

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

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

*Years Ended December 31, 2011 and 2010*

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*Years Ended December 31, 2011 and 2010*

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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, 2011 and 2010, 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, 2011 and 2010, and the combined 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 16, 2012

LONG ISLAND HOUSING PARTNERSHIP, INC.  
AND AFFILIATES

**Combined Statements of Financial Position**

<i>December 31,</i>	2011	2010
<b>Assets</b>		
Cash	\$ 2,205,954	\$ 3,164,776
Accounts Receivable, net of allowance	966,469	1,116,549
Due from Escrow Agent	177,118	26,416
Notes Receivable	795,595	427,595
Limited Use Assets	5,084,763	4,791,733
Capitalized Project Costs	12,151,178	9,784,226
Prepaid Expenses and Other	256,037	336,656
Fixed Assets, net	58,604	64,761
<b>Total Assets</b>	<b>\$ 21,695,718</b>	<b>\$ 19,712,712</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 1,587,855	\$ 926,500
Funds held as program agent	2,214,115	3,082,275
Project grant advances	6,916,543	7,138,722
Home buyers' deposits held in escrow	177,118	26,416
Loans payable	4,740,287	2,079,808
<b>Total Liabilities</b>	<b>15,635,918</b>	<b>13,253,721</b>
<b>Commitments and Contingencies</b>		
<b>Net Assets:</b>		
Unrestricted	4,927,152	5,293,997
Temporarily restricted	1,117,148	1,149,494
Permanently restricted	15,500	15,500
<b>Total Net Assets</b>	<b>6,059,800</b>	<b>6,458,991</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 21,695,718</b>	<b>\$ 19,712,712</b>

LONG ISLAND HOUSING PARTNERSHIP, INC.  
AND AFFILIATES

**Combined Statements of Activities and Changes in Net Assets**

<i>Years Ended December 31,</i>	2011	2010
<b>Changes in Unrestricted Net Assets:</b>		
Support and revenue:		
Contributions	\$ 176,780	\$ 165,199
Receipts and government grants on transfer of homes	3,645,223	2,816,208
Government grants	412,529	722,749
Special events	109,680	80,740
Direct expenses of special events	(22,478)	(13,515)
Mortgage counseling	333,740	356,678
Technical assistance program	532,049	991,956
Rental income	-	36,366
Interest income	31,791	21,745
Other income	107,241	69,053
Net assets released from restrictions:		
Satisfaction of program restrictions	446,413	315,535
<b>Total Support and Revenue</b>	<b>5,772,968</b>	<b>5,562,714</b>
<b>Expenses:</b>		
Program services:		
Project costs	3,314,159	2,479,423
Rental expenses	-	25,757
Program support services	1,849,130	1,798,081
Supporting services:		
Management and general	920,638	1,072,520
Fundraising	55,887	37,885
<b>Total Expenses</b>	<b>6,139,814</b>	<b>5,413,666</b>
<b>(Decrease) Increase in Unrestricted Net Assets</b>	<b>(366,846)</b>	<b>149,048</b>
<b>Changes in Temporarily Restricted Net Assets:</b>		
Grants	414,068	393,851
Net assets released from restrictions	(446,413)	(315,535)
<b>(Decrease) Increase in Temporarily Restricted Net Assets</b>	<b>(32,345)</b>	<b>78,316</b>
<b>(Decrease) Increase in Net Assets</b>	<b>(399,191)</b>	<b>227,364</b>
Net Assets, beginning of year	6,458,991	6,231,627
Net Assets, end of year	\$ 6,059,800	\$ 6,458,991

LONG ISLAND HOUSING PARTNERSHIP, INC.  
AND AFFILIATES

**Combined Statements of Cash Flows**

<i>Years Ended December 31,</i>	2011	2010
<b>Cash Flows from Operating Activities:</b>		
Changes in net assets	\$ (399,191)	\$ 227,364
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	18,904	16,109
Provision for deferred rent	(1,151)	(1,828)
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	150,080	43,707
Due from escrow agent	(150,702)	17,216
Limited use assets	(293,030)	(216,409)
Capitalized project costs	(2,366,952)	(6,857,717)
Prepaid expenses and other	80,619	(174,523)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	662,506	(87,914)
Funds held as program agent	(868,160)	528,504
Project grant advances	(222,179)	5,043,348
Home buyers' deposits held in escrow	150,702	(17,216)
Total adjustments	(2,839,363)	(1,706,723)
<b>Net Cash Used in Operating Activities</b>	<b>(3,238,554)</b>	<b>(1,479,359)</b>
<b>Cash Flows from Investing Activities:</b>		
Advances of notes receivable	(368,000)	-
Purchase of capital expenditures	(12,747)	(31,907)
<b>Net Cash Used in Investing Activities</b>	<b>(380,747)</b>	<b>(31,907)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds of loans payable	2,710,479	1,189,808
Repayments of loans payable	(50,000)	(86,210)
<b>Net Cash Provided by Financing Activities</b>	<b>2,660,479</b>	<b>1,103,598</b>
Net Decrease in Cash	(958,822)	(407,668)
Cash, beginning of year	3,164,776	3,572,444
Cash, end of year	<b>\$ 2,205,954</b>	<b>\$ 3,164,776</b>

**Notes to Combined Financial Statements***Years Ended December 31, 2011 and 2010*

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**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, 2011 and 2010*

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**Basis of accounting** - The combined financial statements are prepared on the accrual basis. LIHP and Affiliates recognize revenues and expenses from developments when title to the homes is passed to the home buyers, as 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 combined 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 substantially 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 computer software 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 is 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, 2011 and 2010*

**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 Deposit Insurance Corporation 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 federal, state or local tax authorities for years before 2008, 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 16, 2012, 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>	<b>2011</b>	<b>2010</b>
<b>Funds Provided for:</b>		
Community Stabilization Program ("CSP")	\$ 1,215,000	\$ 1,850,000
Islip VIII – Cortland Square	1,112,101	-
Affordable housing predevelopment costs	540,306	540,540
Neighborhood Stabilization Program ("NSP")	288,249	21,144
Homeownership and Economic Stabilization for Long Island Program ("HELP")	260,000	605,000
Nassau County Down Payment Assistance Program	198,410	125,023
Employer Assisted Housing Program ("EAHP")	134,027	319,327
Affordable housing programs	118,429	165,705
Community Development Financial Institution Program ("CDFI")	85,593	-
<b>Temporarily Restricted Net Assets:</b>		
Home Ownership Development - education, training and development	609,492	636,478
HEMAP Program - gap mortgage payment assistance	453,252	453,252
Regional Lending Consortium Activities – administration	54,404	59,764
Permanently Restricted Net Assets	15,500	15,500
	<b>\$ 5,084,763</b>	<b>\$ 4,791,733</b>

**Notes to Combined Financial Statements**

*Years Ended December 31, 2011 and 2010*

**3. Capitalized Project Costs**

Capitalized project costs consist of the following:

<i>December 31,</i>	2011	2010
Neighborhood Stabilization Program (a)	\$ 6,371,117	\$ 8,181,286
Islip VIII - Cortland Square (b)	5,338,649	1,324,809
Islip VII (c)	155,456	21,248
Nassau County Scattered Sites (d)	-	11,987
Other (e)	285,956	244,896
	<u>\$ 12,151,178</u>	<u>\$ 9,784,226</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. Fourteen and five units were transferred to eligible home buyers in 2011 and 2010, respectively.
- (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. In 2011, 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 Investment Partnerships Program ("HOME") funds, \$1,300,000 of New York State Affordable Housing Corporation ("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 AHC and approximately \$267,000 of federal HOME program 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. The final unit was transferred in February 2012, and the project is now closed out since such transfer.
- (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 units were transferred to eligible home buyers in 2010, and the program has been closed out in 2011.
- (e) *Other* - Includes predevelopment costs, principally for several Partnership for New Homes Programs - Islip IX, North Bellport V, Brookhaven, Shirley and Southampton scattered sites.

**4. Fixed Assets**

Fixed assets consist of the following:

<i>December 31,</i>	2011	2010
Furniture and Equipment	\$ 127,645	\$ 125,228
Leasehold Improvements	301,224	301,224
Computer Software	60,292	49,962
	<u>489,161</u>	<u>476,414</u>
Less Accumulated Depreciation and Amortization	430,557	411,653
	<u>\$ 58,604</u>	<u>\$ 64,761</u>

**Notes to Combined Financial Statements**

*Years Ended December 31, 2011 and 2010*

**5. Accounts Payable and Accrued Expenses**

Included in accounts payable and accrued expenses at December 31, 2011 and 2010 are accrued project construction costs of approximately \$1,297,000 and \$558,000, respectively.

**6. Funds Held as Program Agent**

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

<i>December 31,</i>	2011	2010
Community Stabilization Program ("CSP")	\$ 1,215,000	\$ 1,850,000
Neighborhood Stabilization Program ("NSP")	288,249	19,709
Homeownership and Economic Stabilization for Long Island Program ("HELP")	260,000	605,000
Nassau County Down Payment Assistance Program	198,410	125,023
Employer Assisted Housing Program ("EAHP")	134,027	319,327
Affordable Housing Programs	118,429	163,216
	<u>\$ 2,214,115</u>	<u>\$ 3,082,275</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>	2011	2010
Neighborhood Stabilization Program ("NSP")	\$ 5,314,256	\$ 7,122,028
Islip VIII - Cortland Square	1,500,000	-
Community Development Financial Institution Program ("CDFI")	85,593	-
Islip VII	16,694	16,694
	<u>\$ 6,916,543</u>	<u>\$ 7,138,722</u>

**8. Loans Payable**

Loans payable consist of the following:

<i>December 31,</i>	2011	2010
Construction Loan - Islip VIII-Cortland Square (a)	\$ 2,900,287	\$ 189,808
Town of Islip Community Development Agency (b)	1,000,000	1,000,000
New York State Housing Development Fund loan due December 31, 2012, non-interest-bearing (c)	840,000	840,000
Non-interest-bearing Line of Credit	-	50,000
	<u>\$ 4,740,287</u>	<u>\$ 2,079,808</u>

(a) 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.

**Notes to Combined Financial Statements**

*Years Ended December 31, 2011 and 2010*

- (b) Cortland Square land received from TOICDA, to be released upon transfer of units to eligible home buyers.
- (c) Loan provided to LIPHDFC to finance predevelopment costs under a disbursement agreement with New York State DHCR. In December 2004, LIPHDFC executed a loan agreement to provide interim financing of up to \$300,000, to another unaffiliated not-for-profit corporation, to develop an affordable housing project. At December 31, 2011 and 2010, non-interest-bearing notes receivable for \$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.

**9. Net Assets**

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

<i>December 31,</i>	2011	2010
Home Ownership Development - education, training and development	\$ 609,492	\$ 636,478
HEMAP Program - gap mortgage payment assistance (a)	453,252	453,252
Regional Lending Consortium Activities - administration	54,404	59,764
	<u>\$ 1,117,148</u>	<u>\$ 1,149,494</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, 2011 and 2010 and are subject to recapture.

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

**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, 2011 and 2010, net assets released from restrictions related to home ownership development, education, and training programs, aggregated approximately \$446,000 and \$316,000, respectively.

**11. Pension Plan**

In 2010, LIHP maintained a Simplified Employee Pension Plan (SEP) under Section 408(k) of the Internal Revenue Code. LIHP contributed, as approved by the Board of Directors, seven percent of the participants' salaries (approximately \$110,000).

Effective January 1, 2011, LIHP established a new 403 (b) Thrift Plan (the "Plan") which replaces the 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. LIHP contributed, as approved by the Board of Directors, three percent of the participants' salaries (approximately \$35,000 for 2011).

**Notes to Combined Financial Statements**

*Years Ended December 31, 2011 and 2010*

**12. Donated Services and Interest**

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

<i>Years Ended December 31,</i>	2011	2010
Professional Services	\$ 91,700	\$ 85,920
Interest (non-interest-bearing loans)	457	3,549
	<u>\$ 92,157</u>	<u>\$ 89,469</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. At December 31, 2011 and 2010, funds advanced under the program aggregated approximately \$1,685,000 and \$670,000, respectively. In February 2012, LIHP was awarded another grant of \$1,750,000 by the New York State AHC for this program.

***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, 2011 and 2010, funds advanced under the program, aggregating approximately \$10,070,000 and \$7,461,000, respectively, are subject to recapture.

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 U.S. Department of Housing and Urban Development (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, 2011 and 2010, funds advanced under this program aggregated approximately \$5,314,000 and \$7,122,000, 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 Program are subject to a twenty (20) year recapture provision in the event of sale, refinance or failure to

**Notes to Combined Financial Statements**

*Years Ended December 31, 2011 and 2010*

occupy the home as a principal residence. The grant for each of the qualified applicants is up to \$50,000. At December 31, 2011 and 2010, funds advanced under the program, aggregating \$1,535,000 and \$900,000, 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. In 2012, LIHP exercised its option to extend the lease for an additional ten years. The lease provides for escalations 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,*

2012	\$	81,000
2013		78,000
2014		73,000
2015		75,000
2016		78,000
Thereafter		601,000
	<u>\$</u>	<u>986,000</u>

Rent expense (including charges for operating expenses) amounted to approximately \$85,000 and \$82,000 in 2011 and 2010, respectively.

**Notes and mortgages** - At December 31, 2011 and 2010, LIHP and Affiliates are holding grant enforcement notes and mortgages, collateralized by real property in the aggregate amount of approximately \$3,821,000 and \$3,718,000, respectively. Grant funds advanced to the mortgagor are subject to recapture over the grant period.

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, 2011 and 2010 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.'s ("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, 2011 and 2010, 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.

**Notes to Combined Financial Statements**

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*Years Ended December 31, 2011 and 2010*

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**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 audits of the basic combined financial statements of Long Island Housing Partnership, Inc. and Affiliates for the years ended December 31, 2011 and 2010 were conducted for the purpose of forming an opinion on the basic combined financial statements as a whole. The supplementary information presented on pages 15 to 21 is presented for the purposes of additional analysis and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

*Holtz Rubenstein Reminick LLP*

New York, New York  
April 16, 2012

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

**Combining Statement of Financial Position**

*December 31, 2011*

	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
<b>Assets</b>						
Cash	\$ 434,718	\$ 945,838	\$ 523,942	\$ 301,456	\$ -	\$ 2,205,954
Accounts Receivable, net of allowance	675,624	101,361	189,484	-	-	966,469
Interest in Net Assets of Recipient	-	141,306	7,737	-	149,043	-
Due from Affiliates	-	320,766	-	-	320,766	-
Due from Escrow Agent	-	18,686	158,432	-	-	177,118
Notes Receivable	795,595	-	-	-	-	795,595
Limited Use Assets	3,025,678	946,984	1,112,101	-	-	5,084,763
Capitalized Project Costs	-	6,591,254	5,553,001	6,923	-	12,151,178
Prepaid Expenses and Other	58,434	21,774	173,841	1,988	-	256,037
Fixed Assets, net	58,604	-	-	-	-	58,604
<b>Total Assets</b>	<b>\$ 5,048,653</b>	<b>\$ 9,087,969</b>	<b>\$ 7,718,538</b>	<b>\$ 310,367</b>	<b>\$ 469,809</b>	<b>\$ 21,695,718</b>
<b>Liabilities and Net Assets</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 223,875	\$ 453,298	\$ 904,681	\$ 6,001	\$ -	\$ 1,587,855
Funds held as program agent	1,807,437	406,678	-	-	-	2,214,115
Project grant advances	85,593	5,314,256	1,516,694	-	-	6,916,543
Due to affiliates	169,473	-	147,087	4,206	320,766	-
Home buyers' deposits held in escrow	-	18,686	158,432	-	-	177,118
Loans payable	-	840,000	3,900,287	-	-	4,740,287
<b>Total Liabilities</b>	<b>2,286,378</b>	<b>7,032,918</b>	<b>6,627,181</b>	<b>10,207</b>	<b>320,766</b>	<b>15,635,918</b>
<b>Net Assets:</b>						
Unrestricted	1,629,627	1,913,745	1,083,620	300,160	-	4,927,152
Temporarily restricted	1,117,148	141,306	7,737	-	149,043	1,117,148
Permanently restricted	15,500	-	-	-	-	15,500
<b>Total Net Assets</b>	<b>2,762,275</b>	<b>2,055,051</b>	<b>1,091,357</b>	<b>300,160</b>	<b>149,043</b>	<b>6,059,800</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,048,653</b>	<b>\$ 9,087,969</b>	<b>\$ 7,718,538</b>	<b>\$ 310,367</b>	<b>\$ 469,809</b>	<b>\$ 21,695,718</b>

*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, 2011

	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	\$ 146,173	\$ 60,007	\$ 14,700	\$ 900	\$ 45,000	\$ 176,780
Receipts and government grants on transfer of homes	-	3,645,223	-	-	-	3,645,223
Government grants	411,879	-	650	-	-	412,529
Special events	109,680	-	-	-	-	109,680
Direct expenses of special events	(22,478)	-	-	-	-	(22,478)
Mortgage counseling	333,740	-	-	-	-	333,740
Technical assistance program	523,362	-	8,687	-	-	532,049
Interest income	19,826	3,837	7,400	728	-	31,791
Other income	99,988	-	7,253	-	-	107,241
Reimbursement from affiliates	472,095	-	-	-	472,095	-
Net assets released from restrictions:						
Satisfaction of program restrictions	446,413	46,941	75,009	-	121,950	446,413
Total Support and Revenue	2,540,678	3,756,008	113,699	1,628	639,045	5,772,968
Expenses:						
Program services:						
Project costs	-	3,312,959	1,200	-	-	3,314,159
Program support services	1,730,258	265,969	243,173	11,805	402,075	1,849,130
Supporting services:						
Management and general	790,153	98,847	76,581	25,077	70,020	920,638
Fundraising	55,887	-	-	-	-	55,887
Distribution to beneficiaries	121,950	-	45,000	-	166,950	-
Total Expenses	2,698,248	3,677,775	365,954	36,882	639,045	6,139,814
(Decrease) Increase in Unrestricted Net Assets	(157,570)	78,233	(252,255)	(35,254)	-	(366,846)
Changes in Temporarily Restricted Net Assets:						
Grants	414,068	-	-	-	-	414,068
Interest in net assets of recipient	-	64,058	-	-	64,058	-
Net assets released from restrictions	(446,413)	(46,941)	(75,009)	-	(121,950)	(446,413)
(Decrease) Increase in Temporarily Restricted Net Assets	(32,345)	17,117	(75,009)	-	(57,892)	(32,345)
(Decrease) Increase in Net Assets	(189,915)	95,350	(327,264)	(35,254)	(57,892)	(399,191)
Net Assets, beginning of year	2,952,190	1,959,701	1,418,621	335,414	206,935	6,458,991
Net Assets, end of year	\$ 2,762,275	\$ 2,055,051	\$ 1,091,357	\$ 300,160	\$ 149,043	\$ 6,059,800

LONG ISLAND HOUSING PARTNERSHIP, INC.  
AND AFFILIATES

Combining Statement of Cash Flows

Year Ended December 31, 2011

	Long Island Housing Partnership, Inc. and Subsidiaries	Long Island 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	\$ (189,915)	\$ 95,350	\$ (327,264)	\$ (35,254)	\$ (57,892)	\$ (399,191)
Adjustments to reconcile changes in net assets to net cash used in operating activities:						
Depreciation and amortization	18,904	-	-	-	-	18,904
Provision for deferred rent	(1,151)	-	-	-	-	(1,151)
Changes in operating assets and liabilities:						
(Increase) decrease in assets:						
Accounts receivable	171,027	(28,501)	7,554	-	-	150,080
Interest in net assets of recipient	-	(17,117)	75,009	-	57,892	-
Due from affiliates	-	(36,568)	-	-	(36,568)	-
Due from escrow agent	-	(1,686)	(149,016)	-	-	(150,702)
Limited use assets	1,050,234	(248,470)	(1,094,794)	-	-	(293,030)
Capitalized project costs	-	1,777,414	(4,142,865)	(1,501)	-	(2,366,952)
Prepaid expenses and other	(27,138)	(10,123)	119,868	(1,988)	-	80,619
(Decrease) increase in liabilities:						
Accounts payable and accrued expenses	(77,019)	(143,206)	883,750	(1,019)	-	662,506
Funds held as program agent	(1,103,482)	252,629	(17,307)	-	-	(868,160)
Project grant advances	85,593	(1,807,772)	1,500,000	-	-	(222,179)
Due to affiliates	(89,217)	-	124,966	819	36,568	-
Home buyers' deposits held in escrow	-	1,686	149,016	-	-	150,702
Total adjustments	27,751	(261,714)	(2,543,819)	(3,689)	57,892	(2,839,363)
Net Cash Used in Operating Activities	(162,164)	(166,364)	(2,871,083)	(38,943)	-	(3,238,554)
Cash Flows from Investing Activities:						
Advances of notes receivable	(368,000)	-	-	-	-	(368,000)
Purchase of capital expenditures	(12,747)	-	-	-	-	(12,747)
Net Cash Used in Investing Activities	(380,747)	-	-	-	-	(380,747)
Cash Flows from Financing Activities:						
Proceeds of loans payable	-	-	2,710,479	-	-	2,710,479
Repayment of loans payable	-	(50,000)	-	-	-	(50,000)
Net Cash (Used in) Provided by Financing Activities	-	(50,000)	2,710,479	-	-	2,660,479
Net Decrease in Cash	(542,911)	(216,364)	(160,604)	(38,943)	-	(958,822)
Cash, beginning of year	977,629	1,162,202	684,546	340,399	-	3,164,776
Cash, end of year	\$ 434,718	\$ 945,838	\$ 523,942	\$ 301,456	\$ -	\$ 2,205,954

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

**Consolidating Statement of Financial Position**

*December 31, 2011*

	Long Island Housing Partnership, Inc.	Long Island Senior Citizen Housing at Broadway West, Inc.	Long Island Senior Housing at Medford Landing, Inc.	Eliminations	Consolidated
<b>Assets</b>					
Cash	\$ 434,718	\$ -	\$ -	\$ -	\$ 434,718
Accounts Receivable, net of allowance	671,624	2,000	2,000	-	675,624
Due from Parent	-	102,339	69,532	171,871	-
Notes Receivable	795,595	-	-	-	795,595
Limited Use Assets	3,025,678	-	-	-	3,025,678
Investment in Subsidiaries	200	-	-	200	-
Prepaid Expenses and Other	58,434	-	-	-	58,434
Fixed Assets, net	58,604	-	-	-	58,604
<b>Total Assets</b>	<b>\$ 5,044,853</b>	<b>\$ 104,339</b>	<b>\$ 71,532</b>	<b>\$ 172,071</b>	<b>\$ 5,048,653</b>
<b>Liabilities and Net Assets/Common Stock and Retained Earnings</b>					
<b>Liabilities:</b>					
Accounts payable and accrued expenses	\$ 219,566	\$ 2,185	\$ 2,124	\$ -	\$ 223,875
Funds held as program agent	1,807,437	-	-	-	1,807,437
Project grant advances	85,593	-	-	-	85,593
Due to affiliates	169,473	-	-	-	169,473
Due to subsidiaries	171,871	-	-	171,871	-
<b>Total Liabilities</b>	<b>2,453,940</b>	<b>2,185</b>	<b>2,124</b>	<b>171,871</b>	<b>2,286,378</b>
<b>Net Assets/Common Stock and Retained Earnings:</b>					
Unrestricted	1,458,265	-	-	(171,362)	1,629,627
Temporarily restricted	1,117,148	-	-	-	1,117,148
Permanently restricted	15,500	-	-	-	15,500
Common stock	-	100	100	200	-
Retained earnings	-	102,054	69,308	171,362	-
<b>Total Net Assets/Common Stock and Retained Earnings</b>	<b>2,590,913</b>	<b>102,154</b>	<b>69,408</b>	<b>200</b>	<b>2,762,275</b>
<b>Total Liabilities and Net Assets/Common Stock and Retained Earnings</b>	<b>\$ 5,044,853</b>	<b>\$ 104,339</b>	<b>\$ 71,532</b>	<b>\$ 172,071</b>	<b>\$ 5,048,653</b>

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

**Consolidating Statement of Activities and Changes in Net Assets**

*Year Ended December 31, 2011*

	Long Island Housing Partnership, Inc.	Long Island Senior Citizen Housing at Broadway West, Inc.	Long Island Senior Housing at Medford Landing, Inc.	Eliminations	Consolidated
<b>Changes in Unrestricted Net Assets and Retained Earnings:</b>					
<b>Support and revenue:</b>					
Contributions	\$ 146,173	\$ -	\$ -	\$ -	\$ 146,173
Government grants	411,879	-	-	-	411,879
Special events	109,680	-	-	-	109,680
Direct expenses of special events	(22,478)	-	-	-	(22,478)
Mortgage counseling	333,740	-	-	-	333,740
Technical assistance program	523,362	-	-	-	523,362
Interest income	19,826	-	-	-	19,826
Other income	95,988	2,009	1,991	-	99,988
Reimbursement from affiliates	472,095	-	-	-	472,095
Net assets released from restrictions:					
Satisfaction of program restrictions	446,413	-	-	-	446,413
<b>Total Support and Revenue</b>	<b>2,536,678</b>	<b>2,009</b>	<b>1,991</b>	<b>-</b>	<b>2,540,678</b>
<b>Expenses:</b>					
Program support services	1,730,258	-	-	-	1,730,258
Supporting services:					
Management and general	785,835	2,194	2,124	-	790,153
Fundraising	55,887	-	-	-	55,887
Distribution to beneficiaries	121,950	-	-	-	121,950
<b>Total Expenses</b>	<b>2,693,930</b>	<b>2,194</b>	<b>2,124</b>	<b>-</b>	<b>2,698,248</b>
<b>Decrease in Unrestricted Net Assets and Retained Earnings</b>	<b>(157,252)</b>	<b>(185)</b>	<b>(133)</b>	<b>-</b>	<b>(157,570)</b>
<b>Changes in Temporarily Restricted Net Assets:</b>					
Grants	414,068	-	-	-	414,068
Net assets released from restrictions	(446,413)	-	-	-	(446,413)
<b>Decrease in Temporarily Restricted Net Assets</b>	<b>(32,345)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32,345)</b>
<b>Decrease in Net Assets and Retained Earnings</b>	<b>(189,597)</b>	<b>(185)</b>	<b>(133)</b>	<b>-</b>	<b>(189,915)</b>
Net Assets/Common Stock and Retained Earnings, beginning of year	2,780,510	102,339	69,541	200	2,952,190
<b>Net Assets/Common Stock and Retained Earnings, end of year</b>	<b>\$ 2,590,913</b>	<b>\$ 102,154</b>	<b>\$ 69,408</b>	<b>\$ 200</b>	<b>\$ 2,762,275</b>

*See independent auditors' report on supplementary information.*

LONG ISLAND HOUSING PARTNERSHIP, INC.  
AND SUBSIDIARIES

Consolidating Statement of Cash Flows

Year Ended December 31, 2011

	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	\$ (189,597)	\$ (185)	\$ (133)	\$ -	\$ (189,915)
Adjustments to reconcile changes in net assets to net cash used in operating activities:					
Depreciation and amortization	18,904	-	-	-	18,904
Provision for deferred rent	(1,151)	-	-	-	(1,151)
Changes in operating assets and liabilities:					
(Increase) decrease in assets:					
Accounts receivable	171,009	-	18	-	171,027
Due from parent	-	185	117	302	-
Limited use assets	1,050,234	-	-	-	1,050,234
Prepaid expenses and other	(27,138)	-	-	-	(27,138)
(Decrease) increase in liabilities:					
Accounts payable and accrued expenses	(77,017)	-	(2)	-	(77,019)
Funds held as program agent	(1,103,482)	-	-	-	(1,103,482)
Project grant advances	85,593	-	-	-	85,593
Due to affiliates	(89,217)	-	-	-	(89,217)
Due to subsidiaries	(302)	-	-	(302)	-
Total adjustments	27,433	185	133	-	27,751
Net Cash Used In Operating Activities	(162,164)	-	-	-	(162,164)
Cash Flows from Investing Activities:					
Advances of notes receivable	(368,000)	-	-	-	(368,000)
Purchase of capital expenditures	(12,747)	-	-	-	(12,747)
Net Cash Used in Investing Activities	(380,747)	-	-	-	(380,747)
Cash Flows from Financing Activities:					
Proceeds of loans payable	-	-	-	-	-
Repayment of loans payable	-	-	-	-	-
Net Cash Used in Financing Activities	-	-	-	-	-
Net Decrease in Cash	(542,911)	-	-	-	(542,911)
Cash, beginning of year	977,629	-	-	-	977,629
Cash, end of year	\$ 434,718	\$ -	\$ -	\$ -	\$ 434,718

LONG ISLAND HOUSING PARTNERSHIP, INC.  
AND AFFILIATES

Combined Statement of Functional Expenses

Year Ended December 31, 2011

	Program Services		Supporting Services		Total
	Project Costs	Program Support Services	Management and General	Fundraising	
Project Costs	\$ 3,314,159	\$ -	\$ -	\$ -	\$ 3,314,159
Salaries, Payroll Taxes and Benefits	-	1,255,051	609,809	19,511	1,884,371
Professional Services	-	138,301	143,224	7,170	288,695
Other	-	104,569	11,070	7,779	123,418
Rent and Utilities	-	77,177	32,561	1,146	110,884
Insurance	-	29,334	52,364	203	81,901
Travel and Auto	-	36,735	16,094	323	53,152
Conference and Meetings	-	34,380	11,284	-	45,664
REAP Distributions	-	45,042	-	-	45,042
Postage	-	30,112	7,732	2,950	40,794
Printing	-	23,082	4,856	11,761	39,699
Office Supplies and Equipment	-	23,621	10,146	1,061	34,828
Repairs and Maintenance	-	14,788	7,185	-	21,973
Depreciation and Amortization	-	12,722	6,182	-	18,904
Telephone	-	12,262	5,208	183	17,653
Outreach	-	7,945	975	3,800	12,720
Subscriptions and Publications	-	4,009	1,948	-	5,957
Total Expenses	<u>\$ 3,314,159</u>	<u>\$ 1,849,130</u>	<u>\$ 920,638</u>	<u>\$ 55,887</u>	<u>\$ 6,139,814</u>