



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

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 and 2011

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, 2012 and 2011, 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, 2012 and 2011, 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
February 21, 2013

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

Consolidated Statements of Financial Position

	June 30,	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,278,316	\$ 3,829,287
Grants and government contracts receivable	664,537	1,447,454
Receivable from affiliates - current portion	1,505,276	939,943
Rents receivable, net	191,788	491,377
Advances receivable from residents, net	59,859	59,748
Tenants' security deposits held	183,398	226,536
Other receivables	184,567	213,264
Prepaid expenses	<u>405,286</u>	<u>423,065</u>
Total current assets	8,473,027	7,630,674
Reserves and escrow	3,972,522	5,649,860
Receivable from affiliates	1,875,626	
Notes and loan receivable from affiliates	4,774,226	332,121
Security deposits	11,095	38,600
Investment in partnerships	5,229,656	3,972,486
Property and equipment	37,098,601	42,642,156
Deferred financing cost	<u>529,546</u>	<u>668,017</u>
	<u>\$ 61,964,299</u>	<u>\$ 60,933,914</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,413,345	\$ 1,375,452
Due to residents	854,372	837,506
Tenants' security deposits held	183,398	226,536
Payable to affiliates	61,622	92,921
Rents received in advance	108,511	129,857
Deferred government contracts	31,519	92,975
Long-term debt - current portion	<u>97,637</u>	<u>92,742</u>
Total current liabilities	2,750,404	2,847,989
Long-term debt	23,745,009	26,067,910
Bonds payable	12,025,000	12,325,000
Interest-rate swap obligation	<u>2,232,688</u>	<u>1,427,747</u>
Total liabilities	<u>40,753,101</u>	<u>42,668,646</u>
Commitments and contingencies (Note R)		
Net assets:		
Unrestricted	20,959,213	18,142,128
Temporarily restricted	<u>251,985</u>	<u>123,140</u>
Total net assets	<u>21,211,198</u>	<u>18,265,268</u>
	<u>\$ 61,964,299</u>	<u>\$ 60,933,914</u>

See notes to consolidated financial statements

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

Consolidated Statements of Activities

	Year Ended June 30, 2012			Year Ended June 30, 2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Public support and revenue:						
Contributions and grants	\$ 1,327,173	\$ 304,871	\$ 1,632,044	\$ 765,059	\$ 27,369	\$ 792,428
In-kind contributions	6,062		6,062	5,296,406		5,296,406
Government contracts	7,431,939		7,431,939	8,072,046		8,072,046
Rental income	11,546,568		11,546,568	9,958,977		9,958,977
Management and other fees	964,432		964,432	959,763		959,763
Overhead income	65,680		65,680	48,784		48,784
Development fee income	3,022,500		3,022,500	164,497		164,497
Income from partnership	955,091		955,091	848,882		848,882
Gain on sale of property	536,074		536,074			
Interest and other income	76,729		76,729	41,999		41,999
Total public support and revenue before net assets released from restrictions	25,932,248	304,871	26,237,119	26,156,413	27,369	26,183,782
Net assets released from restrictions	176,026	(176,026)	0	106,726	(106,726)	0
Total public support and revenue	26,108,274	128,845	26,237,119	26,263,139	(79,357)	26,183,782
Expenses:						
Program services:						
Social services and residential care	6,980,117		6,980,117	7,102,873		7,102,873
Housing	10,967,880		10,967,880	9,586,203		9,586,203
Total program services	17,947,997		17,947,997	16,689,076		16,689,076
Supporting services:						
Management and general	2,505,409		2,505,409	2,203,300		2,203,300
Fund-raising	35,594		35,594	43,275		43,275
Total supporting services	2,541,003		2,541,003	2,246,575		2,246,575
Total expenses before amortization and depreciation	20,489,000		20,489,000	18,935,651		18,935,651
Change in net assets before amortization, depreciation and interest rate-swap agreement	5,619,274	128,845	5,748,119	7,327,488	(79,357)	7,248,131
Amortization and depreciation expense	(1,997,248)		(1,997,248)	(1,717,166)		(1,717,166)
Change in value of interest-rate swap agreement	(804,941)		(804,941)	65,382		65,382
Change in net assets	2,817,085	128,845	2,945,930	5,675,704	(79,357)	5,596,347
Net assets - beginning of year as restated	18,142,128	123,140	18,265,268	12,466,424	202,497	12,668,921
Net assets - end of year	\$ 20,959,213	\$ 251,985	\$ 21,211,198	\$ 18,142,128	\$ 123,140	\$ 18,265,268

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, 2012

(with summarized financial information for June 30, 2011)

	Program Services			Supporting Services			Total Expenses	
	Social and Supportive Services	Housing	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2012	2011
Salaries and temporary employees	\$ 4,510,752	\$ 4,238,562	\$ 8,749,314	\$ 1,376,680	\$ 27,488	\$ 1,404,168	\$ 10,153,482	\$ 9,882,227
Payroll taxes and employee benefits	<u>1,169,755</u>	<u>1,437,954</u>	<u>2,607,709</u>	<u>535,881</u>	<u>5,160</u>	<u>541,041</u>	<u>3,148,750</u>	<u>2,641,235</u>
Total salaries and related expenses	5,680,507	5,676,516	11,357,023	1,912,561	32,648	1,945,209	13,302,232	12,523,462
Professional fees and contract service payments	166,049	326,233	492,282	336,671		336,671	828,953	739,806
Telephone and telecommunications	43,650	63,835	107,485	24,337	308	24,645	132,130	121,662
Administrative expenses	80,657	267,231	347,888	110,754	1,304	112,058	459,946	305,167
Insurance	80,744	300,057	380,801	19,345	389	19,734	400,535	306,860
Lease expenses	77,822	173,108	250,930				250,930	208,774
Real estate taxes		321,741	321,741				321,741	66,688
Interest and finance charges	454	1,116,400	1,116,854	4,992		4,992	1,121,846	1,008,721
Food	362,535	421,232	783,767	736		736	784,503	729,871
Utilities	204,424	1,040,037	1,244,461				1,244,461	1,071,850
Supplies	106,652	239,785	346,437	43,301	859	44,160	390,597	404,955
Equipment, maintenance and repairs	124,852	645,075	769,927	4,420	86	4,506	774,433	855,043
Social and recreation expense	51,771	167,948	219,719				219,719	149,046
Housing project expenses		140,023	140,023				140,023	356,132
Bad debt expense		<u>68,659</u>	<u>68,659</u>	<u>48,292</u>		<u>48,292</u>	<u>116,951</u>	<u>87,614</u>
Total expenses before amortization and depreciation	6,980,117	10,967,880	17,947,997	2,505,409	35,594	2,541,003	20,489,000	18,935,651
Amortization and depreciation		<u>1,983,612</u>	<u>1,983,612</u>	<u>13,367</u>	<u>269</u>	<u>13,636</u>	<u>1,997,248</u>	<u>1,717,166</u>
	<u>\$ 6,980,117</u>	<u>\$ 12,951,492</u>	<u>\$ 19,931,609</u>	<u>\$ 2,518,776</u>	<u>\$ 35,863</u>	<u>\$ 2,554,639</u>	<u>\$ 22,486,248</u>	<u>\$ 20,652,817</u>

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

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2011**

	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	\$ 4,488,524	\$ 3,879,900	\$ 8,368,424	\$ 1,480,429	\$ 33,374	\$ 1,513,803	\$ 9,882,227
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>
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
Professional fees and contract service payments	272,521	206,845	479,366	260,440		260,440	739,806
Telephone and telecommunications	51,445	51,406	102,851	18,475	336	18,811	121,662
Administrative expenses	106,436	123,213	229,649	74,316	1202	75,518	305,167
Insurance	80,143	206,211	286,354	20,044	462	20,506	306,860
Lease expenses	77,822	130,952	208,774				208,774
Real estate taxes		66,688	66,688				66,688
Interest and finance charges	355	1,003,475	1,003,830	4,891		4,891	1,008,721
Food	325,660	403,364	729,024	847		847	729,871
Utilities	169,817	902,033	1,071,850				1,071,850
Supplies	166,488	198,967	365,455	38,611	889	39,500	404,955
Equipment, maintenance and repairs	86,130	763,579	849,709	5,233	101	5,334	855,043
Social and recreation expense	76,906	71,977	148,883	163		163	149,046
Housing project expenses		356,132	356,132				356,132
Bad debt expense		<u>87,614</u>	<u>87,614</u>				<u>87,614</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
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>\$ 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>

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>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,945,930	\$ 5,596,347
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind contribution of property	(6,062)	(5,296,406)
Depreciation and amortization	1,997,248	1,717,166
Gain on sale of property	(536,074)	
Loss (gain) on interest-rate swap agreement	804,941	(65,382)
Bad debt	116,951	87,614
Change in reserve for bad debt	979	10,947
Changes in:		
Grants and government contracts receivable	782,917	(672,072)
Receivable from affiliates	(2,440,959)	(163,521)
Rents receivable	181,659	(356,443)
Advances receivable from residents	(111)	(17,489)
Other receivables	28,697	(10,246)
Prepaid expenses	17,779	156,492
Accounts payable and accrued expenses	37,893	373,045
Due to residents	16,866	2,092
Payable to affiliates	(31,299)	83,280
Deferred government contracts	(61,456)	92,975
Rents received in advance	(21,346)	37,935
	<u>3,834,553</u>	<u>1,576,334</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of property and equipment	(1,885,438)	(1,699,620)
Proceeds from sale of property	1,664,185	
Investment in partnership	(1,257,170)	(27,742)
Changes in reserves and escrow	1,683,400	(1,685,695)
Security deposit paid	27,505	(27,361)
	<u>232,482</u>	<u>(3,440,418)</u>
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Proceeds from issuance of mortgage loan payable	380,575	2,618,628
Proceeds from issuance of notes payable		198,080
Principal payments on mortgage loan payable	(67,742)	(88,190)
Principal payments on notes payable	(2,630,839)	
Capitalized financed costs		(122,109)
Principal payments on bonds payable	(300,000)	(200,000)
	<u>(2,618,006)</u>	<u>2,406,409</u>
Net cash (used in) provided by financing activities		
Net increase in cash and cash equivalents	1,449,029	542,325
Cash and cash equivalents - beginning of year	<u>3,829,287</u>	<u>3,286,962</u>
Cash and cash equivalents - end of year	\$ 5,278,316	\$ 3,829,287
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,101,272	\$ 989,714

See notes to consolidated financial statements

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

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 Section 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 Corporation ("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 Residence, 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") is a not-for-profit housing development corporation, whose board of directors are appointed by the board of directors of WSFSSH. 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 was 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]). WSFSSH provides building management and social services to Westbourne.

East One Thirty Eighth Housing Development Fund Company, Inc. ("East 138 HDFC") is a not-for-profit housing development corporation, whose board of directors are appointed by the board of directors of WSFSSH. East 138 HDFC has filed for and received its exemption under Section 501(c)(3) of the U.S. Internal Revenue Code. As further described in Note C[4], during 2011, East 138 HDFC purchased and operated property located at 285 East 138th Street, Bronx, New York consisting of one building containing 145 residential units. As further described in Note C[5] on June 13, 2012, East 138 HDFC transferred the property on June 13, 2012 to WSFSSH and on the same day WSFSSH sold the land and building to Borinquen Court Associates, LP. The property is 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.

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

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

[1] Organization: (continued)

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. WSFSSH provides building management and social services to 149 Housing.

Borinquen Court Housing Company, Inc. ("BCHC") is a for-profit housing development corporation, formed in the State of New York on August 5, 2010. WSFSSH owns 100% of the Corporation's stock. The Corporation is a general partner, with a .01% interest, in the partnership of Borinquen Court Associates, LP which purchased the property located at 285 East 138th Street, Bronx, NY from WSFSSH on June 13, 2012 as more fully discussed in Note C[5].

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 2012 and 2011 was \$854,372 and \$837,506, 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.

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

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

[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, 2012 and 2011, this accrued vacation was approximately \$100,000 and \$142,000, respectively.

[8] Net assets:

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

(a) Unrestricted:

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

(b) Temporarily restricted:

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

[9] Contributions and government grants contracts:

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

[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") Topic 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, Topic ASC 740-10-05 has not had, and is not expected to have, a material impact on its consolidated financial statements.

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

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

[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] Derivatives:

A derivative financial instrument, consisting of an interest-rate swap contract is measured at fair value. The fair value of an interest-rate swap agreement is the estimated amount that an entity would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The Organization reports the fair value of interest-rate swaps in either other assets or other liabilities, as appropriate, in the accompanying consolidated statements of financial position and the corresponding changes in the fair value of these swaps are reported as change in value of interest-rate swap agreement in the accompanying consolidated statements of activities.

[15] 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.

[16] Restatement of prior year:

Effective July 1, 2010, the Organization restated its net assets to include the interest-rate swap agreement.

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:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Federal	\$ 187,926	\$ 139,946
New York State	10,843	11,594
New York City	<u>465,768</u>	<u>1,295,914</u>
	<u>\$ 664,537</u>	<u>\$ 1,447,454</u>

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

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

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

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
- 6) West Eighties Housing Company, Inc., general partner for:
West Eighties Associates, LP
- 7) Borinquen Court Housing Company, Inc., general partner for:
Borinquen Court Associates, LP

Management and social-service and consulting fees for each of the fiscal-years 2012 and 2011 were \$964,432 and \$959,763, respectively.

[2] Development fee agreement:

In December 2008, the Organization entered into a development fee agreement with Claremont Park Associates, LP with respect to the new construction of a 115-unit development located at 1421 College Avenue, Bronx, NY. Under the agreement WSFSSH provides certain development services including selection and supervision of the architect and engineer for the project, assisting and advising in the preparation of the development budget and pro forma cash flow projections; coordinating with the construction contractor, using best efforts to cause the project to be completed on time and within budget; and reporting progress to Claremont LP as requested. The agreement calls for a total development fee of \$2,572,500, of which \$2,041,250 is outstanding as of June 30, 2012 (see Note D). The project's construction was completed and the project received a certificate of occupancy in October 2010.

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

NOTE C - RELATED-PARTY TRANSACTIONS (CONTINUED)

[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 and Westbourne assumed the net assets of Westbourne LP. The fair value of the assets received from Westbourne LP exceeded the liabilities and, accordingly, Westbourne reported this difference as an in-kind contribution 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.

[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, at the time of purchase, 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.

[5] Sale of Property to Borinquen Court Associates, LP:

On June 13, 2012, East 138 HDFC transferred the property, as more fully described in Note C[4], other assets and related debt, with a net basis of building and other net assets of approximately \$5.4 million, to WSFSSH. On the same day, WSFSSH sold the land and building, including the associated debt, to Borinquen Court Associates, LP, at an appraised value of approximately \$6.1 million, and recognized a gain on the sale of approximately \$536,000. As part of the proceeds from the sale, WSFSSH received a purchase money note receivable of approximately \$4.4 million (see Note E). WSFSSH then invested approximately \$1.4 million of the proceeds in its wholly owned subsidiary BCHC, Inc., who then invested approximately \$1.1 million of these fund in Borinquen Court Associates, LP in exchange for a .01% general partnership interest.

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

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:

Receivables	June 30,	
	2012	2011
Claremont Park Associates, LP	\$ 2,557,578	\$ 42,732
Euclid Hall Associates, LP	56,182	
K & L HDFC, Inc.	165,206	9,394
Manhattan West Associates, LP	16,695	16,870
One Hundred Forty Associates, LP	41,962	
PSS/WSF Housing Company, LP	134,520	160,741
Two Hundred Six Associates, LP	252,801	192,570
WSA HDFC, Inc.	11,224	9,805
West Eighties Associates, LP	<u>144,734</u>	<u>507,831</u>
Total receivables	3,380,902	939,943
Less: current portion	<u>1,505,276</u>	<u>939,943</u>
	<u>\$ 1,875,626</u>	<u>\$ 0</u>

At June 30, 2012 and 2011, WSFSSH had an amount of \$61,622 and \$92,921 due to affiliates.

NOTE E - NOTES AND LOAN RECEIVABLE FROM AFFILIATES

At each fiscal year end, notes and loan receivable from affiliates consists of the following:

	June 30,	
	2012	2011
K & L HDFC, Inc. (a)	\$ 259,159	\$ 259,159
PSS/WSF Housing Company, LP (b)	72,962	72,962
Borinquen Court Associations, LP (c)	<u>4,442,105</u>	<u>0</u>
	<u>\$ 4,774,226</u>	<u>\$ 332,121</u>

- (a) Residual receipts note receivable, bearing interest at 1% per annum, due and payable on December 31, 2052. Prepayment of principal and interest on this note may be made from surplus cash with prior approval of HUD. Loan balance outstanding as of June 2012 and 2011 was \$259,159.
- (b) Loan receivable, bearing interest of 4.63% per annum due and payable on August 28, 2043. As of June 2012 and 2011 loan outstanding was \$72,962.
- (c) Purchase money note receivable bearing interest at the rate of 2.89% per annum, compounded quarterly. Principal and interest payments of \$128,377 are due and payable commencing January 1, 2014 and are payable from available cash flow. To the extent that cash flow is not sufficient to cover the quarterly payments any shortfall will be deferred and accrued. All remaining principal and accrued interest is due and payable on January 1, 2044. At June 30, 2012, the Organization estimates that the fair value of the note receivable approximates the present value of the projected future cash flows, discounted at a rate of 2.89%.

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

Notes to Consolidated Financial Statements June 30, 2012 and 2011

NOTE F - RENTS RECEIVABLE

At June 30, 2012 and 2011, 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 \$163,000 and \$162,000 have been reserved for an allowance for uncollectible accounts for fiscal-years 2012 and 2011, respectively.

NOTE G - ADVANCES RECEIVABLE FROM RESIDENTS

At June 30, 2012 and 2011, advances receivable 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 has been reserved for doubtful collections in both fiscal-years 2012 and 2011.

NOTE H - INVESTMENT IN PARTNERSHIPS

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 of accounting. The value of the investment in this partnership as of June 30, 2012 and 2011 was \$4,096,258 and \$3,972,486, respectively. In fiscal-years 2012 and 2011, WSFSSH recognized \$955,091 and \$848,882, respectively, of partnership income, net of an amortization charge for the excess of cost over the underlying equity. WSFSSH received a distribution of \$831,319 and \$821,138 from the partnership in fiscal-years 2012 and 2011, respectively.

As described in Note C[5] on June 13, 2012, BCHC made an investment in Borinquen Court Associates, LP in exchange for a .01% general partnership. The investment in the partnership is accounted for using the equity method of accounting because of WSFSSH's ability to exercise influence over the partnership through BCHC, as general partner, but the investment in the partnership is not consolidated since the limited partners have substantive participating rights. The value of the investment in this partnership at June 30, 2012 was \$1,133,398. No partnership income or distributions were reported in 2012 from this partnership investment.

NOTE I - FAIR VALUE MEASUREMENT

ASC 820-10-15 establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1 Valuations are based on observable inputs that reflect quoted market prices in active markets for the same or identical assets and liabilities at the reporting date.
- Level 2 Valuations are based on (i) quoted prices for similar assets or liabilities in active markets, or (ii) quoted prices for identical or similar assets, or liabilities in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those securities that are redeemable at or near the balance sheet date and for which a model was derived for valuation.
- Level 3 Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability, or (i) the underlying investments of which could not be independently valued, or (ii) they cannot be immediately redeemed at or near fiscal year-end.

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE I - FAIR VALUE MEASUREMENT (CONTINUED)

The Organization's assets classified as Level 2 consists of an interest-rate swap contract, which has been adjusted to its fair value using current interest rates and estimates as explained in Note A[14]. The purchase money note receivable incurred during fiscal 2012, which has been reported at its estimated fair value using discounted cash flow, is determined to be Level 3. The classification of assets in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each of the assets.

The following table summarizes the fair values of the Organization's interest-rate swap and purchase money note receivable at each fiscal year-end, in accordance with the ASC 820-10-05 fair-value hierarchy levels:

	June 30, 2012		
	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Purchase money note receivable		\$ 4,442,105	\$ 4,442,105
Interest-rate swap	<u>\$ (2,232,688)</u>		<u>(2,232,688)</u>
	<u>\$ (2,232,688)</u>	<u>\$ 4,442,105</u>	<u>\$ 2,209,417</u>
	June 30, 2011		
	<u>Level 2</u>	<u>Total</u>	
Interest-rate swap	<u>\$ (1,427,747)</u>	<u>\$ (1,427,747)</u>	
	<u>\$ (1,427,747)</u>	<u>\$ (1,427,747)</u>	

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE J - 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. With the exception of the One Forty Nine Housing Owner Reserve, 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,	
	2012	2011
NYC HPD - Operating Reserve for WSFSSH	\$ 31,893	\$ 31,864
WSFSSH - Reserve for Fania Gersham Apts	92,479	92,383
459 W. 147th Street - Water and Sewer Escrow	6,207	6,719
459 W. 147th Street - Replacement Reserve	12,218	9,898
Revella - Replacement Reserve	96,062	83,965
Marseilles - Principal Reserve Fund	78,984	136,540
Marseilles - Replacement Reserve	856,900	912,850
East One Thirty Eighth Loan Reserve		1,234,201
East One Thirty Eighth Replacement Reserve		536,265
One Forty Nine Housing Replacement Reserve	165,407	143,884
One Forty Nine Housing Owner Reserve	136,058	99,899
Westbourne - Operating Reserve	733,003	615,765
Westbourne - Replacement Reserve	1,421,449	1,702,442
One Twenties Clusters - Replacement Reserve	276,862	43,185
One Twenties Clusters - Social Service Reserve	65,000	
	<u>\$ 3,972,522</u>	<u>\$ 5,649,860</u>

NOTE K - PROPERTY AND EQUIPMENT

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

	June 30,	
	2012	2011
Land	\$ 8,909,520	\$ 9,949,520
Buildings and leasehold improvements	41,690,619	44,598,492
Equipment	1,653,626	1,586,040
Furniture	759,014	708,806
	53,012,779	56,842,858
Less accumulated depreciation	<u>15,914,178</u>	<u>14,200,702</u>
	<u>\$ 37,098,601</u>	<u>\$ 42,642,156</u>

For fiscal-years 2012 and 2011, depreciation expense was \$1,858,775 and \$1,657,965, respectively. As noted in Note C[5], in June 13, 2012, WSFSSH sold land, building, and equipment with a net book value of \$5,570,251 to Borinquen Court Associates, L.P.

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE L - 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>2012</u>	<u>2011</u>
Deferred financing cost	\$ 991,472	\$ 921,352
Less accumulated amortization	<u>(461,926)</u>	<u>(253,335)</u>
	<u>\$ 529,546</u>	<u>\$ 668,017</u>

Amortization expense was \$138,473 and \$59,202 for the fiscal-years 2012 and 2011, respectively.

NOTE M - 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 December 15, 2019. 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, 2012 and 2011, cash and cash equivalents of \$78,984 and \$136,540, respectively, were restricted for debt service. The bond balance at June 30, 2012 and 2011 was \$12,025,000 and \$12,325,000, respectively.

Minimum annual future payments under the loan agreements, for years subsequent to June 30, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 280,400
2014	295,805
2015	312,056
2016	329,198
2017	347,282
Thereafter	<u>10,460,259</u>
	<u>\$ 12,025,000</u>

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE N - LONG-TERM DEBT

	June 30,	
	2012	2011
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

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE N - LONG-TERM DEBT (CONTINUED)

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Loan payable, unsecured, non-interest bearing, to Deutsche Bank Americas Foundation, \$25,000 due October 15, 2012, 2013 and 2014.	\$ 75,000	\$ 75,000
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.	6,186,955	5,806,380
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, 2012, the loans consisted of 1) \$200,510 loan, bearing interest of 6.27%, amortized over 25 years; 2) \$279,344 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, 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.	782,354	791,316
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. The line of credit was fully repaid with the sale of the property in June 2012 as described in Note C [5].		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, 2012. The loan was paid in full during fiscal year 2012.		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>3,465,625</u>	<u>3,524,405</u>
Total long-term debt	23,842,646	26,160,652
Less: current portion	<u>97,637</u>	<u>92,742</u>
	<u>\$ 23,745,009</u>	<u>\$ 26,067,910</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, 2012 and 2011

NOTE N - 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, 2012, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 97,637
2014	102,903
2015	108,568
2016	89,663
2017	96,220

Interest expense for each of the fiscal-years 2012 and 2011 were \$1,096,219 and \$998,824, respectively.

NOTE O - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2012 and 2011, net assets of \$251,985 and \$123,140 were temporarily restricted for housing. During fiscal-years 2012 and 2011, net assets in the amounts of \$176,026 and \$106,726 were released from temporary restrictions for housing.

NOTE P - 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 Q - 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 2012 and 2011 were approximately \$224,000 and \$206,000, respectively.

NOTE R - COMMITMENTS AND CONTINGENCIES

Government-funded activities are subject to audit by the applicable funding agencies. At June 30, 2012, 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.

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE S - 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, 2012 and 2011, and the statements of its results of operations for the fiscal years then ended are as follows:

	June 30,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 111,728	\$ 111,605
Tenant security deposits held	34,594	32,143
Receivable from affiliates	4,390,108	3,662,732
Rents receivable, net	16,505	29,081
Other receivables		7,594
Prepaid expenses	<u>40,103</u>	<u>45,706</u>
Total current assets	4,593,038	3,888,861
Reserves and escrow	935,884	1,049,390
Security deposits		3,210
Property and equipment	18,869,241	19,208,701
Deferred financing cost	<u>526,344</u>	<u>565,726</u>
	<u>\$ 24,924,507</u>	<u>\$ 24,715,888</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 220,105	\$ 297,241
Tenants' security deposits held	34,594	32,143
Rents received in advance	7,044	14,973
Long-term debt - current portion	<u>63,312</u>	<u>58,780</u>
Total current liabilities	325,055	403,137
Long-term debt	3,402,313	3,465,625
Bonds payable	12,025,000	12,325,000
Interest-rate swap obligation	<u>2,232,688</u>	<u>1,427,747</u>
Total liabilities	17,985,056	17,621,509
Unrestricted net assets	<u>6,939,451</u>	<u>7,094,379</u>
	<u>\$ 24,924,507</u>	<u>\$ 24,715,888</u>

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

Notes to Consolidated Financial Statements
June 30, 2012 and 2011

NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[1] Marseilles LLC: (continued)

	Year Ended June 30,	
	2012	2011
Income:		
Gross potential rent - tenant	\$ 2,547,608	\$ 2,521,752
Less: vacancy loss	(150,614)	(62,193)
Net residential rent	2,396,994	2,459,559
Gross potential rent - commercial	822,533	796,955
Less: Rent concessions	(20,455)	—
Net commercial rent	802,078	796,955
Total rental income	3,199,072	3,256,514
Interest and other income (loss)	4,772	(11,179)
Total income	3,203,844	3,245,335
Operating expenses:		
Salaries	250,205	244,466
Payroll taxes and employment benefits	93,184	90,946
Professional fees	38,841	40,998
Management fees	160,173	164,827
Administrative expenses	19,864	36,490
Real estate taxes	(2,571)	24,301
Insurance	70,294	59,201
Utilities	150,776	165,558
Supplies	10,312	7,767
Equipment, maintenance and repair	189,596	192,928
Social and recreation expenses	9,820	8,937
Total operating expenses	990,494	1,036,419
Net operating income before financial and depreciation expense	2,213,350	2,208,916
Financial and depreciation expense:		
Interest and finance charges	930,165	944,014
Depreciation and amortization	633,172	623,705
Change in value of interest-rate swap agreement	804,941	(65,382)
Total financial and depreciation expense	2,368,278	1,502,337
Change in net assets	(154,928)	706,579
Net assets - beginning of year as restated	7,094,379	6,387,800
Net assets - end of year	\$ 6,939,451	\$ 7,094,379

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE S - 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, 2012 and 2011, and the statements of its results of operations for the fiscal years then ended are as follows:

	June 30,	
	2012	2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 217,927	\$ 285,861
Tenant security deposits held	24,134	26,957
Rents receivable, net	45,598	61,339
Other receivables	6,165	101,734
Prepaid expenses	<u>12,508</u>	<u>41,863</u>
Total current assets	306,332	517,754
Reserves and escrow	2,154,452	2,318,208
Security deposits	4,620	
Property and equipment	<u>5,261,932</u>	<u>4,565,606</u>
	<u>\$ 7,727,336</u>	<u>\$ 7,401,568</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 57,100	\$ 34,077
Construction payable	239,973	
Tenant security deposits held	24,134	26,957
Payable to affiliate	13,723	92,941
Rents received in advance	<u>14,716</u>	<u>8,035</u>
Total current liabilities	349,646	162,010
Long-term debt	<u>4,665,028</u>	<u>4,665,028</u>
Total liabilities	5,014,674	4,827,038
Unrestricted net assets	<u>2,712,662</u>	<u>2,574,530</u>
	<u>\$ 7,727,336</u>	<u>\$ 7,401,568</u>

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

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

	Year Ended June 30,	
	2012	2011
Income:		
Gross potential rent - tenant	\$ 1,095,251	\$ 1,069,825
Less: vacancy loss	<u>(82,311)</u>	<u>(23,136)</u>
Net residential rent	1,012,940	1,046,689
Rent-commercial	<u>135,579</u>	<u>138,894</u>
Total rental income	1,148,519	1,185,583
In-kind contributions		196,320
Grant income		198,883
Interest and other income	<u>13,915</u>	<u>8,440</u>
Total income	<u>1,162,434</u>	<u>1,589,226</u>
Operating expenses:		
Salaries	297,828	269,796
Payroll taxes and employment benefits	98,364	77,341
Professional fees	46,157	26,666
Management fees	93,218	115,656
Administrative expenses	79,995	45,619
Real estate taxes		(4,614)
Insurance	45,696	37,678
Utilities	152,577	179,903
Supplies	18,754	12,053
Equipment, maintenance and repair	70,294	47,526
Social and recreation expenses	<u>14,850</u>	<u>14,310</u>
Total operating expenses	<u>917,733</u>	<u>821,934</u>
Net operating income before financial and depreciation expense	<u>244,701</u>	<u>767,292</u>
Financial and depreciation expense:		
Interest and finance charges	16,330	
Depreciation and amortization	<u>90,239</u>	<u>73,593</u>
Total financial and depreciation expense	<u>106,569</u>	<u>73,593</u>
Change in net assets	138,132	693,699
Net assets - beginning of year	<u>2,574,530</u>	<u>1,880,831</u>
Net assets - end of year	<u>\$ 2,712,662</u>	<u>\$ 2,574,530</u>

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[3] East 138 HDFC, Inc.:

The statements of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2012 and 2011, and the statements of its results of operations for the fiscal years then ended are as follows:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 239,053	\$ 170,753
Tenants' security deposits held		31,697
Rents receivable, net		274,517
Prepaid expenses	<u>832</u>	<u>78,865</u>
Total current assets	239,885	555,832
Reserves and escrow		1,770,466
Security deposits		28,465
Property and equipment		5,319,837
Deferred financing costs	<u>3,202</u>	<u>102,291</u>
	<u>\$ 243,087</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	\$ 239,053	238,111
Rents received in advance		<u>2,408</u>
Total current liabilities	239,053	505,728
Long-term debt		<u>2,457,759</u>
Total liabilities	239,053	2,963,487
Unrestricted net assets	<u>4,034</u>	<u>4,813,404</u>
	<u>\$ 243,087</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, 2012 and 2011**

NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

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

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
Revenue:		
Rent - tenant	\$ 2,033,459	\$ 414,583
Less - vacancy loss	<u>(196,242)</u>	<u>(11,554)</u>
Total rental income	1,837,217	403,029
In-kind contributions	6,062	5,100,086
Contributions	325,000	
Grant income	298,085	
Interest and other income	<u>16,028</u>	<u>3,493</u>
Total revenue	<u>2,482,392</u>	<u>5,506,608</u>
Operating expenses:		
Salaries	435,972	129,822
Payroll taxes and employment benefits	157,615	50,142
Professional fees	79,435	32,152
Management fees	81,982	4,736
Administrative expenses	33,604	14,539
Real estate taxes	254,366	47,001
Insurance	81,700	27,005
Utilities	336,183	129,523
Supplies	18,423	15,273
Equipment, maintenance and repair	(753)	141,620
Social and recreation expenses	<u>14,032</u>	<u>4,913</u>
Total expenses	<u>1,492,559</u>	<u>596,726</u>
Net operating income before financial and depreciation expense	<u>989,833</u>	<u>4,909,882</u>
Financial and depreciation expense:		
Interest and finance charges	151,522	40,148
Depreciation and amortization	<u>207,876</u>	<u>56,330</u>
Total financial and depreciation expense	<u>359,398</u>	<u>96,478</u>
Increase in net assets-unrestricted	630,435	4,813,404
Transfer of property, other assets, liabilities and debt to WSFSSH (See Note C[5])	(5,439,805)	
Net assets - beginning of year	<u>4,813,404</u>	<u>0</u>
Net assets - end of year	<u>\$ 4,034</u>	<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, 2012 and 2011**

NOTE S - 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, 2012 and 2011, and the statements of its results of operations for the fiscal years then ended are as follows:

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 57,138	\$ 47,335
Tenant security deposits held	10,897	10,472
Rents receivable, net	14,298	6,812
Prepaid expenses	<u>3,553</u>	<u>5,700</u>
Total current assets	85,886	70,319
Reserves and escrow	301,465	243,783
Property and equipment	<u>1,050,119</u>	<u>1,253,106</u>
	<u>\$ 1,437,470</u>	<u>\$ 1,567,208</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 55,825	\$ 55,547
Tenant security deposits held	10,897	10,473
Payable to affiliate	50,266	5,843
Rents received in advance	<u>12,465</u>	<u>10,878</u>
Total current liabilities	129,453	82,741
Long-term debt	<u>2,441,330</u>	<u>2,441,330</u>
Total liabilities	2,570,783	2,524,071
Partner's equity	<u>(1,133,313)</u>	<u>(956,863)</u>
	<u>\$ 1,437,470</u>	<u>\$ 1,567,208</u>

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

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

	Year Ended June 30,	
	2012	2011
Income:		
Gross potential rent - tenant	\$ 720,081	\$ 703,866
Less: vacancy loss	<u>(5,725)</u>	<u>(24,336)</u>
Total rental income	714,356	679,530
Interest and other income	<u>5,012</u>	<u>4,743</u>
Total income	<u>719,368</u>	<u>684,273</u>
Operating expenses:		
Salaries	241,626	225,198
Payroll taxes and employment benefits	79,406	72,147
Professional fees	19,626	28,252
Management fees	85,713	65,949
Administrative expenses	7,808	6,630
Insurance	21,405	18,825
Utilities	97,514	97,067
Supplies	7,855	7,739
Telephone and internet	6,484	6,249
Equipment, maintenance and repair	69,044	55,631
Overhead expenses	18,885	12,730
Food	18,521	18,464
Bad debt expenses	10,563	18,175
Social and recreation expenses	<u>1,706</u>	<u>288</u>
Total operating expenses	<u>686,156</u>	<u>633,344</u>
Net operating income before financial and depreciation expense	<u>33,212</u>	<u>50,929</u>
Financial and depreciation expense:		
Interest and finance charges	295	462
Depreciation and amortization	<u>209,367</u>	<u>139,426</u>
Total financial and depreciation expense	<u>209,662</u>	<u>139,888</u>
Net loss	(176,450)	(88,959)
Partner's equity - beginning of year	<u>(956,863)</u>	<u>(867,904)</u>
Partner's equity - end of year	<u>\$ (1,133,313)</u>	<u>\$ (956,863)</u>

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

**Notes to Consolidated Financial Statements
June 30, 2012 and 2011**

NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)

[5] Borinquen Court Housing Company, Inc.: *

The statement of financial position for this affiliate, the financial statements of which are consolidated herein, as of June 30, 2012

ASSETS

Cash and cash equivalents	\$ 321,550
Investments in partnership	<u>1,133,398</u>
	<u>\$ 1,454,948</u>

NET ASSETS

Capital	<u>\$ 1,454,948</u>
	<u>\$ 1,454,948</u>

* There were no operating activities during the fiscal year.