

LONG ISLAND HOUSING SERVICES, INC.
FINANCIAL STATEMENTS
AS OF JUNE 30, 2009 AND 2008
TOGETHER WITH AUDITORS' REPORT

LONG ISLAND HOUSING SERVICES, INC.
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JUNE 30, 2009 AND 2008

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Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Long Island Housing Services, Inc. (the "Organization") as of June 30, 2009, and the related statements of activities and change in net assets and cash flows for the year then ended. The financial statements and supplemental schedule of the Organization as of June 30, 2008 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated December 10, 2008. 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.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule for the year then ended June 30, 2009 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 18, 2009
Melville, New York

Nawrocki Smith LLP

LONG ISLAND HOUSING SERVICES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2009 AND 2008

	2009	2008
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 157,380	\$ 56,200
Grants receivable	155,140	134,041
Accounts receivable	-	7,200
Prepaid expenses	100	3,007
	312,620	200,448
FIXED ASSETS, NET	4,163	5,848
SECURITY DEPOSITS	5,797	5,797
	\$ 322,580	\$ 212,093
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Line of credit	\$ -	\$ 51,799
Accounts payable	514	3,537
Accrued payroll and related liabilities	12,355	9,728
Accrued compensated absences	23,815	12,896
	36,684	77,960
NET ASSETS:		
Unrestricted	285,896	134,133
	285,896	134,133
Total liabilities and net assets	\$ 322,580	\$ 212,093

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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
SUPPORT AND REVENUES:		
Government grant revenue	\$ 550,249	\$ 458,706
Settlement income	132,500	25,000
Contributed services	25,828	13,844
Private grant revenue	19,485	33,275
Training income	1,000	1,200
Contributions	650	2,308
Interest income	327	184
Special events, net	-	4,133
Miscellaneous income	-	1,250
	<hr/>	<hr/>
Total support and revenues	730,039	539,900
EXPENSES:		
Program services:		
Housing services	462,476	388,191
	<hr/>	<hr/>
Total program services	462,476	388,191
Supporting services:		
Management and general	104,221	86,695
Fundraising	11,579	11,494
	<hr/>	<hr/>
Total support services	115,800	98,189
	<hr/>	<hr/>
Total expenses	578,276	486,380
	<hr/>	<hr/>
CHANGE IN NET ASSETS	151,763	53,520
NET ASSETS, BEGINNING OF YEAR	134,133	80,613
	<hr/>	<hr/>
NET ASSETS, END OF YEAR	<u>\$ 285,896</u>	<u>\$ 134,133</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, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 151,763	\$ 53,520
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	3,462	5,392
Increase in grants receivable	(21,099)	(8,876)
(Increase) decrease in accounts receivable	7,200	(7,200)
Decrease in prepaid expenses	2,907	4,892
Decrease in accounts payable	(3,023)	(4,026)
Increase (decrease) in accrued payroll and related liabilities	2,627	(1,707)
Increase (decrease) in accrued compensated absences	10,919	(8,656)
Net cash provided by operating activities	<u>154,756</u>	<u>33,339</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Purchase of fixed assets	(1,777)	-
Net repayments on line of credit	(51,799)	(4,300)
Principal payments on lease payable	-	(2,711)
Net cash used by financing activities	<u>(53,576)</u>	<u>(7,011)</u>
NET INCREASE IN CASH	101,180	26,328
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>56,200</u>	<u>29,872</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 157,380</u>	<u>\$ 56,200</u>
SUPPLEMENTAL INFORMATION		
Cash paid for interest	<u>\$ 2,055</u>	<u>\$ 4,527</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 is the only agency serving Nassau and Suffolk Counties to qualify for AAPR-HUD certification required to conduct reverse mortgage counseling for seniors. 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 Internal Revenue Code.

2. Summary of significant accounting policies:

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 Organization presents its financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statements of Not-For-Profit Organizations. SFAS No. 117 requires that the Organization's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets, depending on the existence and/or nature of any donor restrictions. 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.

The Organization does not possess any temporarily or permanently restricted net assets.

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 cognizant government, and such funds must be used to further fair housing and fair housing activities. Unrestricted grants and contributions intended for the current period are recognized when received. 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 statement of activities as net assets released from restriction. Revenues under contracts for service are generally recognized as earned and expenses are recognized when incurred.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Contributed services -

The Organization records various types of contributed support, including services. Contributed support is recognized in accordance with SFAS No. 116, Accounting for Contributions Received and Contributions Made. This pronouncement requires 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.

Cash and cash equivalents -

All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents for financial statement purposes.

Fixed assets -

Fixed assets are recorded 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

Donated services -

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

The use of estimates in the preparation of financial statements -

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

3. Grants receivable

Grants receivable consist of the following at June 30, 2009 and 2008, respectively:

	<u>2009</u>	<u>2008</u>
U.S. Department of Housing and Urban Development	\$ 92,422	\$ 71,417
Nassau County Community Development Block Grant	50,457	49,894
Town of Huntington Community Development Agency	7,500	-
Town of Babylon Community Development Agency	3,500	1,930
State of New York Mortgage Agency	1,261	-
Nassau Suffolk Law Service	<u>-</u>	<u>10,800</u>
	<u>\$ 155,140</u>	<u>\$ 134,041</u>

4. Fixed assets

Fixed assets as of June 30, 2009 and 2008 are comprised of the following:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 40,704	\$ 38,927
Furniture and fixtures	<u>25,402</u>	<u>25,402</u>
	66,106	64,329
Less: accumulated depreciation	<u>61,943</u>	<u>58,481</u>
	<u>\$ 4,163</u>	<u>\$ 5,848</u>

5. Line of credit

Pursuant to an agreement with a bank, the Organization had available a \$70,000 unsecured line of credit. \$51,799 was outstanding on the line of credit at June 30, 2008. Interest was payable monthly on outstanding balances at an interest rate of 1% plus the prime rate which was 5.0% at June 30, 2008. Interest expense related to the line of credit was \$4,527 for the year ended June 30, 2008. The outstanding balance on the line of credit was fully paid off as of June 30, 2009.

6. Lease agreements

In March 2009, the Organization entered into a lease for office space in Bohemia, NY which expires on May 31, 2014. Rent expense under this lease was \$38,527 and \$37,369 for the years ended June 30, 2009 and 2008, respectively. Future minimum lease payments for all non-cancelable operating leases at June 30, 2009 are as follows:

For the year ending	
<u>June 30,</u>	
2010	\$ 43,890
2011	45,646
2012	47,472
2013	49,371
2014	<u>47,067</u>
	<u>\$ 233,446</u>

7. In-kind contributions

The Organization receives contributed services in support of various aspects of its programs. During the years ended June 30, 2009 and 2008, the Organization received the following in-kind contributions that have been reflected in the financial statements.

	<u>2009</u>	<u>2008</u>
Professional services	\$ 25,828	\$ 13,844

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.

LONG ISLAND HOUSING SERVICES, INC.
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2009
(With Comparative Totals for 2008)

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Totals</u>	
	<u>Housing Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2009</u>	<u>2008</u>
Salaries	\$ 283,543	\$ 63,797	\$ 7,089	\$ 354,429	\$ 276,170
Employee benefits and taxes	47,333	10,650	1,183	59,166	50,022
Professional services	38,760	9,871	-	48,631	46,064
Occupancy	30,822	6,935	770	38,527	37,369
Equipment rental	12,659	2,848	317	15,824	5,552
Telephone	9,860	2,218	247	12,325	13,423
Testing	11,748	-	-	11,748	6,144
Travel	7,478	1,682	187	9,347	14,792
Supplies	6,600	1,485	165	8,250	6,722
Dues and subscriptions	5,616	-	-	5,616	4,696
Insurance	2,688	950	-	3,638	3,699
Depreciation	2,770	623	69	3,462	5,392
Postage and printing	2,599	585	65	3,249	7,820
Interest	-	2,055	-	2,055	4,527
Miscellaneous	-	522	1,487	2,009	3,988
	<u>\$ 462,476</u>	<u>\$ 104,221</u>	<u>\$ 11,579</u>	<u>\$ 578,276</u>	<u>\$ 486,380</u>
Total					

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