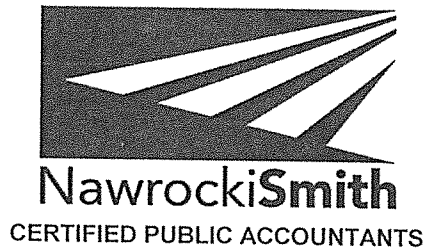


LONG ISLAND HOUSING SERVICES, INC.
FINANCIAL STATEMENTS
AS OF JUNE 30, 2015 AND 2014
TOGETHER WITH AUDITOR'S REPORT

LONG ISLAND HOUSING SERVICES, INC.
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AS OF JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Long Island Housing Services, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Long Island Housing Services, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

NawrockiSmith

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Long Island Housing Services, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of functional expenses on pages 12 and 13 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2016, on our consideration of Long Island Housing Services, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Long Island Housing Services, Inc.'s internal control over financial reporting and compliance.

Melville, New York
January 8, 2016

NawrockiSmith LLP

LONG ISLAND HOUSING SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2015 AND 2014

ASSETS	2015	2014
CURRENT ASSETS:		
Cash and cash equivalents	\$ 614,215	\$ 558,604
Short-term investments	101,663	100,661
Grants receivable	213,918	128,000
Prepaid expenses	-	216
Total current assets	929,796	787,481
FIXED ASSETS, net of accumulated depreciation of \$85,766 and \$80,114, respectively	11,915	10,931
SECURITY DEPOSITS	5,797	5,797
Total assets	\$ 947,508	\$ 804,209
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 26,631	\$ 20,507
Accrued payroll and related liabilities	35,778	18,324
Accrued compensated absences	25,907	48,123
Contract advances	172,094	133,750
Total current liabilities	260,410	220,704
NET ASSETS:		
Unrestricted	687,098	583,505
Total net assets	687,098	583,505
Total liabilities and net assets	\$ 947,508	\$ 804,209

The accompanying notes to financial statements
are an integral part of these statements.

LONG ISLAND HOUSING SERVICES, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
SUPPORT AND REVENUES:		
Government grant revenue	\$ 1,426,115	\$ 988,684
Contributed services	75,244	71,952
Settlement income	19,083	24,252
Private grant revenue	15,457	37,774
Miscellaneous income	6,387	2,341
Contributions	5,789	2,370
Training income	5,495	1,000
Interest income	<u>2,155</u>	<u>2,867</u>
Total support and revenues	<u>1,555,725</u>	<u>1,131,240</u>
EXPENSES:		
Program services:		
Housing services	<u>1,283,766</u>	<u>1,041,628</u>
Supporting services:		
Management and general	143,323	114,892
Fundraising	<u>25,043</u>	<u>20,597</u>
Total supporting services	<u>168,366</u>	<u>135,489</u>
Total expenses	<u>1,452,132</u>	<u>1,177,117</u>
CHANGE IN NET ASSETS	103,593	(45,877)
NET ASSETS, BEGINNING OF YEAR	<u>583,505</u>	<u>629,382</u>
NET ASSETS, END OF YEAR	<u>\$ 687,098</u>	<u>\$ 583,505</u>

The accompanying notes to financial statements
are an integral part of these statements.

LONG ISLAND HOUSING SERVICES, INC.
STATEMENTS OF CASH FLOWS (INDIRECT METHOD)
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 103,593	\$ (45,877)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,652	5,342
(Increase) decrease in grants receivable	(85,918)	73,427
Decrease in accounts receivable	-	250
(Increase) decrease in prepaid expenses	216	(216)
Increase (decrease) in accounts payable	6,124	(1,257)
Increase (decrease) in accrued payroll and related liabilities	17,454	(4,422)
Increase (decrease) in accrued compensated absences	(22,216)	10,818
Increase (decrease) in contract advances	38,344	(8,325)
	<u>63,249</u>	<u>29,740</u>
Net cash provided by operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(6,636)	-
Increase in short-term investments	(1,002)	(100,661)
	<u>(7,638)</u>	<u>(100,661)</u>
Net cash used by investing activities		
NET INCREASE (DECREASE) IN CASH	55,611	(70,921)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>558,604</u>	<u>629,525</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 614,215</u>	<u>\$ 558,604</u>

The accompanying notes to financial statements
are an integral part of these statements.

LONG ISLAND HOUSING SERVICES, INC.
NOTES TO FINANCIAL STATEMENTS

1. Nature of activities

Long Island Housing Services, Inc. (the "Organization") is the only private, nonprofit, fair housing counseling and enforcement agency which provides its unique services throughout Nassau and Suffolk Counties. Its mission is to eliminate unlawful housing discrimination and promote decent, safe and affordable housing through advocacy and education. It was established in 1969.

In the matter of fair housing, the Organization assists in investigations, informal resolution or complaint filing and facilitates enforcement of fair housing laws through administrative or judicial action. The Organization provides education and advocacy services regarding topics of fair housing and unlawful discrimination, tenants' rights, mortgage issues related to purchase, refinance, delinquency foreclosure prevention and anti-predatory lending. The Organization does not charge fees to the clients it serves.

The Organization was incorporated in 1977 and it is exempt from federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to the Organization within the requirements of the Code.

2. Summary of significant accounting policies:

Basis of accounting and financial statement presentation -

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Organization which are reflected under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Organization:

Financial statement presentation -

The accompanying financial statements include the accounts of the Organization's programs, administration and fundraising. The Organization presents its financial statements in accordance with U.S. generally accepted accounting principles which require that the Organization's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets. The Organization's net assets consist of the following:

Unrestricted - net assets of the Organization which have not been restricted by an outside donor or by law and are therefore available for use in carrying out the operations of the Organization.

As of June 30, 2015 and 2014, the Organization did not possess any temporarily restricted or permanently restricted net assets.

As required by U.S. generally accepted accounting principles, the Organization has also presented Statements of Cash Flows for the years ended June 30, 2015 and 2014.

Cash and cash equivalents -

For financial statement purposes, highly liquid investments having maturities of three months or less and any certificates of deposit that do not contain material early withdrawal penalties are considered cash.

Investments -

Investments are recorded at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The Organization's investments are held in federally-insured certificates of deposit, not to exceed \$250,000, including interest, at commercial banks and savings and loan institutions.

Grants and contracts receivable -

Grants and contracts receivable are comprised of federal, state, county and various other monies expected to be received within the upcoming year. Based on payment history and subsequent receipts, management believes that no allowance for uncollectible amounts is necessary.

Fixed assets -

Fixed assets are capitalized at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	5 years
Furniture and fixtures	12 years

Additions and betterments are capitalized, whereas costs of maintenance and repairs are charged to expenses as incurred.

Revenue and expense recognition -

The Organization's revenue consists of grants, contributions and damage awards. Damage awards may only be kept by the Organization with the written permission of the government, and such funds must be used to further fair housing and fair housing activities. Federal, State and local government revenues are deemed to be earned and are reported as support to the extent that expenses have been incurred for the purpose specified by the grantor during the period. The excess of grant expenses over receipts is reported as grants and contracts receivable, while the excess of grant receipts over expenses is reported as contract advances. Restricted grants and contributions are recorded as temporarily restricted support and net assets if they are received with donor stipulations that limit the use of the contributed assets. When a donor or sponsor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restriction.

Contributed services -

The Organization records various types of contributed support, including services. Contributed support is recognized in accordance with U.S. generally accepted accounting principles. These guidelines require recognition of certain services received if those services (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contribution. The amounts reflected in the accompanying financial statements as contributed services are offset by like amounts included in expenses.

A number of volunteers have donated significant amounts of their time in the Organization's programs and administration. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

Functional expenses -

The costs of providing the various programs and other activities of the Organization have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets, which include all expenses incurred for the year. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management in accordance with grant provisions and/or equitable bases.

Uncertainty in income taxes -

The Organization does not believe there are any material uncertain tax positions and, accordingly, it has not recognized any liability for uncertain tax benefits. For the years ended June 30, 2015 and 2014, there were no interest or penalties recorded or included in the financial statements. Information returns filed for tax years ended on or after June 30, 2012, are subject to examination by federal and state authorities.

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities at the date of the financial statements and the amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

3. Fair value measurements:

The Financial Accounting Standards Board ("FASB") *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis.

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in markets for identical assets or liabilities that the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following methods and assumptions were used by the Organization in addressing the fair value of financial instruments:

Cash and cash equivalents -

The carrying amounts reported on the Statements of Financial Position for cash and cash equivalents approximate those assets' fair values.

Short-term investments -

Short-term investments held by the Organization consist of certificates of deposit amounting to \$101,663 and \$100,661 for the years ended June 30, 2015 and 2014, respectively. These investments consist of unrestricted funds and do not include any government grant or contract funds. The carrying amounts reported on the Statements of Financial Position approximate those assets' fair values.

The following table represents the Organization's fair value hierarchy for short-term investments at fair value as of June 30, 2015:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 101,663</u>	<u>\$ 101,663</u>	<u>\$ -</u>	<u>\$ -</u>

The following table represents the Organization's fair value hierarchy for short-term investments at fair value as of June 30, 2014:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Certificates of deposit	<u>\$ 100,661</u>	<u>\$ 100,661</u>	<u>\$ -</u>	<u>\$ -</u>

As of June 30, 2015 and 2014, the Organization did not possess any level 2 or level 3 types of investments.

4. **Grants receivable**

Grants receivable as of June 30, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
U.S. Department of Housing and Urban Development:		
Private Enforcement Initiative	\$ 120,000	\$ 75,000
Fair Housing Organizations Initiatives	63,000	53,000
Nassau County Community Development Block Grant	17,326	-
Suffolk County Office of Community Development	10,000	-
Comprehensive Housing Counseling	<u>3,592</u>	<u>-</u>
	<u>\$ 213,918</u>	<u>\$ 128,000</u>

5. **Fixed assets**

Fixed assets as of June 30, 2015 and 2014 are comprised of the following:

	<u>2015</u>	<u>2014</u>
Equipment	\$ 72,279	\$ 65,643
Furniture and fixtures	<u>25,402</u>	<u>25,402</u>
	97,681	91,045
Less: accumulated depreciation	<u>85,766</u>	<u>80,114</u>
	<u>\$ 11,915</u>	<u>\$ 10,931</u>

6. **Lease agreements**

The Organization entered into several leases for office equipment and property, which expired at various dates through June 2015 and will continue on a month-to-month basis until new terms are agreed upon. Rental expense for those leases totaled \$101,412 and \$97,189 for the years ended June 30, 2015 and 2014, respectively.

7. **Contributed services**

The Organization receives contributed services in support of various aspects of its programs. During the years ended June 30, 2015 and 2014 respectively, the Organization received the following contributed services that have been reflected in the financial statements:

	<u>2015</u>	<u>2014</u>
Professional services	<u>\$ 75,244</u>	<u>\$ 71,952</u>

8. **Commitments and contingencies:**

Government contracts -

The Organization receives a substantial portion of its funding from contracts and grants which are subject to audit by government agencies. Such audits may result in disallowances and a request for a return of funds.

Concentration of risk -

The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any loss in such accounts, and believes it is not exposed to any significant credit risk on cash and cash equivalents. As of June 30, 2015 and 2014, cash and cash equivalents exceeding federally insured limits totaled \$117,494 and \$136,364, respectively.

9. Subsequent events

The Organization has evaluated subsequent events through January 8, 2016, which is the date these financial statements were available to be issued, noting no matters requiring financial statement disclosure.

LONG ISLAND HOUSING SERVICES, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Housing Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>	
Salaries	\$ 756,128	\$ 80,937	\$ 17,606	\$ 854,671	
Employee benefits and taxes	152,165	16,289	3,543	171,997	
Professional services	98,829	16,088	-	114,917	
Occupancy	89,719	9,604	2,089	101,412	
Contributed services	64,710	10,534	-	75,244	
Travel	21,476	2,299	500	24,275	
Testing	24,001	-	-	24,001	
Supplies	14,265	1,527	332	16,124	
Telephone	12,818	1,372	298	14,488	
Miscellaneous	12,608	1,350	293	14,251	
Equipment rental	10,190	1,091	237	11,518	
Insurance	9,631	1,568	-	11,199	
Dues and subscriptions	11,023	-	-	11,023	
Depreciation	5,000	535	117	5,652	
Postage and printing	1,203	129	28	1,360	
Total	\$ 1,283,766	\$ 143,323	\$ 25,043	\$ 1,452,132	

The accompanying notes to financial statements should be read in conjunction with this schedule.

LONG ISLAND HOUSING SERVICES, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	<u>Housing Services</u>	<u>Management and General</u>	<u>Fund Raising</u>		
Salaries	\$ 633,201	\$ 67,779	\$ 14,744	\$	\$ 715,724
Employee benefits and taxes	108,254	11,588	2,521		122,363
Occupancy	85,983	9,204	2,002		97,189
Contributed services	61,878	10,074	-		71,952
Professional services	55,064	8,964	-		64,028
Travel	17,264	1,848	402		19,514
Testing	18,611	-	-		18,611
Dues and subscriptions	14,349	-	-		14,349
Supplies	11,792	1,262	275		13,329
Telephone	11,540	1,235	269		13,044
Insurance	7,208	1,173	-		8,381
Equipment rental	6,634	710	155		7,499
Postage and printing	5,124	549	119		5,792
Depreciation	4,726	506	110		5,342
Total	\$ 1,041,628	\$ 114,892	\$ 20,597	\$	\$ 1,177,117

The accompanying notes to financial statements should be read in conjunction with this schedule.

LONG ISLAND HOUSING SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
<u>Direct Programs:</u>		
Fair Housing Initiative Programs:		
Private Enforcement Initiative	14.418	\$ 325,000
Fair Housing Organizations Initiatives	14.417	222,000
<u>Passed-through Programs From:</u>		
New York State Mortgage Agency/ New York State Housing Finance Agency:		
National Foreclosure Mitigation Counseling	21.000	31,678
Housing Counseling Assistance Program	14.169	24,020
Emergency Homeowners' Loan Program	14.323	3,764
County of Nassau Office of Housing and Intergovernmental Affairs:		
Community Development Block Grants/Entitlement Grants	14.218	117,869
Town of Islip Community Development Agency:		
Community Development Block Grants/Entitlement Grants	14.218	20,000
County of Suffolk Office of Community Development Agency:		
Community Development Block Grants/Entitlement Grants	14.218	10,000
Town of Huntington Community Development Agency:		
Community Development Block Grants/Entitlement Grants	14.218	7,125
Town of Babylon Community Development Agency:		
Community Development Block Grants/Entitlement Grants	14.218	<u>7,000</u>
Total Expenditures of Federal Awards		<u>\$ 768,456</u>

LONG ISLAND HOUSING SERVICES, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs administered by Long Island Housing Services, Inc. (the "Organization"), an entity as defined in Note 1 to the Organization's financial statements. Federal awards received directly from federal agencies, as well as federal awards passed-through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

2. Basis of Accounting

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures generally were obtained from the appropriate federal financial reports for the applicable program and periods. The amounts reported in these federal financial reports are prepared from records maintained for each program. These records are periodically reconciled to the general ledger which is the source of the general purpose financial statements.

3. Indirect Costs

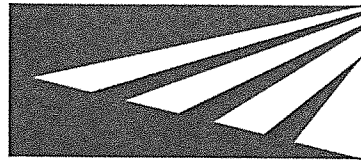
Indirect costs may be included in the reported expenditures to the extent they are included in the federal financial reports used as the source of the data presented.

4. Matching Costs

Matching costs (i.e. the Organization's share of certain program costs) are not included in the reported expenditures.

5. Major Program Determination

The Organization has determined that all federal awards programs with expenditures of \$300,000 or more are Type A programs and deemed Major Programs for purposes of the Schedule of Expenditures of Federal Awards. The Organization was deemed to be a "high-risk auditee" (since a federal award audit under OMB Circular A-133 was not performed in the prior year), therefore, major programs were determined on 50% of total federal award expenditures.



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Long Island Housing Services, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Long Island Housing Services, Inc. (the "Organization", a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* 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 such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

NawrockiSmith

Compliance and Other Matters

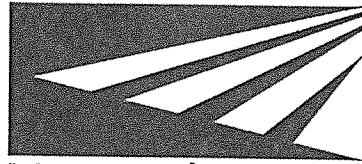
As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melville, New York
January 8, 2016

Nawrocki Smith LLP



NawrockiSmith

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
AND THE SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS

To the Board of Directors of
Long Island Housing Services, Inc.:

Report on Compliance for Each Major Federal Program

We have audited Long Island Housing Services, Inc.'s. (the "Organization") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2015. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

NawrockiSmith

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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 in internal control over compliance* is a deficiency, or 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. *A significant deficiency in internal control over compliance* with a type of compliance requirement of a federal program is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of the report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

NawrockiSmith

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Long Island Housing Services, Inc. as of and for the year ended June 30, 2015, and have issued our report thereon dated January 8, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York
January 8, 2016

Nawrocki Smith LLP

LONG ISLAND HOUSING SERVICES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements were disclosed during the audit of the financial statements.
4. No deficiencies or material weaknesses were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for each major federal award program expresses an unmodified opinion.
6. No audit findings relative to the major federal award programs for Long Island Housing Services, Inc., that are required to be reported in accordance with section 510(a) of OMB Circular A-133, were disclosed during the audit.
7. The programs tested as a major program included:

CFDA Number

Name of Federal Program

U.S. Department of Housing and Urban Development

14.417

Fair Housing Organizations Initiatives

14.418

Private Enforcement Initiative

8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Auditee was determined to be a high risk auditee.

(B) Findings - Financial Statement Audit

None reported

(C) Findings and Questioned Costs - Major Federal Award Program Audit

None reported.

LONG ISLAND HOUSING SERVICES, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Note: There were no audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to federal awards.