

PRAXIS HOUSING INITIATIVES, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditor's Report)

YEARS ENDED JUNE 30, 2008 AND 2007
AND
AUDIT REPORTS RELATED TO OFFICE OF
MANAGEMENT AND BUDGET CIRCULAR A-133

YEAR ENDED JUNE 30, 2008

PRAXIS HOUSING INITIATIVES, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditor's Report)
YEARS ENDED JUNE 30, 2008 AND 2007
AND
AUDIT REPORTS RELATED TO OFFICE OF
MANAGEMENT AND BUDGET CIRCULAR A-133
YEAR ENDED JUNE 30, 2008

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INDEPENDENT AUDITOR'S 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, 2008 and 2007, 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, 2008 and 2007 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 17, 2008, 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 audit.

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, 16, and 17, 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 the Praxis's 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 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.

De Fino & D'Elia

New York, NY
November 17, 2008

PRAXIS HOUSING INITIATIVES, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash and cash equivalents (Notes 2E and 10)	\$ 383,398	\$ 178,655
Government and accounts receivable, net (Notes 2H, and 3)	1,948,068	2,241,881
Settlement receivable (Note 9)	100,999	304,333
Prepaid expenses and other assets	76,108	95,916
Property and equipment, net (Note 2C and 4)	<u>548,546</u>	<u>381,951</u>
TOTAL ASSETS	<u>\$ 3,057,119</u>	<u>\$ 3,202,736</u>
LIABILITIES		
Accounts and accrued expenses payable	\$ 631,719	\$ 815,647
Deferred revenue/due to funding sources (Note 5)	109,573	78,748
Deferred rent (Note 2F)	<u>173,722</u>	<u>226,982</u>
TOTAL LIABILITIES	915,014	1,121,377
NET ASSETS		
Unrestricted	<u>2,142,105</u>	<u>2,081,359</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,057,119</u>	<u>\$ 3,202,736</u>

See Auditor's Report & Accompanying Notes to Financial Statements.

PRAXIS HOUSING INITIATIVES, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUE		
Government contracts	\$ 4,755,262	\$ 4,449,375
Rental income – per-diem (Note 1)	4,928,290	4,834,982
Rental income – commercial	27,200	21,000
Grants and contributions	8,450	16,052
In-kind contributions (Note 2G)	432,760	159,500
Other revenue	<u>29,232</u>	<u>19,256</u>
TOTAL OPERATING REVENUE	<u>10,181,194</u>	<u>9,500,165</u>
OPERATING EXPENSES		
Program services	9,011,384	7,953,536
Management and administration	968,066	1,042,790
Fundraising and development	<u>140,998</u>	<u>260,875</u>
TOTAL OPERATING EXPENSES	<u>10,120,448</u>	<u>9,257,201</u>
Change in Net Assets	<u>60,746</u>	<u>242,964</u>
Net Assets-Beginning of Year	<u>2,081,359</u>	<u>1,838,395</u>
NET ASSETS –END OF YEAR	<u>\$ 2,142,105</u>	<u>\$ 2,081,359</u>

See Auditor’s Report & Accompanying Notes to Financial Statements.

PRAXIS HOUSING INITIATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
(With Comparative Totals for Fiscal 2007)

For the Year Ended June 30, 2008

	<u>Program Services</u>	<u>Management & Administration</u>	<u>Fundraising & Development</u>	<u>Total Expenses 2008</u>	<u>Total Expenses 2007</u>
Salaries	\$ 3,256,691	\$ 597,098	\$ 64,200	\$ 3,917,989	\$ 3,532,628
Payroll taxes and benefits	<u>819,976</u>	<u>161,216</u>	<u>17,334</u>	<u>998,526</u>	<u>953,763</u>
Total salaries and related costs	4,076,667	758,314	81,534	4,916,515	4,486,391
Consulting and professional fees (Note 2G)	615,827	28,517	21,518	665,862	557,734
Program related costs	451,803	---	---	451,803	128,350
Telephone	120,903	15,464	4,218	140,585	140,352
Rent and real estate taxes (Notes 2F and 8)	2,205,579	106,028	13,254	2,324,861	2,315,036
Utilities	600,982	---	---	600,982	495,539
Insurance	139,303	26,221	3,746	169,270	141,328
Office supplies, etc.	60,725	2,993	5,745	69,463	57,322
Computer expenses	33,107	3,838	480	37,425	29,712
Maint.' Repairs and equip. rental	450,486	14,511	2,073	467,070	609,056
Travel	48,418	1,395	8,430	58,243	50,857
Program activities	106,477	---	---	106,477	69,653
Bad debts	---	---	---	---	50,000
Miscellaneous	25,929	---	---	25,929	31,487
Depreciation and amortization	<u>75,178</u>	<u>10,785</u>	<u>---</u>	<u>85,963</u>	<u>94,384</u>
TOTAL EXPENSES	<u>\$ 9,011,384</u>	<u>\$ 968,066</u>	<u>\$ 140,998</u>	<u>\$10,120,448</u>	<u>\$ 9,257,201</u>

See Auditor's Report & Accompanying Notes to Financial Statements.

PRAXIS HOUSING INITIATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
(With Comparative Totals for Fiscal 2006)

For the Year Ended June 30, 2007

	<u>Program Services</u>	<u>Management & Administration</u>	<u>Fundraising & Development</u>	<u>Total Expenses 2007</u>	<u>Total Expenses 2006</u>
Salaries	\$ 2,879,298	\$ 618,330	\$ 35,000	\$ 3,532,628	\$ 3,314,325
Payroll taxes and benefits	<u>775,542</u>	<u>169,471</u>	<u>8,750</u>	<u>953,763</u>	<u>712,630</u>
Total salaries and related costs	3,654,840	787,801	43,750	4,486,391	4,026,955
Consulting and professional fees (Note 2G)	355,605	68,948	133,181	557,734	459,428
Program related costs	128,350	---	---	128,350	154,189
Telephone	119,330	15,767	5,255	140,352	129,277
Rent and real estate taxes (Notes 2F and 8)	2,180,718	109,121	25,197	2,315,036	2,130,175
Utilities	495,539	---	---	495,539	470,362
Insurance	120,229	19,476	1,623	141,328	139,846
Office supplies, etc.	49,871	2,866	4,585	57,322	56,267
Computer expenses	25,851	1,485	2,376	29,712	16,406
Maint., repairs and equip. rental (Note 8)	594,013	12,181	2,862	609,056	470,183
Travel	3,726	5,085	42,046	50,857	42,046
Program activities	69,653	---	---	69,653	54,342
Bad debts	50,000	---	---	50,000	169,084
Miscellaneous	31,487	---	---	31,487	22,824
Interest	---	---	---	---	24,813
Depreciation and amortization	<u>74,324</u>	<u>20,060</u>	<u>---</u>	<u>94,384</u>	<u>95,933</u>
TOTAL EXPENSES	<u>\$ 7,953,536</u>	<u>\$ 1,042,790</u>	<u>\$ 260,875</u>	<u>\$ 9,257,201</u>	<u>\$ 8,462,130</u>

See Auditor's Report & Accompanying Notes to Financial Statements.

PRAXIS HOUSING INITIATIVES, INC.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change In Net Assets	\$ 60,746	\$ 242,964
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	85,963	94,384
Bad debt expenses	<u>---</u>	<u>50,000</u>
Sub-total	146,709	387,348
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government and accounts receivable	293,813	(1,110,146)
Prepaid expenses and other assets	19,808	2,564
Settlement receivable	203,334	181,846
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses payable	(183,928)	432,138
Deferred revenue/due to funding sources	30,825	(40,795)
Deferred rent	<u>(53,260)</u>	<u>(46,571)</u>
Net Cash Provided by (Used in) Operating Activities	<u>457,301</u>	<u>(193,616)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	<u>(252,558)</u>	<u>(92,916)</u>
Net Cash (Used in) Investing Activities	<u>(252,558)</u>	<u>(92,916)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of line of credit, net of proceeds	---	---
Principal repayments of notes payable	<u>---</u>	<u>(3,125)</u>
Net Cash (Used in) Financing Activities	<u>---</u>	<u>(3,125)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	204,743	(289,657)
Cash and cash equivalents – beginning of year	<u>178,655</u>	<u>468,312</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 383,398</u>	<u>\$ 178,655</u>
Supplementary Disclosure of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ ---</u>	<u>\$ ---</u>

See Auditor's Report & Accompanying Notes to Financial Statements.

PRAXIS HOUSING INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 1 – ORGANIZATION & 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

- A. 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.
- B. 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.
- C. 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.
- D. 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 9), conducted by certain government agencies, to be non-operating.
- E. Praxis considers all highly liquid instruments purchased with maturities of 90 days or less to be cash and cash equivalents.
- F. Praxis leases real property under operating leases expiring at various dates in the future. For the years ended June 30, 2008 and 2007, Praxis recorded an adjustment to rent expense to reflect its straight lining policy that results in a decrease in rent expenses of \$53,260 and \$46,571, respectively. Straight lining of rent gives rise to timing difference that is reflected as deferred rent in the accompanying statements of financial position.

PRAXIS HOUSING INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 2-SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- G. Praxis received certain contributed professional services. The estimates fair value of such services amounted to \$157,000 and \$217,500 for the years ended June 30, 2008 and 2007, respectively. Additionally, Praxis received donated clothing and linens in 2008 and donated artwork in 2007 with an approximate value of \$275,760 and \$17,500, respectively. Such amounts are reflected as in kind contribution revenue and the clothing and linens as program related costs and the and professional services as professional fee expenses in the accompanying financial statements. Praxis receives other donated services which are not able to be estimated.
- H. 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, 2008 and 2007, Praxis determined that an allowance of \$ 248,301 and \$217,384, respectively, was necessary. Uncollectible accounts receivable from 2005 and prior years were written off in 2007.
- I. The preparation of financial statements in conformity with accounting principles generally accepted in the United State of American 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.
- J. Certain line items in the June 30, 2008 financial statements have been reclassified to conform to the June 30, 2007 presentation.
- K. Employees are granted vacation and sick time in varying amounts. Vacation leave has been accrued at June 30, 2008 and 2007 for \$70,970 and \$72,726. Employees are not reimbursed for accumulated sick leave at termination, accordingly, it has not been accrued.

NOTE 3-GOVERNMENT AND ACCOUNTS RECEIVABLE

As of June 30, 2008 and 2007 the following amounts are due:

	<u>2008</u>	<u>2007</u>
Per-diem rentals		
HASA and tenant	\$ 1,224,094	\$ 1,061,084
Other	<u>10,331</u>	<u>10,331</u>
Sub-total	<u>1,234,425</u>	<u>1,071,415</u>
Government contracts:		
HASA	608,804	680,277
U.S. Dept of Housing & Urban Development	74,457	249,170
Other	<u>276,383</u>	<u>456,653</u>
Sub-total	<u>959,644</u>	<u>1,386,100</u>
Other:		
Other	<u>2,300</u>	<u>1,750</u>
Sub-total	<u>2,300</u>	<u>1,750</u>
Less: allowance for doubtful accounts	<u>(248,301)</u>	<u>(217,384)</u>
	<u>\$ 1,948,068</u>	<u>\$ 2,241,881</u>

**PRAXIS HOUSING INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 4-PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>	<u>Est. Useful Life</u>
Furniture and fixture	\$ 448,434	\$ 372,728	7 years
Equipment	202,669	133,054	3 Years
Leasehold Improvement	<u>509,763</u>	<u>402,526</u>	2-15 Years
Total Cost	1,160,866	908,308	
Less: accumulated depreciation or amortization	<u>612,320</u>	<u>526,357</u>	
Net book value	<u>\$ 548,546</u>	<u>\$ 381,951</u>	

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, 2008 the interest rate was 5.00 %. As of June 30, 2008 and 2007 there was no outstanding balance on this credit line. The line is secured by all of Praxis assets. Upon approval of the bank, the line of credit annually renews in May of each year.

NOTE 7-NOTES PAYABLE

Notes payable in previous years consisted of unsecured credit. There are no notes payable at June 30, 2008 and 2007 as follows:

	<u>2008</u>	<u>2007</u>	<u>Annual Interest Rate</u>	<u>Due Date</u>
Notes Payable, bank	\$ ---	\$ ---	0.00%	---
	<u>\$ -0-</u>	<u>\$ ---</u>		

PRAXIS HOUSING INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 8-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, 2008 as follows:

	<u>Total</u>	<u>Real Property</u>	<u>Personal Property</u>
2009	2,308,275	2,251,275	57,000
2010	1,927,106	1,870,106	57,000
2011	1,875,500	1,847,000	28,500
2012	567,500	567,500	---
Thereafter	<u>---</u>	<u>---</u>	<u>---</u>
	<u>\$6,678,381</u>	<u>\$6,535,881</u>	<u>\$ 142,500</u>

Rent expense and real estate taxes for real property amounted to approximately \$2,324,861 and \$2,315,036 for the years ended June 30, 2008 and 2007 respectively. Rent expense for personal property amounted to approximately \$ 57,000 and \$51,000 for the years ended June 30, 2008 and 2007, respectively.

- B. The Organization participates in a 403(B) pension plan for all eligible employees that is entirely Employee funded. The Organization also participates in a Self Employed Pension plan that in employer funded at 3% of salary. Pension expense was approximately \$42,000 and \$122,000 for the years ended June 30, 2008 and 2007, respectively.
- 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, 2008 and 2007, respectively.

NOTE 9-SETTLEMENT OF LITIGATION

Praxis has entered into a settlement agreement with three former directors, whereby Praxis will receive approximately \$792,000 with payments beginning in September 2006. Payments are due over the next five years as follows: year(s) ended June 30, 2006 - \$225,333, June 30, 2007 - \$203,333, June 30, 2008 - \$203,333, June 30, 2009 - \$130,000, and June 30, 2010 - \$30,000. These amounts have been reflected in the financial statements as an extraordinary item during the year ended June 30, 2005. The extraordinary item of \$617,000 has been reflected at its present value and is net of prior receivables and escrows of approximately \$123,000. The total amount owed to Praxis at June 30, 2008 is \$160,000. The amount reflected in the enclosed financials of \$100,999 is net of a reserve and present value factor of \$ 59,000.

**PRAXIS HOUSING INITIATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**

NOTE 10-CONCENTRATIONS

Financial instruments that potentially subject Praxis 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 YEAR ENDED JUNE 30, 2008**

<u>Federal Grantor/Pass-Through Grantor/Program Grant Title</u>	<u>CFDA Number</u>	<u>Agency Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Supportive Housing Program	14.235	NY01B100017 NY01B600099	\$ 910,054
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	367,201
HIV Emergency Relief Project Grants	93.914	06-IDU-698	<u>130,933</u>
TOTAL FEDERAL AWARDS			<u>\$ 1,408,188</u>

Note: This schedule of expenditure of federal awards is prepared on the accrual basis of accounting.

See Auditor's Report & Accompanying Notes to Financial Statements.



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CERTIFIED PUBLIC ACCOUNTANTS
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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 years ended June 30, 2008 and 2007, and have issued our report thereon dated November 17, 2008. We conducted our audits 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'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 on Praxis's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the control over financial reporting.

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'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's financial statements that is more than inconsequential will not be prevented or detected by Praxis's internal control.

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'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 deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

DeFino & D'Elia

DeFino & D'Elia
New York, NY
November 17, 2008



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**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**

The Board of Directors
Praxis Housing Initiative, Inc.

Compliance

We have audited the compliance of Praxis Housing Initiatives, Inc. ("Praxis") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2008. Praxis'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 the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of Praxis's management. Our responsibility is to express an opinion on Praxis compliance based on our audit.

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 Praxis'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'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 its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Praxis is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Praxis'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 internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 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 the entity'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 the entity's internal control.

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 the entity's internal control.

Our consideration of the 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 defined above.

This report is intended solely for the information and use of the board of directors of Praxis, management and federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

DeFino & D'Elia

DeFino & D'Elia
New York, NY
November 17, 2008

**PRAXIS HOUSING INITIATIVES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Section I – Summary of Auditor’s Results

Financial Statements

Type of Auditor’s report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	_____ Yes	___ <u>X</u> No
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	___ <u>X</u> No
Noncompliance material to financial statements noted?	_____ Yes	___ <u>X</u> No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	_____ Yes	___ <u>X</u> No
Reportable conditions identified not considered to be material weaknesses?	_____ Yes	___ <u>X</u> None

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a) _____ Yes ___X No

- Identification of major programs:
- Supportive Housing Program (CFDA # 14.235)
 - HIV Emergency Relief Project Grants (CFDA # 93.914)

Dollar threshold used to distinguish between Type A and Type B programs: \$500,000

Auditee qualified as low-risk auditee? ___X Yes _____ No

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

See independent auditor’s report.

**PRAXIS HOUSING INITIATIVES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

There were no prior audit findings.

See independent auditor's report.

**PRAXIS HOUSING INITIATIVES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

Federal Audit Clearinghouse
Bureau of the Census

We hereby certify as to the management responses to the auditor's findings enumerated in the accompanying schedule of findings and questioned costs. The contact person for this corrective plan of action is the undersigned.

NOT APPLICABLE

Printed Name/Title

Date

Signature