u> |

At June 30, 2011 and 2010 WSFSSH had an amount of \$92,921 and \$9,640 due to affiliates.

NOTE E - RENTS RECEIVABLE

At June 30, 2011 and 2010, 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 \$162,000 and \$152,000 have been reserved for an allowance for uncollectible accounts for fiscal-years 2011 and 2010, respectively.

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE F - ADVANCES RECEIVABLE FROM RESIDENTS

At June 30, 2011 and 2010, 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 \$24,000 and \$37,000 has been reserved for doubtful collections in fiscal-years 2011 and 2010, 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, 2011 and 2010 was \$3,972,486 and \$3,944,744, respectively. In fiscal-years 2011 and 2010, WSFSSH recognized \$848,882 and \$760,100, respectively, of partnership income, net of an amortization charge for the excess of cost over the underlying equity. WSFSSH received a distribution of \$821,138 and \$833,015 from the partnership in fiscal-year 2011 and 2010, respectively.

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>2011</u> | <u>2010</u> |
| NYC HPD - Operating Reserve for WSFSSH | \$ 31,864 | \$ 30,783 |
| WSFSSH - Reserve for Fania Gersham Apts | 92,383 | 92,338 |
| 459 W. 147th Street - Water and Sewer Escrow | 6,719 | 7,580 |
| 459 W. 147th Street - Replacement Reserve | 9,898 | 7,582 |
| Revella - Replacement Reserve | 83,965 | 71,848 |
| Marseilles - Principal Reserve Fund | 136,540 | 95,863 |
| Marseilles - Replacement Reserve | 912,850 | 878,677 |
| East One Thirty Eighth Loan Reserve | 1,234,201 | |
| East One Thirty Eighth Replacement Reserve | 536,265 | |
| One Forty Nine Housing Replacement Reserve | 143,884 | 122,792 |
| One Forty Nine Housing Owner Reserve | 99,899 | 63,775 |
| Westbourne - Operating Reserve | 615,765 | 512,000 |
| Westbourne - Replacement Reserve | 1,702,442 | 1,465,394 |
| One Twenties Clusters - Replacement Reserve | 43,185 | 28,368 |
| | <u>\$ 5,649,860</u> | <u>\$ 3,377,000</u> |

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE I - PROPERTY AND EQUIPMENT

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

| | <u>June 30,</u> | |
|--------------------------------------|-----------------------------|-----------------------------|
| | <u>2011</u> | <u>2010</u> |
| Land | \$ 9,949,520 | \$ 8,909,520 |
| Buildings and leasehold improvements | 44,598,492 | 39,644,640 |
| Equipment | 1,586,040 | 1,535,674 |
| Furniture | 708,806 | 345,089 |
| | 56,842,858 | 50,434,923 |
| Less accumulated depreciation | 14,200,702 | 12,543,663 |
| | <u>\$ 42,642,156</u> | <u>\$ 37,891,260</u> |

For fiscal-years 2011 and 2010, depreciation expense was \$1,657,965 and \$1,472,591, respectively.

NOTE J - DEFERRED FINANCING COST

At each fiscal year-end, deferred financing cost related to Marseilles and East 138 HDFC consisted of the following:

| | <u>June 30,</u> | |
|-------------------------------|--------------------------|--------------------------|
| | <u>2011</u> | <u>2010</u> |
| Deferred financing cost | \$ 921,352 | \$ 799,242 |
| Less accumulated amortization | (253,335) | (194,133) |
| | <u>\$ 668,017</u> | <u>\$ 605,109</u> |

Amortization expense was \$59,202 and \$39,382 for the fiscal-years 2011 and 2010, 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, 2011 and 2010, cash and cash equivalents of \$136,540 and \$95,863, respectively, were restricted for debt service. The bond balance at June 30, 2011 and 2010 was \$12,325,000 and \$12,525,000, respectively.

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

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

Minimum annual future payments under the loan agreements, for years subsequent to June 30, 2011, are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|----------------------|
| 2012 | \$ 265,798 |
| 2013 | 280,400 |
| 2014 | 295,805 |
| 2015 | 312,056 |
| 2016 | 329,198 |
| Thereafter | <u>10,841,743</u> |
| | <u>\$ 12,325,000</u> |

NOTE L - LONG-TERM DEBT

| | <u>June 30,</u> | |
|---|-------------------------|------------------|
| | <u>2011</u> | <u>2010</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 (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 116th 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 Avenue, New York City, due in November 2024. | 4,665,028 | 4,665,028 |
| Mortgage loan payable, bearing no interest, secured by a mortgage encumbering the property and improvements located at 149 Manhattan Avenue, New York City, due in April 2034. | <u>2,441,330</u> | <u>2,441,330</u> |
| Total mortgage loans payable to HPD | 13,332,712 | 13,332,712 |
| Loan payable, unsecured, non-interest bearing, to Deutsche Bank Americas Foundation, \$25,000 due October 15, 2011, 2012 and 2013. | 75,000 | 75,000 |

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE L - LONG-TERM DEBT (CONTINUED)

| | <u>June 30,</u> | |
|--|-----------------------------|-----------------------------|
| | <u>2011</u> | <u>2010</u> |
| Mortgage loan payable to HUD non-interest bearing and secured by a mortgage encumbering the property and improvements for the One Twenties Cluster project, due in 2036. | \$ 5,806,380 | \$ 5,645,511 |
| 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 147th Street, New York City. At June 30, 2011 the loans consisted of 1) \$205,531 loan, bearing interest of 6.27%, amortized over 25 years; 2) \$283,285 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, 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. | 791,316 | 799,934 |
| New York City Acquisition Fund LLC, \$4,056,306 line of credit bearing interest of 5.07% secured by a lien on the property located at 285 East 138th Street, Bronx, NY. Interest is payable monthly; principal and remaining accrued interest due in full on the earlier to occur of (i) the closing of construction or permanent financing for the property, or (ii) the maturity date of the loan which is September 1, 2012. | 2,457,759 | |
| Local Initiatives Support Corporation line of credit totaling \$700,000, bearing interest of 7%. Interest is payable quarterly; principal and any remaining accrued interest due on the earlier to occur of the date of closing on the construction financing for the project for which the loan was used, or the second anniversary of the first day of the first month after the closing date which is January 1, 2013. | 173,080 | |
| 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>3,524,405</u> | <u>\$ 3,578,977</u> |
| Total long-term debt | 26,160,652 | 23,432,134 |
| Less: current portion | <u>92,742</u> | <u>88,191</u> |
| | <u>\$ 26,067,910</u> | <u>\$ 23,343,943</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.

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE L - LONG-TERM DEBT (CONTINUED)

The required principal payments by the Organization on the above obligations, in each of the five fiscal years subsequent to June 30, 2011, are as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|---------------------------------|---------------|
| 2012 | \$ 92,742 |
| 2013 | 2,901,556 |
| 2014 | 102,903 |
| 2015 | 83,568 |
| 2016 | 89,663 |

Interest expense for each of the fiscal-years 2011 and 2010 was \$998,824 and \$988,914, respectively.

NOTE M - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2011 and 2010, net assets of \$123,140 and \$202,497 were temporarily restricted for housing. During fiscal-years 2011 and 2010, net assets in the amounts of \$106,726 and \$120,801 were released from temporary restrictions for housing.

NOTE N - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in both interest-bearing and non-interest-bearing accounts. There are currently no insurance limits on balances held in non-interest-bearing accounts. With respect to balances in interest-bearing accounts, 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.

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 2011 and 2010 were approximately \$206,000 and \$196,000, 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, 2011, 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. While the claim is being adjudicated, the Organization believes that it has set aside sufficient funds to meet any obligations that it may have. The eventual outcome cannot be determined, and the effect, if any, has not been recorded in the accompanying consolidated financial statements.

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

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, 2011 and 2010, and the statements of its results of operations for the fiscal years then ended are as follows:

| | June 30, | |
|---------------------------------------|-----------------------------|-----------------------------|
| | 2011 | 2010 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 111,605 | \$ 59,571 |
| Tenant security deposits held | 32,143 | 32,971 |
| Receivable from affiliates | 3,662,732 | 2,727,646 |
| Rents receivable, net | 29,081 | 43,754 |
| Other receivables | 7,594 | 20,546 |
| Prepaid expenses | <u>45,706</u> | <u>45,397</u> |
| Total current assets | 3,888,861 | 2,929,885 |
| Reserves and escrow | 1,049,390 | 974,541 |
| Security deposits | 3,210 | 4,200 |
| Property and equipment | 19,208,701 | 19,644,703 |
| Deferred financing cost | <u>565,726</u> | <u>605,109</u> |
| | <u>\$ 24,715,888</u> | <u>\$ 24,158,438</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 297,241 | \$ 138,092 |
| Tenants' security deposits held | 32,143 | 32,971 |
| Rents received in advance | <u>14,973</u> | <u>2,469</u> |
| Total current liabilities | 344,357 | 173,532 |
| Long-term debt | 3,524,405 | 3,578,977 |
| Bonds payable | <u>12,325,000</u> | <u>12,525,000</u> |
| Total liabilities | 16,193,762 | 16,277,509 |
| Unrestricted net assets | <u>8,522,126</u> | <u>7,880,929</u> |
| | <u>\$ 24,715,888</u> | <u>\$ 24,158,438</u> |

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

Notes to Consolidated Financial Statements
June 30, 2011 and 2010

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[1] Marseilles LLC: (continued)

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| Income: | | |
| Gross potential rent - tenant | \$ 2,521,752 | \$ 2,457,117 |
| Less: vacancy loss | <u>(62,193)</u> | <u>(33,535)</u> |
| Net residential rent | 2,459,559 | 2,423,582 |
| Gross potential rent - commercial | <u>796,955</u> | <u>793,580</u> |
| Total rental income | 3,256,514 | 3,217,162 |
| Interest and other income (loss) | <u>(11,179)</u> | <u>16,862</u> |
| Total income | <u>3,245,335</u> | <u>3,234,024</u> |
| Operating expenses: | | |
| Salaries | 244,466 | 242,746 |
| Payroll taxes and employment benefits | 90,946 | 90,676 |
| Professional fees | 40,998 | 22,523 |
| Management fees | 164,827 | 156,851 |
| Administrative expenses | 36,490 | 32,142 |
| Real estate taxes | 24,301 | 39,193 |
| Insurance | 59,201 | 49,167 |
| Utilities | 165,558 | 226,706 |
| Supplies | 7,767 | 10,705 |
| Equipment, maintenance and repair | 192,928 | 157,164 |
| Social and recreation expenses | <u>8,937</u> | <u>6,605</u> |
| Total operating expenses | <u>1,036,419</u> | <u>1,034,478</u> |
| Net operating income before financial and depreciation expense | <u>2,208,916</u> | <u>2,199,546</u> |
| Financial and depreciation expense: | | |
| Interest and finance charges | 944,014 | 962,667 |
| Depreciation and amortization | <u>623,705</u> | <u>620,779</u> |
| Total financial and depreciation expense | <u>1,567,719</u> | <u>1,583,446</u> |
| Change in net assets | 641,197 | 616,100 |
| Net assets - beginning of year | <u>7,880,929</u> | <u>7,264,829</u> |
| Net assets - end of year | <u>\$ 8,522,126</u> | <u>\$ 7,880,929</u> |

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

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

The statements of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2011 and 2010, and the statements of its results of operations for the fiscal years then ended are as follows:

| | June 30, | |
|---------------------------------------|---------------------|---------------------|
| | 2011 | 2010 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 285,861 | \$ 357,844 |
| Tenant security deposits held | 26,957 | 23,553 |
| Rents receivable, net | 61,339 | 53,687 |
| Other receivables | 101,734 | 5,794 |
| Prepaid expenses | <u>41,863</u> | <u>41,480</u> |
| Total current assets | 517,754 | 482,358 |
| Reserves and escrow | 2,318,208 | 1,977,394 |
| Property and equipment | <u>4,565,606</u> | <u>4,252,396</u> |
| | <u>\$ 7,401,568</u> | <u>\$ 6,712,148</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 34,077 | \$ 49,929 |
| Tenant security deposits held | 26,957 | 23,553 |
| Payable to affiliate | 92,941 | 77,880 |
| Rents received in advance | <u>8,035</u> | <u>14,927</u> |
| Total current liabilities | 162,010 | 166,289 |
| Long-term debt | <u>4,665,028</u> | <u>4,665,028</u> |
| Total liabilities | 4,827,038 | 4,831,317 |
| Unrestricted net assets | <u>2,574,530</u> | <u>1,880,831</u> |
| | <u>\$ 7,401,568</u> | <u>\$ 6,712,148</u> |

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

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

| | <u>Year Ended June 30,</u> | |
|--|----------------------------|---------------------|
| | <u>2011</u> | <u>2010</u> |
| Income: | | |
| Rent - tenant | \$ 1,046,689 | \$ 593,858 |
| Rent - commercial | <u>138,894</u> | <u>73,836</u> |
| Total rental income | 1,185,583 | 667,694 |
| In-kind contributions | 196,320 | 1,713,270 |
| Grant income | 198,883 | |
| Interest and other income | <u>8,440</u> | <u>1,068</u> |
| Total income | <u>1,589,226</u> | <u>2,382,032</u> |
| Operating expenses: | | |
| Salaries | 269,796 | 134,342 |
| Payroll taxes and employment benefits | 77,341 | 37,085 |
| Professional fees | 26,666 | 40,417 |
| Management fees | 115,656 | 53,461 |
| Administrative expenses | 45,619 | 49,090 |
| Real estate taxes | (4,614) | 4,614 |
| Insurance | 37,678 | 18,695 |
| Utilities | 179,903 | 91,761 |
| Supplies | 12,053 | 5,234 |
| Equipment, maintenance and repair | 47,526 | 21,611 |
| Social and recreation expenses | <u>14,310</u> | <u>6,351</u> |
| Total operating expenses | <u>821,934</u> | <u>462,661</u> |
| Net operating income before financial and depreciation expense | <u>767,292</u> | <u>1,919,371</u> |
| Financial and depreciation expense: | | |
| Interest and finance charges | | 83 |
| Depreciation and amortization | <u>73,593</u> | <u>38,457</u> |
| Total financial and depreciation expense | <u>73,593</u> | <u>38,540</u> |
| Change in net assets | 693,699 | 1,880,831 |
| Net assets - beginning of year | <u>1,880,831</u> | <u>0</u> |
| Net assets - end of year | <u>\$ 2,574,530</u> | <u>\$ 1,880,831</u> |

*Operations started in December 2009.

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

Notes to Consolidated Financial Statements June 30, 2011 and 2010

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[3] East 138 HDFC, Inc.:

The statement of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2011, and the statement of its results of operations for the fiscal year then ended are as follows:

ASSETS

| | |
|---------------------------------|---------------------|
| Current assets: | |
| Cash and cash equivalents | \$ 170,754 |
| Tenants' security deposits held | 31,697 |
| Rents receivable, net | 274,517 |
| Prepaid expenses | <u>78,864</u> |
| Total current assets | 555,832 |
| Reserves and escrow | 1,770,466 |
| Security deposits | 28,465 |
| Property and equipment | 5,319,837 |
| Deferred financing costs | <u>102,291</u> |
| | <u>\$ 7,776,891</u> |

LIABILITIES AND NET ASSETS

| | |
|---------------------------------------|---------------------|
| Current liabilities: | |
| Accounts payable and accrued expenses | \$ 233,512 |
| Tenants' security deposits held | 31,697 |
| Payable to affiliate | 238,111 |
| Rents received in advance | <u>2,408</u> |
| Total current liabilities | 505,728 |
| Long-term debt | <u>2,457,759</u> |
| Total liabilities | 2,963,487 |
| Unrestricted net assets | <u>4,813,404</u> |
| | <u>\$ 7,776,891</u> |

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[3] East 138 HDFC, Inc.: (continued)*

| | |
|--|---------------------|
| Revenue: | |
| Rent - tenant | \$ 414,583 |
| Less - vacancy loss | <u>(11,554)</u> |
| Total rental income | 403,029 |
| In-kind contributions | 5,100,086 |
| Interest and other income | <u>3,493</u> |
| Total revenue | <u>5,506,608</u> |
| Operating expenses: | |
| Salaries | 129,822 |
| Payroll taxes and employment benefits | 50,142 |
| Professional fees | 32,152 |
| Management fees | 4,736 |
| Administrative expenses | 14,539 |
| Real estate taxes | 47,001 |
| Insurance | 27,005 |
| Utilities | 129,523 |
| Supplies | 15,273 |
| Equipment, maintenance and repair | 141,620 |
| Social and recreation expenses | <u>4,913</u> |
| Total expenses | <u>596,726</u> |
| Net operating income before financial and depreciation expense | <u>4,909,882</u> |
| Financial and depreciation expense: | |
| Interest and finance charges | 40,148 |
| Depreciation and amortization | <u>56,330</u> |
| Total financial and depreciation expense | <u>96,478</u> |
| Increase in net assets-unrestricted | 4,813,404 |
| Net assets - beginning of year | <u>0</u> |
| Net assets - end of year | <u>\$ 4,813,404</u> |

*Operations started in March 2011.

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[4] One Forty Nine Housing Company:

The statements of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2011 and 2010, and the statements of its results of operations for the fiscal years then ended are as follows:

| | June 30, | |
|---------------------------------------|----------------------------|----------------------------|
| | 2011 | 2010 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 47,335 | \$ 24,764 |
| Tenant security deposits held | 10,472 | 9,624 |
| Rents receivable, net | 6,812 | 22,121 |
| Prepaid expenses | <u>5,700</u> | <u>3,797</u> |
| Total current assets | 70,319 | 60,306 |
| Reserves and escrow | 243,783 | 186,567 |
| Property and equipment | <u>1,253,106</u> | <u>1,392,532</u> |
| | <u>\$ 1,567,208</u> | <u>\$ 1,639,405</u> |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | \$ 55,547 | \$ 33,486 |
| Tenant security deposits held | 10,473 | 9,624 |
| Payable to affiliate | 5,843 | 17,577 |
| Rents received in advance | <u>10,878</u> | <u>5,292</u> |
| Total current liabilities | 82,741 | 65,979 |
| Long-term debt | <u>2,441,330</u> | <u>2,441,330</u> |
| Total liabilities | 2,524,071 | 2,507,309 |
| Unrestricted net asset deficit | <u>(956,863)</u> | <u>(867,904)</u> |
| | <u>\$ 1,567,208</u> | <u>\$ 1,639,405</u> |

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

**Notes to Consolidated Financial Statements
June 30, 2011 and 2010**

NOTE Q - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[4] One Forty Nine Housing Company: (continued)

| | Year Ended June 30, | |
|--|----------------------------|---------------------|
| | 2011 | 2010 |
| Income: | | |
| Rent - tenant | \$ 679,530 | \$ 652,104 |
| Interest and other income | <u>4,743</u> | <u>6,004</u> |
| Total income | <u>684,273</u> | <u>658,108</u> |
| Operating expenses: | | |
| Salaries | 225,198 | 224,951 |
| Payroll taxes and employment benefits | 72,147 | 75,962 |
| Professional fees | 28,252 | 32,486 |
| Management fees | 65,949 | 70,915 |
| Administrative expenses | 6,630 | 6,153 |
| Insurance | 18,825 | 18,764 |
| Utilities | 97,067 | 97,748 |
| Supplies | 7,739 | 9,001 |
| Telephone and internet | 6,249 | 5,797 |
| Equipment, maintenance and repair | 55,631 | 57,359 |
| Overhead expenses | 12,730 | 12,869 |
| Food | 18,464 | 18,348 |
| Bad debt expenses | 18,175 | 2,557 |
| Social and recreation expenses | <u>288</u> | <u>167</u> |
| Total operating expenses | <u>633,344</u> | <u>633,077</u> |
| Net operating income before financial and depreciation expense | <u>50,929</u> | <u>25,031</u> |
| Financial and depreciation expense: | | |
| Interest and finance charges | 462 | 653 |
| Depreciation and amortization | <u>139,426</u> | <u>138,812</u> |
| Total financial and depreciation expense | <u>139,888</u> | <u>139,465</u> |
| Decrease in net assets | (88,959) | (114,434) |
| Net assets - beginning of year | <u>(867,904)</u> | <u>(753,470)</u> |
| Net assets - end of year | <u>\$ (956,863)</u> | <u>\$ (867,904)</u> |