

**LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES**

**REPORT ON AUDITS OF COMBINED
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Years Ended December 31, 2010 and 2009

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Years Ended December 31, 2010 and 2009

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Combined Financial Statements

Independent Auditors' Report

To The Boards of Directors
Long Island Housing Partnership, Inc.
and Affiliates
Hauppauge, New York

We have audited the combined statements of financial position of Long Island Housing Partnership, Inc. and Affiliates as of December 31, 2010 and 2009, and the related combined statements of activities and changes in net assets, and cash flows for the years then ended. These combined financial statements are the responsibility of Long Island Housing Partnership, Inc. and Affiliates' management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Long Island Housing Partnership, Inc. and Affiliates as of December 31, 2010 and 2009, and the changes in their net assets and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Holtz Rubenstein Reminick LLP

New York, New York
April 13, 2011

**LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES**

Combined Statements of Financial Position

<i>December 31,</i>	2010	2009
Assets		
Cash	\$ 3,164,776	\$ 3,572,444
Accounts Receivable, no allowance deemed necessary	1,116,549	1,160,256
Due from Escrow Agent	26,416	43,632
Notes Receivable	427,595	427,595
Limited Use Assets	4,791,733	4,575,324
Capitalized Project Costs	9,784,226	2,926,509
Prepaid Expenses and Other	336,656	162,133
Fixed Assets, net	64,761	48,963
Total Assets	\$ 19,712,712	\$ 12,916,856
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 926,500	\$ 1,016,242
Funds held as program agent	3,082,275	2,553,771
Project grant advances	7,138,722	2,095,374
Home buyers' deposits held in escrow	26,416	43,632
Loans payable	2,079,808	976,210
Total Liabilities	13,253,721	6,685,229
Commitments and Contingencies		
Net Assets:		
Unrestricted	5,293,997	5,144,949
Temporarily restricted	1,149,494	1,071,178
Permanently restricted	15,500	15,500
Total Net Assets	6,458,991	6,231,627
Total Liabilities and Net Assets	\$ 19,712,712	\$ 12,916,856

LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES

Combined Statements of Activities and Changes in Net Assets

<i>Years Ended December 31,</i>	2010	2009
Changes in Unrestricted Net Assets:		
Support and revenue:		
Contributions	\$ 165,199	\$ 253,453
Receipts and government grants on transfer of homes	2,816,208	2,135,636
Government grants	722,749	476,672
Special events	80,740	93,440
Direct expenses of special events	(13,515)	(23,750)
Mortgage counseling	356,678	535,135
Technical assistance program	991,956	1,172,217
Rental income	36,366	34,725
Interest income	21,745	34,045
Other income	69,053	87,315
Net assets released from restrictions:		
Satisfaction of program restrictions	315,535	327,661
Total Support and Revenue	<u>5,562,714</u>	<u>5,126,549</u>
Expenses:		
Program services:		
Project costs	2,479,423	1,971,575
Rental expenses	25,757	20,527
Program support services	1,798,081	1,893,983
Supporting services:		
Management and general	1,072,520	1,022,323
Fundraising	37,885	45,042
Total Expenses	<u>5,413,666</u>	<u>4,953,450</u>
Increase in Unrestricted Net Assets	<u>149,048</u>	<u>173,099</u>
Changes in Temporarily Restricted Net Assets:		
Grants	393,851	453,132
Net assets released from restrictions	(315,535)	(327,661)
Increase in Temporarily Restricted Net Assets	<u>78,316</u>	<u>125,471</u>
Increase in Net Assets	227,364	298,570
Net Assets, beginning of year	6,231,627	5,933,057
Net Assets, end of year	<u>\$ 6,458,991</u>	<u>\$ 6,231,627</u>

**LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES**

Combined Statements of Cash Flows

<i>Years Ended December 31,</i>	2010	2009
Cash Flows from Operating Activities:		
Changes in net assets	\$ 227,364	\$ 298,570
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	16,109	12,162
Provision for deferred rent	(1,828)	(4,689)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	43,707	(804,129)
Due from escrow agent	17,216	10,292
Limited use assets	(216,409)	(2,084,182)
Capitalized project costs	(6,857,717)	(1,484,267)
Prepaid expenses and other	(174,523)	(74,733)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(87,914)	(370,979)
Funds held as program agent	528,504	1,594,585
Project grant advances	5,043,348	2,068,853
Home buyers' deposits held in escrow	(17,216)	(10,292)
Total adjustments	<u>(1,706,723)</u>	<u>(1,147,379)</u>
Net Cash Used in Operating Activities	<u>(1,479,359)</u>	<u>(848,809)</u>
Cash Flows from Investing Activities:		
Repayments of notes receivable	-	342,558
Advances of notes receivable	-	(146,060)
Purchase of capital expenditures	(31,907)	(27,212)
Net Cash (Used in) Provided by Investing Activities	<u>(31,907)</u>	<u>169,286</u>
Cash Flows from Financing Activities:		
Proceeds of loans payable	1,189,808	137,415
Repayments of loans payable	(86,210)	(342,558)
Net Cash Provided by (Used in) Financing Activities	<u>1,103,598</u>	<u>(205,143)</u>
Net Decrease in Cash	(407,668)	(884,666)
Cash, beginning of year	3,572,444	4,457,110
Cash, end of year	<u>\$ 3,164,776</u>	<u>\$ 3,572,444</u>

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

1. Description of Organization and Summary of Significant Accounting Policies

Long Island Housing Partnership, Inc. and its affiliated entities, Long Island Partnership Housing Development Fund Company, Inc., Nassau/Suffolk Partnership Housing Development Fund Company, Inc. and Long Island Partnership Community Development Corporation, are not-for-profit corporations. Two other entities (wholly-owned subsidiaries of Long Island Housing Partnership, Inc.), Long Island Senior Citizen Housing at Broadway West, Inc., and Long Island Senior Housing at Medford Landing, Inc., are for-profit corporations. The individual entities have certain directors in common and share common facilities and personnel. Long Island Housing Partnership, Inc. is reimbursed by its affiliated entities for managerial and administrative support services, including salaries and occupancy costs, based upon services rendered by common personnel and usage of common facilities.

Long Island Housing Partnership, Inc. ("LIHP") was created to address the need for and to provide affordable housing opportunities on Long Island, for those who are unable to afford homes, through development, technical assistance, mortgage counseling, homebuyer education, and lending programs.

Long Island Partnership Housing Development Fund Company, Inc. ("LIPHDFC") was formed for the purpose of acquiring and holding title to land from government and private sources, securing financing through various government and private grants for predevelopment and construction activities, constructing homes, and transferring land and completed units to home buyers.

Nassau/Suffolk Partnership Housing Development Fund Company, Inc. ("NSPHDFC") was organized exclusively to develop housing for persons of low income where no adequate housing exists for such persons in Nassau and/or Suffolk Counties, New York. This corporation is designated as a Community Housing Development Organization ("CHDO"), as defined in Federal Regulations.

Long Island Partnership Community Development Corporation ("LIPCDC") was created to develop, promote, and facilitate employment, business, and educational and housing opportunities (including securing financing through various government grants for the development and construction of homes to be transferred to home buyers) for low income residents of Suffolk County, New York, and to administer various state and federally funded programs on behalf of local municipalities.

Long Island Senior Citizen Housing at Broadway West, Inc. ("LISCHBW"), under a Limited Partnership agreement, acts as co-general partner of Broadway West, L.P. (the partnership), which has constructed two developments aggregating 114 rental units for low-income senior citizens in Brentwood, Town of Islip, New York.

Long Island Senior Housing at Medford Landing, Inc. ("LISHML"), under a Limited Partnership agreement, acts as co-general partner of Medford Landing, L.P. (the partnership), which has constructed a development of 112 rental units for low-income senior citizens in Medford, Town of Brookhaven, New York.

Principles of combination - The combined financial statements reflect the financial position and changes in net assets and cash flows of LIHP consolidated (LIHP and its wholly-owned subsidiaries, LISCHBW and LISHML) and its affiliated entities, LIPHDFC, NSPHDFC, and LIPCDC ("LIHP and Affiliates"). All intercompany transactions have been eliminated.

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

Basis of accounting - The combined financial statements are prepared on the accrual basis. LIHP and Affiliates recognize revenues from developments when title to the homes is passed to the home buyers. Project costs are capitalized until such time. Increases in unrestricted net assets are designated by the Boards of Directors to further the mission of LIHP and Affiliates.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition - Contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

LIHP and Affiliates report contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities and changes in net assets. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated that such restrictions will be met in the current reporting period.

Receipts and government grants on transfer of homes represent the cost of homes built or renovated. Revenue is recognized at the time a unit is transferred to a home buyer.

Tax status - LIHP and its affiliated entities, LIPHDFC, NSPHDFC, and LIPCDC are not-for-profit organizations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualify as not-for-profit organizations under New York State law. No provision for federal or state income taxes is required.

LISCHBW and LISHML are for-profit corporations. Provisions for federal and state income taxes have been included in management and general expenses in the combined financial statements.

Fixed assets - Fixed assets consist of furniture, equipment, leasehold improvements, and software development costs which are recorded at cost. Depreciation of furniture and equipment is provided over the estimated useful lives (ranging from three to five years) of the assets using the straight-line method. Amortization of leasehold improvements is provided over the shorter of their useful lives or the remainder of the lease period using the straight-line method. Amortization of software development costs is provided over the estimated useful lives of the software programs. Upon disposal, the cost and related accumulated depreciation or amortization are removed from the respective accounts and any resulting gain or loss is included in revenues or expenses.

Donated services, property and interest - Donated services and property are recorded at estimated fair value when received. For funds borrowed by LIHP and Affiliates at no or below fair value interest rate, donated interest income is included in contributions and offset by imputed interest expense, included in project costs/program expenses. Interest is calculated using the borrowing rate of LIHP and Affiliates.

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

Capitalized project costs - Costs related to the construction or renovation of homes are capitalized until such time as they are transferred to home buyers. Indirect costs for construction projects are also capitalized until transferred to home buyers.

Statements of cash flows - For purposes of the combined statements of cash flows, LIHP and Affiliates consider all highly liquid debt instruments with an original maturity of three months or less, when purchased, to be cash equivalents.

Concentration of credit risk - Financial instruments which potentially subject LIHP and Affiliates to concentrations of credit risk consist of cash accounts in high quality financial institutions. From time to time, the cash balances exceed the Federal Depository Insurance Coverage limit.

Allowance for doubtful accounts - Periodically, the accounts receivable and notes receivable balances are reviewed and evaluated as to their collectability. If necessary, an allowance is recorded based on these evaluations. A receivable balance is considered past due once it has not been received by its scheduled due date.

Uncertain tax positions - Management has evaluated LIHP and Affiliates' tax positions and concluded that LIHP and Affiliates have not taken any uncertain tax positions that require adjustment to the combined financial statements to comply with the provisions of Accounting Standards Codification 740. Generally, LIHP and Affiliates are no longer subject to income tax examination by U.S. federal, state or local tax authorities for years before 2007, which is the standard statute of limitations look-back period.

Subsequent events - LIHP and Affiliates have evaluated all subsequent events from the date of the combined statements of financial position through April 13, 2011, which represents the date these combined financial statements are available to be issued. There were no events or transactions occurring during the subsequent event reporting period which require recognition or disclosure in the combined financial statements.

2. Limited Use Assets

Limited use assets consist of the following:

<i>December 31,</i>	2010	2009
Funds Provided for:		
Community Stabilization Program ("CSP")	\$ 1,850,000	\$ 750,000
Homeownership and Economic Stabilization for Long Island Program ("HELP")	605,000	940,000
Affordable housing predevelopment costs	540,540	540,503
Employer Assisted Housing Program ("EAHP")	319,327	491,746
Affordable housing programs	165,705	239,875
Nassau County Down Payment Assistance Program	125,023	134,640
Neighborhood Stabilization Program ("NSP")	21,144	391,882
Temporarily Restricted Net Assets:		
Home Ownership Development - education, training and development	636,478	558,162
HEMAP Program - gap mortgage payment assistance	453,252	453,252
Regional Lending Consortium Activities - administration	59,764	59,764
Permanently Restricted Net Assets	15,500	15,500
	\$ 4,791,733	\$ 4,575,324

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

3. Capitalized Project Costs

Capitalized project costs consist of the following:

<i>December 31,</i>	2010	2009
Neighborhood Stabilization Program (a)	\$ 8,181,286	\$ 1,750,230
Islip VIII - Cortland Square (b)	1,324,809	73,931
Islip VII (c)	21,248	54,193
Nassau County Scattered Sites (d)	11,987	636,573
Other (e)	244,896	166,367
	<u>9,784,226</u>	<u>2,681,294</u>
North Bellport - Rented Properties (f)	-	245,215
	<u>\$ 9,784,226</u>	<u>\$ 2,926,509</u>

- (a) *Neighborhood Stabilization Program* - LIHP and Affiliates were awarded federal funds for the purchase and rehabilitation of foreclosed and abandoned homes on Long Island, New York, which are to be transferred to eligible home buyers. Five units were transferred to eligible home buyers in 2010. None were transferred in 2009.
- (b) *Islip VIII - Cortland Square* - NSPHDFC began a forty unit affordable condominium development project in the Town of Islip, New York. NSPHDFC received land valued at \$1,000,000 from Town of Islip Community Development Agency ("TOICDA") which has been recorded as a loan payable until units are transferred to eligible home buyers. Subsequent to December 31, 2010, NSPHDFC received \$1,500,000 from Suffolk County to be used to reduce the cost of each unit for eligible home buyers. In addition, \$638,000 of federal HOME program funds, \$1,300,000 of New York State AHC funds, \$650,000 of NYS HELP funds, and \$1,000,000 from Town of Islip Affordable Housing Fund have been committed to reduce the cost of some or all of the units to be constructed.
- (c) *Partnership for New Homes Program - Islip VII* - NSPHDFC was awarded a grant of \$400,000 by the New York State Affordable Housing Corporation ("AHC") and approximately \$267,000 of federal Home Investment Partnerships Program ("HOME") funds were allocated by the Town of Islip to reduce the cost of sixteen units in the Town of Islip, New York, to eligible home buyers. One unit was transferred to an eligible home buyer in 2010. None were transferred in 2009.
- (d) *Partnership for New Homes Program - Nassau County Scattered Sites* - NSPHDFC was allocated \$800,000 of federal HOME program funds by Nassau County, New York, to reduce the cost of seven units in Nassau County, New York, to eligible home buyers. Three and two units were transferred to eligible home buyers in 2010 and 2009, respectively.
- (e) *Other* - Includes predevelopment costs, principally for several Partnership for New Homes Programs - Islip IX, North Bellport V, Brookhaven, Shirley and Southampton scattered sites.
- (f) *North Bellport - Rented Properties* - Rented properties represented four one-family homes rehabilitated by LIPHDFC. Prior to the transfer occurring, the homes were rented and managed for LIHP by a community-based not-for-profit organization. Rental income and expenses are reflected in the combined financial statements. The remaining four units were transferred to a non-profit organization in 2010.

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

4. Fixed Assets

Fixed assets consist of the following:

<i>December 31,</i>	2010	2009
Furniture and Equipment	\$ 125,228	\$ 116,071
Leasehold Improvements	301,224	301,224
Software Development Costs	49,962	27,212
	<u>476,414</u>	<u>444,507</u>
Less Accumulated Depreciation and Amortization	411,653	395,544
	<u>\$ 64,761</u>	<u>\$ 48,963</u>

5. Accounts Payable and Accrued Expenses

Included in accounts payable and accrued expenses at December 31, 2010 and 2009 are accrued project construction costs of approximately \$558,000 and \$580,000, respectively.

6. Funds Held as Program Agent

LIHP and Affiliates are holding funds which will be paid out to beneficiaries participating in their programs. Funds held as program agent consist of the following:

<i>December 31,</i>	2010	2009
Community Stabilization Program ("CSP")	\$ 1,850,000	\$ 750,000
Homeownership and Economic Stabilization for Long Island Program ("HELP")	605,000	940,000
Employer Assisted Housing Program ("EAHP")	319,327	491,746
Affordable Housing Programs	163,216	237,385
Nassau County Down Payment Assistance Program	125,023	134,640
Neighborhood Stabilization Program ("NSP")	19,709	-
	<u>\$ 3,082,275</u>	<u>\$ 2,553,771</u>

7. Project Grant Advances

Project grant advances are funds received from various funding sources which the related project services have not yet been completed until the related homes are transferred to eligible home buyers. Project grant advances consist of the following:

<i>December 31,</i>	2010	2009
Neighborhood Stabilization Program ("NSP")	\$ 7,122,028	\$ 2,061,986
Islip VII Development	16,694	33,388
	<u>\$ 7,138,722</u>	<u>\$ 2,095,374</u>

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

8. Loans Payable

Loans payable consist of the following:

<i>December 31,</i>	2010	2009
Town of Islip Community Development Agency (a)	\$ 1,000,000	\$ -
New York State Housing Development Fund loan due December 31, 2012, non-interest-bearing (b)	840,000	840,000
Construction Loan - Islip VIII-Cortland Square (c)	189,808	-
Due March 31, 2011, non-interest-bearing line of credit (d)	50,000	50,000
Town of Brookhaven, New York, CDBG and Rental Rehabilitation funds due on demand, non-interest-bearing (d)	-	86,210
	<u>\$ 2,079,808</u>	<u>\$ 976,210</u>

- (a) Cortland Square land received from TOICDA, to be released upon transfer of units to eligible home buyers.
- (b) Loan provided to LIPHDFC to finance predevelopment costs. In December 2004, LIPHDFC executed a loan agreement to provide interim financing of up to \$300,000, to the aforementioned not-for-profit corporation and its not-for-profit affiliate (together the "Borrower") to develop an affordable housing project. LIPHDFC will utilize New York State Housing Development Fund program loan funds held by LIPHDFC (under a disbursement agreement with New York State DHCR). At December 31, 2010 and 2009, non-interest-bearing notes receivable for approximately \$300,000 and \$300,000, respectively, were collateralized by a mortgage on the development property. The due date of this loan is December 31, 2012.
- (c) Bank construction loan for \$6,300,000, payable interest only at 5.75% until release of units sold. The loan matures on October 1, 2012, with a six-month extension option.
- (d) Rehabilitation loan, collateralized by North Bellport - rented properties. The Town of Brookhaven funds were repaid in 2010. The non-interest-bearing line of credit was repaid in February 2011.

9. Net Assets

Temporarily restricted net assets are available for the following program activities:

<i>December 31,</i>	2010	2009
Home Ownership Development - education, training and development	\$ 636,478	\$ 558,162
HEMAP Program - gap mortgage payment assistance (a)	453,252	453,252
Regional Lending Consortium Activities - administration	59,764	59,764
	<u>\$ 1,149,494</u>	<u>\$ 1,071,178</u>

- (a) The HEMAP program provides gap mortgage payment assistance to homeowners (not to exceed \$20,000 to a qualified applicant) who have suffered financial hardship beyond their control. The HEMAP program shall utilize at least 80% of the funds to provide short-term revolving loans to qualified applicants, and for the remaining 20% of the funds, the program may issue soft mortgages to qualified applicants (so that applicants may avoid foreclosure). Funds advanced under the program are subject to recapture upon the sale, rental, or refinancing of the home or upon the failure to occupy the home as a principal residence. Funds advanced under the program aggregated approximately \$47,000 at December 31, 2010 and 2009 and are subject to recapture.

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

Permanently restricted net assets represent endowment funds, the income of which is unrestricted and supports operations.

10. Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. For the years ended December 31, 2010 and 2009, net assets released from restrictions related to home ownership development, education, and training programs, aggregated approximately \$316,000 and \$328,000, respectively.

11. Pension Plan

LIHP maintains a Simplified Employee Pension Plan (SEP) under Section 408(k) of the Internal Revenue Code. Employees with at least six months of service (1,000 hours for part-time employees) are participants in the plan. LIHP contributed, as approved by the Board of Directors, seven percent of the participants' salaries (approximately \$110,000 and \$107,000 for 2010 and 2009, respectively).

Effective January 1, 2011, LIHP established a new 403 (b) Thrift Plan which replaces the existing SEP plan. All employees with one year (or 1,000 hours) of service, and who are at least 21 years of age, are eligible. The plan provides for a matching contribution up to 4% of salary and is fully vested in three years.

12. Donated Services and Interest

Donated services and interest, included in contributions and expenses, are as follows:

<i>Years Ended December 31,</i>	2010	2009
Professional Services	\$ 85,920	\$ 149,648
Interest (non-interest-bearing loans)	3,549	3,549
	<u>\$ 89,469</u>	<u>\$ 153,197</u>

13. Commitments and Contingencies

Employer Assisted Housing Program ("EAHP") - EAHP assists Long Island businesses to recruit and retain qualified employees by providing financial assistance and housing counseling to eligible employees. In June 2010, LIHP was awarded a grant of \$1,750,000 by the New York State AHC to assist these employees by providing down payment assistance of \$5,000 and rehabilitation funds up to \$15,000 to each of the eligible participants.

Homeownership and Economic Stabilization for Long Island Program ("HELP") - In October 2006, LIHP was awarded a New York Economic Development Capital Program ("NYEDCP") grant of \$25,000,000 to administer the HELP program. Funds advanced under either component of the HELP program are subject to recapture over the grant period upon the sale, rental, or refinancing of the home or upon the failure to occupy the home as a principal residence. At December 31, 2010 and 2009, funds advanced under the program, aggregating approximately \$7,461,000 and \$4,403,000, respectively, are subject to recapture.

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

The HELP program has two components:

1. Employer Assisted Housing Program:

An employer with one or more non-related employees who has or creates a recognized housing assistance benefit program as part of an employee benefit package may receive matching funds from HELP for each of their qualified employees.

2. Smart Growth Development Assistance for Workforce Housing Program:

Any developer building five or more workforce homes in downtown areas, hamlet centers, or redeveloped properties using "Smart Growth" principles can obtain a grant of up to \$25,000 (per home).

Neighborhood Stabilization Program ("NSP") - The Neighborhood Stabilization Program is a HUD funded program which provides for the purchase and rehabilitation of homes in targeted communities on Long Island, New York. In 2009, LIHP and Affiliates was awarded a total of approximately \$10,403,000 by various state and local municipalities. At December 31, 2010 and 2009, funds advanced under this program aggregated approximately \$7,122,000 and \$2,062,000, respectively.

HELP Phase II Community Stabilization Program ("CSP") - In April 2008, LIHP was awarded a grant of \$6,000,000 for this program as a component of the existing HELP program, through a Memorandum of Understanding with the New York State Housing Finance Agency (HFA). Funds advanced under the CSP are subject to a twenty (20) year recapture provision in the event of sale, refinance or failure to occupy the home as a principal residence. The grant for each of the qualified applicants is up to \$50,000. At December 31, 2010 and 2009, funds advanced under the program, aggregating \$900,000 and \$100,000, respectively, are subject to recapture.

Operating lease - LIHP and Affiliates lease office space under an operating lease expiring in 2013, with an option to extend for an additional five years. The lease includes escalation rentals for certain operating expenses and real estate taxes, and scheduled base rent increases over the lease term. Rent expense is recognized on a straight-line basis over the term of the lease. Minimum future rental payments under the lease are approximately as follows:

Year Ending December 31,

2011	\$ 77,000
2012	81,000
2013	48,000
	\$ 206,000

Rent expense (including charges for operating expenses) amounted to approximately \$82,000 and \$70,000 in 2010 and 2009, respectively.

Notes and mortgages - At December 31, 2010 and 2009, LIHP and Affiliates are holding grant enforcement notes and mortgages, collateralized by real property in the aggregate amount of approximately \$3,718,000 and \$3,688,000, respectively. Grant funds advanced to the mortgagor are subject to recapture over the grant period.

Notes to Combined Financial Statements

Years Ended December 31, 2010 and 2009

In December, 2008, TOICDA transferred to NSPHDFC nine parcels of land, in consideration of a nominal fee for the construction of affordable homes in the Town of Islip. In connection therewith, NSPHDFC entered into nine separate non-interest-bearing grant enforcement non-recourse notes payable and mortgage agreements with TOICDA (collateralized by the land) in the aggregate amount of \$900,000. At closings, when the homes are transferred to eligible home buyers, the related grant enforcement notes payable and mortgage agreements will be cancelled. The eligible home buyers will concurrently enter into replacement grant enforcement notes payable, and mortgage agreements with TOICDA, in an amount representing the recapture obligation, as defined by TOICDA. If NSPHDFC does not construct homes on the land, the parcels revert to TOICDA and the notes will be satisfied and the mortgages released. The combined financial statements at December 31, 2010 and 2009 do not include the land and the notes payable (\$900,000), as the notes payable represent the recapture obligation, which is cancelled upon transfer of homes by NSPHDFC to the eligible home buyers.

Under the Federal Home Loan Bank ("FHLB") Affordable Housing Program, LIHP, as Broadway West, L.P. ("BW") project sponsor, has received Affordable Housing Program subsidies (conditional grants) in the amounts of approximately \$758,000 and \$525,000 from a member bank, that it has passed on (as required by the FHLB) to BW for the development of two senior rental projects, Broadway West I and Broadway West II, respectively. At December 31, 2010 and 2009, the member bank is holding two non-interest-bearing notes, executed by LIHP, which are collateralized by BW's projects' real estate and mature on April 30, 2016 (approximately \$758,000) and August 31, 2017 (\$525,000). The grant funds are subject to recapture by FHLB, if the projects are not maintained as affordable housing for fifteen years, at the end of which period the notes shall be deemed satisfied and the mortgages released.

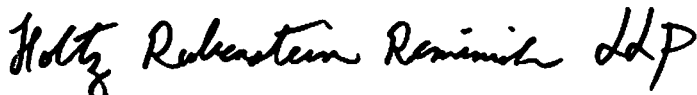
Litigation - LIHP and Affiliates are subject to lawsuits and claims with respect to matters arising in the normal course of business. All claims have been forwarded to the insurance carriers' counsel for disposition. In the opinion of management, the ultimate liabilities, if any, from these lawsuits and claims will not materially affect the combined financial position of LIHP and Affiliates. Nevertheless, due to the uncertainty of the settlement process, management's view of the outcome may be modified in the future.

Supplementary Information

Independent Auditors' Report on Supplementary Information

To The Boards of Directors
Long Island Housing Partnership, Inc.
and Affiliates
Hauppauge, New York

Our report on the audits of the basic combined financial statements of Long Island Housing Partnership, Inc. and Affiliates for the years ended December 31, 2010 and 2009 appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole. The supplementary information on pages 15 through 21 is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic combined financial statements taken as a whole.



New York, New York
April 13, 2011

**LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES**

Combining Statement of Financial Position

December 31, 2010

	Long Island Housing Partnership, Inc. and Subsidiaries	Long Island Housing Development Fund Company, Inc.	Nassau/Suffolk Housing Development Fund Company, Inc.	Long Island Housing Partnership Community Development Corporation	Eliminations	Combined
Assets						
Cash	\$ 977,629	\$ 1,162,202	\$ 684,546	\$ 340,399	\$ -	\$ 3,164,776
Accounts Receivable, no allowance deemed necessary	846,651	72,860	197,038	-	-	1,116,549
Interest in Net Assets of Recipient	-	124,189	82,746	-	206,935	-
Due from Affiliates	-	284,198	-	-	284,198	-
Due from Escrow Agent	-	17,000	9,416	-	-	26,416
Notes Receivable	427,595	-	-	-	-	427,595
Limited Use Assets	4,075,912	698,514	17,307	-	-	4,791,733
Capitalized Project Costs	-	8,368,668	1,410,136	5,422	-	9,784,226
Prepaid Expenses and Other	31,296	11,651	293,709	-	-	336,656
Fixed Assets, net	64,761	-	-	-	-	64,761
Total Assets	\$ 6,423,844	\$ 10,739,282	\$ 2,694,898	\$ 345,821	\$ 491,133	\$ 19,712,712
Liabilities and Net Assets						
Liabilities:						
Accounts payable and accrued expenses	\$ 302,045	\$ 596,504	\$ 20,931	\$ 7,020	\$ -	\$ 926,500
Funds held as program agent	2,910,919	154,049	17,307	-	-	3,082,275
Project grant advances	-	7,122,028	16,694	-	-	7,138,722
Due to affiliates	258,690	-	22,121	3,387	284,198	-
Home buyers' deposits held in escrow	-	17,000	9,416	-	-	26,416
Loans payable	-	890,000	1,189,808	-	-	2,079,808
Total Liabilities	3,471,654	8,779,581	1,276,277	10,407	284,198	13,253,721
Net Assets:						
Unrestricted	1,787,196	1,835,512	1,335,875	335,414	-	5,293,997
Temporarily restricted	1,149,494	124,189	82,746	-	206,935	1,149,494
Permanently restricted	15,500	-	-	-	-	15,500
Total Net Assets	2,952,190	1,959,701	1,418,621	335,414	206,935	6,458,991
Total Liabilities and Net Assets	\$ 6,423,844	\$ 10,739,282	\$ 2,694,898	\$ 345,821	\$ 491,133	\$ 19,712,712

See independent auditors' report on supplementary information.

**LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES**

Combining Statement of Activities and Changes in Net Assets

Year Ended December 31, 2010

	Long Island Housing Partnership, Inc. and Subsidiaries	Long Island Partnership Housing Development Fund Company, Inc.	Nassau/Suffolk Partnership Housing Development Fund Company, Inc.	Long Island Partnership Community Development Corporation	Eliminations	Combined
Changes in Unrestricted Net Assets:						
Support and revenue:						
Contributions	\$ 128,876	\$ 20,736	\$ 13,187	\$ 2,400	\$ -	\$ 165,199
Receipts and government grants on transfer of homes	-	1,577,877	1,238,331	-	-	2,816,208
Government grants	686,352	29,776	6,621	-	-	722,749
Special events	80,740	-	-	-	-	80,740
Direct expenses of special events	(13,515)	-	-	-	-	(13,515)
Mortgage counseling	356,678	-	-	-	-	356,678
Technical assistance program	744,625	180,057	67,274	-	-	991,956
Rental income	3,480	36,366	-	-	3,480	36,366
Interest income	10,765	5,008	4,806	1,166	-	21,745
Other income	52,450	-	16,603	-	-	69,053
Reimbursement from affiliates	363,877	-	-	-	363,877	-
Net assets released from restrictions:						
Satisfaction of program restrictions	315,535	6,357	89,125	-	95,482	315,535
Total Support and Revenue	2,729,863	1,856,177	1,435,947	3,566	462,839	5,562,714
Expenses:						
Program services:						
Project costs	-	1,351,133	1,126,790	1,500	-	2,479,423
Rental expenses	-	29,237	-	-	3,480	25,757
Program support services	1,752,425	144,747	177,951	258	277,300	1,798,081
Supporting services:						
Management and general	952,223	95,206	80,408	31,260	86,577	1,072,520
Fundraising	37,885	-	-	-	-	37,885
Distribution to beneficiaries	95,482	-	-	-	95,482	-
Total Expenses	2,838,015	1,620,323	1,385,149	33,018	462,839	5,413,666
(Decrease) Increase in Unrestricted Net Assets	(108,152)	235,854	50,798	(29,452)	-	149,048
Changes in Temporarily Restricted Net Assets:						
Grants	393,851	-	-	-	-	393,851
Interest in net assets of recipient	-	92,500	-	-	92,500	-
Net assets released from restrictions	(315,535)	(6,357)	(89,125)	-	(95,482)	(315,535)
Increase (Decrease) in Temporarily Restricted Net Assets	78,316	86,143	(89,125)	-	(2,982)	78,316
(Decrease) Increase in Net Assets	(29,836)	321,997	(38,327)	(29,452)	(2,982)	227,364
Net Assets, beginning of year	2,982,026	1,637,704	1,456,948	364,866	209,917	6,231,627
Net Assets, end of year	\$ 2,952,190	\$ 1,959,701	\$ 1,418,621	\$ 335,414	\$ 206,935	\$ 6,458,991

See independent auditors' report on supplementary information.

LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES

Combining Statement of Cash Flows

Year Ended December 31, 2010

	Long Island Housing Partnership, Inc. and Subsidiaries	Long Island Partnership Housing Development Fund Company, Inc.	Nassau/Suffolk Partnership Housing Development Fund Company, Inc.	Long Island Partnership Community Development Corporation	Eliminations	Combined
Cash Flows from Operating Activities:						
Changes in net assets	\$ (29,836)	\$ 321,997	\$ (38,327)	\$ (29,452)	\$ (2,982)	\$ 227,364
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:						
Depreciation and amortization	16,109	-	-	-	-	16,109
Provision for deferred rent	(1,828)	-	-	-	-	(1,828)
Changes in operating assets and liabilities:						
(Increase) decrease in assets:						
Accounts receivable	(186,223)	276,050	(51,009)	4,889	-	43,707
Interest in net assets of recipient	-	(86,143)	89,125	-	2,982	-
Due from affiliates	-	45,223	-	-	45,223	-
Due from escrow agent	-	(5,425)	22,641	-	-	17,216
Limited use assets	(627,845)	311,479	99,957	-	-	(216,409)
Capitalized project costs	-	(6,595,202)	(261,508)	(1,007)	-	(6,857,717)
Prepaid expenses and other	24,434	19,194	(238,851)	20,700	-	(174,523)
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	26,497	467,787	(581,218)	(980)	-	(87,914)
Funds held as program agent	549,530	78,931	(99,957)	-	-	528,504
Project grant advances	-	5,406,711	(363,363)	-	-	5,043,348
Due to affiliates	(12,858)	-	(12,682)	(19,683)	(45,223)	-
Home buyers' deposits held in escrow	-	5,425	(22,641)	-	-	(17,216)
Total adjustments	(212,184)	(75,970)	(1,419,506)	3,919	2,982	(1,706,723)
Net Cash (Used in) Provided by Operating Activities	(242,020)	246,027	(1,457,833)	(25,533)	-	(1,479,359)
Cash Flows from Investing Activities:						
Purchase of capital expenditures	(31,907)	-	-	-	-	(31,907)
Net Cash Used in Investing Activities	(31,907)	-	-	-	-	(31,907)
Cash Flows from Financing Activities:						
Proceeds of loans payable	-	-	1,189,808	-	-	1,189,808
Repayment of loans payable	-	(86,210)	-	-	-	(86,210)
Net Cash (Used in) Provided by Financing Activities	-	(86,210)	1,189,808	-	-	1,103,598
Net (Decrease) Increase in Cash	(273,927)	159,817	(268,025)	(25,533)	-	(407,668)
Cash, beginning of year	1,251,556	1,002,385	952,571	365,932	-	3,572,444
Cash, end of year	\$ 977,629	\$ 1,162,202	\$ 684,546	\$ 340,399	\$ -	\$ 3,164,776

**LONG ISLAND HOUSING PARTNERSHIP, INC.
AND SUBSIDIARIES**

Consolidating Statement of Financial Position

December 31, 2010

	Long Island Housing Partnership, Inc.	Long Island Senior Citizen Housing at Broadway West, Inc.	Long Island Senior Housing at Medford Landing, Inc.	Eliminations	Consolidated
Assets					
Cash	\$ 977,629	\$ -	\$ -	\$ -	\$ 977,629
Accounts Receivable, no allowance deemed necessary	842,633	2,000	2,018	-	846,651
Due from Parent	-	102,524	69,649	172,173	-
Notes Receivable	427,595	-	-	-	427,595
Limited Use Assets	4,075,912	-	-	-	4,075,912
Investment in Subsidiaries	200	-	-	200	-
Prepaid Expenses and Other	31,296	-	-	-	31,296
Fixed Assets, net	64,761	-	-	-	64,761
Total Assets	\$ 6,420,026	\$ 104,524	\$ 71,667	\$ 172,373	\$ 6,423,844
Liabilities and Net Assets/Common Stock and Retained Earnings					
Liabilities:					
Accounts payable and accrued expenses	\$ 297,734	\$ 2,185	\$ 2,126	\$ -	\$ 302,045
Funds held as program agent	2,910,919	-	-	-	2,910,919
Due to affiliates	258,690	-	-	-	258,690
Due to subsidiaries	172,173	-	-	172,173	-
Total Liabilities	3,639,516	2,185	2,126	172,173	3,471,654
Net Assets/Common Stock and Retained Earnings:					
Unrestricted	1,615,516	-	-	(171,680)	1,787,196
Temporarily restricted	1,149,494	-	-	-	1,149,494
Permanently restricted	15,500	-	-	-	15,500
Common stock	-	100	100	200	-
Retained earnings	-	102,239	69,441	171,680	-
Total Net Assets/Common Stock and Retained Earnings	2,780,510	102,339	69,541	200	2,952,190
Total Liabilities and Net Assets/Common Stock and Retained Earnings	\$ 6,420,026	\$ 104,524	\$ 71,667	\$ 172,373	\$ 6,423,844

LONG ISLAND HOUSING PARTNERSHIP, INC.
AND SUBSIDIARIES

Consolidating Statement of Activities and Changes in Net Assets

Year Ended December 31, 2010

	Long Island Housing Partnership, Inc.	Long Island Senior Citizen Housing at Broadway West, Inc.	Long Island Senior Housing at Medford Landing, Inc.	Eliminations	Consolidated
Changes in Unrestricted Net Assets and Retained Earnings:					
Support and revenue:					
Contributions	\$ 128,876	\$ -	\$ -	\$ -	\$ 128,876
Government grants	686,352	-	-	-	686,352
Special events	80,740	-	-	-	80,740
Direct expenses of special events	(13,515)	-	-	-	(13,515)
Mortgage counseling	356,678	-	-	-	356,678
Technical assistance program	744,625	-	-	-	744,625
Rental income	3,480	-	-	-	3,480
Interest income	10,765	-	-	-	10,765
Other income	48,441	2,000	2,009	-	52,450
Reimbursement from affiliates	363,877	-	-	-	363,877
Net assets released from restrictions:					
Satisfaction of program restrictions	315,535	-	-	-	315,535
Total Support and Revenue	2,725,854	2,000	2,009	-	2,729,863
Expenses:					
Program support services	1,752,425	-	-	-	1,752,425
Supporting services:					
Management and general	947,903	2,185	2,135	-	952,223
Fundraising	37,885	-	-	-	37,885
Distribution to beneficiaries	95,482	-	-	-	95,482
Total Expenses	2,833,695	2,185	2,135	-	2,838,015
Decrease in Unrestricted Net Assets and Retained Earnings	(107,841)	(185)	(126)	-	(108,152)
Changes in Temporarily Restricted Net Assets:					
Grants	393,851	-	-	-	393,851
Net assets released from restrictions	(315,535)	-	-	-	(315,535)
Increase in Temporarily Restricted Net Assets	78,316	-	-	-	78,316
Decrease in Net Assets and Retained Earnings	(29,525)	(185)	(126)	-	(29,836)
Net Assets/Common Stock and Retained Earnings, beginning of year	2,810,035	102,524	69,667	200	2,982,026
Net Assets/Common Stock and Retained Earnings, end of year	\$ 2,780,510	\$ 102,339	\$ 69,541	\$ 200	\$ 2,952,190

LONG ISLAND HOUSING PARTNERSHIP, INC.
AND SUBSIDIARIES

Consolidating Statement of Cash Flows

Year Ended December 31, 2010

	Long Island Housing Partnership, Inc.	Long Island Senior Citizen Housing at Broadway West, Inc.	Long Island Senior Housing at Medford Landing, Inc.	Eliminations	Consolidated
Cash Flows from Operating Activities:					
Changes in net assets	\$ (29,525)	\$ (185)	\$ (126)	\$ -	\$ (29,836)
Adjustments to reconcile changes in net assets to net cash used in operating activities:					
Depreciation and amortization	16,109	-	-	-	16,109
Provision for deferred rent	(1,828)	-	-	-	(1,828)
Changes in operating assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	(186,214)	-	(9)	-	(186,223)
Due from parent	-	185	132	317	-
Limited use assets	(627,845)	-	-	-	(627,845)
Prepaid expenses and other	24,434	-	-	-	24,434
Increase (decrease) in liabilities:					
Accounts payable and accrued expenses	26,494	-	3	-	26,497
Funds held as program agent	549,530	-	-	-	549,530
Due to affiliates	(12,858)	-	-	-	(12,858)
Due to subsidiaries	(317)	-	-	(317)	-
Total adjustments	(212,495)	185	126	-	(212,184)
Net Cash Used In Operating Activities	(242,020)	-	-	-	(242,020)
Cash Flows from Investing Activities:					
Purchase of capital expenditures	(31,907)	-	-	-	(31,907)
Net Cash Used in Investing Activities	(31,907)	-	-	-	(31,907)
Cash Flows from Financing Activities:					
Proceeds of loans payable	-	-	-	-	-
Repayment of loans payable	-	-	-	-	-
Net Cash Used in Financing Activities	-	-	-	-	-
Net Decrease in Cash	(273,927)	-	-	-	(273,927)
Cash, beginning of year	1,251,556	-	-	-	1,251,556
Cash, end of year	\$ 977,629	\$ -	\$ -	\$ -	\$ 977,629

LONG ISLAND HOUSING PARTNERSHIP, INC.
AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended December 31, 2010

	Program Services			Supporting Services		Total
	Project Costs	Rental Expenses	Program Support Services	Management and General	Fundraising	
Project Costs	\$ 2,479,423	\$ -	\$ -	\$ -	\$ -	\$ 2,479,423
Rental Expenses	-	25,757	-	-	-	25,757
Salaries, Payroll Taxes and Benefits	-	-	1,344,389	766,112	25,168	2,135,669
Professional Services	-	-	118,538	125,932	1,200	245,670
Rent and Utilities	-	-	75,474	32,438	-	107,912
Telephone	-	-	12,477	5,562	-	18,039
Insurance	-	-	14,433	54,067	-	68,500
Repairs and Maintenance	-	-	14,926	8,505	-	23,431
Depreciation and Amortization	-	-	10,261	5,848	-	16,109
Office Supplies and Equipment	-	-	33,728	17,266	831	51,825
Printing	-	-	25,993	5,946	5,282	37,221
Postage	-	-	35,303	10,898	1,191	47,392
Travel and Auto	-	-	37,505	19,701	-	57,206
Conference and Meetings	-	-	17,376	7,797	-	25,173
Outreach	-	-	12,575	513	-	13,088
Advertising	-	-	-	-	1,800	1,800
Subscriptions and Publications	-	-	4,332	2,469	-	6,801
Other	-	-	40,771	9,466	2,413	52,650
Total Expenses	\$ 2,479,423	\$ 25,757	\$ 1,798,081	\$ 1,072,520	\$ 37,885	\$ 5,413,666