

**WOMEN'S HOUSING AND ECONOMIC  
DEVELOPMENT CORPORATION  
FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

C O N T E N T S

Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	6
Statement of Cash Flows	8
Notes to Financial Statements	10
Supplemental Information:	
Statement of Functional Expenses	21
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	23
Report on Compliance for each major Program and on Internal Control over Compliance required by OMB Circular A-133	25
Schedule of Findings and Questioned Costs	28
Schedule of Federal Awards	29
Notes to Schedule of Federal Awards	30

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The Board of Directors  
Women's Housing and Economic  
Development Corporation

## Independent Auditor's Report

### *Report on the Financial Statements*

I have audited the accompanying financial statements of Women's Housing and Economic Development Corporation, which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

The Board of Directors  
Women's Housing and Economic  
Development Corporation

Page 2

effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women's Housing and Economic Development Corporation as of December 31, 2013 and 2012, 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*

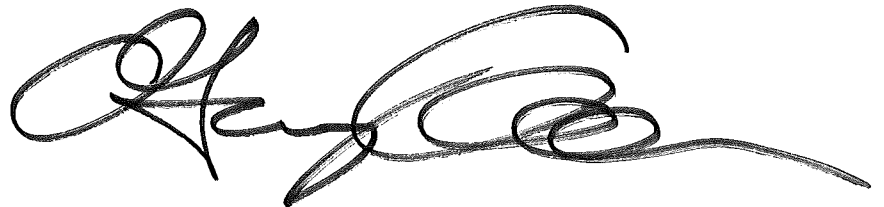
My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Board of Directors  
Women's Housing and Economic  
Development Corporation

Page 3

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated June 30, 2014, on my consideration of Women's Housing and Economic Development Corporation's internal control over financial reporting and on my 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 Women's Housing and Economic Development Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

New York, New York  
June 30, 2014

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

A S S E T S

	<u>2013</u>	<u>2012</u>
Current Assets		
Cash and cash equivalents	\$ 3,326,949	\$ 2,849,489
Short-term investments	404,586	-
Accounts receivable	1,061,112	1,709,901
Unconditional promises to give	846,276	469,279
Prepaid expenses	<u>45,131</u>	<u>93,728</u>
Total Current Assets	5,684,054	5,122,397
Fixed Assets, net of accumulated depreciation of \$533,136 in 2013 and \$1,028,391 in 2012	1,267,423	1,362,209
Other Assets		
Long-term unconditional promises to give	712,700	537,700
Security deposit	1,025	3,585
Investment in Urban Horizons	1,209,943	1,214,685
Investment in Louis Nine	-	82,093
Developer's fee receivable - Urban Horizons II	1,686,706	1,686,706
Developer's fee receivable - Louis Nine	100,475	100,475
Loan receivable - Urban Horizons II	608,403	608,403
Predevelopment - Bronx Commons	89,946	81,489
Due from Urban Horizons	205,904	405,905
Due from affiliates	<u>310,266</u>	<u>300,498</u>
Total Other Assets	<u>4,925,368</u>	<u>5,021,539</u>
TOTAL ASSETS	<u>\$11,876,845</u>	<u>\$11,506,145</u>

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

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2013 AND 2012**

LIABILITIES AND NET ASSETS

	<u>2013</u>	<u>2012</u>
<b>Current Liabilities</b>		
Accounts payable	\$ 100,794	\$ 211,099
Accrued expenses	723,751	303,980
Due to providers	499,611	503,578
Due to affiliate	33,395	45,686
Contract advance	240,328	456,750
Tenants' security deposit	<u>6,285</u>	<u>6,285</u>
Total Current Liabilities	1,604,164	1,527,378
<b>Long-Term Debt</b>		
Loan payable, net of current portion	<u>300,000</u>	<u>275,000</u>
Total Liabilities	1,904,164	1,802,378
<b>Net Assets</b>		
Unrestricted	7,209,668	7,158,919
Temporarily restricted	922,700	617,700
Permanently restricted	<u>1,840,313</u>	<u>1,927,148</u>
Total Net Assets	<u>9,972,681</u>	<u>9,703,767</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$11,876,845</u>	<u>\$11,506,145</u>

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

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013	2012
UNRESTRICTED NET ASSETS		
Unrestricted Revenues		
Foundations	\$ 1,496,901	\$ 1,719,356
Individuals/Special events	295,532	224,891
Contracts and grants	13,262,215	11,044,683
Rental and other income	571,879	678,403
Donated services	152,383	147,891
Investment income	7,489	25,026
Total Unrestricted Revenues	15,786,399	13,840,250
Net assets released from restrictions satisfied by payments	80,000	235,000
Net Unrestricted Revenue	15,866,399	14,075,250
Expenses		
Program and Services		
Kitchen	232,681	238,925
Head Start	1,870,694	1,508,644
Family Support	581,400	630,418
Youth Services	1,260,586	1,477,359
Homebased Childcare	8,888,084	7,823,682
Housing development	254,938	189,123
Melrose	469,894	529,728
Community development	177,979	164,753
Research and Evaluation	126,783	78,907
Management and general	1,366,443	1,399,352
Fundraising	586,168	313,897
Total Expenses	15,815,650	14,354,788
Increase in unrestricted Net Assets	50,749	(279,538)

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



**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Continued)

	<u>2013</u>	<u>2012</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
Grant income for next year	385,000	617,700
Expenditure of prior year grant funds and contract income	<u>(80,000)</u>	<u>(235,000)</u>
Increase in temporarily restricted assets	<u>305,000</u>	<u>382,700</u>
<b>PERMANENTLY RESTRICTED ASSETS</b>		
Loss from Urban Horizons I	(4,742)	(6,448)
Loss from Louis Nine	<u>(82,093)</u>	<u>(40)</u>
Decrease in permanently restricted assets	<u>(86,835)</u>	<u>(6,488)</u>
Increase in Net Assets	268,914	96,674
Net Assets - Beginning of Year	<u>9,703,767</u>	<u>9,607,093</u>
Net Assets - End of Year	<u><u>\$ 9,972,681</u></u>	<u><u>\$ 9,703,767</u></u>

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

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Increase in net assets	\$ 268,914	\$ 96,674
Adjustments to reconcile excess of revenue over expenditures to net cash provided by (used in) operating activities:		
Depreciation	188,972	157,596
Decrease(Increase)in operating assets:		
Accounts receivable and pledge receivable	96,792	(815,260)
Prepaid expenses	48,597	52,943
Security deposit	2,560	1,310
Developer's fees receivable	-	585,971
Due from affiliate	(9,768)	(268,305)
Investment in Urban Horizons I	4,742	6,448
Investment in Louis Nine LP	82,093	40
Loan receivable- Urban Horizons I	200,001	(405,905)
Increase (Decrease) in operating liabilities:		
Accounts payable	(110,305)	(67,347)
Accrued expenses	419,771	(45,641)
Due to providers	(3,967)	108,384
Contract advances	(216,422)	91,429
Due to affiliate	(12,291)	45,686
Total adjustments	<u>690,775</u>	<u>(552,651)</u>
Net cash provided by (used in) operating activities	<u>959,689</u>	<u>(455,977)</u>
Cash flows from investing activities:		
Increase in investment	(404,586)	-
Acquisition of fixed assets	(94,186)	(334,107)
Increase in predevelopment cost	(8,457)	(81,489)
Decrease in equipment deposit	-	<u>30,000</u>
Net cash used in investing activities	<u>(507,229)</u>	<u>(385,596)</u>

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

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**  
(Continued)

	<u>2013</u>	<u>2012</u>
Cash flows from financing activities:		
Increase in notes payable	<u>25,000</u>	<u>275,000</u>
Net cash provided by financing activities	<u>25,000</u>	<u>275,000</u>
Net Increase (Decrease) in cash	477,460	(566,573)
Cash at beginning of year	<u>2,849,489</u>	<u>3,416,062</u>
CASH AT END OF YEAR	<u><u>\$3,326,949</u></u>	<u><u>\$2,849,489</u></u>

Supplemental information:

Interest paid during the year	<u>\$ 9,881</u>	<u>\$ 13,701</u>
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The accompanying notes are an integral part of these financial statements.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES

Basis of Operation

Women's Housing and Economic Development Corporation (WHEDCO), not-for-profit corporation, works with families in the Bronx who struggle with the multiple challenges presented by poverty, and who, like all of us, aspire to a healthy, financially stable future. WHEDCO offers interconnected, innovative, and high quality solutions - including the building of healthy, affordable homes - creating more beautiful, more equitable, and more economically vibrant places to live and raise a family. The Corporation is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Financial Statements Presentation

The presentation of the Corporation's financial statements is in accordance with the Accounting Standards Codification Topic No. 958, "Not-for-Profit Entities", (ASC 958). Under ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Fixed Assets

Fixed assets are recorded at cost net of accumulated depreciation. Depreciation is being provided based on the estimated useful life, using the straight line and accelerated methods.

Use of Estimates in the Preparation of the Financial Statements

Preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 1 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Short-term investments consist of debt securities with original maturities of twelve months or less. Long-term investments consist of debt securities with original maturities greater than twelve months.

Promise to Give

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Corporation is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code. Accordingly, no provision for Federal, New York State, and New York City income taxes is included in the financial statements.

Accounting for Uncertainty in Income Taxes

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Project had no uncertain tax positions that would require financial statement recognition or disclosure.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 2 - GRANT AND OTHER INCOME

The Corporation received unrestricted grants and donation income from foundations, individuals, and business organizations totaling \$1,872,433 in 2013 and \$2,179,247 in 2012 to help provide the funding for the organization. The Corporation also received temporarily restricted grant income of \$385,000 in 2013 and \$617,700 in 2012 respectively.

NOTE 3 - INVESTMENT IN URBAN HORIZONS I

The Corporation, and its affiliate WHEDCO Development Corp., have acted as the developer of Urban Horizons I (Urban Horizons), a unique community economic development center in the South Bronx. The Urban Horizons project has transformed the former Morrisania Hospital, abandoned in 1976, into a multi-service complex which includes 132 apartments for low-income families, with 48 set aside for previously homeless families; employment training and job creation programs; a day care center; comprehensive counseling and referral services; and a playground and courtyard connecting Urban Horizons with a bilingual elementary school serving grades K-8, which shares the site. There is also a primary health care facility operated by the Institute for Family Health.

The project began construction in December 1995 and was completed in April 1997. The Corporation through its affiliate WHEDCO Development Corp. has made an investment of \$1,237,273 as the general partner of the Urban Horizons Tax Credit Partnership L.P.. The source of the investment came from fees that WHEDCO received for developing the project, and from funds received from the Department of Health and Human Services (DHHS) and New York State Urban Development Corp.. The project is also being financed with equity investments by the National and New York Equity Funds and loans from the New York State Housing Trust Fund and New York State Homeless Housing Assistance Corporation.

The Corporation has classified the investment in Urban Horizons as a permanently restricted asset. The investment is being reported on the accompanying financial statement using the equity method whereby the investment is increased or decreased by WHEDCO's share of the results of operations. In 2011, WHEDCO made a capital contribution in the amount of \$39,000 to Urban Horizon.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 4 - GOVERNMENT GRANTS

WHEDCO entered into a contract called Early Learn with the New York City Administration for Children's Services (ACS) for the contract period starting from October 1, 2012 to September 30, 2016 to provide quality early care and education services to children and families. This contract replaced a previous Head Start program, which expired on September 30, 2012. Early Learn consists of two programs, a traditional Head Start and Family Child Care (FCC), under this contract. During 2013 and 2012, \$2,711,192 and \$469,405 were received under that contract, of which \$1,577 was receivable as of December 31, 2013. Advances relating to the contract totaling of \$0 and \$134,652 are included in liabilities at December 31, 2013 and 2012 respectively.

WHEDCO has a contract with the New York State Department of Health for Child and Adult Care Food Program (CACFP) to provide meals to children participating in day care in the South Bronx. During 2013 and 2012, WHEDCO received \$2,547,216 and \$2,119,469 under the contract. The funds received represent costs of meals and administrative fees. The total administrative fees earned were \$294,443 in 2013 and \$263,040 in 2012. As of December 31, 2013 and 2012, \$223,508 and \$501,224 from the state were included in accounts receivable, respectively.

WHEDCO has entered into various contracts with the New York City Department of Youth and Community Development to provide various services to local youth. The contracts have varying terms. During 2013 and 2012, WHEDCO earned \$1,060,759 and \$1,068,356 under these contracts, of which \$126,994 and \$364,670 were receivable as of December 31, 2013 and 2012 respectively.

WHEDCO entered into a contract with the Office of Child and Family Service (OCFS) for the contract period starting April 1, 2008 to June 30, 2014 to enroll unlicensed daycare providers into the Child Care Facility System(CCFS). As of report date, WHEDCO is working with OCFS to renew contracts for another 5 years. OCFS extended the contract until June 30, 2015 while the contract is being negotiated. During 2013 and 2012, revenue of \$6,125,000 and \$6,125,000 respectively were earned. As of December 31, 2013 and 2012, WHEDCO had receivable of \$510,366 and \$535,938 from OCFS respectively.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 4 - GOVERNMENT GRANTS (CONTINUED)

Under the Head Start program that expired on September 30, 2012 the Corporation received \$795,389 in 2012. At December 31, 2013 and 2012, there was no receivable from ACS. Advances relating to the contract totaling of \$231,060 and \$314,908 are included in liabilities at December 31, 2013 and 2012 respectively.

WHEDCO is currently negotiating with the New York City regarding a capital grant that had been authorized during 2005. A total of \$43,064 and \$208,063 were included in accounts receivable as of December 31, 2013 and 2012 respectively. During 2013, the Corporation collected \$114,999 and wrote off \$50,000 of receivable. Management is in contact with New York City to collect the remaining balance due.

The Corporation also received \$668,808 in 2013 and \$467,069 in 2012 respectively under various other contracts and grants. The accounts receivable from various contracts are \$140,877 in 2013 and \$82,716 in 2012 respectively.

NOTE 5 - DEVELOPMENT COSTS AND LOANS - URBAN HORIZONS II

The Corporation, and its affiliate Urban Horizons II GP, Inc., have acted as the developer of Intervale Green (Urban Horizons II), a unique affordable housing development for low income families in the South Bronx. The project named Urban Horizons II is a limited partnership and qualifies for low-income housing tax credits. Urban Horizons II consists of 128 residential units for low-income families with 30% of the units set aside for families coming out of the homeless shelter system. The total cost of the project is \$38,114,306 and financing is provided by tax-exempt bonds issued from the New York City Housing Development Corporation (HDC) and from private investments from Richman Housing Resources, the tax credit syndicator. A pilot program through the New York State Energy Research and Development Authority (NYSERDA) is providing technical assistance and capital costs so that the building can achieve one of the first ever Energy Star ratings for multi-family buildings. Construction began in December 2005 and was completed in February 2009.

WHEDCO was expected to earn \$4,914,853 in developer's fees in connection with this project and WHEDCO earned the entire developer's fee as of December 31, 2008.



**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 5 - DEVELOPMENT COSTS AND LOANS - URBAN HORIZONS II (CONTINUED)

Payment of the fees are in accordance with the development fee agreement. As of December 31, 2013, WHEDCO has received \$3,228,147 of which \$398,228 was used to repay certain loans and professional expenses incurred by WHEDCO to support the project development. As of December 31, 2013 and 2012, the balance of Developer's fee receivable was \$1,686,706.

The Corporation entered into a loan agreement with Urban Horizons II for the amount of \$547,403. The sources of the funds were grants from New York State Energy Research and Development Authority (NYSERDA) for \$422,403 and the Bronx Overall Economic Development Corporation for \$125,000. The loan was evidenced by a promissory note and secured by a subordinate lien on the rental property. The loan bears no interest and matures on October 1, 2039. The Corporation entered into two loan agreement with Urban Horizons II for the amount of \$36,000 and \$25,000 in July 29, 2010. The sources of the funds were grants from Enterprise Community Partners Inc. for \$36,000 and Home Depot for \$25,000. The loans were evidenced by promissory notes and secured by a subordinate lien on the rental property. The loan bears no interest and matures on July 29, 2040. As of December 31, 2013 and 2012 the loan receivable was \$608,403.

The Corporation provides a social services to Urban Horizons II for an annual fee. The Corporation has earned for social service fee of \$115,000 for 2013 and 2012. The unpaid portion of social service fees of \$19,167 in 2013 and \$28,749 in 2012 were included in due from affiliates.

NOTE 6 - DEVELOPMENT COSTS AND LOANS - LOUIS NINE

The Corporation, and its affiliate Louis Nine GP, Inc., have acted as the developer of Louis Nine House, a unique affordable housing development for low income families in the South Bronx. The building was built by the same general contractor as Urban Horizons II, and is providing 46 units of supportive housing for young adults out of foster care.

The total cost of the project will be 7.6 million dollars and will come from HPD's Supportive Housing Loan Program and Richman Housing Resources. The project will also provide low income housing tax credits for the limited partner.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012**

NOTE 6 - DEVELOPMENT COSTS AND LOANS - LOUIS NINE (CONTINUED)

The project began construction in May 2006 and was completed in February 2009. WHEDCO was expected to earn \$224,250 of developer's fees in connection with this project and earned the entire developer's fee as of December 31, 2008. An affiliate of WHEDCO will be the general partner. As of December 31, 2013 and 2012, the balance of developer's fee receivable for Louis Nine was \$100,475.

In 2009, the Corporation received a grant from NYSERDA in the amount of \$82,233, which was contributed to the Foyer project through the general partner that the Corporation owns. The grant is included in the statement of financial position as a permanently restricted assets.

NOTE 7 - PREDEVELOPMENT COSTS - BRONX COMMONS

As of December 31, 2013 and 2012, WHEDCO incurred \$89,946 and \$81,489 respectively of costs associated with the planning of new low income housing project named Bronx Commons. These costs are to be reimbursed at the time of the syndication closing on the property. It is anticipated that WHEDCO or an affiliate will be the general partner. The project will be financed with funds from a private investor who will be the limited partner and with loans from New York City. The project will also provide low income housing tax credits for the limited partner.

NOTE 8 - DUE TO PROVIDERS

In accordance with the contracts with ACS and NYS Department of Health, WHEDCO is to pay providers, who provide child care services and meal services to children. As of December 31, 2013 and 2012, total due to providers are as follows:

	2013	2012
Early Learn - FCC	\$ 142,707	\$ 75,670
CACAP	356,904	427,908
Total due to providers	\$ 499,611	\$ 503,578

NOTE 9 - CONTRACT ADVANCE

WHEDCO receives advances from various government contracts. Total advances outstanding as of December 31, 2013 and 2012 are \$240,328 and \$456,750 respectively.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 10 - LOANS PAYABLE

In September 2012, WHEDCO received a loan of \$250,000 from The Contact Fund, LLC. The loan agreement also provides an additional fund of \$250,000 if needed. The proceeds of the loan is used for the development of Bronx Commons (Note 7).

The loan bears an interest at prime rate plus 1.5% on the outstanding balance. The loan is payable on the date WHEDCO or its affiliate receives any construction financing in respect to the development of Bronx Commons project, which is expected to be received in 2015.

In 2012 WHEDCO received grants and loans totaling \$225,000 from Deutsche Bank of America. The grants (\$150,000) and loans (\$75,000) are to be received over a 3 year period beginning in 2012. In 2013 and 2012, WHEDCO received \$50,000 of grants per year and a non interest bearing loans of \$25,000 per year, which are payable in July 2015 and July 2016. WHEDCO has recorded a pledge receivable for the additional \$50,000 in 2013 and \$100,000 in 2012 of grants respectively (Note 11).

Loans payable consists of:

	2013	2012
Contact Fund, LLC	\$ 250,000	\$ 250,000
Deutsche Bank	50,000	25,000
	300,000	275,000
Current portion	-	-
Non-Current	\$ 300,000	\$ 275,000

NOTE 11 - UNCONDITIONAL PROMISES TO GIVE

WHEDCO received unconditional promises to give from various individuals and foundations. The total unconditional promises to give outstanding as of December 31, 2013 and 2012 were \$1,558,976 and \$1,006,979 respectively. Included in unconditional promises to give, is a pledge of \$487,700 payable over a 5 year period. A pledge from Deutsche Bank of \$100,000 is payable \$50,000 in 2013 and \$50,000 in 2014. Pinkerton foundation pledged a three year grant for \$375,000, which is payable \$150,000 in 2015 and \$75,000 in 2016.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 11 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

	<u>2013</u>	<u>2012</u>
Total	\$ 1,558,976	\$1,006,979
Non - current	<u>712,700</u>	<u>537,700</u>
Current portion	<u>\$ 846,276</u>	<u>\$ 469,279</u>

NOTE 12 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

The Corporation operates its social programs at Urban Horizons' facility. Urban Horizons charges WHEDCO occupancy costs incurred. Also, the Corporation advances funds to Urban Horizons II and Louis Nine for various costs. As of December 31, 2013 and 2012, the total balance due from/(to) affiliates are as follows:

	<u>2013</u>	<u>2012</u>
Due from affiliates		
Urban Horizons	\$ 297,493	\$ 287,725
Louis Nine	<u>12,773</u>	<u>12,773</u>
Total	<u>\$ 310,266</u>	<u>\$ 300,498</u>
Due to affiliate		
Urban Horizons II	<u>\$ 33,395</u>	<u>\$ 45,686</u>

NOTE 13 - COMMITMENTS AND CONTINGENCIES

The Corporation entered into a thirty year lease for office space with Urban Horizons beginning December 21, 1995. A portion of this space is sublet under the lease. The sublet lease expires in May 2015. The Corporation also entered into a thirty year lease for office space with Urban Horizons II beginning February 2009. The Corporation also leases office equipment under various leases that expire in various years.

The total minimum rental payments required under these leases are as follows:

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 13 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Year ended <u>December 31,</u>	<u>Rent</u>	<u>Sub rental income</u>
2014	314,318	181,252
2015	328,079	76,297
2016	330,151	
2017	291,758	
2018	294,711	
Thereafter	4,689,850	

The Corporation will provide fund to Urban Horizons II necessary to pay any operating deficit up to \$575,000 in the form of a loan during three years after Breakeven Operations, as defined in the partnership agreement. The operating deficit loan shall bear no interest and shall be repaid solely as provided for in the partnership agreement. As of December 31, 2013 and 2012, there has been no funding required under this guaranty.

NOTE 14 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalents with various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. At times, these balances may exceed the FDIC limits. At December 31, 2013 and 2012 cash exceeding the FDIC limits were \$3,049,224 and 2,564,025.

NOTE 15 - PERMANENTLY RESTRICTED NET ASSETS

A summary of permanently restricted net assets is as follows:

	<u>2013</u>	<u>2012</u>
Investment in Urban Horizons	\$1,231,910	\$1,236,652
Investment in Louis Nine	-	82,093
Loan to Urban Horizons II	<u>608,403</u>	<u>608,403</u>
Total	<u>\$1,840,313</u>	<u>\$1,927,148</u>

NOTE 16 - RETIREMENT PLAN

In July 2014, WHEDCO started a new 403(B) ERISA retirement plan. Besides the elected employee contributions, this plan will allow discretionary employer contributions based on employee participation and eligibility. The current 403(B) plan, that will end in June 2014, allows only employee elected contributions up to the maximum IRS annual limits.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through June 30, 2014, the date the financial statements were available to be issued and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

**SUPPLEMENTAL INFORMATION**

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDING DECEMBER 31, 2013**

	Program Services										Support Services	
	Total	Kitchen	Head Start	Family Support	Youth Services	Homebased Childcare	Housing Development	Melrose	Community Development	Research & Evaluation	Management General	Fundraising
Salaries	\$8,322,783	\$118,849	\$1,093,338	\$431,111	\$1,013,703	\$4,040,469	\$151,953	\$242,873	\$113,343	\$103,738	\$584,837	\$428,569
Fringes	1,824,950	19,100	289,655	86,210	136,421	1,034,127	16,059	40,907	12,515	15,013	119,167	55,776
Professional services - General	523,022	2,263	159,312	7,835	7,129	80,313	9,597	122,763	12,488	2,952	57,144	61,226
Professional services - Accounting	27,950	273	13,489	841	490	9,962	162	175	223	296	1,549	490
Professional services - Legal	42,087	0	0	0	0	0	0	0	0	0	42,087	0
Insurance	71,662	1,189	1,125	3,821	2,702	46,358	884	881	1,189	1,250	10,007	2,256
Supplies	238,959	5,216	14,475	5,078	11,675	142,449	7,007	5,791	7,297	457	31,532	7,982
Postage	147,824	71	208	239	737	138,882	768	457	868	0	3,705	1,889
Program Direct Costs	3,200,780	0	96,726	5,958	54,633	3,009,599	730	4,091	1,629	22	26,816	576
Occupancy	542,882	47,861	160,714	22,780	1,621	172,249	10,277	36,755	12,230	1,427	71,501	5,467
Telecommunication	114,339	781	3,273	8,922	4,704	68,007	1,236	951	3,095	331	21,394	1,645
Travel	46,626	42	72	74	1,091	33,614	123	3,957	1,400	82	6,025	146
Professional Development	189,757	656	20,497	3,356	20,429	32,202	3,036	6,933	5,940	754	90,600	5,354
Information Technology	16,390	110	408	657	600	6,069	26	187	2,607	47	1,007	4,672
Equipment Rental and Repair	241,329	36,270	17,402	4,518	4,651	73,784	3,030	2,908	2,855	414	86,873	8,624
Marketing	6,849	0	0	0	0	0	50	265	300	0	4,738	1,496
Other Expenses	1,549	0	0	0	0	0	0	0	0	0	1,549	0
Interest Expense	16,940	0	0	0	0	0	0	0	0	0	16,940	0
Depreciation Expense	188,972	0	0	0	0	0	0	0	0	0	188,972	0
Bad Debts	50,000	0	0	0	0	0	50,000	0	0	0	0	0
	<u>\$15,815,650</u>	<u>\$232,681</u>	<u>\$1,870,694</u>	<u>\$581,400</u>	<u>\$1,260,586</u>	<u>\$8,888,084</u>	<u>\$254,938</u>	<u>\$469,894</u>	<u>\$177,979</u>	<u>\$126,783</u>	<u>\$1,366,443</u>	<u>\$586,168</u>

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



**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDING DECEMBER 31, 2012**

	Program Services										Support Services	
	Total	Kitchen	Head Start	Family Support	Youth Services	Homebased Childcare	Housing Development	Melrose	Community Development	Research & Evaluation	Management General	Fundraising
Salaries	\$8,127,215	\$129,067	\$913,433	\$455,427	\$1,204,105	\$3,996,501	\$130,489	\$297,380	\$98,578	\$56,897	\$652,047	\$193,291
Fringes	1,669,139	19,350	100,019	99,873	141,653	1,079,724	26,814	26,140	13,472	10,192	141,738	10,164
Professional services - General	659,820	2,142	185,660	13,240	24,628	89,118	14,517	163,356	22,213	7,765	70,061	67,120
Professional services - Accounting	16,625	320	3,046	798	479	9,425	160	160	160	320	1,278	479
Professional services - Legal	19,700	0	0	0	0	0	0	0	0	0	19,700	0
Insurance	67,053	1,097	0	5,020	6,199	38,884	1,274	1,516	680	565	9,771	2,047
Supplies	268,378	9,623	19,882	5,847	11,155	149,598	1,344	15,478	10,271	326	41,140	3,714
Postage	139,105	2	1,256	678	639	128,856	1,300	124	312	0	5,018	920
Program Direct Costs	2,138,796	3	98,172	3,033	56,230	1,958,406	823	3,956	6,634	501	10,142	896
Occupancy	480,346	41,442	139,160	33,068	1,404	195,633	2,155	1,483	2,155	1,235	57,877	4,734
Telecommunication	103,872	1,023	2,700	7,834	4,987	63,165	1,394	346	1,262	438	18,919	1,804
Travel	51,079	49	219	891	1,460	34,701	73	4,069	1,960	0	7,603	54
Professional Development	171,012	0	6,836	1,292	17,064	2,956	2,661	7,008	2,095	74	111,001	20,025
Information Technology	17,106	0	90	0	0	825	0	50	115	0	14,858	1,168
Equipment Rental and Repair	242,647	34,807	38,000	3,222	5,361	75,695	5,355	4,295	4,295	594	65,807	5,216
Marketing	4,441	0	171	195	0	0	400	367	551	0	492	2,265
Other Expenses	6,793	0	0	0	1,995	195	0	4,000	0	0	603	0
Interest Expense	13,701	0	0	0	0	0	0	0	0	0	13,701	0
Depreciation Expense	157,596	0	0	0	0	0	0	0	0	0	157,596	0
Bad Debts	364	0	0	0	0	0	364	0	0	0	0	0
	<u>\$14,354,788</u>	<u>\$238,925</u>	<u>\$1,508,644</u>	<u>\$630,418</u>	<u>\$1,477,359</u>	<u>\$7,823,682</u>	<u>\$189,123</u>	<u>\$529,728</u>	<u>\$164,753</u>	<u>\$78,907</u>	<u>\$1,399,352</u>	<u>\$313,897</u>

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

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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  
Women's Housing and Economic  
Development Corporation

I 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 financial statements of Women's Housing and Economic Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013 and 2012, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated June 30, 2014.

**Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*  
(Continued)

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

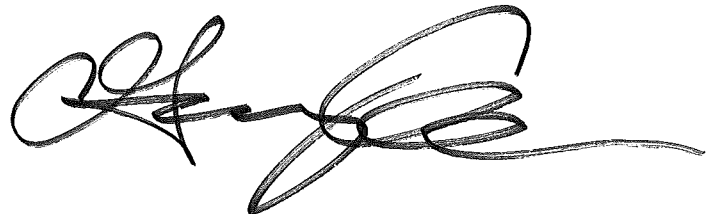
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Women's Housing and Economic Development Corporation's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.

New York, New York  
June 30, 2014

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal tail.

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

The Board of Directors  
Women's Housing and Economic  
Development Corporation

**Report on Compliance for Each Major Federal Program**

I have audited Women's Housing and Economic Development Corporation'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 Women's Housing and Economic Development Corporation's major federal programs for the years ended December 31, 2013 and 2012. Women's Housing and Economic Development Corporation'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***

My responsibility is to express an opinion on compliance for each of Women's Housing and Economic Development Corporation's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Continued)**

program occurred. An audit includes examining, on a test basis, evidence about Women's Housing and Economic Development Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Women's Housing and Economic Development Corporation's compliance.

***Opinion on Each Major Federal Program***

In my opinion, Women's Housing and Economic Development Corporation 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 years ended December 31, 2013 and 2012.

***Report on Internal Control Over Compliance***

Management of Women's Housing and Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Women's Housing and Economic Development Corporation'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, I do not express an opinion on the effectiveness of Women's Housing and Economic Development Corporation's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(Continued)

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.

My 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. I did not identify any deficiencies in internal control over compliance that I 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 my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

New York, New York  
June 30, 2014

A handwritten signature in black ink, appearing to be 'R. G. ...', written in a cursive style.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

**Section I: Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified not considered to be a material weakness?

None reported

Noncompliance material to the financial statements noted? No

**Federal Awards**

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified not considered to be a material weakness?

None reported

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)? No

Major programs:

93.600 Head start program and Early Learn (NYC ACS)

93.575 Head start program and Early Learn (NYC ACS)

93.575 Legally-Exempt Providers (OCFS)

10.558 Child and Adult Care Food Program (NYS Dept of Health  
CACFP)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee? Yes

**Section II: Financial Statement Findings**

There are no financial statement findings reported.

**Section III: Federal Awards Findings**

There are no federal award findings reported.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Grantor</u>	<u>Federal CFDA#</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Department of Health and Human Services: Pass-through Program from NYC Administration for Children's Services	93.600	-	<u>\$1,203,625</u>
Department of Agriculture: Pass-through Program from NYS Department of Health Child and Adult Care Food Program	10.558	4152	<u>\$ 102,835</u>
Department of Agriculture: Pass-through Program from NYS Department of Health Child and Adult Care Food Program	10.558	4912	<u>\$2,444,381</u>
Department of Health and Human Services Pass-through program from NYS Office of Children and Family Services	93.575	-	<u>\$6,125,000</u>
Department of Housing and Urban Development Pass-through program from NYC Small Business services	14.218	-	<u>\$ 71,421</u>
Department of Agriculture: Pass-through program from NYC Department of mental Health and Hygiene	10.574	-	<u>\$ 86,319</u>
Department of Health and Human Services Pass-through program from from NYC Administration for Children's Services	93.575	-	<u>\$ 654,142</u>



**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION**  
**NOTES TO SCHEDULE OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Women's Housing and Economic Development Corporation under programs of the federal government for the year ended December 31, 2013. 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*. Because the Schedule presents only a selected portion of the operations of Women's Housing and Economic Development Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Women's Housing and Economic Development Corporation.

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 reimbursements.