

Consolidated Financial Statements and OMB Circular A-133
Supplementary Information Together with
Report of Independent Certified Public Accountants

HOUSING WORKS, INC. AND AFFILIATES

For the year ended June 30, 2012,
with summarized comparative information for the year ended June 30, 2011

HOUSING WORKS, INC. AND AFFILIATES

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements:	
Consolidated Statements of Financial Position as of June 30, 2012, with summarized comparative totals as of June 30, 2011	3
Consolidated Statement of Activities for the year ended June 30, 2012, with summarized comparative totals for the year ended June 30, 2011	4
Consolidated Statement of Functional Expenses for the year ended June 30, 2012, with summarized comparative totals for the year ended June 30, 2011	5
Consolidated Statements of Cash Flows for the years ended June 30, 2012 and 2011	6
Notes to Consolidated Financial Statements	7 - 19
Supplementary Information:	
Consolidating Schedule of Financial Position as of June 30, 2012	21
Consolidating Schedule of Revenues and Expenses for the year ended June 30, 2012	22
Supplementary Information:	
Schedule of Expenditures of Federal Awards for the year ended June 30, 2012	23
Note to Schedule of Expenditures of Federal Awards for the year ended June 30, 2012	24
Report of Independent Certified Public Accountants on Internal Control Over Financial Reporting and on Compliance and Other Matters	25 - 26
Report of Independent Certified Public Accountants on Compliance Related to Major Programs (OMB Circular A-133) and on Internal Control over Compliance	27 - 28
Summary Schedule of Findings and Questioned Costs for the year ended June 30, 2012	29 - 30

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Housing Works, Inc. and Affiliates:

We have audited the accompanying consolidated statement of financial position of Housing Works, Inc. and Affiliates (collectively, the “Organization”) as of June 30, 2012, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization’s management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization’s fiscal 2011 consolidated financial statements and, in our report dated March 12, 2012, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Housing Works, Inc. and Affiliates as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2012 required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations and the supplemental consolidating schedules as of and for the year ended June 30, 2012 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
March 29, 2013

HOUSING WORKS, INC. AND AFFILIATES
Consolidated Statement of Financial Position
As June 30, 2012, with summarized comparative totals as of June 30, 2011

ASSETS	<u>2012</u>	<u>2011</u>
CURRENT ASSETS		
Cash	\$ 271,443	\$ 636,516
Medicaid receivables, net	4,181,852	2,309,528
Grants and contract service receivables	1,805,761	1,739,950
Contributions receivable	200,000	196,465
Thrift shop and bookstore inventory, net	6,193,091	6,410,782
Prepaid expenses and other assets	<u>1,279,263</u>	<u>665,128</u>
Total current assets	<u>13,931,410</u>	<u>11,958,369</u>
LONG-TERM ASSETS		
Restricted cash - debt service and contingency reserve funds	907,753	950,638
Investments - other	-	657,515
Security deposits and other assets	1,941,075	1,901,433
Property and equipment, net	<u>24,762,545</u>	<u>24,811,948</u>
Total long-term assets	<u>27,611,373</u>	<u>28,321,534</u>
Total assets	<u>\$ 41,542,783</u>	<u>\$ 40,279,903</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 7,561,018	\$ 6,703,446
Current maturities of loans payable	1,543,743	2,267,221
Medicaid payable	653,836	-
Due to government agency	<u>-</u>	<u>93,221</u>
Total current liabilities	<u>9,758,597</u>	<u>9,063,888</u>
LONG-TERM LIABILITIES		
Loans payable	8,064,800	9,300,470
Deferred revenue - HHAC	1,310,042	1,132,926
Deferred rent payable	1,039,050	907,088
Other liabilities	<u>390,663</u>	<u>322,770</u>
Total long-term liabilities	<u>10,804,555</u>	<u>11,663,254</u>
Total liabilities	<u>20,563,152</u>	<u>20,727,142</u>
Noncontrolling interest in Fitzpatrick Associates limited partnership	<u>461,215</u>	<u>519,118</u>
Commitments and contingencies		
NET ASSETS		
Unrestricted	19,349,145	17,915,562
Temporarily restricted	511,756	460,566
Permanently restricted	<u>657,515</u>	<u>657,515</u>
Total net assets	<u>20,518,416</u>	<u>19,033,643</u>
Total liabilities and net assets	<u>\$ 41,542,783</u>	<u>\$ 40,279,903</u>

The accompanying notes are an integral part of these consolidated statements.

HOUSING WORKS, INC. AND AFFILIATES

Consolidated Statement of Activities

For the year ended June 30, 2012, with summarized comparative totals for the year ended June 30, 2011

	2012			2011 Total	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
OPERATING REVENUES AND OTHER SUPPORT					
Grants and contract services	\$ 9,668,657	\$ -	\$ -	\$ 9,668,657	\$ 8,377,279
Bookstore sales	2,437,928	-	-	2,437,928	2,318,990
Thrift shops sales	15,081,761	-	-	15,081,761	13,875,705
Medicaid revenue	17,357,981	-	-	17,357,981	18,788,543
In-kind contributions	18,017,067	-	-	18,017,067	16,156,578
Contributions	2,294,888	745,714	-	3,040,602	2,321,387
Rental income on apartments	806,359	-	-	806,359	905,789
Food services	1,264,430	-	-	1,264,430	633,035
Other revenue	672,558	-	-	672,558	557,818
Net assets released from restrictions	694,524	(694,524)	-	-	-
Total operating revenues and other support	68,296,153	51,190	-	68,347,343	63,935,124
EXPENSES					
Program services:					
Housing programs	5,232,577	-	-	5,232,577	4,987,326
Bookstore	4,386,368	-	-	4,386,368	4,361,939
Thrift shops	28,648,292	-	-	28,648,292	25,591,973
Health and service programs	16,754,113	-	-	16,754,113	18,200,527
Food services	2,268,179	-	-	2,268,179	2,222,751
Advocacy, legal and advisory services	1,791,406	-	-	1,791,406	1,899,065
Research	72,703	-	-	72,703	62,264
Property and facility management	1,762,852	-	-	1,762,852	1,746,666
Total program expenses	60,916,490	-	-	60,916,490	59,072,511
Management and general	5,411,065	-	-	5,411,065	5,246,600
Fundraising	592,918	-	-	592,918	547,521
Total expenses	66,920,473	-	-	66,920,473	64,866,632
NON-OPERATING REVENUES (EXPENSES) AND OTHER SUPPORT					
Limited partnership interest gain (loss) of Fitzpatrick Associates Limited Partnership	57,903	-	-	57,903	(54,029)
Inherent contribution - Acquisition of Life Force, Inc.	-	-	-	-	46,987
Total non-operating revenues (expenses) and other support	57,903	-	-	57,903	(7,042)
Increase (decrease) in net assets	1,433,583	51,190	-	1,484,773	(938,550)
Net assets, beginning of year	17,915,562	460,566	657,515	19,033,643	19,972,193
Net assets, end of year	\$ 19,349,145	\$ 511,756	\$ 657,515	\$ 20,518,416	\$ 19,033,643

The accompanying notes are an integral part of this consolidated statement.

HOUSING WORKS, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

For the year ended June 30, 2012, with summarized comparative totals for the year ended June 30, 2011

	Program Expenses											2012 Total Expenses	2011 Total Expenses
	Housing Programs	Bookstore	Thrift Shops	Health and Service Programs	Food Services	Advocacy, Legal and Advisory Services	Research	Property and Facility Management	Total Program Expenses	Management and General	Fundraising		
Salaries and wages	\$ 1,587,962	\$ 634,802	\$ 5,142,630	\$ 8,772,386	\$ 964,904	\$ 936,615	\$ -	\$ 1,195,327	\$ 19,234,626	\$ 2,374,517	\$ 264,555	\$ 21,873,698	\$ 22,173,428
Fringe benefits	285,764	161,208	1,323,188	2,206,151	236,500	221,465	-	332,911	4,767,187	678,863	65,738	5,511,788	5,577,056
Professional service fees	77,736	16,885	67,962	295,318	6,514	20,119	70,458	8,430	563,422	198,743	52,619	814,784	927,903
Contracted services	584,717	61,425	270,242	964,643	20,017	35,117	721	33,362	1,970,244	87,168	10,686	2,068,098	2,061,439
Client stipends and reimbursements	21,187	-	-	170,572	11,012	18,889	-	4,658	226,318	22,049	160	248,527	286,897
Supplies	103,656	97,946	89,672	353,289	26,100	33,906	-	-	704,569	105,303	3,983	813,855	1,026,357
Occupancy:													
Office	90,558	261,044	3,745,992	1,073,079	-	119,592	-	81,941	5,372,206	345,958	27,786	5,745,950	5,127,647
Client	686,195	-	-	-	-	-	-	-	686,195	-	-	686,195	564,079
Utilities:													
Office	407,169	43,291	359,559	432,272	21,857	33,129	705	36,712	1,334,694	97,171	11,512	1,443,377	1,663,255
Client	129,572	-	184	728	-	3,273	-	157	133,914	-	-	133,914	116,254
Transportation	49,027	379	221,138	534,484	21,800	134,750	-	11,578	973,156	6,726	-	979,882	1,018,530
Equipment rental, repairs and maintenance	109,237	10,789	51,682	85,324	104,655	9,994	101	24,968	396,750	78,773	1,709	477,232	451,195
Facility repairs and maintenance	170,343	17,019	41,830	82,449	1,867	194	-	4,167	317,869	9,066	8,459	335,394	266,914
Client participation expenses	80,528	119,990	198,761	158,178	784,058	20,900	-	-	1,362,415	656	361	1,363,432	1,531,862
Staff expense	4,073	849	7,215	60,091	1,374	41,793	-	688	116,083	109,723	10,000	235,806	264,486
Insurance expense	112,040	25,805	172,092	201,551	17,749	21,912	686	26,753	578,588	70,566	320	649,474	511,280
Depreciation and amortization	612,375	49,316	235,216	805,177	3,900	-	-	1,126	1,707,110	685,723	8,025	2,400,858	2,414,011
Gifts-in-kind expense	-	2,412,952	15,868,749	-	-	-	-	-	18,281,701	-	-	18,281,701	15,968,488
Events expense	2,847	6,442	309,851	-	23,239	105,365	32	-	447,776	13,612	-	461,388	440,465
Interest and finance fees	107,944	4,871	259,908	500,450	1,924	3,614	-	-	878,711	281,084	3,172	1,162,967	1,369,561
Other expenses	9,647	461,355	282,421	57,971	20,709	30,779	-	74	862,956	245,364	123,833	1,232,153	1,105,525
Total expenses	<u>\$ 5,232,577</u>	<u>\$ 4,386,368</u>	<u>\$ 28,648,292</u>	<u>\$ 16,754,113</u>	<u>\$ 2,268,179</u>	<u>\$ 1,791,406</u>	<u>\$ 72,703</u>	<u>\$ 1,762,852</u>	<u>\$ 60,916,490</u>	<u>\$ 5,411,065</u>	<u>\$ 592,918</u>	<u>\$ 66,920,473</u>	<u>\$ 64,866,632</u>

The accompanying notes are an integral part of this consolidated statement.

HOUSING WORKS, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

For the year ended June 30, 2012, with summarized comparative totals for year ended June 30, 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 1,484,773	\$ (938,550)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	2,400,858	2,414,011
Contribution of Life Force, Inc.	-	(46,987)
Changes in operating assets and liabilities:		
(Increase) decrease in medicaid receivables	(1,872,324)	4,142,388
Increase in grants and contract service receivables	(65,811)	(415,381)
Increase in contributions receivable	(3,535)	(40,800)
Decrease (increase) in thrift shop and bookstore inventory	217,691	(175,943)
Increase in prepaid expenses and other assets	(614,135)	(232,167)
Increase in security deposits and other assets	(39,642)	(107,589)
Increase in accounts payable and accrued expenses	704,542	247,838
Increase in due on medicaid recoupment	653,836	-
Decrease in due to government agency	(93,221)	(216,090)
Increase (decrease) in deferred revenue - HHAC	177,116	(70,440)
Increase in deferred rent payable	131,962	148,928
Increase in other liabilities	67,893	231,816
Net cash provided by operating activities	<u>3,150,003</u>	<u>4,941,034</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(2,198,425)	(1,958,477)
Cash received in acquisition of Life Force, Inc.	-	46,987
Decrease (increase) in restricted cash - debt service and contingency reserve funds	42,885	(43,418)
Net cash used in investing activities	<u>(2,155,540)</u>	<u>(1,954,908)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	-	182,468
Repayments of loans payable	(1,959,148)	(2,463,774)
Minority interest	(57,903)	54,029
Decrease (increase) in investments - other	657,515	(657,515)
Net cash used in financing activities	<u>(1,359,536)</u>	<u>(2,884,792)</u>
Net (decrease) increase in cash	(365,073)	101,334
Cash, beginning of year	<u>636,516</u>	<u>535,182</u>
Cash, end of year	<u>\$ 271,443</u>	<u>\$ 636,516</u>

Supplemental cash flow information:

\$153,030 and \$1,640,028 of fixed assets were acquired via capital leases in 2012 and 2011, respectively.

Cash paid for interest amounted to \$578,292 and \$711,890 in 2012 and 2011, respectively.

The accompanying notes are an integral part of these consolidated statements.

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

1. ORGANIZATION AND NATURE OF ACTIVITIES

Housing Works, Inc. (“HWI”) was organized in May 1990 for the purpose of providing assistance and expertise to homeless persons living with AIDS or HIV-related illnesses; advocating for homeless services; and providing expertise in the development of housing for homeless persons living with AIDS or HIV-related illnesses.

To assist in providing these services, HWI established the following separately incorporated not-for-profit affiliates (collectively, the “Organization”), which, through sole membership, are controlled by HWI:

Housing Works Used Book Café, Inc. (the “Bookstore”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. The Bookstore primarily sells donated books and records; the café serves sandwiches, soups and assorted refreshments and hosts special events.

Housing Works Thrift Shop, Inc. (“Thrift”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. Thrift receives and primarily sells clothing and other donated goods from twelve shops located in New York City.

Housing Works Food Services, Inc. (“HWFSC”) was organized exclusively for the benefit of and to carry out the purposes of HWI by providing relief, assistance and financial support, directly or indirectly, to homeless persons living with AIDS or HIV-related illnesses. HWFSC provides institutional catering services to day treatment centers, supportive residences and other facilities, including community catering.

Housing Works Health Services, Inc. (“HWS1”), located at 743-749 East 9th Street, New York City, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. These facilities provide a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS1 promotes and carries out certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Housing Works Health Services II, Inc. (“HWS2”), with facilities located at 320 West 13th Street, New York City, and 57 Willoughby Street, Brooklyn, New York, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. The 13th Street facility provides a broad range of health services to persons living with AIDS or HIV-related illnesses; the Willoughby Street facility provides the same services as HWS1, but only to women. In addition, HWS2 promotes and carries on certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Housing Works Health Services III, Inc. (“HWS3”), located at 2626 Pitkin Avenue, Brooklyn, New York, was organized to establish one or more freestanding diagnostic and treatment facilities; be licensed under Article 28 of the New York State health law; and be located in New York City. This facility provides a broad range of health services to persons living with AIDS or HIV-related illnesses. In addition, HWS3

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

promotes and carries on certain research and educational activities related to providing care to the sick, injured and disabled, and promoting the health of the public.

Gotham Assets Management Services (“Gotham”) is a for-profit corporation established to provide property management and logistical services to the Organization. Gotham applied for tax exempt status under Section 501(a) of the Internal Revenue Code, but tax exemption was never obtained and Gotham has since been selected for audit by the Internal Revenue Service to clarify the taxpayer’s tax status. Gotham has not received its tax exemption status as of year-end. In the opinion of management, this audit is not expected to have a material adverse effect on the Organization’s consolidated financial statements.

Housing Works Housing Development Fund Corporation (“HWDC1”), located at 743-749 East 9th Street, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works East New York Housing Development Fund Corporation (“HWDC2”), located at 2640 Pitkin Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works Harlem Housing Development Fund Corporation, Inc. (“HWDC3”), located at 143-145 West 130th Street, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works Pitkin Avenue Housing Development Fund Corporation, Inc. (“PitkinHDFC”), located at 2609 Pitkin Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works 454 Lexington Avenue Housing Development Fund Corporation, Inc. (“LEX”), located at 454 Lexington Avenue, New York City, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Housing Works 874 Jefferson Avenue Housing Development Fund Corporation, Inc. (“JEFF”), located at 874 Jefferson Avenue, Brooklyn, New York, was organized to develop a housing project for homeless or formerly homeless persons of low income with AIDS or HIV-related illnesses.

Bronx Claremont Parkway G. P., Inc. (“BCP”), an entity controlled by HWI was established and subsequently received a general partnership interest in Fitzpatrick Associates Limited Partnership (“Fitzpatrick”). Fitzpatrick was formed to acquire, own, finance, construct, develop and manage a multifamily supportive housing project. As of year-end, Fitzpatrick remains to operate a housing facility consisting of sixteen apartment units and BCP retains its ownership interest to Fitzpatrick.

AIDS Treatment Data Network, Inc. (“ATDN”) is a not-for-profit, independent, community-based organization that provides case management and support services through one-on-one encounters. Resources are also provided to clients by way of various electronic media.

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

In January 2011, the Organization acquired and therefore absorbed the net assets and operations of Life Force: Women Fighting AIDS, Inc. (“Life Force”). Life Force is a not-for profit, independent, community-based organization whose mission is to reduce the incidence of HIV/AIDS and to address the other broad range of health issues of women of color, particularly in Brooklyn, New York. Life Force addresses the need for HIV education through peer-led education initiatives, and, in this effort, works to identify and mobilize the resources of the community it serves. The fair market value of Life Force’s net assets totaled approximately \$47,000 at the time of acquisition and was recorded as an inherent contribution on the consolidated statement of activities.

In May 2012, the Organization formed Housing Works 220 Hull Housing Development Fund Corporation (“Hull”), located at 220 Hull Street, Brooklyn, New York. Hull is registered in New York State; 501(c)(3) status has been applied for and is pending as of year-end. The purpose of Hull is to develop vacant land, located at its address, into a supportive housing residence. Capital funding for the project is pending as of year-end.

The Organization, except Gotham, Hull and BCP, were incorporated as not-for-profit corporations under the laws of the State of New York and are classified as 501(c)(3) organizations, which are exempt from income taxes under Section 501(a) of the Internal Revenue Code. Gotham and Hull have applied for tax exempt status under Section 501(a) of the Internal Revenue Code, however they have not yet received exemption at year-end. In anticipation of receiving such exemption, no provision for income taxes has been made in the accompanying consolidated financial statements for the Organization. Fitzpatrick is treated as a partnership for tax purposes; and therefore, BCP reports its share of taxable income and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting. All intercompany transactions and balances have been eliminated in consolidation. The Organization’s net assets and related revenues and supports are classified based upon the existence or absence of donor-imposed stipulations, as follows:

Unrestricted Net Assets

Net assets that are expendable for the general operations of the Organization.

Temporarily Restricted Net Assets

Net assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Organization pursuant to those stipulations. At June 30, 2012 and 2011, temporarily restricted net assets were both time restricted and restricted for use in the Organization’s mental health programs.

Permanently Restricted Net Assets

Net assets whose use by the Organization is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income there from be utilized for operating or other donor-restricted purposes (Note 9).

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

For the years ended June 30, 2012 and 2011, the Organization received no permanently restricted contributions.

Thrift Shop and Bookstore Inventory

Inventory, which consists of donated goods for the thrift shops and bookstores, is stated at estimated fair value at the date of the gift. Fair value is determined using sales history and as such approximates the actual sales price of the donated items.

Property and Equipment, Net

Property and equipment, net, are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements has been calculated over the lesser of the estimated useful lives of the assets or the related lease term. The Organization depreciates its assets using the half-year convention method in the first year the assets are placed in service. Assets are depreciated over the following useful lives:

Buildings and building improvements	30 years
Leasehold improvements	Lesser of the life of the lease or the asset 4 -15 years
Equipment, furniture and fixtures	4 - 13 years
Vehicles	4 years

Long-Lived Assets

The Organization reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors the Organization considers important, which could trigger an impairment review, include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in the Organization's use of the acquired assets or the strategy for its overall business; and (iii) significant negative industry or economic trends.

Contributions

Contributions, both cash and in-kind, are recorded in the period received as unrestricted, temporarily restricted or permanently restricted revenue depending upon the existence or absence of donor-imposed stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying consolidated statement of activities as net assets released from restrictions. Contributions to be received after one year are discounted at an appropriate discount rate. Amortization of the discount is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any.

In-kind contributions of clothing, books and various other items are recorded as revenue and also capitalized as part of the Organization's inventory. Upon the sale of these goods, the inventory is relieved and a related gift-in-kind expense is recorded representing the cost of the goods sold.

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

Revenues

Revenues from government grants and contracts, including Medicaid, are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Amounts received in advance are reported as deferred revenues. Contracts awarded for the acquisition of long-lived assets are reported as deferred revenue until the assets are acquired, at which time the award is recorded as unrestricted revenue. Revenues from the thrift shop and bookstore are recognized at the point of sale. Rental income, which is generally earned pursuant to short-term leases for apartments, is recognized as earned. Apartment rents are paid partially by the tenants and partially subsidized through various Federal programs.

Medicaid revenue is reimbursed to the Organization at the rate determined by state regulations. Medicaid revenue and other governmental grants and contracts under third-party payor agreements are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. Provisions for estimated third party payor settlements are provided in the period the related services are rendered. Differences between the amounts provided and subsequent settlements are recorded in operations in the period of settlement. The provision for contractual allowances is deducted directly from revenue and the net revenue amount is recorded as accounts receivable. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

Allowance for Uncollectible Accounts

The carrying value of grants and contracts receivable and contributions receivable are reduced by an appropriate allowance for uncollectible accounts, and therefore approximates net realizable value. The Organization determines its allowance by considering a number of factors, including the length of time receivables are past due, the Organization's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the industry as a whole. Receivables outstanding longer than the payment terms are considered past due. The Organization writes off accounts receivables when they become uncollectible, and payments subsequently received on such receivables are recorded as income in the period received.

Concentration of Credit Risk

Cash is exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the Organization maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits. At June 30, 2012 and 2011, the Organization's cash was placed with high credit quality financial institutions and, accordingly, the Organization does not anticipate any losses with respect to these depository accounts.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, prepaid expenses and other assets, accounts payable and accrued expenses, and other liabilities approximate their fair value due to the short-term maturity of these financial instruments. The Organization's long-term debt approximates fair value based on the quoted market prices for the same or similar issues or on the current rates offered to the Organization for debt of the same remaining maturities.

HOUSING WORKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

Use of Estimates

The preparation of consolidated 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Presentation of Certain Prior Year Summarized Information

The accompanying consolidated financial statements include prior year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements as of and for the year ended June 30, 2011, from which the summarized comparative information was derived.

Taxes

The Organization recognizes the tax effects from an uncertain tax position in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged. As of June 30, 2012, management determined that there are no uncertain tax positions within its consolidated financial statements.

The Organization is exempt from federal income taxation by virtue of being an organization described in Section 501(c)(3) of the Internal Revenue Code. Nevertheless, the Organization may be subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The tax years ending June 30, 2009, 2010, 2011 and 2012 are still open to audit for both federal and state purposes.

3. PROPERTY AND EQUIPMENT, NET

At June 30, 2012 and 2011, property and equipment, net, consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 809,209	\$ 809,209
Buildings and building improvements	16,104,106	15,575,022
Equipment, furniture and fixtures	8,139,366	7,498,257
Vehicles	430,836	441,393
Leasehold improvements	18,048,804	18,071,154
Capital leases	<u>1,640,028</u>	<u>1,486,998</u>
	45,172,349	43,882,033
Less: Accumulated depreciation and amortization	(22,732,488)	(20,331,630)
Construction in progress	<u>2,322,684</u>	<u>1,261,545</u>
	<u>\$ 24,762,545</u>	<u>\$ 24,811,948</u>

HOUSING WORKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

As of June 30, 2012 and 2011, the Organization had capitalized interest of approximately \$0 and \$18,206, respectively, which was included within prepaid expenses and other assets in the accompanying consolidated statements of financial position. A portion of the Organization's property and equipment was purchased with funding received from the U.S. Department of Health and Human Services and the U.S. Department of Housing and Urban Development. Funding for certain capital expenditures was provided with the stipulation that if the Organization ceases to operate certain programs, which in management's opinion is unlikely, the related property and equipment could revert to the funding source.

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 were approximately \$2,401,000 and \$2,414,000, respectively

Capital Leases

The Organization leases various office equipment under noncancelable leasing arrangements that are classified as capital leases. The related cost and accumulated depreciation is included within "Property and equipment, net" in the accompanying consolidated statement of financial position, and at June 30, 2012, were as follows:

Equipment	\$ 1,613,643
Vehicles	<u>26,385</u>
	1,640,028
Less: Accumulated depreciation	<u>818,363</u>
	<u>\$ 821,665</u>

Future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, included within "Loans payable" in the accompanying consolidated statement of financial position at June 30, 2012, were as follows:

Year ending June 30,	
2013	\$ 392,694
2014	319,436
2015	134,714
2016	<u>20,496</u>
	867,340
Less: Amount representing interest	<u>(25,046)</u>
	<u>\$ 842,294</u>

4. INVESTMENTS

Related Entities

On June 6, 2003, the Organization acquired a 25% ownership interest in a management service organization (the "MSO") for \$260,000. This investment is accounted for under the equity method. At June 30, 2012 and 2011, the investment was valued at \$0, due to the MSO's accumulated deficit. The MSO provided financial management services to the Organization during the years ended June 30, 2012 and 2011, for which the Organization paid approximately \$1,491,000 and \$1,456,000, respectively.

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

During fiscal 2003, the Organization acquired an 18% ownership interest in Amida Care, Inc. for \$300,000. This investment is accounted for at cost. A \$300,000 impairment of this investment was recorded during fiscal 2005. During the years ended June 30, 2012 and 2011, the Organization contributed no additional capital. At June 30, 2012 and 2011, the investment in Amida Care, Inc. was fully reserved for since Amida Care, Inc. had an accumulated deficit at those times. In addition, the Organization has entered into and guaranteed loans on behalf of Amida Care, Inc. (Note 5).

On June 7, 2010, Bronx Claremont Parkway G.P., Inc. ("BCP"), an entity controlled by HWI, was admitted without consideration as General Partner to Fitzpatrick Associates Limited Partnership ("Fitzpatrick") with a partnership interest of 1%. Fitzpatrick was formed to acquire, own, construct, develop, manage and operate a supportive housing facility. The facility consists of sixteen (16) apartment units available for rental to homeless and low-income individuals. The facility was financed through a note from the Homeless Housing Assistance Corporation ("HHAP") in the amount of approximately \$2.1 million and through the sale of limited partnership interests to U.S.A. Institutional Tax Credit Fund VII L.P. HWI is acting as guarantor on the HHAP mortgage. BCP is deemed to control Fitzpatrick, and, accordingly, the consolidated financial position of Fitzpatrick and BCP is reflected in the consolidated financial statements of the Organization. The fair market value of BCP's partnership interest of Fitzpatrick's net assets at the time of admission into the partnership was approximately \$5,000 and was recorded as an inherent contribution on the consolidated statement of activities. BCP's percentage of interest to Fitzpatrick remained the same as of June 30, 2012.

5. LOANS PAYABLE

At June 30, 2012 and 2011, loans payable consisted of the following:

	<u>2012</u>	<u>2011</u>
Promissory note, dated November 2, 2010 - \$1,150,000 principal amount, payable in 23 installments of \$49,000 each along with interest accrued at .75% above the prime rate (4.00% at June 30, 2012 and 2011), and one final principal and interest payment of \$23,079.	\$ 119,614	\$ 709,000
Mortgage payable - \$4,285,000 face amount, due July 2022, payable in monthly installments with interest at 3.25% at June 30, 2012 and 2011. The mortgage is with Dormitory Authority of the State of New York ("DASNY") and is secured by the related property at 2626 Pitkin Avenue, Brooklyn, New York.	3,300,000	3,565,000
Mortgage payable - \$3,925,000 face amount, due July 2022, payable in monthly installments with interest at 3.25% at June 30, 2012 and 2011. The mortgage is with DASNY and is secured by the related property at 743-749 East 9th Street, New York City.	3,035,000	3,275,000
Mortgage payable - \$1,135,000 face amount, due July 2013, payable in monthly installments with interest at 3.25% at June 30, 2012 and 2011. The mortgage is with DASNY and is secured by the related property at 320 West 13th Street, New York City.	35,000	325,000
Mortgage payable - \$249,000 face amount, the loan bears an interest rate of 7.75% per annum, and is scheduled to mature on July 1, 2021. The mortgage is secured by the property at 2609 Pitkin Avenue, Brooklyn, New York and is through the Low Income Housing Fund.	209,099	222,976

HOUSING WORKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Loan payable - \$956,000 face amount with a maturity date of July 30, 2014, payable in monthly installments of \$10,865, including interest of 6.52% per annum. The loan is through the Primary Care Development Corporation.	\$ 262,776	\$ 372,122
Loan payable - \$128,571 representing the Organization's pro rata share of a loan guaranteed by the partners Amida Care, Inc. The loan is payable by Amida Care, Inc. at an interest rate of 9% per annum. The Organization is required to make quarterly interest-only payments.	116,641	125,571
Loan payable - \$500,000 face amount payable in monthly payments of principal and interest. Interest is 6.5% per annum over an amortization period of 10 years. The loan is through the Low Income Investment Fund and matures on October 1, 2013.	347,114	392,364
Loan payable - \$2,400,000 term note comprised of multiple advances bearing interest of 6.77% per annum. The unpaid principal and interest are to be paid in 108 equal consecutive monthly installments beginning on November 1, 2007.	1,162,333	1,422,222
Loan payable - \$18,464 Housing Works 220 Hull Housing Development Fund Corporation, bears an interest of 7% per annum. The loan is through the Corporation of Supportive Housing and shall be due the earlier of October 31, 2014 or construction closing. As of year-end construction is still on-going.	18,464	-
Loan payable - \$150,000 face amount. The loan is through the NYC Department of Housing and Urban Development. The loan is secured by a homeless housing facility located at 415-17 Claremont Parkway, Bronx, NY. There is no interest payable on the loan, and it has a term of 30 years, maturing in 2025.	150,000	150,000
Revolving credit line - Life Force	10,208	10,208
Liabilities under capital leases (Note 3)	<u>842,294</u>	<u>998,228</u>
Total loans payable	9,608,543	11,567,691
Less: Current maturities	<u>(1,543,743)</u>	<u>(2,267,221)</u>
Long-term portion	<u>\$ 8,064,800</u>	<u>\$ 9,300,470</u>

Loans not associated with housing facilities are collateralized by the Thrift inventory and/or the Medicaid Accounts Receivable.

HOUSING WORKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

Future principal payments on loans payable are as follows at June 30, 2012:

Year ending June 30,	
2013	\$ 1,543,743
2014	1,571,407
2015	1,018,302
2016	1,045,441
2017	788,169
Thereafter	<u>3,641,481</u>
	<u>\$ 9,608,543</u>

For the years ended June 30, 2012 and 2011, interest expense totaled approximately \$578,000 and \$712,000, respectively.

At June 30, 2012 debt service and contingency reserve funds totaled approximately \$908,000 and consisted of cash on deposit (Level 1). At of June 30, 2011, debt service and contingency reserve funds totaled approximately \$951,000 and consisted of government bonds (Level 2) and cash on deposit (Level 1). These assets are maintained with the trustee in accordance with the DASNY bond indentures and collateral with financial institutions as required by the respective loan agreements.

Mortgage loans provided by DASNY included funding for start-up costs.

6. MEDICAID PAYABLE

During the year ended June 30, 2012, the State of New York made a retroactive rate adjustment in primary care and dental reimbursement rates. As of result, the Organization owed approximately \$888,000 of which approximately \$654,000 remained payable as of June 30, 2012.

7. DUE TO GOVERNMENT AGENCY

In connection with one of its housing development projects, beginning in fiscal 2006, the Organization began drawing funds on a grant agreement with the U. S. Department of Housing and Urban Development ("HUD"). Since the projects' start date was October 1, 2008, the draws on the agreement commenced approximately two years before the facility became occupied. HUD has since taken the position that this was not consistent with the terms of the grant agreement, and has asked the Organization to repay approximately \$590,000 in draws taken during the aforementioned two-year period. Per an agreement with HUD, the Organization repaid the funds in total in monthly installments between fiscal years 2009 and 2012.

8. DEFERRED REVENUE

The Bronx-Clairemont homeless housing facility associated with Fitzpatrick was principally financed through a note from the New York State Homeless Housing Assistance Corporation. The note closed on July 30, 1997 in the amount of \$2,113,216 for a term of thirty years. The note bears no interest and repayment is not required as long as the housing facility remains available for low-income persons in accordance with regulatory agreements and regulations. The Organization believes that the possibility of the facility not maintaining its status as a low-income housing facility throughout the term of the advance is remote, and therefore, repayment would not be required. As such, the Organization believes that the

HOUSING WORKS, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

June 30, 2012 and 2011

appropriate treatment of the advance is to be recognized as deferred revenue that is amortized into service revenue over the thirty-year life of the agreement. At June 30, 2012 and 2011, the unamortized balances of approximately \$1,062,000 and \$1,133,000, respectively, were reflected in the consolidated statement of financial position as "Deferred revenue - HHAC." During the fiscal year 2012, the Organization's 874 Jefferson Housing Development Fund Corporation received funds of \$252,608 from The New York City Department of Housing Preservation and Development under a similar arrangement which covers a twenty five-year term. The Organization is amortizing this amount into service revenue over that term. At June 30, 2012, the unamortized balance of approximately \$248,000 is reflected in the consolidated statement of financial position as part of "Deferred revenue - HHAC."

9. ENDOWMENTS

During fiscal 2006, the Organization received two donor restricted endowments. One was established in the name of Keith Cylar and the other as a general endowment. The Organization has received permission from the two largest contributors to the endowment stating that the funds they contributed could be borrowed to cover operating costs. As such, during fiscal 2008, the Organization liquidated these investments totaling approximately \$654,000 in order to cover certain operating costs. On December 9, 2010, the Organization replenished the amounts borrowed from the endowment fund. As of June 30, 2011, the endowment fund was comprised of cash and was included as "Investments - other" on the consolidated statement of financial position. As of June 30, 2012, the Organization once again received permission to borrow from the endowment fund and as such liquidated these assets during the year. Management plans to replenish the borrowed endowment funds within the subsequent fiscal year.

On September 17, 2010, New York State passed the New York State Prudent Management of Institutional Funds Act ("NYPMIFA"), its version of the UPMIFA. All not-for-profit organizations formed in New York must apply this law. The College classifies donor-restricted endowment funds as permanently restricted net assets, unless otherwise stipulated by the donor: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; the possible effects of inflation and deflation; other resources of the organization; and the investment policy of the organization.

HOUSING WORKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

The following table illustrates the changes in the Organization's endowment net assets as of June 30, 2012 and 2011:

	<u>2012</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted (endowment)	\$ (657,515)	\$ 657,515	\$ -

	<u>2011</u>		
	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted (endowment)	\$ -	\$ 657,515	\$ 657,515

The following summarizes endowment related activities for the year ended June 30, 2012:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ -	\$ -	\$ 657,515	\$ 657,515
Borrowings from endowment for operations	<u>(657,515)</u>	<u>-</u>	<u>-</u>	<u>(657,515)</u>
Endowment assets, end of year	<u>\$ (657,515)</u>	<u>\$ -</u>	<u>\$ 657,515</u>	<u>\$ -</u>

The following summarizes endowment related activities for the year ended June 30, 2011:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, beginning of year	\$ (657,515)	\$ -	\$ 657,515	\$ -
Transfer to donor-restricted endowment fund	<u>657,515</u>	<u>-</u>	<u>-</u>	<u>657,515</u>
Endowment assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 657,515</u>	<u>\$ 657,515</u>

At June 30, 2012 and 2011, the Organization did not maintain any board designated (quasi) endowment funds.

HOUSING WORKS, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
June 30, 2012 and 2011

10. DEFINED CONTRIBUTION PLAN

The Organization established a defined contribution plan for all eligible employees effective December 21, 1999. Effective July 1, 2008, after modifying the plan, the Organization began matching, up to a maximum of \$100 per month, each employee's contribution to the 403(b) plan. Employees are all immediately 100% vested in the match. The Organization's contribution for the years ended June 30, 2012 and 2011 was \$26,880 and \$20,750, respectively.

11. COMMITMENTS AND CONTINGENCIES

The Organization is a party to various noncancelable operating leases. These leases require minimum monthly rental payments during the first year of each lease and have scheduled increases thereafter.

Future minimum lease payments under these noncancelable operating leases are as follows at June 30, 2012:

Year ending June 30,	
2013	\$ 5,116,185
2014	4,619,899
2015	4,124,760
2016	2,651,647
2017	2,507,706
Thereafter	<u>8,484,477</u>
	<u>\$ 27,504,674</u>

For the years ended June 30, 2012 and 2011, rent expense totaled approximately \$6,432,000 and \$5,692,000, respectively.

The straight-line basis is used to recognize rental expense under leases with varying rents over their terms. Deferred rent payable reflected in the accompanying consolidated statements of financial position represents the aggregate of the rent expense recognized on the straight-line basis in excess of the amount paid.

The Organization has been named in several lawsuits in the normal course of business. In the opinion of management, these claims are not expected to have a material adverse effect on the Organization's consolidated financial position, changes in net assets or cash flows.

12. SUBSEQUENT EVENTS

The Organization evaluated its June 30, 2012 consolidated financial statements for subsequent events through March 29, 2013, the date the consolidated financial statements were available to be issued. The Organization is not aware of any subsequent events that would require recognition or disclosure in the consolidated financial statement.

SUPPLEMENTARY INFORMATION

Housing Works, Inc. and Affiliates
Consolidating Schedule of Financial Position
As of June 30, 2012

	LEX	JEFF	HWI	HWDC1	HWDC2	BOOKSTORE	THRIFT	HWS1	HWS2	HWS3	WILLOUGHBY	FOOD SERVICES	GOTHAM	HWDC3	STREETER	Bronx Claremont Parkway	LIFE FORCE	HULL	PITKIN HDFC	ATDN	TOTAL CONSOLIDATED
ASSETS																					
CURRENT ASSETS																					
Cash	\$ 3,160	\$ 1,697	\$ 53,063	\$ 74	\$ 1,075	\$ 8,500	\$ 145,703	\$ 3,700	\$ 5,500	\$ 562	\$ 4,344	\$ 6,500	\$ 7,160	\$ 4,500	\$ 37	\$ -	\$ 25,129	\$ -	\$ 439	\$ 300	\$ 271,443
Medicaid receivable, net	-	-	1,263,632	-	-	-	-	675,069	1,305,462	822,039	115,650	-	-	-	-	-	-	-	-	-	4,181,852
Grants and contract service receivables	160,284	320,561	560,411	119,449	117,525	-	-	119,929	-	148,896	37,935	-	-	190,229	-	-	30,542	-	-	-	1,805,761
Contributions receivable	-	-	200,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	200,000
Thrift shops and bookstore inventory, net	-	-	-	-	-	685,480	5,477,736	-	-	-	-	29,875	-	-	-	-	-	-	-	-	6,193,091
Intercompany receivable/payable	(2,447,625)	(1,028,880)	16,029,841	(717,121)	(318,973)	(1,299,911)	2,168,510	(1,963,618)	1,399,312	(566,920)	(8,632,366)	(135,752)	1,615,806	(2,941,248)	(241,870)	35,901	4,615	18,465	(719,870)	(258,296)	-
Prepaid expenses and other assets	-	-	991,277	-	-	13,145	231,799	-	-	-	-	43,042	-	-	-	-	-	-	-	-	1,279,263
Total current assets	(2,284,181)	(706,622)	19,098,224	(597,598)	(200,373)	(592,786)	8,023,748	(1,164,920)	2,710,274	404,577	(8,474,437)	(56,335)	1,622,966	(2,746,519)	(241,833)	35,901	60,286	18,465	(719,431)	(257,996)	13,931,410
LONG-TERM ASSETS																					
Restricted cash - debt service and contingency reserve funds	-	-	67,724	-	-	-	-	186,439	48,361	202,319	-	-	-	-	-	402,910	-	-	-	-	907,753
Security deposits and other assets	11,639	17,897	242,109	3,376	-	-	590,294	378,105	29,452	370,459	-	-	184,436	4,885	-	(2,250)	500	-	100,738	9,435	1,941,075
Property and equipment	3,353,197	3,160,060	7,873,161	3,093,316	3,727,594	344,863	4,034,683	5,498,250	2,350,224	3,537,752	3,616,660	51,622	16,492	4,215,712	10,997	1,445,065	-	-	1,005,926	159,458	47,495,032
Accumulated depreciation	(584,303)	(140,975)	(6,626,580)	(1,091,275)	(1,471,924)	(85,137)	(3,068,477)	(2,792,620)	(1,820,437)	(1,864,116)	(1,689,913)	(39,456)	(10,723)	(911,950)	(10,997)	(144,774)	-	-	(234,601)	(144,229)	(22,732,487)
Total long-term assets	2,780,533	3,036,982	1,556,414	2,005,417	2,255,670	259,726	1,556,500	3,270,174	607,600	2,246,414	1,926,747	12,166	190,205	3,308,647	-	1,700,951	500	-	872,063	24,664	27,611,373
Total assets	\$ 496,352	\$ 2,330,360	\$ 20,654,638	\$ 1,407,819	\$ 2,055,297	\$ (333,060)	\$ 9,580,248	\$ 2,105,254	\$ 3,317,874	\$ 2,650,991	\$ (6,547,690)	\$ (44,169)	\$ 1,813,171	\$ 562,128	\$ (241,833)	\$ 1,736,852	\$ 60,786	\$ 18,465	\$ 152,632	\$ (233,332)	\$ 41,542,783
LIABILITIES AND NET ASSETS																					
CURRENT LIABILITIES																					
Accounts payable and accrued expenses	\$ -	\$ -	\$ 7,514,445	\$ -	\$ -	\$ 6,751	\$ (16,903)	\$ 35,407	\$ -	\$ -	\$ 8,331	\$ 5,793	\$ -	\$ -	\$ -	\$ 7,194	\$ -	\$ -	\$ -	\$ -	\$ 7,561,018
Current maturities of loans payable	44,957	-	504,693	-	-	-	-	288,898	73,898	313,898	266,667	-	-	-	-	-	10,202	18,465	17,717	4,348	1,543,743
Due on Medicaid recoupment	-	-	-	-	-	-	-	172,371	384,014	97,451	-	-	-	-	-	-	-	-	-	-	653,836
Total current liabilities	44,957	-	8,019,138	-	-	6,751	(16,903)	496,676	457,912	411,349	274,998	5,793	-	-	-	7,194	10,202	18,465	17,717	4,348	9,758,597
LONG-TERM LIABILITIES																					
Loans payable	302,158	-	568,953	-	-	-	-	2,833,696	48,695	3,073,695	895,666	-	-	-	-	150,000	-	-	191,383	554	8,064,800
Deferred revenue - HHAC	-	247,556	-	-	-	-	-	-	-	-	-	-	-	-	-	1,062,486	-	-	-	-	1,310,042
Deferred rent payable	-	-	125,680	-	-	-	829,870	-	-	-	78,754	-	-	-	-	-	-	-	-	4,746	1,039,050
Other liabilities	-	-	-	-	-	8,472	-	-	-	-	-	330,898	-	-	-	51,293	-	-	-	-	390,663
Total long-term liabilities	302,158	247,556	694,633	-	-	8,472	829,870	2,833,696	48,695	3,073,695	974,420	330,898	-	-	-	1,263,779	-	-	191,383	5,300	10,804,555
Total liabilities	347,115	247,556	8,713,771	-	-	15,223	812,967	3,330,372	506,607	3,485,044	1,249,418	336,691	-	-	-	1,270,973	10,202	18,465	209,100	9,648	20,563,152
Non-controlling interest in Fitzpatrick Associates Limited partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	461,215	-	-	-	-	461,215
NET ASSETS (DEFICIT)																					
Unrestricted	159,654	2,082,804	10,765,346	1,407,819	2,055,297	(348,283)	8,763,114	(1,225,118)	2,811,267	(834,053)	(7,797,108)	(380,860)	1,813,171	562,128	(241,833)	4,664	50,584	-	(56,468)	(242,980)	19,349,145
Temporarily restricted	(10,417)	-	518,006	-	-	-	4,167	-	-	-	-	-	-	-	-	-	-	-	-	-	511,756
Permanently restricted	-	-	657,515	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	657,515
Total net assets (deficit)	149,237	2,082,804	11,940,867	1,407,819	2,055,297	(348,283)	8,767,281	(1,225,118)	2,811,267	(834,053)	(7,797,108)	(380,860)	1,813,171	562,128	(241,833)	4,664	50,584	-	(56,468)	(242,980)	20,518,416
Total liabilities and net assets (deficit)	\$ 496,352	\$ 2,330,360	\$ 20,654,638	\$ 1,407,819	\$ 2,055,297	\$ (333,060)	\$ 9,580,248	\$ 2,105,254	\$ 3,317,874	\$ 2,650,991	\$ (6,547,690)	\$ (44,169)	\$ 1,813,171	\$ 562,128	\$ (241,833)	\$ 1,736,852	\$ 60,786	\$ 18,465	\$ 152,632	\$ (233,332)	\$ 41,542,783

This schedule should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

Housing Works, Inc. and Affiliates
Consolidating Schedule of Revenues and Expenses
For the year ended June 30, 2012

	LEX	JEFF	HWI	HWDC1	HWDC2	BOOKSTORE	THRIFT	HWS1	HWS2	HWS3	WILLOUGHBY	FOOD SERVICES	GOTHAM	HWDC3	STREETER	Bronx Claremont Parkway	LIFE FORCE	HULL	PITKIN HDFC	ATDN	TOTAL BEFORE ELIMINATIONS	ELIMINATIONS	TOTAL CONSOLIDATED
OPERATING REVENUES AND OTHER SUPPORT																							
Grants and contract services	\$ 770,990	\$ 1,610,145	\$ 3,133,865	\$ 882,770	\$ 882,901	\$ -	\$ -	\$ 162,748	\$ -	\$ 1,348,478	\$ 161,383	\$ -	\$ 27,000	\$ 602,181	\$ -	\$ -	\$ 86,196	\$ -	\$ -	\$ -	\$ 9,668,657	\$ -	\$ 9,668,657
Bookstore sales	-	-	-	-	-	1,180,928	1,257,000	-	-	-	-	-	-	-	-	-	-	-	-	-	2,437,928	-	2,437,928
Thrift shops sales	-	-	-	-	-	947,746	14,134,015	-	-	-	-	-	-	-	-	-	-	-	-	-	15,081,761	-	15,081,761
Medicaid revenue	-	-	5,202,141	-	-	-	-	3,287,825	5,446,932	3,223,471	197,612	-	-	-	-	-	-	-	-	-	17,357,981	-	17,357,981
In-kind contributions	-	-	-	-	-	2,370,052	15,647,015	-	-	-	-	-	-	-	-	-	-	-	-	-	18,017,067	-	18,017,067
Contributions	-	-	677,423	-	-	227,762	1,378,628	-	-	10,000	-	-	-	-	-	-	1,075	-	-	-	2,294,888	-	2,294,888
Rental income on apartments	13,219	262,506	192,301	80,149	35,591	-	-	-	-	-	-	-	-	42,869	-	178,484	-	-	1,240	-	806,359	-	806,359
Food services	-	-	-	-	-	400	-	-	-	-	-	2,574,989	-	-	-	-	-	-	-	-	2,575,389	(1,310,959)	1,264,430
Property management income	-	-	-	-	-	-	-	-	-	-	-	-	1,744,783	-	-	-	-	-	-	-	1,744,783	(1,744,783)	-
Other revenue	-	5,052	379,480	1,874	1,463	159,962	120,524	26,000	-	-	-	1,332	50,530	-	-	73,804	-	-	72,000	-	892,021	(219,463)	672,558
Net assets released from restrictions	10,417	-	663,274	-	-	-	20,833	-	-	-	-	-	-	-	-	-	-	-	-	-	694,524	-	694,524
Total operating revenues and other support	794,626	1,877,703	10,248,484	964,793	919,955	4,886,850	32,558,015	3,476,573	5,446,932	4,581,949	358,995	2,576,321	1,822,313	645,050	-	252,288	87,271	-	73,240	-	71,571,358	(3,275,205)	68,296,153
EXPENSES																							
Salaries and wages	181,057	188,297	7,897,384	295,867	370,133	634,802	5,142,630	1,462,408	1,268,305	1,223,982	709,124	964,904	1,195,328	199,037	-	76,439	64,001	-	-	-	21,873,698	-	21,873,698
Fringe benefits	48,304	47,195	1,993,297	12,512	61,450	161,208	1,323,188	412,582	329,951	307,161	184,020	236,500	332,912	48,237	-	-	13,271	-	-	-	5,511,788	-	5,511,788
Professional service fees	6,558	13,343	398,197	8,926	11,838	16,885	67,962	70,000	44,158	124,002	16,691	6,514	8,428	5,257	-	16,025	-	-	-	-	814,784	-	814,784
Contracted services	315,093	30,569	702,138	341,852	346,566	150,347	661,460	595,962	782,271	612,052	97,230	48,996	81,658	362,783	-	7,546	2,502	-	957	27,058	5,167,040	(3,098,942)	2,068,098
Client stipends and reimbursements	-	-	78,332	13,468	60	-	-	46,842	48,001	41,147	2,006	11,012	-	7,659	-	-	-	-	-	-	248,527	-	248,527
Supplies	7,109	24,116	222,982	28,735	18,315	97,945	89,671	83,322	82,643	22,288	104,469	26,100	4,658	22,051	-	-	-	-	1,444	2,007	837,855	(24,000)	813,855
Occupancy:																							
Office	-	41,513	1,008,517	-	-	261,044	3,780,792	-	495,777	-	160,634	26,000	81,940	-	-	-	6,162	-	-	17,834	5,880,213	(134,263)	5,745,950
Client	55,383	367,361	263,451	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	686,195	-	686,195
Utilities:																							
Office	61,265	14,770	222,976	76,655	109,618	43,291	405,965	108,732	132,929	38,068	35,873	21,857	36,713	63,798	-	61,127	1,869	-	6,494	1,377	1,443,377	-	1,443,377
Client	8,142	71,354	51,285	432	-	-	183	-	-	728	-	-	156	1,634	-	-	-	-	-	-	133,914	-	133,914
Transportation	10,958	20,260	302,932	905	747	377	221,138	108,419	182,342	69,394	28,106	21,800	11,578	926	-	-	-	-	-	-	979,882	-	979,882
Equipment rental, repairs and maintenance	7,766	1,762	132,982	32,276	28,466	10,789	51,682	4,015	14,244	16,531	14,718	104,655	24,968	29,240	-	398	197	-	628	1,915	477,232	-	477,232
Facility repairs and maintenance	21,188	11,789	32,836	40,622	43,968	17,019	41,830	-	61,731	-	6,308	1,867	4,167	18,083	-	30,551	-	-	3,435	-	335,394	-	335,394
Client participation expenses	7,072	4,229	54,558	17,094	7,190	119,990	198,823	20,824	92,093	25,955	9,121	784,029	-	40,454	-	-	-	-	-	-	1,381,432	(18,000)	1,363,432
Staff expense	123	186	179,636	131	-	849	7,215	4,595	12,587	12,662	14,471	1,375	688	1,288	-	-	-	-	-	-	235,806	-	235,806
Insurance expense	15,474	11,797	147,189	17,498	19,586	25,805	172,092	41,429	61,117	41,661	12,818	17,750	26,753	16,501	-	19,922	917	-	929	236	649,474	-	649,474
Depreciation and amortization	105,926	2,108	703,119	101,909	128,725	49,316	235,215	204,204	119,933	127,037	338,474	3,901	1,126	162,633	-	70,024	-	-	38,255	8,953	2,400,858	-	2,400,858
Gifts-in-kind expense	-	-	-	-	-	2,412,952	15,868,749	-	-	-	-	-	-	-	-	-	-	-	-	-	18,281,701	-	18,281,701
Events expense	-	-	119,010	2,847	-	6,442	309,851	-	-	-	-	23,238	-	-	-	-	-	-	-	-	461,388	-	461,388
Interest and finance fees	35,356	-	294,518	48,741	435	4,871	259,910	208,094	58,991	204,645	25,639	1,924	-	239	-	-	119	-	19,024	461	1,162,967	-	1,162,967
Other expenses	137	2,491	406,973	1,167	1,202	461,355	282,421	8,220	5,198	40,257	3,653	13,113	74	654	-	-	3,625	-	1,119	494	1,232,153	-	1,232,153
Management expenses	104,653	115,487	(4,686,565)	103,639	97,204	252,644	1,657,862	553,838	798,420	515,785	219,851	173,510	(75,510)	122,384	-	28,739	8,980	-	9,079	-	-	-	-
Total expenses	991,564	968,627	10,525,747	1,144,844	1,245,935	4,727,931	30,778,639	3,933,486	4,590,691	3,423,355	1,983,206	2,489,045	1,735,637	1,102,858	-	310,771	101,643	-	81,364	60,335	70,195,678	(3,275,205)	66,920,473
NON OPERATING REVENUES AND OTHER SUPPORT																							
Limited Partnership interest in loss (gain) of Fitzpatrick Ltd. Associates Limited Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	57,903	-	-	-	-	57,903	-	57,903
Change in net assets before entrepreneurial contributions	(196,938)	909,076	(277,263)	(180,051)	(325,980)	158,919	1,779,376	(456,913)	856,241	1,158,594	(1,624,211)	87,276	86,676	(457,808)	-	(580)	(14,372)	-	(8,124)	(60,335)	1,433,583	-	1,433,583
Entrepreneurial contributions	-	-	(2,156,097)	-	-	410,470	1,745,627	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in unrestricted net assets	(196,938)	909,076	1,878,834	(180,051)	(325,980)	(251,551)	33,749	(456,913)	856,241	1,158,594	(1,624,211)	87,276	86,676	(457,808)	-	(580)	(14,372)	-	(8,124)	(60,335)	1,433,583	-	1,433,583
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS																							
Contributions	-	-	720,714	-	-	-	25,000	-	-	-	-	-	-	-	-	-	-	-	-	-	745,714	-	745,714
Net assets released from restrictions	(10,417)	-	(663,274)	-	-	-	(20,833)	-	-	-	-	-	-	-	-	-	-	-	-	-	(694,524)	-	(694,524)
Increase in temporarily restricted net assets	(10,417)	-	57,440	-	-	-	4,167	-	-	-	-	-	-	-	-	-	-	-	-	-	51,190	-	51,190
Changes in permanently restricted net assets:																							
Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in temporarily restricted net assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in net assets	(207,355)	909,076	1,936,274	(180,051)	(325,980)	(251,551)	37,916	(456,913)	856,241	1,158,594	(1,624,211)	87,276	86,676	(457,808)	-	(580)	(14,372)	-	(8,124)	(60,335)	1,484,773	-	1,484,773
Net assets beginning of the year	356,592	1,173,728	10,004,593	1,587,870	2,381,277	(96,732)	8,729,365	(768,205)	1,955,026	(1,992,647)	(6,172,897)	(468,136)	1,726,495	1,019,936	(241,833)	5,244	64,956	-	(48,344)	(182,645)	19,033,643	-	19,033,643
Net assets end of year	\$ 149,237	\$ 2,082,804	\$ 11,940,867	\$ 1,407,819	\$ 2,055,297	\$ (348,283)	\$ 8,767,281	\$ (1,225,118)	\$ 2,811,267	\$ (834,053)	\$ (7,797,108)	\$ (380,860)	\$ 1,813,171	\$ 562,128	\$ (241,833)	\$ 4,664	\$ 50,584	\$ -	\$ (56,468)	\$ (242,980)	\$ 20,518,416	\$ -	\$ 20,518,416

HOUSING WORKS, INC. AND AFFILIATES
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services:		
Minority Health	93.137	\$ 292,460
Pass-through Medical & Health Research Association of New York City, Inc.:		
HIV Emergency Relief Project Grants	93.914	2,128,819
Pass-through Health Research Inc.:		
HIV Prevention Activities – Health Department Based	93.940	108,468
Pass-through Health Resource Service Administration:		
Affordable Care Act (ACA) Grants for New and Expanded Services under the Health Center Program	93.527	595,667
Special Projects for National Significance	93.928	<u>68,736</u>
Total U.S. Department of Health and Human Services		<u>3,194,150</u>
U.S. Department of Housing and Urban Development:		
Supportive Housing Program	14.235	1,344,466
Pass-through NYC Human Resources Association:		
Housing Opportunities for Persons with AIDS	14.241	<u>1,476,533</u>
Total U.S. Department of Housing and Urban Development		<u>2,820,999</u>
U.S. Department of Homeland Security:		
Emergency Food and Shelter National Board Program	97.024	<u>1,736</u>
Total expenditures of federal awards		<u>\$ 6,016,885</u>

The accompanying note to Schedule of Expenditures of Federal Awards should be read in conjunction with this schedule.

HOUSING WORKS, INC. AND AFFILIATES
Note to Schedule of Expenditures of Federal Awards
For the year ended June 30, 2012

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant expenditures of Housing Works, Inc. and Affiliates (collectively, the “Organization”) for the year ended June 30, 2012. The information presented on this schedule has been prepared on the accrual basis of accounting and is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The Organization did not provide Federal funding to subrecipients during fiscal 2012.

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS**

To the Board of Directors of
Housing Works, Inc. and Affiliates:

We have audited the consolidated financial statements of Housing Works, Inc. and Affiliates (collectively, the “Organization”) as of and for the year ended June 30, 2012, and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization’s internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control over financial reporting. Accordingly, we express no such opinion.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over financial reporting that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Organization’s internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the Organization in a separate letter dated March 29, 2013.

This report is intended solely for the information and use of the Organization's board of directors, audit committee, management, the U.S. Office of Management and Budget, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

New York, New York

March 29, 2013

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON
COMPLIANCE RELATED TO MAJOR PROGRAMS (OMB CIRCULAR A-133)
AND ON INTERNAL CONTROL OVER COMPLIANCE**

To the Board of Directors of
Housing Works, Inc. and Affiliates:

Compliance

We have audited the compliance of Housing Works, Inc. and Affiliates (collectively the “Organization”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (“OMB”) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The Organization’s major federal programs are identified in the summary of auditors’ results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs are the responsibility of the Organization’s management. Our responsibility is to express an opinion on the Organization’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Organization’s compliance with those requirements.

In our opinion, Housing Works, Inc. and Affiliates complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis for designing audit procedures for the purpose of expressing an opinion on compliance, but not for the purpose of expressing an opinion of the effectiveness of the Organization's internal control over compliance. Accordingly, we express no such opinion.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

This report is intended solely for the information and use of the Organization's board of directors, audit committee, management, the U.S. Office of Management and Budget and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grant Thornton LLP

New York, New York
March 29, 2013

HOUSING WORKS, INC. AND AFFILIATES
Summary Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over the major programs:

- Material weakness(es) identified? yes no
- Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for the major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

Name of Federal Programs/Grantors

CFDA Numbers

U.S. Department of Health and Human Services:

- Pass-through Medical & Health Research Association of New York City, Inc.:
HIV Emergency Relief Project Grants 93.914
- Pass-through Health Resource Service Administration:
Affordable Care Act (ACA) Grants for New and Expanded Services
under the Health Center Program 93.527

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as a low-risk auditee? yes no

HOUSING WORKS, INC. AND AFFILIATES
Summary Schedule of Findings and Questioned Costs
For the year ended June 30, 2012

II. FINANCIAL STATEMENT FINDING

None to Report.

III. FEDERAL AWARD FINDING AND QUESTIONED COSTS

None to Report.

IV. STATUS OF PRIOR YEAR FINDINGS

None to Report.