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**PRAXIS HOUSING INITIATIVES, INC.**

**Financial Statements**

For the years ended June 30, 2010 and 2009

**PRAXIS HOUSING INITIATIVES, INC.**

**Contents**

For the years ended June 30, 2010 and 2009

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## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
Praxis Housing Initiatives, Inc

We have audited the accompanying statements of financial position of Praxis Housing Initiatives, Inc. ("Praxis") as of June 30, 2010 and 2009, and the related statement of activities, functional expenses and cash flows for the years then ended. These financial statements and the schedules referred to below are the responsibility of Praxis's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Praxis Housing Initiatives, Inc. as of June 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years 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 reports dated November 20, 2010, on our consideration of Praxis's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of those reports 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 internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of Praxis Housing Initiatives, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards, findings and questioned costs, and the summary schedule of prior audit findings (shown on page 12, 17, and 18, respectively) are presented for purposes of additional analysis as required by either the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations or Praxis' government grantor, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.

*N. Cheng & Co., P.C.*

New York, New York  
November 20, 2010



**PRAxis HOUSING INITIATIVES, INC.**  
**Statements of Financial Position**  
As of June 30,

	<u>2010</u>	<u>2009</u> *
<b>Assets</b>		
Cash and cash equivalents	\$ 586,326	\$ 588,679
Government and accounts receivable, net - Notes 2 and 3	1,837,222	1,537,796
Settlement receivable - Note 8	-	70,000
Prepaid expenses and other assets	88,984	163,644
Property and equipment, net - Note 2 and 4	4,086,378	541,668
Security deposits	<u>30,657</u>	<u>44,843</u>
 Total assets	 <u>\$ 6,629,567</u>	 <u>\$ 2,946,630</u>
 <b>Liabilities</b>		
Accounts and accrued expenses payable	\$ 666,183	\$ 542,012
Advance payable	342,000	10,606
Deferred rent	67,200	120,462
Loans payable - Note 6 and 7	<u>3,031,951</u>	<u>-</u>
 Total liabilities	 4,107,334	 673,080
 <b>Net assets</b>		
Unrestricted	<u>2,522,233</u>	<u>2,273,550</u>
 Total liabilities and net assets	 <u>\$ 6,629,567</u>	 <u>\$ 2,946,630</u>

\*Regrouped for comparative purpose.

See accompanying notes to financial statements.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Statement of Activities**  
For the years ended June 30,

	<u>2010</u>	<u>2009</u>
<b>Revenue</b>		
Government contracts	\$ 4,194,338	\$ 4,655,136
Rental income - per-diem - Note 1	4,733,887	5,028,525
Rental income - commercial	26,500	27,600
Grants and contributions	27,316	33,805
In-kind contributions - Note 2	426,667	667,744
Other revenue	<u>40,646</u>	<u>9,923</u>
 Total revenue	 <u>9,449,354</u>	 <u>10,422,733</u>
<b>Expenses</b>		
<b>Program services</b>	<u>8,154,025</u>	<u>9,244,854</u>
<b>Supporting services</b>		
Management and administration	917,651	833,638
Fund raising and development	<u>128,995</u>	<u>212,796</u>
 Total supporting services	 <u>1,046,646</u>	 <u>1,046,434</u>
 Total expenses	 <u>9,200,671</u>	 <u>10,291,288</u>
 Change in net assets	 248,683	 131,445
Net assets - beginning of year	<u>2,273,550</u>	<u>2,142,105</u>
 Net assets - end of year	 <u>\$ 2,522,233</u>	 <u>\$ 2,273,550</u>

See accompanying notes to financial statements.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Statement of Functional Expenses**  
For the year ended June 30, 2010

	<b>Program services</b>	<b>Supporting services</b>			<b>Total program supporting services</b>
		Management and administration	Fund raising and development	Sub - Total	
Salaries	\$ 3,047,506	\$ 429,250	\$ 59,584	\$ 488,834	\$ 3,536,340
Payroll taxes and benefits	789,307	111,176	15,433	126,609	915,916
<b>Total personnel costs</b>	<b>3,836,813</b>	<b>540,426</b>	<b>75,017</b>	<b>615,443</b>	<b>4,452,256</b>
Professional fees	231,931	110,159	14,670	124,829	356,760
Program related costs	450,899	-	-	-	450,899
Telephone	77,639	36,103	9,025	45,128	122,767
Occupancy costs	2,507,310	136,583	15,176	151,759	2,659,069
Insurance	135,910	11,303	1,256	12,559	148,469
Office supplies	27,517	6,149	4,099	10,248	37,765
Computer expenses	47,309	23,512	2,612	26,124	73,433
Maintenance, repairs and equipment rental	541,059	26,252	2,916	29,168	570,227
Travel	67,386	3,955	2,000	5,955	73,341
Interest expenses	73,141	5,056	-	5,056	78,197
Miscellaneous	16,310	2,297	319	2,616	18,926
Depreciation and amortization	140,801	15,856	1,905	17,761	158,562
<b>Total expenses</b>	<b>\$ 8,154,025</b>	<b>\$ 917,651</b>	<b>\$ 128,995</b>	<b>\$ 1,046,646</b>	<b>\$ 9,200,671</b>

See accompanying notes to financial statements.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Statement of Functional Expenses**  
For the year ended June 30, 2009

	<b>Program services</b>	<b>Supporting services</b>			<b>Total * program supporting services</b>
		Management and administration	Fund raising and development	Sub - Total	
Salaries	\$ 3,431,857	\$ 435,250	\$ 65,000	\$ 500,250	\$ 3,932,107
Payroll taxes and benefits	793,589	100,653	15,003	115,656	909,245
Total personnel costs	4,225,446	535,903	80,003	615,906	4,841,352
Professional fees	559,985	50,000	95,000	145,000	704,985
Program related costs	621,425	-	-	-	621,425
Telephone	109,124	23,015	8,000	31,015	140,139
Occupancy costs	2,726,728	133,890	13,389	147,279	2,874,007
Insurance	153,742	27,832	3,976	31,808	185,550
Office supplies	37,188	10,512	4,862	15,374	52,562
Computer expenses	42,067	4,500	800	5,300	47,367
Maintenance, repairs and equipment rental	447,973	29,991	2,999	32,990	480,963
Travel	66,891	6,720	3,767	10,487	77,378
Program activities	115,992	-	-	-	115,992
Miscellaneous	36,818	-	-	-	36,818
Depreciation and amortization	101,475	11,275	-	11,275	112,750
Total expenses	<u>\$ 9,244,854</u>	<u>\$ 833,638</u>	<u>\$ 212,796</u>	<u>\$ 1,046,434</u>	<u>\$ 10,291,288</u>

\*Regrouped for comparative purposes.

See accompanying notes to financial statements.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Statements of Cash Flows**  
For the years ended June 30,

	<u>2010</u>	<u>2009</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 248,683	\$ 131,445
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	158,562	112,750
Changes in government and accounts receivable	( 299,426 )	410,272
Changes in prepaid expenses and other assets	74,660	( 132,379 )
Changes in settlement receivable	70,000	30,999
Changes in accounts and accrued expenses payable	124,171	( 89,707 )
Changes in deferred revenue/due to funding sources	331,394	( 98,967 )
Changes in deferred rent	( 53,262 )	( 53,260 )
Changes in security deposits	<u>14,186</u>	<u>-</u>
Net cash provided by operating activities	<u>668,968</u>	<u>311,153</u>
<b>Cash flows from investing activities</b>		
Property and equipment acquisitions	( <u>3,703,272</u> )	( <u>105,872</u> )
<b>Cash flows from financing activities</b>		
Changes in notes payable	<u>3,031,951</u>	<u>-</u>
Net (decrease) / increase in cash and cash equivalents	( 2,353 )	205,281
Cash and cash equivalents - beginning of year	<u>588,679</u>	<u>383,398</u>
Cash and cash equivalents - end of year	<u>\$ 586,326</u>	<u>\$ 588,679</u>

See accompanying notes to financial statements.

## **PRAXIS HOUSING INITIATIVES, INC.**

Notes to financial statements

June 30, 2010

### **Note 1 Organization and nature of activities**

Praxis Housing Initiatives, Inc. ("Praxis") is a non-profit organization established pursuant to the laws of New York State. Praxis has been granted exemption from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. Praxis operated emergency, interim and permanent housing for homeless, low income individuals living with HIV/AIDS.

Rental income, in the form of per diem reimbursements, is primarily provided by the New York City Department of Homeless Services (the "Department") and New York City Division of Housing and AIDS Services Agency ("HASA"). Government contract revenue is provided by various government agencies at Federal, New York State and City levels.

### **Note 2 Summary of significant accounting policies**

Praxis' financial statements have been prepared on the accrual basis of accounting. Praxis adheres to accounting principles generally accepted in the United States of America which includes some specialized requirements set forth in publications of the Financial Accounting Standards Board and the American Institute of Certified Public Accountants.

Praxis reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, Praxis reports the support as unrestricted.

Property and equipment is stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Praxis capitalizes property and equipment with a cost of \$5,000 or more and a useful life of greater than three years. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the useful life of the asset or the remaining term of the lease.

Praxis considers revenue from the sale of property and equipment to be non-operating. Praxis also considers expenses incurred as a result of an investigation and insurance reimbursement of those expenses (See Note 8), conducted by certain government agencies, to be non-operating.

Praxis considers all highly liquid instruments purchased with maturities of 90 days or less to be cash and cash equivalents.

## **PRAXIS HOUSING INITIATIVES, INC.**

Notes to financial statements

June 30, 2010

### **Note 2 Summary of significant accounting policies – (continued)**

Praxis leases real property under operating leases expiring at various dates in the future. For the years ended June 30, 2010 and 2009, Praxis recorded an adjustment to rent expense to reflect its straight lining policy that results in a decrease of expenses of \$53,260 for each year. Straight lining of rent gives rise to timing difference that is reflected as deferred rent in the accompanying statements of financial position.

Praxis received certain contributed professional services. The estimated fair value of such services amounted to approximately \$152,000 and \$157,000, respectively, for the years ended June 30, 2010 and 2009. Additionally, Praxis received donated clothing and linens in 2009 and 2008 with an approximate value of \$272,000 and \$508,000, respectively. Such amounts are reflected as in kind contribution revenue and the clothing and linens as program related costs and the professional services as professional fee expenses in the accompanying financial statements. Praxis receives other donated services which are not able to be estimated.

Praxis determines whether an allowance for uncollectible should be provided for accounts receivable. Such estimates are based on management's estimates of current economic conditions, credit worthiness of tenants and government sources and historical information. As of June 30, 2010 and 2009, Praxis determined that an allowance of \$17,726 and \$335,010, respectively, was necessary.

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

Employees are granted vacation and sick time in varying amounts. Vacation leave has been accrued at June 30, 2010 and 2009 for \$61,822 and \$86,377. Employees are not reimbursed for accumulated sick leave at termination; accordingly, it has not been accrued in these financial statements.

**FASB interpretation No. 48** During fiscal year 2010, Praxis adopted Financial Accounting Standard Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement of No. 109 (FIN 48). The results of the evaluation reflect no material effect to the June 30, 2010 financial statements.

**Subsequent events.** Praxis evaluated its June 30, 2010 financial statements for subsequent events through November 20, 2010, the date the financial statements were available to be issued. The Corporation is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

**PRAXIS HOUSING INITIATIVES, INC.**

Notes to financial statements

June 30, 2010

**Note 3 Government and accounts receivable**

As of June 30, 2010 and 2009 the following amounts are due:

	<u>2010</u>	<u>2009</u>
Per-Diem rentals		
HASA and tenant	\$ 798,852	\$ 708,247
Other		10,331
Sub-total	<u>798,852</u>	<u>718,578</u>
Government contracts:		
HASA	269,352	550,426
U.S. Dept of Housing & Urban Development	315,103	330,932
Other	466,840	265,370
Sub-total	1,051,295	1,146,728
Other:	4,800	7,500
Less: allowance for doubtful accounts	( 17,725 )	( 335,010 )
Total	<u>\$ 1,837,222</u>	<u>\$ 1,537,796</u>

**Note 4 Property and equipment**

Property and equipment consists of the following as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	<u>Estimated useful life</u>
Land	\$ 2,006,122	\$ -	
Building and building improvements	1,663,200	-	30 Years
Furniture, fixtures & equipment	680,882	693,246	3 or 7 Years
Leasehold improvements	<u>570,545</u>	<u>570,545</u>	2-15 Years
Total cost	4,920,749	1,263,791	
Less: accumulated depreciation or amortization	( 834,371 )	( 722,123 )	
Net book value	<u>\$ 4,086,378</u>	<u>\$ 541,668</u>	

## **PRAXIS HOUSING INITIATIVES, INC.**

Notes to financial statements

June 30, 2010

### **Note 5 Deferred revenue/Due to funding sources**

Deferred revenue/due to funding source represents monies received by Praxis under government grants for which Praxis has not yet met the grant conditions.

### **Note 6 Line of credit payable**

Praxis has a line of credit with a bank with a maximum borrowing of \$500,000. Interest is due monthly at an annual rate equal to the bank's prime rate. As of June 30, 2010 the interest rate was 3.25 %. As of June 30, 2010 and 2009 there was an outstanding balance of \$150,000 and \$0, respectively, on this credit line. The line is secured by all of Praxis assets.

### **Note 7 Mortgage payable**

In August 2009 Praxis purchased one of its site locations for \$2,000,000. The site is a 40 unit building located in Brooklyn, New York. The purchase was financed with a \$1,500,000 mortgage from JPMorgan Chase Bank. The interest rate under the note is 5.70% per annum, and monthly payments of \$16,488 are due based on a 10 year amortization schedule. The loan is scheduled to mature in August, 2012, 36 months from the original date of the financing. The balance of this loan at June 30, 2010 is \$1,405,052.

A second "acquisition and predevelopment" loan was obtained in February 2010 from the Corporation for Supportive Housing to purchase and subsequently develop a property located in the Bronx, New York. The maximum borrowing under the loan is \$1.89 million. The interest rate is fixed at 7% and the loan matures at the earlier of February 2012 or the "closing" of the construction financing. The property was purchased for \$1,260,000 in February, 2010 and the purchase was financed with proceeds from this loan. Additional funding will be provided from this loan to fund "predevelopment" costs as they are incurred. The balance of this loan at June 30, 2010 is \$1,476,899.

### **Note 8 Litigation**

The Organization is involved in various litigation matters, primarily with regard to former employee claims, workers compensation, and various other items. According to the Organization's management and legal counsel, the cases are in the early stages of litigation and review and it is too early to identify the Organization's liability, if any. Praxis entered into a settlement agreement in 2005 with three former directors, whereby Praxis received approximately \$792,000 in payments beginning in September 2006. This settlement was reflected as an extraordinary item in the year ended June 30, 2005. As of July 2009, the entire \$792,000 has been collected.

## PRAXIS HOUSING INITIATIVES, INC.

Notes to financial statements

June 30, 2010

### Note 9 Commitments and contingencies

A. Praxis is obligated, pursuant to various lease agreements, to approximate future minimum annual rentals for real and personal property for the years ended after June 30, 2010 as follows:

	<u>Total</u>	<u>Real property</u>	<u>Personal property</u>
2011	\$ 1,755,957	\$ 1,695,957	\$ 60,000
2012	636,734	576,734	60,000
2013	89,124	29,124	60,000
	<u>\$ 2,481,815</u>	<u>\$ 2,301,815</u>	<u>\$ 180,000</u>

Rent expense and real estate taxes for real property amounted to approximately \$2,324,576 and \$2,324,861 for the years ended June 30, 2010 and 2009, respectively. Rent expense for personal property amounted to approximately \$61,000 and \$57,000 for the years ended June 30, 2010 and 2009, respectively.

- B. The Organization participates in a 403(B) pension plan for all eligible employees that are entirely employee funded. The Organization also participates in a Self Employed Pension plan that is entirely employer funded. Pension expense for the year ended June 30, 2010 approximated \$67,000. There was no pension expense for the year ended June 30, 2009.
- C. Pursuant to Praxis' contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of Praxis involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances. In the opinion of management, any actual disallowance would be insignificant to the financial statements at June 30, 2010 and 2009.

### Note 10 Concentrations

Financial instruments that potentially subject Praxis to a concentration of credit risk include cash balances at a major financial institution which periodically exceeded the FDIC insurance limits of \$250,000. This financial institution has a strong credit rating and management believes the credit risk related to these accounts is minimal.

**PRAXIS HOUSING INITIATIVES, INC.**  
 Schedule of Expenditure of Federal Awards  
 For the year ended June 30, 2010

<b>Federal grantor/pass-through grantor/program title</b>	<b>CFDA number</b>	<b>Agency number</b>	<b>Federal expenditures</b>
U.S. Department of Housing and Urban Development: Supportive Housing Program	14.235	NY01B100017 NY01B600099	\$ 784,804
U.S. Department of Health and Human Services: Passed through the Medical and Health Research Association of New York City, Inc.			
HIV Emergency Relief Project Grants	93.914	06-TAC-698	173,599
HIV Emergency Relief Project Grants	93.914	06-IDU-698	88,829
Total			<u>\$ 1,047,232</u>

See accompanying auditor's report & notes to financial statements.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Notes to Schedule of Expenditures of Federal Awards**  
June 30, 2010

**Note 1 Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Praxis Housing Initiatives, Inc., and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**Note 2 Sub recipients**

None



## **Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

The Board of Directors  
Praxis Housing Initiatives, Inc.

We have audited the financial statements of Praxis Housing Initiatives, Inc. ("Praxis") as of and for the year ended June 30, 2010 and have issued our report thereon dated November 20, 2010. We conducted our audit 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.

### **Internal control over financial reporting.**

In planning and performing our audit, we considered Praxis Housing Initiatives, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Praxis Housing Initiatives, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Praxis Housing Initiatives, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Praxis Housing Initiatives, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of

Praxis Housing Initiatives' financial statements that is more than inconsequential will not be prevented or detected by Praxis Housing Initiatives, Inc.'s internal control. We consider the deficiencies in internal control over financial reporting described in the accompanying schedule of findings and questioned costs as finding 10-01 through 10-03 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Praxis Housing Initiatives, Inc.'s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all the deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and other matters.**

As part of obtaining reasonable assurance about whether Praxis Housing Initiatives, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 matters that we reported to the management of Praxis Housing Initiatives, Inc. in a separate letter dated November 20, 2010

Praxis Housing Initiatives, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Praxis Housing Initiatives, Inc.'s responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors, management, 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.

*N. Cheng*  $\div$  *L., P.C.*

New York, New York  
November 20, 2010





## **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 and the Consolidated Audit Guide For Audits of HUD Programs**

The Board of Directors  
Praxis Housing Initiatives Inc.

### **Compliance**

We have audited the compliance of Praxis Housing Initiatives Inc. with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide") that are applicable to each of its major federal program for the year ended June 30, 2010. Praxis Housing Initiatives Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts, and grants applicable to each major federal program is the responsibility of Praxis Housing Initiatives Inc.'s management. Our responsibility is to express an opinion on Praxis Housing Initiatives Inc.'s compliance based on our audit.

We conducted our audit 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; OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and the *Consolidated Audit Guide for Audits of HUD Programs* (the "Guide"), issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards, OMB Circular A-133, and the Guide require that we plan and perform the audits 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 Praxis Housing Initiatives Inc.'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 on Praxis Housing Initiatives Inc.'s compliance with those requirements.

In our opinion, Praxis Housing Initiatives Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### **Internal control over compliance**

The management of Praxis Housing Initiatives Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs. In planning and performing our audit, we considered Praxis Housing Initiatives Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of Praxis Housing Initiatives Inc.'s internal control over compliance.

A control deficiency over compliance in Praxis Housing Initiatives Inc. 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Praxis Housing Initiatives Inc.'s ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Praxis Housing Initiatives Inc.'s internal control over compliance.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Praxis Housing Initiatives Inc.'s internal control over compliance. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as described above.

This report is intended for the information of Harlem Dowling - West Side Center for Children and Family Services' Board of Directors, management, 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.

*N. Cheng & Co., P.C.*

New York, New York  
November 20, 2010



**PRAXIS HOUSING INITIATIVES, INC.**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2010

**Section I – Summary of auditors’ results**

**Financial Statements**

The type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) 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 major programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified that are  
not considered to be material weaknesses?

yes none reported

Type of auditors’ report issued on compliance  
for major programs:

Unqualified

Any audit findings which are required to be reported  
under Section 510(a) of OMB Circular A-133?

yes no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.157

Supportive Housing for the Elderly (Section 202)

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes no



**PRAXIS HOUSING INITIATIVES, INC.**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2010

**Section II – Financial Statements Findings Reported in Accordance with Government Auditing Standards:**

**10-01 Cash management**

*Criteria or specific requirement:* Internal control procedures over cash disbursements should include check preparation account balance verification

*Condition:* During our audit we detect that the book cash balance have a credit balance.

*Context:* Payments are made creating a credit balance in the operational bank account.

*Cause:* Praxis made transfers from the government funding account to operating account until checks are mailed, creating a temporarily overdraft in the books.

*Effect:* Praxis is presenting credit bank account balances on reports reflecting temporarily operating cash flow deficiencies.

*Recommendation:* We recommend that Praxis transfer the funds from funding account to operating in advance to avoid presenting temporarily cash overdraft in its books.

*Views of responsible officials and planned actions:* See Praxis corrective action plan

**10-02 Out-standing checks**

*Criteria or specific requirement:* Outstanding checks older than six months should be reviewed for proper disposition.

*Condition:* During the process of reviewing the bank reconciliations we noted that some checks were outstanding for more than six months.

*Cause:* Lack of timely investigations of the long outstanding checks that revealed checks needed to be void resulted in Praxis carries outstanding checks on its bank reconciliation for more than six months.

*Effect:* Praxis carries outstanding checks on its bank reconciliation for more than six months.

*Recommendation:* We recommend that Praxis properly clear outstanding checks that exceed six months from its bank reconciliation.

*Views of responsible officials and planned actions:* See Praxis corrective action plan

**10-03 Personnel files**

*Criteria or specific requirement:* Employees' personnel file must contain the most up date information and forms.

*Condition:* Personnel files contain data that is either outdated or incomplete.

*Cause:* Praxis did not have adequate controls and procedures in place to maintain proper personnel files for every employee.

*Effect:* Incomplete personnel files could result in, incorrect withholding amounts and there can be legal violations for noncompliance.

*Recommendation:* We recommend that Praxis maintain proper forms and documentation for each employee file.

*Views of responsible officials and planned actions:* See Praxis corrective action plan

**Section III – Federal Awards Findings and Questioned Costs:**

None



**PRAxis HOUSING INITIATIVES, INC.**  
**Schedule of Prior Year Audit Findings and Questioned Costs**  
For the year ended June 30, 2010

**Findings related to Financial Statements Reported in Accordance with Government Auditing Standards:**

None

**Findings related to Federal Awards:**

None



**PRAXIS HOUSING INITIATIVES, INC.**

**Schedule of Corrective Action Plan**

For the year ended June 30, 2010

**10-01 Cash Management**

Management response: Management will review current process of monthly check processing for all contracts **and** determined if necessary to change some of the procedures to avoid showing credit balance in the operating account.

**10-02 Out-standing checks**

Management response: We will cancel old outstanding checks older than 90 days with appropriate adjustments and dispose of the liability as required.

**10-03 Personnel files**

Management response: The HR department will proactively review and update older staff members file. All new staff files are in compliance with documentation.

