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**PRAXIS HOUSING INITIATIVES, INC.  
AND SUBSIDIARIES**

**Consolidated Financial Statements and Audit  
Reports Related to OMB Circular A-133 for  
Praxis Housing Initiatives, Inc.**

For the years ended June 30, 2015 and 2014

# PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES

Consolidated Financial Statements

June 30, 2015 and 2014

## Contents

	Page
Independent Auditor's Report .....	1-2
Consolidated Statements of Financial Position.....	3
Consolidated Statements of Activities .....	4-5
Consolidated Statements of Changes in Net Assets and Member's Equity.....	6
Consolidated Statements of Functional Expenses .....	7-8
Consolidated Statements of Cash Flows.....	9
Notes to Consolidated Financial Statements.....	10-20
<b>Supplementary Information</b> – Praxis Housing Initiatives, Inc.	
Schedule of Expenditures of Federal Awards.....	21
Notes to the Schedule of Expenditures of Federal Awards .....	22
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 <i>Government Auditing Standards</i> .....	23-24
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	25-27
Schedule of Findings and Questioned Costs.....	28
Summary Schedule of Prior Audit Findings .....	29
Corrective Action Plan .....	30



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## **Independent Auditor's Report**

To the Board of Directors of  
Praxis Housing Initiatives, Inc.  
Praxis White Plains Road, LLC  
Loring Place North L.P.

### ***Report on the financial statements***

We have audited the accompanying consolidated financial statements of Praxis Housing Initiatives, Inc. and subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, changes in net assets and member's equity, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's responsibility for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Praxis Housing Initiatives, Inc. and subsidiaries 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 matters***

***Other information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for Praxis Housing Initiatives, Inc., as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 March 23, 2016, on our consideration of Praxis Housing Initiatives, 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 Praxis Housing Initiatives, Inc.'s internal control over financial reporting and compliance.

NC Cheng LLP

New York, New York  
March 23, 2016

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES****Consolidated Statements of Financial Position**

As of June 30,

	<u>2015</u>	<u>2014</u>
<b><u>Assets</u></b>		
Cash	\$ 682,925	\$ 324,840
Accounts receivable, net – Note 3	2,843,499	2,883,154
Prepaid expenses	37,855	198,363
Fixed assets, net – Note 4	21,017,549	21,358,630
Construction in progress – Note 5	2,456,911	255,424
Deposits and other – Note 6	<u>9,861,567</u>	<u>1,834,074</u>
Total assets	<u>\$ 36,900,306</u>	<u>\$ 26,854,485</u>
<b><u>Liabilities, net assets and member's equity</u></b>		
<b><u>Liabilities</u></b>		
Accounts and accrued expenses payable	\$ 663,708	\$ 1,263,490
Advance payable	223,636	-
Deferred rent payable	15,433	15,662
Line of credit and loans payable – Note 7	175,000	588,479
Mortgages payable – Note 8	22,532,177	11,568,720
Construction expenses payable	<u>242,135</u>	<u>1,040,944</u>
Total liabilities	<u>23,852,089</u>	<u>14,477,295</u>
<b><u>Net assets and members' equity</u></b>		
<b><u>Net assets</u></b>		
Unrestricted	4,348,501	3,818,999
Temporarily restricted – Note 9	<u>244,200</u>	<u>100,000</u>
Total net assets	4,592,701	3,918,999
<b><u>Members' equity</u></b>		
Non-controlling interest – Note 11	<u>8,455,516</u>	<u>8,458,191</u>
Total net assets/members' equity	<u>13,048,217</u>	<u>12,377,190</u>
Total liabilities, net assets and members' equity	<u>\$ 36,900,306</u>	<u>\$ 26,854,485</u>

See notes to consolidated financial statements

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES****Consolidated Statement of Activities**

For the year ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b><u>Revenue and support</u></b>			
Government grants	\$ 11,655,057		\$ 11,655,057
Rental income	486,954		486,954
Rental income – WPR	749,602		749,602
Grants and contributions	30,155	\$ 194,200	224,355
Other	633		633
	<u>12,922,401</u>	<u>194,200</u>	<u>13,116,601</u>
Total	12,922,401	194,200	13,116,601
Net assets released from restriction – Note 9	<u>50,000</u>	<u>( 50,000 )</u>	<u>-</u>
	<u>12,972,401</u>	<u>144,200</u>	<u>13,116,601</u>
Total revenue and support	<u>12,972,401</u>	<u>144,200</u>	<u>13,116,601</u>
<b><u>Expenses</u></b>			
<b><u>Program services</u></b>			
Housing services	<u>12,017,654</u>		<u>12,017,654</u>
<b><u>Supporting services</u></b>			
Management and administration	1,210,699		1,210,699
Fund raising and development	<u>116,487</u>		<u>116,487</u>
	<u>1,327,186</u>		<u>1,327,186</u>
Total supporting services	<u>1,327,186</u>		<u>1,327,186</u>
	<u>13,344,840</u>		<u>13,344,840</u>
Total expenses	<u>13,344,840</u>		<u>13,344,840</u>
Changes in net assets and member's equity	( 372,439 )	144,200	( 228,239 )
Equity contributions from members – Note 11	899,266		899,266
Net assets and member's equity, beginning of year	<u>12,277,190</u>	<u>100,000</u>	<u>12,377,190</u>
	<u>12,277,190</u>	<u>100,000</u>	<u>12,377,190</u>
Net assets and member's equity, end of year	<u>\$ 12,804,017</u>	<u>\$ 244,200</u>	<u>\$ 13,048,217</u>

See notes to consolidated financial statements

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Activities**  
For the year ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
<b><u>Revenue and support</u></b>			
Government grants	\$ 9,086,398		\$ 9,086,398
Rental income	2,397,029		2,397,029
Rental income – WPR	62,625		62,625
Grants and contributions	124,056		124,056
In-kind contributions	102,500		102,500
Other	10,282		10,282
Total	11,782,890		11,782,890
Net assets released from restriction – Note 9	50,000	( \$ 50,000 )	-
Total revenue and support	<u>11,832,890</u>	<u>( 50,000 )</u>	<u>11,782,890</u>
<b><u>Expenses</u></b>			
<b>Program services</b>			
Housing services	10,328,905		10,328,905
<b>Supporting services</b>			
Management and administration	1,070,700		1,070,700
Fund raising and development	115,868		115,868
Total supporting services	<u>1,186,568</u>		<u>1,186,568</u>
Total expenses	<u>11,515,473</u>		<u>11,515,473</u>
Changes in net assets and member's equity	317,417	( 50,000 )	267,417
Equity contributions from members – Note 11	7,619,000		7,619,000
Net assets and member's equity, beginning of year	<u>4,340,773</u>	<u>150,000</u>	<u>4,490,773</u>
Net assets and member's equity, end of year	<u>\$ 12,277,190</u>	<u>\$ 100,000</u>	<u>\$ 12,377,190</u>

See notes to consolidated financial statements

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Net Assets and Members' Equity**  
For the years ended June 30,

	<u>Net assets</u>	<u>Member's equity</u>	<u>Total net assets and member's equity</u>
Balance, July 01, 2013	\$ 3,455,703	\$ 1,035,070	\$ 4,490,773
Changes in net assets and member's equity – Note 12	463,296	( 195,879 )	267,417
Equity contributions from members – Note 11	<u>                    </u>	<u>7,619,000</u>	<u>7,619,000</u>
Balance, June 30, 2014	<u>\$ 3,918,999</u>	<u>\$ 8,458,191</u>	<u>\$ 12,377,190</u>
Balance, July 01, 2014	\$ 3,918,999	\$ 8,458,191	\$ 12,377,190
Changes in net assets and member's equity – Note 12	673,702	( 901,941 )	( 228,239 )
Equity contributions from members – Note 11	<u>                    </u>	<u>899,266</u>	<u>899,266</u>
Balance, June 30, 2015	<u>\$ 4,592,701</u>	<u>\$ 8,455,516</u>	<u>\$ 13,048,217</u>

See notes to consolidated financial statements



**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Functional Expenses**  
For the year ended June 30, 2015

	<u>Program services</u>	<u>Supporting services</u>			<u>Total program and supporting services</u>
	Housing services	Management and administration	Fund raising and development	Total supporting services	
Salaries	\$ 3,607,533	\$ 464,800	\$ 53,650	\$ 518,450	\$ 4,125,983
Payroll taxes and benefits	<u>864,869</u>	<u>112,535</u>	<u>12,990</u>	<u>125,525</u>	<u>990,394</u>
Total personnel costs	4,472,402	577,335	66,640	643,975	5,116,377
Professional fees	10,350	238,073	10,350	248,423	258,773
Client clothing and program supplies	136,964				136,964
Telephone	95,770	34,135	3,661	37,796	133,566
Occupancy costs	5,657,382	126,155	14,017	140,172	5,797,554
Insurance	212,428	28,109	3,123	31,232	243,660
Office supplies	36,137	17,675	4,189	21,864	58,001
Computer expenses	35,106	39,759	4,342	44,101	79,207
Maintenance, repairs, and equipment rental	501,496	50,766	4,955	55,721	557,217
Travel	45,404	7,613	846	8,459	53,863
Interest expenses	207,797	15,339		15,339	223,136
Bad debt expenses		54,958		54,958	54,958
Other	20,906	4,755	357	5,112	26,018
Depreciation and amortization	<u>585,512</u>	<u>16,027</u>	<u>4,007</u>	<u>20,034</u>	<u>605,546</u>
Total expenses	<u>\$ 12,017,654</u>	<u>\$ 1,210,699</u>	<u>\$ 116,487</u>	<u>\$ 1,327,186</u>	<u>\$ 13,344,840</u>

See notes to consolidated financial statements

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES**  
**Consolidated Statement of Functional Expenses**  
For the year ended June 30, 2014

	<u>Program services</u>	<u>Supporting services</u>			<u>Total program and supporting services</u>
	Housing services	Management and administration	Fund raising and development	Total supporting services	
Salaries	\$ 3,254,621	\$ 425,750	\$ 53,300	\$ 479,050	\$ 3,733,671
Payroll taxes and benefits	879,211	115,013	14,399	129,412	1,008,623
Total personnel costs	4,133,832	540,763	67,699	608,462	4,742,294
Professional fees	74,500	162,575	5,500	168,075	242,575
Client clothing and program supplies	254,375				254,375
Telephone	73,190	33,778	3,753	37,531	110,721
Occupancy costs	4,739,117	126,118	14,013	140,131	4,879,248
Insurance	124,201	42,238	4,693	46,931	171,132
Office supplies	29,573	19,262	4,815	24,077	53,650
Computer expenses	27,655	34,202	3,800	38,002	65,657
Maintenance, repairs, and equipment rental	570,771	54,676	6,075	60,751	631,522
Travel	40,862	14,162	1,574	15,736	56,598
Interest expenses	65,321	13,549		13,549	78,870
Bad debt expenses		12,195		12,195	12,195
Other	28,867	4,020	653	4,673	33,540
Depreciation and amortization	166,641	13,162	3,293	16,455	183,096
Total expenses	<u>\$ 10,328,905</u>	<u>\$ 1,070,700</u>	<u>\$ 115,868</u>	<u>\$ 1,186,568</u>	<u>\$ 11,515,473</u>

See notes to consolidated financial statements

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES****Consolidated Statements of Cash Flows**

For the years ended June 30,

	<u>2015</u>	<u>2014</u>
<b>Cash flows from operating activities</b>		
Change in net assets	(\$ 228,239 )	\$ 267,417
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	605,546	183,096
Changes in accounts receivable	39,655	( 648,083 )
Changes in prepaid expenses	160,508	( 80,039 )
Changes in deposits	( 145,804 )	75,500
Changes in accounts and accrued expenses payable	( 599,783 )	634,987
Changes in advance payable	223,636	( 108,270 )
Changes in deferred rent payable	( 229 )	3,402
Net cash provided by operating activities	<u>55,290</u>	<u>328,010</u>
<b>Cash flows from investing activities</b>		
Purchase of fixed assets	( 264,465 )	( 18,169,244 )
Construction in progress	( 3,000,295 )	8,426,773
Funds held by New York City HPD	( 7,881,689 )	( 702,190 )
Net cash (used in) investing activities	<u>( 11,146,449 )</u>	<u>( 10,444,661 )</u>
<b>Cash flows from financing activities</b>		
Proceeds from line of credit and loans payable	100,000	338,479
Payment on mortgage payable	( 157,285 )	
Non-controlling interest proceeds	899,266	7,619,000
Proceeds from mortgage payable		2,415,122
Proceeds from construction financing	13,025,290	
Payments for construction financing	( 2,418,027 )	( 350,682 )
Net cash provided by financing activities	<u>11,449,244</u>	<u>10,021,919</u>
Net increase/(decrease) in cash	358,085	( 94,732 )
Cash, beginning of year	<u>324,840</u>	<u>419,572</u>
Cash, end of year	<u>\$ 682,925</u>	<u>\$ 324,840</u>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	<u>\$ 117,512</u>	<u>\$ 61,218</u>
Non-cash operating activities for gifts or services	<u>\$ -</u>	<u>\$ 102,500</u>

See notes to consolidated financial statements

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

### **Notes to Consolidated Financial Statements**

June 30, 2015 and 2014

#### **Note 1 Organization**

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

Praxis Housing Initiatives, Inc. manages four congregate supportive housing programs with a total of 376 units and three scattered site programs with 157 units.

The mission of Praxis Housing Initiatives, Inc. is to stabilize chronically homeless persons with multiple diagnoses, such as HIV/AIDS, mental health, chemical dependency, and other special needs through clean, safe housing and support services that lead to recovery, stability, and ultimately, independence. The organization provides case management services, permanent housing placement, vocational training and job placement, referrals to mental health and substance abuse treatment programs

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

Praxis White Plains Road, LLC has developed 60 units of permanent supportive housing located in Bronx, NY at 4339 White Plains Rd (Block 5039, Lot 7) in the Wakefield section of the Bronx. The project was completed in May 2014 and has studio units and one one-bedroom apartment for the superintendent. The project dedicates 100% of the units to permanently house disabled homeless individuals. Construction on the project commenced on July 2012 and was funded by NYC Housing Preservation & Development Special Needs Program and Low Income Housing Tax Credits through NYS Homes & Community Renewal.

Loring Place North L.P. has embarked on the development of a new 66 unit permanent supportive and affordable housing project at 2264-2274 Loring Place North located in the University Heights neighborhood of the Bronx. The new-8 story building will have 51 studio units and 10 one-bedroom and 5 two-bedroom units with a live-in Superintendent residing in a one-bedroom apartment. This project will provide needed housing for formerly homeless persons as well as neighborhood residents who meet the income guidelines for "community units". Financing for the new project will come from the New York City Housing Preservation and Development ("HPD") Supportive Housing Loan Program, Low-Income Housing Tax Credits, Citibank construction and mortgage funding. Costs incurred include land valued at \$1,270,000 and construction in progress of \$2,456,911.

## PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2015 and 2014

#### Note 2 Summary of significant accounting policies

**Basis of accounting.** The consolidated financial statements of Praxis Housing Initiatives, Inc. and subsidiaries have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Basis of consolidation.** The financial statements are consolidated to include the accounts of Praxis Housing Initiatives, Inc. and subsidiaries. All significant intercompany transactions and balances have been eliminated in the consolidation. Praxis Housing Initiatives, Inc. has evaluated its Managing Member interest in Praxis White Plains Road, LLC and Loring Place North L.P. and has determined that, based on the rights afforded to it in the agreement, Praxis Housing Initiatives, Inc. effectively controls both entities and has included them in these consolidated financial statements.

**Financial statement presentation.** The financial statement presentation follows the accounting standards for not-for-profit organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to three classes of net assets depending on the existence and/or nature of any donor restrictions as follows: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets consist of unrestricted contributions and other resources not subject to donor-imposed restrictions.

Temporarily restricted net assets consist of contributions and other inflow of assets whose use by the recipient is limited by donor-imposed stipulation. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, 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 Housing Initiatives, Inc. and subsidiaries report that support as unrestricted.

**Functional allocation of expenses.** The costs of providing various programs and activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

### **Notes to Consolidated Financial Statements**

June 30, 2015 and 2014

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

**Revenue recognition.** Contributions are recorded as unrestricted, temporarily restricted or permanently restricted when received depending on the existence and/or nature of any donor restrictions. Donated investments are recorded as contributions at their estimated fair value on the date of donation. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Revenue from cost reimbursement governmental grants is recognized as the expenditures for each grant are incurred. Revenue from fee for service programs is recognized when earned.

**Deferred revenue.** Revenue from contracts is recognized as earned when contract expenses are incurred to the maximum amount allowed for each contract award. Any payments received that have not been earned are classified as deferred revenue on the consolidated statement of financial position.

**Concentrations of credit risk.** Financial instruments, which potentially subject Praxis Housing Initiative, Inc. and subsidiaries to concentrations of credit risk, include cash and accounts receivable. Praxis Housing Initiative, Inc. and subsidiaries' maintain cash in bank deposits which, at times, may exceed the current insured amount under the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2015 and 2014, Praxis Housing Initiative, Inc. and subsidiaries' cash balance exceeded the current insured amount under FDIC by approximately \$10,222 and \$54,527, respectively. Praxis Housing Initiative, Inc. and subsidiaries have not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

**Use of estimates.** 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Allowance for doubtful accounts.** On a periodic basis, Praxis Housing Initiatives, Inc. and subsidiaries evaluate its accounts receivable and establish an allowance for doubtful accounts, based on current economic conditions, credit worthiness of tenants and government sources and historical information.

## PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2015 and 2014

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

**Fixed assets.** Building and building improvements, furniture, fixtures and equipment, leasehold improvements and tax credit fees and organizational costs are stated at cost, less accumulated depreciation or amortization computed on the straight-line method.

The estimated useful lives are as follows:

	<u>Estimated life</u>
Building	30 or 40 years
Building improvements	10 years
Furniture, fixtures and equipment	3 or 7 years
Leasehold improvements	related lease term
Tax credit fees and organizational costs	15 or 50 years

**In-kind contributions.** Praxis Housing Initiatives, Inc. and subsidiaries received donated clothing in 2014 with an approximate value of \$102,500. Such amounts are reflected as in-kind contributions revenue and the clothing as program related costs and the professional services as professional fee expenses in the accompanying consolidated financial statements. Praxis Housing Initiatives, Inc. and subsidiaries receives other donated services which are not able to be estimated.

**Vacation and sick time.** Employees are granted vacation and sick time in varying amounts. Vacation leave has been accrued at June 30, 2015 and 2014 for \$106,798 and \$101,377, respectively. Employees are not reimbursed for accumulated sick leave at termination; accordingly, it has not been accrued in these consolidated financial statements.

**Income taxes.** Praxis Housing Initiatives, Inc. is organized as 501(c)(3) not-for-profit organization under the Internal Revenue Code. Praxis White Plains Road, LLC and Loring Place North L.P. are organized as for-profit organizations. Praxis Housing Initiatives, Inc. and subsidiaries have analyzed tax positions taken for filing with the Internal Revenue Service and state jurisdictions where it operates. Praxis Housing Initiatives, Inc. and subsidiaries do not anticipate any adjustments that would result in a material adverse effect on the Praxis Housing Initiatives, Inc. and subsidiaries' financial condition, results of operations or cash flows. Praxis Housing Initiatives, Inc. and subsidiaries' U.S. Federal income tax returns prior to fiscal year 2012 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. As of June 30, 2015 and 2014, Praxis Housing Initiatives, Inc. and subsidiaries did not recognize any interest and penalties associated with tax matters.

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

June 30, 2015 and 2014

**Note 3 Accounts receivable**

Accounts receivable balances are as follows:

	<u>2015</u>	<u>2014</u>
Per-diem rentals - HASA	\$ 112,008	\$ 441,117
Government contracts:		
HASA	1,652,738	1,559,717
US Dept. of Housing & Urban Development	554,910	350,098
NYC Dept. of Housing Preservation & Development	139,240	47,390
NYC Dept. of Health		164,659
Other	<u>253,009</u>	<u>248,147</u>
Total government contracts	2,711,905	2,811,128
Other	<u>354,376</u>	<u>239,850</u>
Total accounts receivable	3,066,281	3,050,978
Less: allowance for doubtful accounts	<u>( 222,782 )</u>	<u>( 167,824 )</u>
Total	<u>\$ 2,843,499</u>	<u>\$ 2,883,154</u>

**Note 4 Fixed assets**

Fixed assets are as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 3,261,030	\$ 3,261,030
Building and building improvements	17,811,821	17,620,900
Furniture, fixtures and equipment	1,073,560	1,034,684
Leasehold improvements	591,750	591,750
Tax credit fees and organizational costs	<u>317,372</u>	<u>282,704</u>
	23,055,533	22,791,068
Less: accumulated depreciation or amortization	<u>( 2,037,984 )</u>	<u>( 1,432,438 )</u>
	<u>\$ 21,017,549</u>	<u>\$ 21,358,630</u>



## PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2015 and 2014

#### Note 5 Construction in progress

Praxis Housing Initiatives, Inc. and subsidiaries have embarked on the development of a projected 66 unit permanent supportive and affordable housing project located at Loring Place North in the Bronx, New York. Financing of approximately \$27,650,000 for the new project will come primarily from the New York City HPD Supportive Housing Loan Program, Low-Income Housing Tax Credits and financial institution. At June 30, 2015 and 2014 there was \$2,456,911 and \$255,424, respectively of pre-development costs incurred related to the project.

#### Note 6 Deposits and other

Deposits and other consists of the following:

	<u>2015</u>	<u>2014</u>
Rent deposit	\$ 87,310	\$ 88,310
Reserve accounts	146,804	
Funds held by New York City HPD/Citibank*	<u>9,627,453</u>	<u>1,745,764</u>
Total	<u>\$ 9,861,567</u>	<u>\$ 1,834,074</u>

\*New York City HPD is holding \$9,627,453 for the construction of affordable housing project located at Loring Place North in the Bronx.

#### Note 7 Line of credit and loans payable

Line of credit and loans payable are as follows:

	<u>2015</u>	<u>2014</u>
A. Credit line of \$1,000,000 with a financial institution. Interest is payable at LIBOR plus 4.365% per annum. Line matures on June 14, 2016.	\$ 100,000	
B. Bank loan of \$100,000 with no interest. Loan matures on July 2018 with an annual payments of \$25,000.	75,000	\$ 75,000
C. WPR investor funding loan of \$513,479. Interest is payable at 7% per annum. Loan matured on December 2014.		<u>513,479</u>
Total	<u>\$ 175,000</u>	<u>\$ 588,479</u>

## PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2015 and 2014

#### Note 7 Line of credit and loans payable – (continued)

- A. Praxis Housing Initiatives, Inc. and subsidiaries have a one-year credit line with a bank to provide up to \$1,000,000 of short-term financing. The line of credit bears interest at 4.365% per annum. The outstanding borrowing under the credit line at June 30, 2015 was \$100,000. The loan is secured by all of Praxis Housing Initiatives, Inc. and subsidiaries' assets.
- B. Praxis Housing Initiatives, Inc. and subsidiaries have an interest free loan from a bank. The loan requires annual payments of \$25,000 for each of the next 3 years through July 2018. Interest has not being imputed because it was not material.
- C. Praxis Housing Initiatives, Inc. and subsidiaries had a short term loan of \$513,479 at June 30, 2014. The loan was repaid in December 2014 with proceeds from Praxis White Plains Road, LLC investor funding. The interest rate on the loan was 7% rate per annum.

The future minimum payments are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 125,000
2017	25,000
2018	<u>25,000</u>
Total	<u>\$ 175,000</u>

#### Note 8 Mortgage payable

Praxis Housing Initiatives, Inc. and subsidiaries have outstanding mortgages that are secured by various properties. The details of the mortgages are as follows:

	<u>2015</u>	<u>2014</u>
A. Predevelopment and property acquisition loan of \$1,852,500 for the development of property located at Loring Place, Bronx New York. The loan bears interest at 6.25% per annum. No payments are required during the construction phase. Loan was paid in June 2015.		\$ 1,579,500

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
June 30, 2015 and 2014

**Note 8 Mortgage payable – (continued)**

	<u>2015</u>	<u>2014</u>
B. In August 2010 purchased 694 Lincoln Place, Brooklyn, New York for \$2,000,000. The purchase was financed with a \$1,500,000 10-year mortgage from a bank. At a 5.7% interest rate, requiring monthly payment of \$16,488. The mortgage was refinanced in August 2012 for 7 years at 4.25% interest requires monthly payment of \$16,004. The mortgage is collateralized by the underlying property.	\$ 720,643	877,928
C. Construction loan bears interest at 7% per annum. The loan converted to a 15-year mortgage in December, 2014. Monthly payments of interest and principal are \$9,168 to maturity. The loan is secured by the underlying real property.	1,003,722	986,292
D. NYCHPD provided a mortgage loan of \$8,125,000 for the construction of the building on White Plains Road. The loan bears interest at 1.30% per annum and matures in 50 years. There are no required payments under the mortgage agreement during the 50 year period and the loan is expected to be “forgiven” on maturity, assuming all terms and conditions are met the by partnership. The loan is secured by the underling real property.	8,125,000	8,125,000
E. In June 2015, Loring Place borrowed \$2,537,378 for construction financing from Citibank. The loan matures on December 1, 2017 and bears interest at approximately 2.7%. The loan will be repaid from the Citibank permanent financing available for the project.	2,537,378	
F. In June 2015, Loring Place borrowed \$1,000,000 for construction financing from Citibank. The loan is a subordinated loan, matures on June 1, 2020 and bears interest at 1%. Interest is due annually on June 1 <sup>st</sup> of each year, but is deferred until the maturity of the senior mortgage loan on the project. Additionally, the interest rate cannot exceed 75% of the “residual receipts” when the project becomes operational.	1,000,000	
G. In June 2015, Loring Place received \$8,763,434 from HPD to be used for construction. These funds are also part of the permanent financing for the project and will be forgiven at maturity, which is the 50 year anniversary of the beginning of operations, assuming all terms and conditions have been met.	8,763,434	
Sub-total	<u>\$ 22,150,177</u>	<u>\$ 9,989,220</u>

**PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES****Notes to Consolidated Financial Statements**

June 30, 2015 and 2014

**Note 8 Mortgage payable (continued)**

	<u>2015</u>	<u>2014</u>
H. In June 2015, Loring Place borrowed \$382,000 for construction financing from Citibank. The loan bears interest at 0.25% and is initially due on December 1, 2017. The maturity date will automatically be extended to the maturity extended date of the senior mortgage loan.	<u>382,000</u>	
Total	<u>\$ 22,532,177</u>	<u>\$ 11,568,720</u>

The following are the maturities of the mortgages for the next five years and beyond:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 211,107
2017	215,781
2018	2,758,356
2019	237,585
2020	72,376
Thereafter	<u>19,036,972</u>
Total	<u>\$ 22,532,177</u>

**Note 9 Temporarily restricted net assets**

The changes in temporarily restricted net assets are as follows:

<u>Time restricted</u>	<u>2015</u>	<u>2014</u>
Beginning balance	\$ 100,000	\$ 150,000
Additions	194,200	
Releases	( 50,000 )	( 50,000 )
Ending balance	<u>\$ 244,200</u>	<u>\$ 100,000</u>

## PRAXIS HOUSING INITIATIVES, INC. AND SUBSIDIARIES

### Notes to Consolidated Financial Statements

June 30, 2015 and 2014

#### Note 10 Commitments and contingencies

##### Government funded activities

Government funded activities are subject to audits and technical reviews by the applicable funding agencies. At June 30, 2015 and 2014, there were no material obligations outstanding as a result of such audits, and management believes that unaudited projects would not result in any material obligations.

##### Lease commitments

Praxis Housing Initiatives, Inc. and subsidiaries have several lease agreements for office space. Rent expense and real estate taxes for real property amounted to approximately \$5,080,099 and \$4,080,606 for the years ended June 30, 2015 and 2014, respectively. Rent expense for personal property amounted to \$35,000 for the years ended June 30, 2015 and 2014, respectively.

Approximate future minimum annual rentals payments are as follows:

<u>Year ending June 30,</u>	<u>Total</u>	<u>Real property</u>	<u>Personal property</u>
2016	\$ 5,234,588	5,199,588	35,000
2017	4,553,237	4,518,237	35,000
2018	2,498,535	2,498,535	-
2019	2,442,625	2,442,625	-
2020	2,503,050	2,503,050	-
Thereafter	<u>882,112</u>	<u>882,112</u>	<u>-</u>
	<u>\$ 18,114,147</u>	<u>18,044,147</u>	<u>70,000</u>

#### Note 11 Non-controlling interest

Third-party holdings of equity interests in consolidated subsidiaries that are less than wholly owned are reflected as “non-controlling interests” in the accompanying consolidated financial statements. The amount of member’s equity of Praxis White Plains Road, LLC that represents this non-controlling interest is \$8,455,516 and \$8,458,191 for the years ended June 30, 2015 and 2014, respectively. Equity contributions from members amounted to \$899,266 and \$7,619,000 for the years ended June 30, 2015 and 2014.

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

### **Notes to Consolidated Financial Statements**

June 30, 2015 and 2014

#### **Note 12 Change in net asset and member's equity**

As of June 30, 2015, \$673,702 increase in net assets is attributable to Praxis Housing Initiatives, Inc. It is primarily related to approximately \$475,000 of developer and management fees and \$194,200 of temporarily restricted grants and contributions that contain a 50 year restriction. \$901,941 decrease in net assets is attributable to Praxis White Plains Road, LLC, a low income housing tax credit ("LIHTC") subsidiary. LIHTC entities typically operate at a loss primarily due to the depreciation and interest costs.

As of June 30, 2014, \$463,296 increase in net assets is attributable to Praxis Housing Initiatives, Inc. It is primarily related to approximately \$167,000 of developer and management fees, \$225,000 of grants and contributions and \$60,000 of unrestricted per diem income. \$195,879 decrease in net assets is attributable to two months of operations of Praxis White Plains Road, LLC, a low income housing tax credit ("LIHTC") subsidiary. LIHTC entities typically operate at a loss primarily due to the depreciation and interest costs.

#### **Note 13 Employee benefit plan**

Praxis Housing Initiatives, Inc. and subsidiaries have a defined contribution salary deferral 403(b) plan ("the Plan") covering all eligible employees. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code. Praxis Housing Initiatives, Inc. and subsidiaries may make a discretionary contribution to the Plan. There were no contributions made by Praxis Housing Initiative, Inc. and subsidiaries to the Plan during 2015 and 2014.

#### **Note 14 Related party transactions**

Praxis Housing Initiatives, Inc. is the developer, managing member and management agent of Praxis White Plains Road, LLC and Loring Place North L.P. and has a 0.01% ownership interest in profits and losses through a wholly owned subsidiaries, Praxis White Plains Road MM, Inc. At June 30, 2015 and 2014, the amount due to Praxis Housing Initiatives, Inc. and subsidiaries for developer fees and services provided amounted to \$474,890 and \$167,229, respectively. These amounts have been eliminated in consolidation.

#### **Note 15 Subsequent events**

Praxis Housing Initiative, Inc. and subsidiaries have evaluated events and transactions for potential recognition or disclosure through March 23, 2016, which is the date the consolidated financial statements were available to be issued. There were no subsequent events requiring adjustment to the consolidated financial statements or disclosures.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Schedule of Expenditures of Federal Awards**  
For the year ended June 30, 2015

Federal grantor / Pass-through grantor / Program or Cluster title	Federal CFDA number	Pass-through entity identifying number	Federal expenditures
Department of Housing and Urban Development Direct programs			
Supportive housing program	14.235		\$ 492,725
Department of Housing and Urban Development Pass-through programs from:			
The City of New York Human Resources Administration			
Housing opportunities for persons with AIDS	14.241	20111429581	582,660
NYC Dept. of Health and Mental Hygiene			
Housing opportunities for persons with AIDS	14.241	20141418407	<u>277,596</u>
Subtotal Department of Housing and Urban Development Pass-through programs			<u>860,256</u>
<i>Total Department of Housing and Urban Development</i>			<u>1,352,981</u>
Department of Health and Human Services Pass-through programs from:			
Medical and Health Research Association of NYC			
HIV emergency relief project grants	93.940	06-IDU-698	<u>18,441</u>
<i>Total Department of Health and Human Services</i>			<u>18,441</u>
Total Expenditures of Federal Awards			<u>\$ 1,371,422</u>

The accompanying notes are an integral part of this schedule.

**PRAXIS HOUSING INITIATIVES, INC.**  
**Notes to the Schedule of Expenditures of Federal Awards**  
June 30, 2015

**Note 1 Basis of presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Praxis Housing Initiatives, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Praxis Housing Initiatives, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Praxis Housing Initiatives, Inc.

**Note 2 Summary of significant accounting policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3 Subrecipients**

None





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**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  
Praxis Housing Initiatives, Inc.

We have audited, in accordance with the 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 consolidated financial statements of Praxis Housing Initiatives, Inc., which comprise the consolidated statement of financial position as of June 30, 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 23, 2016.

**Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered Praxis Housing Initiatives, Inc.’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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Praxis Housing Initiatives, Inc.’s internal control. Accordingly, we do not express an opinion on the effectiveness of Praxis Housing Initiatives, Inc.’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 consolidated 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.

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether Praxis Housing Initiatives, Inc.'s consolidated 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 consolidated 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

NChing LLP

New York, New York  
March 23, 2016



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## **Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

To the Board of Directors of  
Praxis Housing Initiatives, Inc.

### **Report on compliance for each major federal program**

We have audited Praxis Housing Initiatives, Inc.'s 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 Praxis Housing Initiatives, Inc.'s major federal programs for the year ended June 30, 2015. 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.

### **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 Praxis Housing Initiatives, Inc.'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Praxis Housing Initiatives, Inc.'s compliance.

### **Opinion on each major federal program**

In our opinion, Praxis Housing Initiatives, Inc. 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 Praxis Housing Initiatives, Inc. 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 Praxis Housing Initiatives, Inc.'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 Praxis Housing Initiatives, Inc.'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* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that 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 this 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 A-133. Accordingly, this report is not suitable for any other purpose.

New York, New York  
March 23, 2016

NC Cheng LLP

**PRAXIS HOUSING INITIATIVES, INC.**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2015

**Section I – Summary of auditor’s results**

**Financial statements**

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal awards**

Internal control over major federal programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

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

Identification of major federal programs:

<u>CFDA number(s)</u>	<u>Name of federal program or cluster</u>
14.241	Housing opportunities for persons with AIDS

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, 2015

**Section II – Financial statements findings**

None

**Section III – Federal awards findings and questioned costs**

None

**PRAXIS HOUSING INITIATIVES, INC.**  
**Summary Schedule of Prior Audit Findings**  
For the year ended June 30, 2015

None

**PRAXIS HOUSING INITIATIVES, INC.**  
**Corrective Action Plan**  
For the year ended June 30, 2015

None