



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

**CONSOLIDATED FINANCIAL STATEMENTS**

**JUNE 30, 2013 and 2012**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of West Side Federation for Senior and Supportive Housing, Inc. and certain affiliates (the "Organization") which comprise the statements of financial positions as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

The Organization's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



New York, New York  
December 3, 2013

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

**Consolidated Statements of Financial Position**

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 7,027,065	\$ 5,278,316
Grants and government contracts receivable	1,516,403	664,537
Receivable from affiliates - current portion	1,453,818	1,505,276
Rents receivable, net	375,151	191,788
Advances receivable from residents, net	54,350	59,859
Tenants' security deposits held	236,956	183,398
Other receivables	208,093	184,567
Prepaid expenses	<u>292,645</u>	<u>405,286</u>
Total current assets	11,164,481	8,473,027
Reserves and escrow	9,289,347	3,972,522
Receivable from affiliates	1,275,885	1,875,626
Notes and loan receivable from affiliates	4,774,226	4,774,226
Security deposits	38,020	11,095
Investment in partnerships	5,064,187	5,229,656
Property and equipment	62,650,314	37,098,601
Deferred financing cost	<u>486,961</u>	<u>529,546</u>
	<u>\$ 94,743,421</u>	<u>\$ 61,964,299</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 1,679,169	\$ 1,413,345
Due to residents	876,787	854,372
Tenants' security deposits held	236,956	183,398
Payable to affiliates	91,047	61,622
Rents received in advance	133,999	108,511
Deferred government contracts		31,519
Long-term debt - current portion	<u>398,700</u>	<u>378,037</u>
Total current liabilities	3,416,658	3,030,804
Long-term debt	46,794,757	23,745,009
Bonds payable	11,429,203	11,744,600
Interest-rate swap obligation	<u>1,694,422</u>	<u>2,232,688</u>
Total liabilities	<u>63,335,040</u>	<u>40,753,101</u>
Commitments and contingencies (Note R)		
Net assets:		
Unrestricted	29,423,989	20,959,213
Temporarily restricted	<u>1,984,392</u>	<u>251,985</u>
Total net assets	<u>31,408,381</u>	<u>21,211,198</u>
	<u>\$ 94,743,421</u>	<u>\$ 61,964,299</u>

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

**Consolidated Statements of Activities**

	Year Ended June 30, 2013			Year Ended June 30, 2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Public support and revenue:</b>						
Contributions and grants	\$ 1,124,303	\$ 185,023	\$ 1,309,326	\$ 1,327,173	\$ 304,871	\$ 1,632,044
In-kind contributions	7,961,054	1,817,023	9,778,077	6,062		6,062
Government contracts	8,227,220		8,227,220	7,431,939		7,431,939
Rental income net of vacancy loss of \$1,094,077 and \$867,444 in 2013 and 2012, respectively	9,597,053		9,597,053	11,546,568		11,546,568
Management and other fees	1,159,488		1,159,488	964,432		964,432
Overhead income	55,254		55,254	65,680		65,680
Development fee income				3,022,500		3,022,500
Income from partnership	705,205		705,205	955,091		955,091
Gain on sale of property				536,074		536,074
Interest and other income	275,381		275,381	76,729		76,729
Total public support and revenue before net assets released from restrictions	29,104,958	2,002,046	31,107,004	25,932,248	304,871	26,237,119
Net assets released from restrictions	269,639	(269,639)	0	176,026	(176,026)	0
Total public support and revenue	29,374,597	1,732,407	31,107,004	26,108,274	128,845	26,237,119
<b>Expenses:</b>						
Program services:						
Social services and residential care	7,640,398		7,640,398	6,980,117		6,980,117
Housing	9,810,336		9,810,336	10,967,880		10,967,880
Total program services	17,450,734		17,450,734	17,947,997		17,947,997
Supporting services:						
Management and general	2,110,009		2,110,009	2,505,409		2,505,409
Fund-raising	39,156		39,156	35,594		35,594
Total supporting services	2,149,165		2,149,165	2,541,003		2,541,003
Total expenses before amortization and depreciation	19,599,899		19,599,899	20,489,000		20,489,000
Change in net assets before amortization, depreciation and interest rate-swap agreement	9,774,698	1,732,407	11,507,105	5,619,274	128,845	5,748,119
Amortization and depreciation expense	(1,848,188)		(1,848,188)	(1,997,248)		(1,997,248)
Change in value of interest-rate swap agreement	538,266		538,266	(804,941)		(804,941)
<b>Change in net assets</b>	8,464,776	1,732,407	10,197,183	2,817,085	128,845	2,945,930
Net assets - beginning of year as restated	20,959,213	251,985	21,211,198	18,142,128	123,140	18,265,268
<b>Net assets - end of year</b>	\$ 29,423,989	\$ 1,984,392	\$ 31,408,381	\$ 20,959,213	\$ 251,985	\$ 21,211,198

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, 2013**

(with summarized financial information for June 30, 2012)

	Program Services			Supporting Services			Total Expenses	
	Social and Supportive Services	Housing	Total Program Services	Management and General	Fund-Raising	Total Supporting Services	2013	2012
Salaries and temporary employees	\$ 4,999,466	\$ 4,176,848	\$ 9,176,314	\$ 1,447,615	\$ 31,566	\$ 1,479,181	\$ 10,655,495	\$ 10,153,482
Payroll taxes and employee benefits	<u>1,267,847</u>	<u>1,177,824</u>	<u>2,445,671</u>	<u>304,913</u>	<u>4,765</u>	<u>309,678</u>	<u>2,755,349</u>	<u>3,148,750</u>
Total salaries and related expenses	<b>6,267,313</b>	<b>5,354,672</b>	<b>11,621,985</b>	<b>1,752,528</b>	<b>36,331</b>	<b>1,788,859</b>	<b>13,410,844</b>	13,302,232
Professional fees and contract service payments	180,531	247,075	427,606	198,361	0	198,361	625,967	828,953
Telephone and telecommunications	49,551	70,196	119,747	16,607	363	16,970	136,717	132,130
Administrative expenses	79,728	174,431	254,159	81,177	1,257	82,434	336,593	459,946
Insurance	97,343	261,378	358,721	22,464	482	22,946	381,667	400,535
Lease expenses	85,050	136,081	221,131				221,131	250,930
Real estate taxes		34,576	34,576				34,576	321,741
Interest and finance charges	634	953,024	953,658	4,881		4,881	958,539	1,121,846
Food	331,916	479,347	811,263	750		750	812,013	784,503
Utilities	238,652	756,760	995,412				995,412	1,244,461
Supplies	125,003	203,720	328,723	31,139	681	31,820	360,543	390,597
Equipment, maintenance and repairs	117,734	720,606	838,340	2,102	42	2,144	840,484	774,433
Social and recreation expense	66,943	165,175	232,118				232,118	219,719
Housing project expenses		203,670	203,670				203,670	140,023
Bad debt expense		49,625	49,625				49,625	116,951
Total expenses before amortization and depreciation	<b>7,640,398</b>	<b>9,810,336</b>	<b>17,450,734</b>	<b>2,110,009</b>	<b>39,156</b>	<b>2,149,165</b>	<b>19,599,899</b>	20,489,000
Amortization and depreciation		<u>1,825,457</u>	<u>1,825,457</u>	<u>22,455</u>	<u>276</u>	<u>22,731</u>	<u>1,848,188</u>	<u>1,997,248</u>
	<b><u>\$ 7,640,398</u></b>	<b><u>\$ 11,635,793</u></b>	<b><u>\$ 19,276,191</u></b>	<b><u>\$ 2,132,464</u></b>	<b><u>\$ 39,432</u></b>	<b><u>\$ 2,171,896</u></b>	<b><u>\$ 21,488,087</u></b>	<b><u>\$ 22,486,248</u></b>

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**

	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	\$ 4,510,752	\$ 4,238,562	\$ 8,749,314	\$ 1,376,680	\$ 27,488	\$ 1,404,168	\$ 10,153,482
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>
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
Professional fees and contract service payments	166,049	326,233	492,282	336,671		336,671	828,953
Telephone and telecommunications	43,650	63,835	107,485	24,337	308	24,645	132,130
Administrative expenses	80,657	267,231	347,888	110,754	1,304	112,058	459,946
Insurance	80,744	300,057	380,801	19,345	389	19,734	400,535
Lease expenses	77,822	173,108	250,930				250,930
Real estate taxes		321,741	321,741				321,741
Interest and finance charges	454	1,116,400	1,116,854	4,992		4,992	1,121,846
Food	362,535	421,232	783,767	736		736	784,503
Utilities	204,424	1,040,037	1,244,461				1,244,461
Supplies	106,652	239,785	346,437	43,301	859	44,160	390,597
Equipment, maintenance and repairs	124,852	645,075	769,927	4,420	86	4,506	774,433
Social and recreation expense	51,771	167,948	219,719				219,719
Housing project expenses		140,023	140,023				140,023
Bad debt expense		<u>68,659</u>	<u>68,659</u>	<u>48,292</u>		<u>48,292</u>	<u>116,951</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
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>\$ 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>

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>2013</u>	<u>2012</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 10,197,183	\$ 2,945,930
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind contribution of property	(9,778,077)	(6,062)
Depreciation and amortization	1,848,188	1,997,248
Gain on sale of property		(536,074)
(Gain) loss on interest-rate swap agreement	(538,266)	804,941
Bad debt	49,625	116,951
Change in reserve for bad debt	16,976	979
Changes in:		
Grants and government contracts receivable	(851,866)	782,917
Receivable from affiliates	463,183	(2,440,959)
Rents receivable	(249,964)	181,659
Advances receivable from residents	5,508	(111)
Other receivables	(23,526)	28,697
Prepaid expenses	260,791	17,779
Accounts payable and accrued expenses	87,252	37,893
Due to residents	22,415	16,866
Payable to affiliates	29,425	(31,299)
Deferred government contracts	(31,519)	(61,456)
Rents received in advance	25,488	(21,346)
Net cash provided by operating activities	<u>1,532,816</u>	<u>3,834,553</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(2,657,316)	(1,885,438)
Proceeds from sale of property		1,664,185
Investment in partnership and housing company	165,469	(1,257,170)
Changes in reserves and escrow	3,082,343	1,683,400
Security deposit paid	(26,925)	27,505
Net cash provided by investing activities	<u>563,571</u>	<u>232,482</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of notes payable	50,000	
Proceeds from issuance of mortgage loan payable		380,575
Principal payments on mortgage loan payable	(72,638)	(67,742)
Principal payments on notes payable	(25,000)	(2,630,839)
Principal payments on bonds payable	(300,000)	(300,000)
Net cash used in financing activities	<u>(347,638)</u>	<u>(2,618,006)</u>
<b>Net increase in cash and cash equivalents</b>	<b>1,748,749</b>	<b>1,449,029</b>
Cash and cash equivalents - beginning of year	<u>5,278,316</u>	<u>3,829,287</u>
<b>Cash and cash equivalents - end of year</b>	<b><u>\$ 7,027,065</u></b>	<b><u>\$ 5,278,316</u></b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 918,795	\$ 1,101,272

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

## Notes to Consolidated Financial Statements June 30, 2013 and 2012

### 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 74<sup>th</sup> Street Residence, 129<sup>th</sup> Street Residence, Valley Lodge Transitional Shelter, Revella, One Twenties Cluster and 459 West 147<sup>th</sup> 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 is 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. 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, exempt under Section 501(c)(3), whose board of directors is appointed by the board of directors of WSFSSH, the sole member of East 138 HDFC. As further described in Note C[3], during 2011, East 138 HDFC purchased and operated property located at 285 East 138<sup>th</sup> Street, Bronx, New York consisting of one building containing 145 residential units. As further described in Note C[4], on June 13, 2012, East 138 HDFC transferred the property 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. East 138 HDFC provides social and other supporting services to Borinquen Court Associates LP.

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



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

## Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

#### [1] Organization: (continued)

Support Service, Inc., a not-for-profit corporation whose board of directors is 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 138<sup>th</sup> Street, Bronx, NY from WSFSSH on June 13, 2012 as more fully discussed in Note C[4].

Euclid Hall Housing Development Fund Company, Inc. ("Euclid Hall HDFC") is a not-for-profit housing development corporation, exempt under Section 501(c)(3), whose board of directors is appointed by the board of directors of WSFSSH. As of May 2013 Euclid Hall HDFC owns and operates property located at 2345 Broadway, New York, NY previously owned by a limited partnership, Euclid Hall Associates, L.P. ("Euclid Hall LP"). Euclid Hall LP was comprised of two partners: a 99% limited partner, the National Equity Fund, and a 1% general partner, 2345 Housing Company, Inc., which was an affiliate of WSFSSH. Effective May 9, 2013, the partners of Euclid Hall LP contributed their partnership interest to Euclid Hall HDFC. By operation of law, after the transfer occurred, Euclid Hall LP was dissolved as further described in Note C[5]. WSFSSH provides building management and social services to Euclid Hall HDFC.

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 2013 and 2012 was \$876,787 and \$854,372, respectively. This is included in due to residents.

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

## **Notes to Consolidated Financial Statements June 30, 2013 and 2012**

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

#### **[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. Depreciation and amortization are calculated using the straight-line method. Land is not depreciated.

#### **[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, 2013 and 2012, this accrued vacation was approximately \$67,000 and \$100,000, 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.

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

## Notes to Consolidated Financial Statements June 30, 2013 and 2012

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

#### [12] Income tax:

The Organization follows 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, ASC Topic 740-10-05 has not had, and is not expected to have, a material effect 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.

#### [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] Reclassification:

Certain amounts included in the fiscal-year 2012 financial statements have been reclassified to conform to the fiscal-year 2013 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,	
	2013	2012
Federal	\$ 303,591	\$ 187,926
New York State	221,498	10,843
New York City	991,314	465,768
	<u>\$ 1,516,403</u>	<u>\$ 664,537</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, 2013 and 2012**

#### **NOTE C - RELATED-PARTY TRANSACTIONS**

##### **[1] Property management:**

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

- 1) WSA Housing Development Fund Company, Inc.
- 2) K & L Housing Development Fund Company, Inc.
- 3) 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 are not present.

- 1) PSS/WSF Housing Development Fund Company, Inc., general partner for:  
PSS/WSF Housing Company, LP
- 2) Federation Housing Support Services, Inc., general partner for:  
Manhattan West Associates, 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 2013 and 2012 were \$1,159,487 and \$964,432, 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 construction of a 115-unit development located at 1421 College Avenue, Bronx, NY. Under the agreement WSFSSH provided 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, and coordinating with the construction contractor. The agreement called for a total development fee of \$2,572,500, of which \$1,875,626 is outstanding as of June 30, 2013, which is included in the amount receivable from Claremont Park Associates, LP (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, 2013 and 2012**

#### **NOTE C - RELATED-PARTY TRANSACTIONS (CONTINUED)**

##### **[3] 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 138<sup>th</sup> 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 stipulated that there would be a dollar-for-dollar reduction in the purchase price, up to the entire \$3.8 million, if East 138 HDFC undertook 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. As of June 30, 2013, no change is estimated in the cost of the repairs. 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.

##### **[4] Sale of Property to Borinquen Court Associates, LP:**

On June 13, 2012, East 138 HDFC transferred the property described in Note C[3], 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 invested approximately \$1.4 million of the proceeds in its wholly owned subsidiary BCHC, who invested approximately \$1.1 million in Borinquen Court Associates, LP in exchange for a .01% general partnership interest.

##### **[5] Dissolution of Euclid Hall Associates, L.P. and in-kind contribution in fiscal-year 2013:**

As disclosed in Note A[1], on May 9, 2013, the partners of Euclid Hall LP contributed their partnership interest to Euclid Hall HDFC. Euclid Hall HDFC assumed the net assets of Euclid Hall, LP including the land and building, restricted deposits and reserves, accounts payable, mortgage payable and operating cash of approximately \$511,000. The fair value of the assets received from Euclid Hall LP exceeded the liabilities by approximately \$7.9 million, excluding the cash, and was reported as an in-kind contribution in the consolidated statement of activities for fiscal-year 2013. Subsequently, excess reserve funds of approximately \$1.9 million (which were included in the net assets received above), were paid to the sponsor, WSFSSH, upon approval from NYC Department of Housing Preservation and Development ("HPD").

In furtherance with the dissolution of Euclid Hall LP, HPD approved the transfer of a sinking fund reserve account associated with the original mortgage on the property, in the amount of approximately \$1.8 million, to the Community Preservation Corporation ("CPC"), an unrelated not-for-profit entity, to be held on behalf of WSFSSH. Concurrent with the transfer, WSFSSH entered into a reserve and servicing agreement with CPC and HPD whereby CPC will hold and administer funds on behalf of WSFSSH. The funds are available to WSFSSH to develop new affordable and supportive housing units and to preserve existing WSFSSH-sponsored affordable housing units upon HPD approval. The transfer of the reserve account was recorded as restricted in-kind contribution in the consolidated statement of activities for fiscal-year 2013.

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

### Notes to Consolidated Financial Statements June 30, 2013 and 2012

#### NOTE D - AFFILIATE RECEIVABLES/PAYABLES

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

Receivables	June 30,	
	2013	2012
Claremont Park Associates, LP	\$ 1,974,658	\$ 2,557,578
Two Hundred Six Associates, LP	240,507	252,801
PSS/WSF Housing Company, LP	149,533	134,520
Borinquen Court Associates, LP	135,885	
K & L HDFC, Inc.	117,770	165,206
Manhattan West Associates, LP	35,963	16,695
One Hundred Forty Associates, LP	33,984	41,962
West Eighties Associates, LP	28,149	144,734
WSA HDFC, Inc.	13,254	11,224
Euclid Hall Associates, LP		56,182
Total receivables	<u>2,729,703</u>	3,380,902
Less: current portion	<u>1,453,818</u>	<u>1,505,276</u>
	<u>\$ 1,275,885</u>	<u>\$ 1,875,626</u>

At June 30, 2013 and 2012, WSFSSH owed \$91,047 and \$61,622 to affiliates.

#### NOTE E - NOTES AND LOAN RECEIVABLE FROM AFFILIATES

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

	June 30,	
	2013	2012
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>4,442,105</u>
	<u>\$ 4,774,226</u>	<u>\$ 4,774,226</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.
- (b) Loan receivable, bearing interest of 4.63% per annum due and payable on August 28, 2043.
- (c) Purchase money note receivable bearing interest at the rate of 2.89% per annum, compounded quarterly. 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, 2013, the fair value of the note receivable approximates the present value of the projected future cash flows, discounted at a rate of 2.89%. The interest accrued on the note receivable is \$135,885 as of June 30, 2013.

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

## **Notes to Consolidated Financial Statements June 30, 2013 and 2012**

### **NOTE F - RENTS RECEIVABLE**

At June 30, 2013 and 2012, net rents receivable consist of balances due to the Organization from tenants and government subsidies. All amounts are due within one year. Based on management's past experience, approximately \$180,000 and \$163,000 have been reserved for an allowance for uncollectible accounts for fiscal-years 2013 and 2012, respectively.

### **NOTE G - ADVANCES RECEIVABLE FROM RESIDENTS**

At June 30, 2013 and 2012, advances receivable from residents consist of balances due to the Organization from residents. All amounts are due within one year. Based on management's past experience, approximately \$18,000 and \$24,000, respectively, have been reserved for an allowance for uncollectible accounts for doubtful collections in both fiscal-years 2013 and 2012, respectively.

### **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, 2013 and 2012 was \$3,922,640 and \$4,096,258, respectively. In fiscal-years 2013 and 2012, WSFSSH recognized \$705,205 and \$955,091, respectively, of partnership income, net of an amortization charge for the excess of cost over the underlying equity. WSFSSH received a distribution of \$878,823 and \$831,319 from the partnership in fiscal-years 2013 and 2012, respectively.

As described in Note C[4], 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, 2013 and 2012 was \$1,141,547 and \$1,133,398, respectively.

### **NOTE I - FAIR VALUE MEASUREMENT**

ASC Topic 820-10-05 prescribes three levels of fair value measurement as follows:

- Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.
- Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, 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 investments 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 include situations where (i) there is little, if any, market activity for the asset or liability, or (ii) the underlying investments of which cannot be independently valued, or (iii) the investments cannot be immediately redeemed at or near the fiscal year-end.

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE I - FAIR VALUE MEASUREMENT (CONTINUED)**

The Organization's assets classified as Level 2 consist 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 is 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 Topic 820-10-05 fair-value hierarchy levels:

	<b>June 30, 2013</b>		
	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Purchase money note receivable		\$ 4,442,105	\$ 4,442,105
Interest-rate swap	<u>\$ (1,694,422)</u>	_____	<u>(1,694,422)</u>
	<u>\$ (1,694,422)</u>	<u>\$ 4,442,105</u>	<u>\$ 2,747,683</u>
	<b>June 30, 2012</b>		
	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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>

No changes were reported in the fair value of the Organization's Level 3 asset in fiscal-years 2013 and 2012.



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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE J - RESERVES AND ESCROW**

In accordance with the provisions of the Organization's regulatory agreements, reserves and escrow are 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:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
WSFSSH - Reserve for Fania Gersham Apts	\$ 92,620	\$ 92,479
459 W. 147th Street - Water and Sewer Escrow	5,940	6,207
459 W. 147th Street - Replacement Reserve	14,530	12,218
Revella - Replacement Reserve	111,158	96,062
Revella - Social Service Reserve	106,490	
Marseilles - Principal Reserve Fund	59,164	78,984
Marseilles - Replacement Reserve	725,257	856,900
One Forty Nine Housing Replacement Reserve	187,220	165,407
One Forty Nine Housing Owner Reserve	172,212	136,058
Westbourne - Operating Reserve	917,343	733,003
Westbourne - Replacement Reserve	234,225	1,421,449
Euclid - Operating Reserve	1,209,451	
Euclid - Replacement Reserve	3,279,811	
WSFSSH Development Fund Reserve	1,817,023	
One Twenties Clusters - Replacement Reserve	291,805	276,862
One Twenties Clusters - Social Service Reserve	65,098	65,000
NYC HPD - Operating Reserve for WSFSSH		31,893
	<u>\$ 9,289,347</u>	<u>\$ 3,972,522</u>

**NOTE K - PROPERTY AND EQUIPMENT**

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

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Land	\$ 18,809,520	\$ 8,909,520
Buildings and leasehold improvements	58,774,555	41,690,619
Equipment	1,849,889	1,653,626
Furniture	936,132	759,015
	<u>80,370,096</u>	53,012,780
Less accumulated depreciation	<u>17,719,782</u>	<u>15,914,179</u>
	<u>\$ 62,650,314</u>	<u>\$ 37,098,601</u>

For fiscal-years 2013 and 2012, depreciation expense was \$1,805,603 and \$1,858,775, respectively.

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE L - DEFERRED FINANCING COST**

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

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Deferred financing cost	\$ 799,242	\$ 991,472
Less accumulated amortization	<u>(312,281)</u>	<u>(461,926)</u>
	<u>\$ 486,961</u>	<u>\$ 529,546</u>

Amortization expense was \$42,585 and \$138,473 for the fiscal-years 2013 and 2012, respectively. During the fiscal-year 2013, the Organization wrote off fully amortized deferred financing costs of approximately \$192,000.

**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, 2013 and 2012, cash and cash equivalents of \$59,164 and \$78,984, respectively, were restricted for debt service. The bond balance at June 30, 2013 and 2012 was \$11,725,000 and \$12,025,000, respectively.

Minimum annual future payments under the loan agreements, for years subsequent to June 30, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 295,805
2015	312,056
2016	329,198
2017	347,282
2018	366,362
Thereafter	<u>10,074,297</u>
	<u>\$ 11,725,000</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE N - LONG-TERM DEBT**

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
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).	<b>\$ 3,107,778</b>	\$ 3,107,778
Mortgage loan payable, bearing interest at 1%, secured by an encumbering on the property located at 109 West 129 <sup>th</sup> Street, New York City, due in April 2032 (a).	<b>1,405,991</b>	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).	<b>1,712,585</b>	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.	<b>4,665,028</b>	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.	<b>2,441,330</b>	2,441,330
Mortgage loan payable, bearing interest at .50% per annum, secured by a mortgage encumbering the property and improvements located at 2345 Broadway, New York City, due in December 1, 2042. If the Organization is not in default on the mortgage as of September 30, 2013, the federal Section 17 portion of the mortgage of \$1,000,000 will be forgiven. Subsequent to year end, the Organization satisfied the covenants for the mortgage agreement, and accordingly, the mortgage was reduced by \$1,000,000.	<b>23,102,653</b>	
Total mortgage loans payable to HPD	<b>36,435,365</b>	13,332,712

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE N - LONG-TERM DEBT (CONTINUED)**

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Loan payable, unsecured, non-interest bearing, to Deutsche Bank Americas Foundation, \$25,000 due July 31, 2014, 2015, 2016 and May 2017.	<b>\$ 100,000</b>	\$ 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.	<b>6,186,955</b>	6,186,955
Three mortgage loans payable to Community Preservation Corporation and HPD, secured by liens on the property located at 459 West 147th Street, New York City. At June 30, 2013, the loans consisted of 1) \$195,163 loan, bearing interest of 6.27%, amortized over 25 years; 2) \$275,365 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, 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.	<b>773,028</b>	782,354
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, due on December 1, 2019.	<b><u>3,402,312</u></b>	<u>3,465,625</u>
Total long-term debt	<b>46,897,660</b>	23,842,646
Less: current portion	<b><u>102,903</u></b>	<u>97,637</u>
	<b><u>\$ 46,794,757</u></b>	<u>\$ 23,745,009</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, 2013 and 2012

### 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, 2013, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 102,903
2015	108,568
2016	139,663
2017	96,220
2018	103,274
Thereafter	45,347,032

Interest expense for the fiscal-years 2013 and 2012 was \$936,155 and \$1,096,219, respectively.

### NOTE O - TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2013 and 2012, net assets of \$1,984,392 and \$251,985 were temporarily restricted for housing. During fiscal-years 2013 and 2012, net assets in the amounts of \$269,639 and \$176,026 were released in satisfaction of restrictions.

### NOTE P - CONCENTRATION OF CREDIT RISK

The Organization maintains its cash in both interest-bearing and non-interest-bearing accounts which, at times, may exceed federally insured limits. Management believes that the Organization is not exposed to any significant risk of loss due to the possible failure of the 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 2013 and 2012 were approximately \$220,000 and \$224,000, respectively.

### NOTE R - COMMITMENTS AND CONTINGENCIES

Government funded activities are subject to audit by the applicable funding agencies. At June 30, 2013, 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, 2013 and 2012**

**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, 2013 and 2012, and the statements of its results of operations for the fiscal years then ended are as follows:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 683,149	\$ 111,728
Tenant security deposits held	33,881	34,594
Receivable from affiliates	4,083,604	4,390,108
Rents receivable, net	21,500	16,505
Prepaid expenses	<u>41,815</u>	<u>40,103</u>
Total current assets	4,863,949	4,593,038
Reserves and escrow	784,421	935,884
Property and equipment	18,705,988	18,869,241
Deferred financing cost	<u>486,961</u>	<u>526,344</u>
	<u>\$ 24,841,319</u>	<u>\$ 24,924,507</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 177,059	\$ 220,105
Tenants' security deposits held	33,881	34,594
Rents received in advance	4,425	7,044
Long-term debt - current portion	<u>68,193</u>	<u>63,312</u>
Total current liabilities	283,558	325,055
Long-term debt	3,334,120	3,402,313
Bonds payable	11,725,000	12,025,000
Interest-rate swap obligation	<u>1,694,422</u>	<u>2,232,688</u>
Total liabilities	17,037,100	17,985,056
Unrestricted net assets	<u>7,804,219</u>	<u>6,939,451</u>
	<u>\$ 24,841,319</u>	<u>\$ 24,924,507</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

**[1] Marseilles LLC: (continued)**

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Income:</b>		
Gross potential rent - tenant	\$ 2,561,705	\$ 2,547,608
Less: vacancy loss	<u>(48,255)</u>	<u>(150,614)</u>
Net residential rent	<u>2,513,450</u>	<u>2,396,994</u>
Gross potential rent - commercial	812,959	822,533
Less: rent concessions	<u>(474,930)</u>	<u>(20,455)</u>
Net commercial rent	<u>338,029</u>	<u>802,078</u>
Total rental income	2,851,479	3,199,072
Interest and other income	<u>2,961</u>	<u>4,772</u>
Total income	<u>2,854,440</u>	<u>3,203,844</u>
<b>Operating expenses:</b>		
Salaries	255,213	250,205
Payroll taxes and employment benefits	98,125	93,184
Professional fees	20,054	38,841
Management fees	140,404	160,173
Administrative expenses	20,865	19,864
Real estate taxes	34,576	(2,571)
Insurance	76,111	70,294
Utilities	156,181	150,776
Supplies	14,564	10,312
Equipment, maintenance and repair	148,690	189,596
Social and recreation expenses	<u>11,012</u>	<u>9,820</u>
Total operating expenses	<u>975,795</u>	<u>990,494</u>
Net operating income before finance and depreciation expenses	<u>1,878,645</u>	<u>2,213,350</u>
<b>Finance and depreciation expenses:</b>		
Interest and finance charges	905,472	930,165
Depreciation and amortization	646,671	633,172
Change in value of interest-rate swap agreement	<u>(538,266)</u>	<u>804,941</u>
Total finance and depreciation expenses	<u>1,013,877</u>	<u>2,368,278</u>
<b>Change in net assets</b>	864,768	(154,928)
Net assets - beginning of year	<u>6,939,451</u>	<u>7,094,379</u>
<b>Net assets - end of year</b>	<u>\$ 7,804,219</u>	<u>\$ 6,939,451</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**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, 2013 and 2012, and the statements of its results of operations for the fiscal years then ended are as follows:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 447,510	\$ 217,927
Tenant security deposits held	20,995	24,134
Rents receivable, net	111,134	45,598
Other receivables	7,900	6,165
Prepaid expenses	<u>10,080</u>	<u>12,508</u>
Total current assets	597,619	306,332
Reserves and escrow	1,151,568	2,154,452
Security deposits	4,620	4,620
Property and equipment	<u>6,819,583</u>	<u>5,261,932</u>
	<u>\$ 8,573,390</u>	<u>\$ 7,727,336</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 70,269	\$ 57,100
Construction payable	439,852	239,973
Tenant security deposits held	20,995	24,134
Payable to affiliate	690,188	13,723
Rents received in advance	<u>12,074</u>	<u>14,716</u>
Total current liabilities	1,233,378	349,646
Long-term debt	<u>4,665,028</u>	<u>4,665,028</u>
Total liabilities	5,898,406	5,014,674
Unrestricted net assets	<u>2,674,984</u>	<u>2,712,662</u>
	<u>\$ 8,573,390</u>	<u>\$ 7,727,336</u>



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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

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

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Income:</b>		
Gross potential rent - tenant	\$ 994,261	\$ 1,095,251
Less: vacancy loss	<u>(93,293)</u>	<u>(82,311)</u>
Net residential rent	900,968	1,012,940
Rent-commercial	<u>138,627</u>	<u>135,579</u>
Total rental income	1,039,595	1,148,519
Interest and other income	<u>8,293</u>	<u>13,915</u>
Total income	<u>1,047,888</u>	<u>1,162,434</u>
<b>Operating expenses:</b>		
Salaries	302,188	297,828
Payroll taxes and employment benefits	86,902	98,364
Professional fees	57,297	46,157
Management fees	77,583	93,218
Administrative expenses	35,885	79,995
Insurance	51,787	45,696
Utilities	178,720	152,577
Supplies	15,685	18,754
Equipment, maintenance and repair	122,966	70,294
Social and recreation expenses	<u>12,297</u>	<u>14,850</u>
Total operating expenses	<u>941,310</u>	<u>917,733</u>
Net operating income before finance and depreciation expenses	<u>106,578</u>	<u>244,701</u>
<b>Finance and depreciation expenses:</b>		
Interest and finance charges	5,338	16,330
Depreciation and amortization	<u>138,918</u>	<u>90,239</u>
Total finance and depreciation expenses	<u>144,256</u>	<u>106,569</u>
<b>Change in net assets</b>	<b>(37,678)</b>	138,132
Net assets - beginning of year	<u>2,712,662</u>	<u>2,574,530</u>
<b>Net assets - end of year</b>	<b><u>\$ 2,674,984</u></b>	<b><u>\$ 2,712,662</u></b>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**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, 2013 and 2012, and the statements of its results of operations for the fiscal years then ended are as follows:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 201,393	\$ 239,053
Prepaid expenses	1,184	832
Government contract receivables	<u>38,906</u>	<u>          </u>
Total current assets	241,483	239,885
Deferred financing costs	<u>          </u>	<u>3,202</u>
	<u>\$ 241,483</u>	<u>\$ 243,087</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	295	
Payable to affiliate	<u>233,854</u>	<u>239,053</u>
Total current liabilities	234,149	239,053
Unrestricted net assets	<u>7,334</u>	<u>4,034</u>
	<u>\$ 241,483</u>	<u>\$ 243,087</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

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

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenue:</b>		
Rent - tenant		\$ 2,033,459
Less - vacancy loss		<u>(196,242)</u>
Total rental income		1,837,217
In-kind contributions		6,062
Contributions	<b>\$ 60,282</b>	325,000
Grant income	<b>47,208</b>	298,085
Interest and other income	<u><b>2,709</b></u>	<u>16,028</u>
Total revenue	<u><b>110,199</b></u>	<u>2,482,392</u>
<b>Operating expenses:</b>		
Salaries	<b>37,765</b>	435,972
Payroll taxes and employment benefits	<b>8,348</b>	157,615
Professional fees	<b>1,850</b>	79,435
Management fees		81,982
Administrative expenses	<b>1,094</b>	33,604
Real estate taxes		254,366
Insurance	<b>1,724</b>	81,700
Utilities		336,183
Supplies	<b>29</b>	18,423
Equipment, maintenance and repair		(753)
Food	<b>43,466</b>	
Social and recreation expenses	<u><b>7,823</b></u>	<u>14,032</u>
Total expenses	<u><b>102,099</b></u>	<u>1,492,559</u>
Net operating income before finance and depreciation expenses	<u><b>8,100</b></u>	<u>989,833</u>
<b>Finance and depreciation expenses:</b>		
Interest and finance charges	<b>1,598</b>	151,522
Depreciation and amortization	<u><b>3,202</b></u>	<u>207,876</u>
Total finance and depreciation expenses	<u><b>4,800</b></u>	<u>359,398</u>
<b>Increase in net assets-unrestricted</b>	<b>3,300</b>	630,435
Transfer of property, other assets, liabilities and debt to WSFSSH (See Note C[4])		(5,439,805)
Net assets - beginning of year	<u><b>4,034</b></u>	<u>4,813,404</u>
<b>Net assets - end of year</b>	<u><b>\$ 7,334</b></u>	<u>\$ 4,034</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**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, 2013 and 2012, and the statements of its results of operations for the fiscal years then ended are as follows:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 13,510	\$ 57,138
Tenant security deposits held	10,057	10,897
Rents receivable, net	2,540	14,298
Prepaid expenses	<u>1,787</u>	<u>3,553</u>
Total current assets	27,894	85,886
Reserves and escrow	359,433	301,465
Property and equipment	<u>931,746</u>	<u>1,050,119</u>
	<u>\$ 1,319,073</u>	<u>\$ 1,437,470</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 36,064	\$ 55,825
Tenant security deposits held	10,057	10,897
Payable to affiliate	58,618	50,266
Rents received in advance	<u>5,195</u>	<u>12,465</u>
Total current liabilities	109,934	129,453
Long-term debt	<u>2,441,330</u>	<u>2,441,330</u>
Total liabilities	2,551,264	2,570,783
Partner's equity	<u>(1,232,191)</u>	<u>(1,133,313)</u>
	<u>\$ 1,319,073</u>	<u>\$ 1,437,470</u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

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

	<b>Year Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Income:</b>		
Gross potential rent - tenant	\$ 731,168	\$ 720,081
Less: vacancy loss	<u>(14,672)</u>	<u>(5,725)</u>
Total rental income	716,496	714,356
Interest and other income	<u>5,216</u>	<u>5,012</u>
Total income	<u>721,712</u>	<u>719,368</u>
<b>Operating expenses:</b>		
Salaries	266,814	241,626
Payroll taxes and employment benefits	71,730	79,406
Professional fees	17,629	19,626
Management fees	73,905	85,713
Administrative expenses	9,830	7,808
Insurance	23,544	21,405
Utilities	90,259	97,514
Supplies	13,294	7,855
Telephone and internet	7,177	6,484
Equipment, maintenance and repair	75,810	69,044
Overhead expenses	12,080	18,885
Food	19,192	18,521
Bad debt expenses	(1,612)	10,563
Social and recreation expenses	<u>1,260</u>	<u>1,706</u>
Total operating expenses	<u>680,912</u>	<u>686,156</u>
Net operating income before finance and depreciation expenses	<u>40,800</u>	<u>33,212</u>
<b>Finance and depreciation expenses:</b>		
Interest and finance charges	156	295
Depreciation and amortization	<u>139,522</u>	<u>209,367</u>
Total finance and depreciation expenses	<u>139,678</u>	<u>209,662</u>
<b>Net loss</b>	<b>(98,878)</b>	<b>(176,450)</b>
Partner's equity - beginning of year	<u>(1,133,313)</u>	<u>(956,863)</u>
<b>Partner's equity - end of year</b>	<b><u>\$ (1,232,191)</u></b>	<b><u>\$ (1,133,313)</u></b>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**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, 2013 and 2012, and the statement of its results of operations for the fiscal year then ended are as follows:

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 322,163	\$ 321,550
Investments in partnership	<u>1,141,547</u>	<u>1,133,398</u>
	<u><b>\$ 1,463,710</b></u>	<u><b>\$ 1,454,948</b></u>
 <b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Payable to affiliate	<u>250</u>	
Total current liabilities	<u>250</u>	
Capital	<u><b>\$ 1,463,460</b></u>	<u><b>\$ 1,454,948</b></u>
	<u><b>\$ 1,463,710</b></u>	<u><b>\$ 1,454,948</b></u>

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

**[5] Borinquen Court Housing Company, Inc.: (continued)\***

	<u>2013</u>
Income:	
Interest income	\$ 613
	<u>        </u>
Total income	<u>613</u>
Operating expenses:	
Administrative expenses	200
Overhead expenses	<u>50</u>
Total operating expenses	<u>250</u>
Net profit	363
Capital - beginning of year	1,454,948
Capital contribution during the year	<u>8,149</u>
Net assets - end of year	<u>\$ 1,463,460</u>

\*There were minimal expenses during the fiscal-year 2013 and no operating activities during fiscal-year 2012.

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

**Notes to Consolidated Financial Statements  
June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

**[6] Euclid Hall HDFC:**

The statement of financial position for this affiliate, the financial statement of which are consolidated herein, as of June 30, 2013, and the statement of its results of operations for the period May 9, 2013 through June 30, 2013 are as follows:

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 501,899
Tenant security deposits held	43,762
Rents receivable, net	78,131
Other receivable	13,204
Prepaid expenses	<u>37,738</u>

Total current assets 674,734

Reserves and escrow	4,489,262
Security deposits	26,925
Property and equipment	<u>24,729,638</u>

\$ 29,920,559

**LIABILITIES AND NET ASSETS**

Current liabilities:

Accounts payable and accrued expenses	\$ 187,869
Tenant security deposits held	43,762
Payable to affiliate	37,947
Rents received in advance	<u>32,510</u>

Total current liabilities 302,088

Long-term debt 23,102,652

Total liabilities 23,404,740

Unrestricted net assets 6,515,819

\$ 29,920,559



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

**Notes to Consolidated Financial Statements**  
**June 30, 2013 and 2012**

**NOTE S - CERTAIN AFFILIATED FINANCIAL STATEMENTS (CONTINUED)**

**[6] Euclid Hall HDFC: (continued)**

<b>Income:</b>	
Gross potential rent - tenant	\$ 401,441
Less: vacancy loss	<u>(34,209)</u>
Net residential income	367,232
Gross potential rent - commercial	<u>4,809</u>
Total rental income	372,041
Contribution and grants	15,952
Interest and other income	<u>6,378</u>
Total income	<u>394,371</u>
<b>Operating expenses:</b>	
Salaries	95,575
Payroll taxes and employment benefits	41,998
Professional fees	17,787
Management fees	30,576
Telephone and internet	413
Administrative expenses	3,827
Insurance	17,442
Rent	5,129
Utilities	50,109
Supplies	1,453
Equipment, maintenance and repair	36,834
Overhead expenses	7,179
Bad debt expenses	<u>6,546</u>
Total operating expenses	<u>314,868</u>
Net operating income before finance and depreciation expenses	<u>79,503</u>
Finance and depreciation expenses:	
Interest and finance charges	18,118
Depreciation and amortization	<u>46,488</u>
Total finance and depreciation expenses	<u>64,606</u>
<b>Change in net assets</b>	<b>14,897</b>
Other	
Contribution from affiliates	8,472,595
Contribution to affiliates	<u>(1,971,673)</u>
Total other	6,500,922
Net assets - beginning of year	<u>0</u>
<b>Net assets - end of year</b>	<b><u>\$ 6,515,819</u></b>