SETTLEMENT HOUSING FUND, INC. AND AFFILIATES

CONSOLIDATED FINANCIAL STATEMENT
WITH INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2012

KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Settlement Housing Fund, Inc. and Affiliates

We have audited the accompanying consolidated of financial statements of Settlement Housing Fund, Inc. and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2012, and the related consolidated statements of activities and cash flows for the year 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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 presents fairly, in all material respects, the financial position of Settlement Housing Fund, Inc. and Affiliates, as of December 31, 2012, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 26 through 27 and the Settlement Housing Fund, Inc. financial report are presented for purposes of additional analysis and are not a required part of the basic 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 audits 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 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.

Koch Group & Company, LLP

Certified Public Accountants

New York, New York
August 22, 2013

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	$ 2,139,069
Escrows and reserves	3,510,218
Restricted cash	2,500,466
Tenants' security deposits	745,301
Investments	1,606,426
Grants and contributions receivable	1,117,968
Fees receivable, net	1,070,780
Loans receivable	15,686
Accounts receivable	835,100
Other assets	636,986
Mortgage receivable	371,225
Due from affiliates	256,365
Property and equipment, net of accumulated depreciation of $33,275,502	65,492,276
Deferred expenses, net accumulated amortization of $33,091	210,807
Total Assets	$80,508,673

LIABILITIES AND NET ASSETS

LIABILITIES	
Accounts payable and accrued expenses	$ 2,376,179
Accrued interest payable	396,311
Construction costs payable	1,664,406
Tenant security deposits payable	789,071
Deferred rent payable	128,792
Deferred revenue	507,693
Long-term debt	50,211,051
Loan payable	4,797,404
Line of credit	675,000
Due to affiliates	15,595
Due to affiliate of general partner	105,153
Total Liabilities	61,666,655
COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Unrestricted	
Controlling interest	
Operations	13,929,175
Board designated for operating reserves	950,000
Noncontrolling interest	3,509,194
Temporary restricted	453,649
Total net assets	18,842,018
TOTAL LIABILITIES AND NET ASSETS	$80,508,673

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE			
Grants and contributions	$ 12,215,590	$ 453,649	$ 12,669,239
Special events, net of direct costs of of $81,628	226,795	-	226,795
Program and other fees	690,542	-	690,542
Net rental income	13,649,751	-	13,649,751
Interest and dividend income	265,781	-	265,781
Realized and unrealized gain on investments	53,990	-	53,990
Loss on sale of building	(567,071)	-	(567,071)
Other revenue	490,789	-	490,789
Net assets released from restrictions	1,016,573	(1,016,573)	-
Total Public Support and Operating Revenue	28,042,740	(562,924)	27,479,816
EXPENSES			
Program services			
Development and technical assistance	7,256,408	-	7,256,408
Housing	16,361,611	-	16,361,611
Supportive services			
Management and general	2,681,257	-	2,681,257
Fundraising	255,213	-	255,213
Total Expenses	26,554,489	-	26,554,489
CHANGE IN NET ASSETS	$ 1,488,251	$ (562,924)	$ 925,327

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

YEAR ENDED DECEMBER 31, 2012

			Unrestricted	
NET ASSETS	Total	Temporarily Restricted	Controlling Interest	Noncontrolling Interest
Balance, January 1, 2012	$ 17,916,691	$ 1,016,573	$ 13,214,398	$ 3,685,720
Changes in net assets	925,327	(562,924)	1,664,777	(176,526)
Balance, December 31, 2012	$ 18,842,018	$ 453,649	$ 14,879,175	$ 3,509,194

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in Net Assets	$ 925,327
ADJUSTMENTS TO RECONCILE INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Realized and unrealized gain on investments	(53,990)
Depreciation	2,054,307
Amorization	6,802
Loss on sale of building	567,071
Changes in assets and liabilities	
Tenants' security deposits	10,393
Grants and contributions receivable	(580,218)
Fees receivable	383,827
Loans receivable	(834)
Accounts receivable	(83,555)
Other assets	25,390
Accounts payable and accrued expenses	466,771
Accrued interest payable	167,689
Tenant security deposits payable	30,425
Deferred rent payable	1,820
Deferred revenue	(16,199)
Net cash provided by operating activities	3,905,026
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of building	5,393,794
Mortgage receivable	(17,677)
Due from affiliates	(40,541)
Investments	(74,987)
Property and equipment	(11,574,810)
Deferred expenses, net accumulated	(132,921)
Escrows and reserves	2,485,093
Net cash used in investing activities	(3,962,049)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds of long-term debt	10,523,659
Repayment of long-term debt	(11,224,892)
Line of credit	675,000
Loan payable	(2,150,000)
Construction costs payable	1,664,406
Net cash used in financing activities	(511,827)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(568,850)
CASH AND CASH EQUIVALENTS	
Beginning of year	2,707,919
End of year	$ 2,139,069
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION	
Cash paid for Interest	$ 940,432

See notes to financial statements.

1. Organization

Settlement Housing Fund, Inc. (SHF) and Affiliates (collectively "the Organization") provides affordable housing, technical assistance, development services, social, recreational and cultural activities, events and after school programs for low income individuals and families, and transitional housing and day care for former homeless families in the City of New York.

Further, the Organization is affiliated with and under common board control with other nonprofit corporations and for profit limited partnerships which have been formed as supporting entities to further the Organization's objectives. These entities are included in the consolidated financial statements of the Organization in accordance with the "Reporting of Related Entities by Not-for-Profit Organizations" and "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." The following summarizes the entities comprising the Organization.

Newset II Housing Development Fund Corporation (Newset)
The Crenulated Company, Ltd. (Crenulated)
Semiperm Housing Development Fund Corporation (Semiperm)
New Settlement Community Campus Corp. (NSCCC)
Shuhab HDFC (Shuhab)
New Hull Street Housing Development Fund Corp. (New Hull)
St. John's Place Family Center HDFC (St. John's)

SHF was organized on August 20, 1969, under Section 402 of the Not-for-Profit Corporation Law and pursuant to Article XI of the Private Housing Finance Law ("Housing Development Fund Companies Law") of the State of New York. SHF is a not-for-profit charitable organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. SHF is operated for the charitable purpose of creating and maintaining economically and ethnically diverse affordable housing with community programs and neighborhood amenities throughout New York City. SHF provides technical assistance, development services and supervision to low and moderate income housing projects, including projects owned by SHF's affiliates and projects in which the Organization's affiliates are principals in joint ventures. Services include analyzing projects, choosing and supervising development teams, obtaining financing and subsidies, and supervising management and social services. SHF is supported primarily by fees charged for services provided and government, foundation and corporate contributions and grants.

1. Organization (Continued)

Newset II Housing Development Fund Corporation was formed as a nonprofit organization under the laws of the State of New York on September 15, 1999, and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The purpose is to acquire and operate a rental housing project consisting of 26 units located in the Bronx, New York. The project, which began operations in September 2001, is located at 1563 Walton Avenue and is operated under the name Newset. Newset also provides a space for The Crenulated Company Ltd.'s College Access Program.

The Crenulated Company, Ltd. was incorporated in the State of New York in 1989 under Section 402 of the Not-for-Profit Corporation Law and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Crenulated owns and operates 14 buildings known as New Settlement Apartments in the West Bronx, New York, as low and moderate income housing and housing for the homeless. In addition, Crenulated provides community programs for its tenants and neighborhood residents.

Semiperm Housing Development Fund Corporation was formed as a not-for-profit organization under the laws of the State of New York on May 2, 2006. Semiperm was organized to operate a building in which single parent, formerly homeless families can live for two to five years, benefiting from education programs and task-oriented counseling so that they can attain self-sufficiency and the ability to live in permanent housing. In April 2008, Semiperm received a 36,000 square foot building, consisting of 24 residential units, from a developer who, by providing this building to Semiperm, received zoning bonuses allowing the developer to build additional stories on a nearby building. Semiperm recorded the building at the market value as assessed by the New York City Department of Finance.

New Settlement Community Campus Corp. was formed as a nonprofit organization under the laws of the State of New York on August 23, 2005. The Organization was formed to develop a school facility and community center in the Mt. Eden section of the Southwest Bronx, New York. The land and buildings containing this facility are leased from the New York City School Construction Authority. Further, the Organization will provide social, recreational and cultural activities, events and after-school programs in the community center to benefit the school and the surrounding community. The Organization has leased a portion of the building back to the New York City School Construction Authority.

1. Organization (Continued)

Shuhab Housing Development Fund Corporation was formed on March 28, 2002, to develop ten tax delinquent buildings that had been acquired through the NYC Department of Housing Preservation and Development's Third Party Transfer Program and then to convert these buildings to cooperative ownership or rental use, resulting in 400 units of affordable cooperatives. Four buildings have been converted to cooperative ownership, three buildings are being rehabilitated, and three buildings are pending rehabilitation.

New Hull Street HDFC was formed as a nonprofit organization under the laws of the State of New York on December 12, 1990. In 2009, the organization acquired a 100% interest in 1610 Associates LP, a New York limited partnership, which owns a 33 unit apartment project in Brooklyn, New York. On October 19, 2009, 1610 Associates LP transferred title of the apartment project to the organization.

The St. John's Place Family Center Housing Development Fund Corporation was incorporated on March 24, 1987. St. John's Family Center owns and operates a facility in Brooklyn, New York, that provides transitional housing and ancillary services to displaced and homeless families within The City of New York. St. John's main source of revenue is the New York City Department of Homeless Services for services provided to eligible residents of New York City. St. John's Family Center also provides management services to an adjoining property of permanent residential housing. The St. John's Place Family Center Day Care Corporation was incorporated on May 22, 2000. St. John's Day Care operates in the facility of St. John's Family Center. St. John's Day Care provides day care for children aged 2.6 to 5 years old to shelter residents in St. John's Place. St. John's Day Care's main source of revenue is the New York City Administration for Children's Services. St. John's Family Center and St. John's Day Care were incorporated in New York State under Section 402 of the Not-for-Profit Corporation Law, are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and have been classified as organizations that are not private foundations under Section 509(a).

SHF is the sole owner of the general partners which each own a percentage of their associated limited partnerships. These partnerships were formed to own individual properties which are developed to provide low-income housing:

1. Organization (Continued)

General Partner	Percent of Limited Partnership Owned	Limited Partnership
Marcy Baer, Inc	1%	Marcy Baer, L.P.
1615 St. John's Place, Inc.	0.01%	1615 St. John's Place, L.P

SHF is a 50% owner, along with Two Bridges Neighborhood Council, of Two Bridgeset Towers, Inc., which owns a 100% general partnership interest in Two Bridgeset Associates, L.P., an unconsolidated affiliate.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying consolidated financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America as applicable to nonprofit entities.

b) Principles of Consolidation

Nonprofit Corporations. The accompanying financial statements of the Organization include the accounts of Settlement Housing Fund, Inc. and other nonprofit entities that are commonly controlled by SHF's officers or Board of Directors. All intercompany transactions and accounts have been eliminated in consolidation.

Limited Partnerships. Partnerships that are controlled by Settlement Housing Fund are included in the consolidated financial statements. The general partnership interests held by SHF entities equal .01% to 1% of the respective limited partnerships' equity, with the remainder of the partnerships' equity held by the limited partners of the respective limited partnerships. The portion of the limited partnerships not owned by SHF affiliated entities is presented in the consolidated financial statements as noncontrolling interests.

2. Summary of Significant Accounting Policies (Continued)

c) Cash and Cash Equivalents

The Organization maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to significant credit risk on cash and equivalents. For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

d) Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair value at the date of donation. The cost of buildings and improvements is depreciated over an estimated useful life of 30 to 40 years. The cost of furniture and equipment is depreciated over estimated useful lives of three to seven years. When assets are disposed of, their costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations. Management generally capitalizes items in excess of $500.

e) Income Taxes

SHF, Semiperm, Newset, Shuhab, New Hull, NSCCC, Crenulated and St John’s are exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The subsidiaries of the Organization are treated as partnerships and corporations for tax purposes. Partnership taxable income or loss passes through to, and is reportable by, the partners, individually. The Corporations have been carrying losses that are carried forward for future netting against taxable income. These losses are carried forward for 20 years and then permanently suspended if unused. Losses carried forward should be computed as assets using the applicable tax rate and reported on the consolidated statement of financial position, subject to valuation allowance. In the case of the wholly-owned subsidiaries, it is more likely than not that the respective asset will never be realized as the possibility of net income or gain is unlikely for these corporations. Therefore, no asset has been recognized in this financial report as the valuation allowance would equal 100% of the asset value. The city and state taxes reflected in the consolidated statements of activities and included in management and general expenses for certain subsidiaries are minimum New York City and State taxes due from corporations.

2. Summary of Significant Accounting Policies (Continued)

e) Income Taxes (Continued)

Management has determined that SHF and its affiliated entities had no uncertain tax positions that would require financial statement recognition. SHF and its affiliates are no longer subject to income tax examination by the U.S. federal, state or local tax authorities for years before 2009, which is the standard statute of limitations look-back period.

f) Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

g) Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the organization that is, in substance, unconditional. All contributions are due in one year and are recorded at their net realizable value.

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

Donations of property and equipment are recorded as contributions at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as increases in

2. Summary of Significant Accounting Policies (Continued)

g) Revenue Recognition (Continued)

temporarily restricted net assets. It is SHF's policy to imply a time restriction, based on the assets' estimated useful lives, on such property and equipment. SHF reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to such property and equipment.

Contributions of in-kind services are recorded at fair value at date of service.

Grants included as increases in unrestricted net assets are recognized as revenue during the period the related services are provided or during the period the related costs are incurred. Funds received prior to providing services or prior to incurring the related costs are deferred to future periods.

Rental income, principally from short-term leases on apartment units, is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the consolidated partnerships and tenants of the property are operating leases.

The Organization receives supervisory fees from several of its affiliated projects. In addition, the Organization provides services, such as marketing, to unaffiliated projects. The fees are recognized as revenue when earned.

h) Functional Allocation of Expenses

Costs and expenses of various programs and other activities have been analyzed on a functional basis. Accordingly, all costs and expenses incurred have been allocated among the programs and supporting services benefited.

i) Loans and Fees Receivable and Bad Debts

Loans and fees receivable are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

2. Summary of Significant Accounting Policies (Continued)

j) Investments

Investments are stated at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' declines, and that such changes could materially affect the amounts reported in the consolidated financial statements.

k) Deferred Expenses

Deferred expenses are amortized over their estimated useful lives. For the year ended December 31, 2012, amortization expense was $6,802.

l) Impairment of Long-Lived Assets

The Organization reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in 2012.

3. Restricted Cash

Restricted cash is held for the purpose of construction of the NSCCC project.

4. Escrows and Reserves

Pursuant to the terms of loan and partnership agreements, operating and replacement reserves and escrow deposits have been established by the various projects. Operating reserves are to be used for funding operating deficits of the projects and replacement reserves are to be used for the future improvement and replacement for the rental properties

5. Fair Value Measurements

The Organization adopted the updated provisions of the "Fair Value Measurements" topic of the FASB ASC, which establish a fair value hierarchy for disclosure of fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The following table summarizes investment assets measured at fair value at December 31, 2012:

	Total	Level 1	Level 3
Corporate fixed income	$727,469	$727,469	$ -
Mutual funds	535,199	535,199	-
Captive insurer organization	343,758	-	343,758
Total	$1,606,426	$1,262,668	$343,758

6. Grants and Contributions Receivable

Grants and contributions receivable are due in 2012 as follows:

Contributions receivable – foundations and funds	$ 250
Contributions receivable - individuals	190,300
	190,550
Grants receivable	927,418
	$1,117,968

7. Fees Receivable

a) Annual Fees

SHF earns the following annual fees from its affiliated and unaffiliated entities: partnership management fees for services related to reporting and monitoring operations, supervisory fees for services performed in the supervision and development of certain operating procedures, and accounting and data processing fees for services performed in maintaining the books and records of the entities. As of December 31, 2012, the reserve for uncollectible fees was $125,000.

b) Developer Fees

SHF, along with an unrelated co-developer, earned a developer fee from Two Bridgeset Associates L.P. The fee for these services was $5,067,500, 50% of which was earned by SHF. As of December 31, 2012, the amount due SHF was $801,569.

c) Advances

SHF has made advances to certain affiliated and unaffiliated entities for development and operational costs. These advances are noninterest bearing and payable on demand.

8. Loans Receivable

A Senior Fund Note in the amount of $8,827,851 dated August 11, 2011, from NSCCC Investment Fund LLC to GSUIG Real Estate Member LLC and loaned to NSCCC, was subsequently assigned to SHF. Interest only payments are to be received from borrower quarterly commencing October 5, 2011, at 1% per annum. Principal payments are to be received commencing July 1, 2018, through the maturity date of January 1, 2045.

A Junior Fund Note in the amount of $4,127,549 dated August 11, 2011, from NSCCC Investment Fund LLC to SHF and loaned to NSCCC requires interest only payments quarterly commencing October 5, 2011, at 1% per annum. The principal balance of $4,127,549 will be due on January 1, 2045.

As SHF is the beneficial owner, both notes have been eliminated in consolidation.

9. Mortgage Receivable

The loan to Two Bridgeset Associates, L.P. bears no interest and is due on October 29, 2025. The receivable is reported at present value using a discounted rate of 5%. In 2008, SHF donated half the mortgage to the Two Bridges Neighborhood Council. As of December 31, 2012, the balance of SHF's 50% share of the receivable was $371,225.

10. Deferred Rent

SHF occupies its premises under a lease terminating September 14, 2017. The annual base rent is $222,938 from September 1, 2008 through September 1, 2009, and increases annually at 2.5% plus escalations for real estate tax and maintenance. SHF will recognize $243,899 per year of rental expense on a straight-line basis. The deferred rent at December 31, 2012, is $128,792.

Minimum future rental payments for each of the next five years and thereafter and in the aggregate are:

Year	
2013	$ 248,132
2014	254,335
2015	260,693
2016	267,211
2017	192,403
Total	$1,222,774

11. Loans Payable

Settlement Housing Fund, Inc.'s notes payable of $4,000,000 from FJC requires interest payments only at prime plus 3%. The principal balance plus any unpaid interest is due on December 31, 2017.

Settlement Housing Fund, Inc.'s note payable dated August 10, 2011, to Marty and Dorothy Silverman Foundation in the original amount of $2,947,404 requires quarterly interest payments only at prime plus 3%. The balance of $797,404 plus any unpaid interest is due on October 1, 2018.

12. Long-Term Debt

a) Newset II Housing Development Fund Corporation

Newset II Housing Development Fund Corporation has a building and project loan with HPD in the amount of $2,698,931, of which $2,485,930 is deemed to be a building loan and the balance in the amount of $213,001 is deemed to be a project loan. The loan is secured by a lien on the property. As of December 31, 2012, $2,698,931 has been advanced under this loan. The loan is non-interest-bearing, requires no repayment of principal and is fully satisfied on June 30, 2016, at which time the loan will be forgiven. The loan requires that 14 units must be rented to low-income families with incomes not exceeding 60% of median income and three units must be rented to families with incomes not exceeding 50% of median income.

b) Shuhab

Shuhab has a loan from Citibank in the principal amount of $331,283, secured by a first mortgage on 285 West 150th Street. The loan bears interest at a rate of 7.18% per annum. Principal and interest payments of $2,244 are due in monthly installments through maturity on January 1, 2041. The outstanding balance at December 31, 2012 was $324,842.

Shuhab also has a loan from HPD in the principal amount of $2,793,005, secured by a second mortgage on 285 West 150th Street. The loan bears interest at a rate of .25% per annum. Principal and interest payments of $937 are due in monthly installments through maturity on January 1, 2041. The outstanding balance at December 31, 2012 was $2,785,174.

On June 28, 2012, Shuhab entered into a loan from HPD in the amount of $1,328,213, secured by a first mortgage on 22-24 Mt. Morris Park West. The loan bears interest at a rate of 4.59% per annum. Principal and interest payments of $6,801 are due in monthly installments through maturity on July 1, 2042. The outstanding balance at December 31, 2012 was $1,319,544.

On June 28, 2012, Shuhab entered into a loan from HPD in the amount of $4,066,451, secured by a second mortgage on 22-24 Mt. Morris Park West. The loan bears interest at a rate of .25% per annum. Interest only payment was due on July 1, 2012; principal and interest payments of $3,118 are due in monthly payments from August 1, 2012 through maturity on July 1, 2042. The outstanding balance at December 31, 2012 was $4,056,029.

12. Long-Term Debt (Continued)

b) Shuhab (Continued)

On June 28, 2012, Shuhab entered into a loan from HPD in the amount of $1,075,000, secured by a third mortgage on 22-24 Mt. Morris Park West. The loan bears no interest and the principal is due on the earlier of July 1, 2027 or the occurrence of a default.

Shuhab has entered into loan agreements with Bank of America to provide construction loans for the rehabilitation of various projects. The loans bear interest at rates varying from .25% to 6%. The loans will be repaid from the proceeds of the sale of the buildings. At December 31, 2012, the loans on 170-178 Lenox Ave and 640-644 Riverside Drive are due. Bank of America has agreed to defer further action contingent on permanent conversion. The outstanding balances at December 31, 2012, were as follows:

170-178 Lenox Ave	$4,688,444
640-644 Riverside Drive	14,916,549
287 West 150th	297,498
	$19,902,491

c) New Hull

New Hull has a loan with the City of New York acting by and through its Development of Housing Preservation and Development (HPD) in the amount of $2,055,634. This loan is secured by a lien on the property. The loan bears interest at 1% per annum and is also subject to a .25% per annum service fee. Interest and the service fee are payable monthly. All outstanding principal and unpaid interest are due at maturity on December 3, 2022.

d) New Settlement Community Campus Corp.

Note payable to Low Income Investment Fund in the amount of $9,700,000, with interest paid quarterly at an annual rate of 1.431% through June 30, 2018. Additional interest at a fixed rate of 0.442% shall accrue on the unpaid principal balance until the maturity date. Commencing July 1, 2018, interest and principal shall be paid quarterly through the maturity date of June 30, 2051.

12. Long-Term Debt (Continued)

d) New Settlement Community Campus Corp. (Continued)

Note payable to New Markets Investment 62, LLC, in the amount of $7,920,000, with interest paid quarterly at an annual rate of 1.431% through June 30, 2018. Commencing July 1, 2018, interest and principal shall be paid quarterly through the maturity date of July 1, 2051.

The portion of these notes for which SHF is the beneficial owner has been eliminated in consolidation.

e) The Crenulated Company, Ltd.

The Crenulated Company, Ltd. entered into an agreement with the City of New York on September 23, 2003, for a mortgage in the amount of $831,000. The first $551,000 bears interest at 1% per annum, and the remainder of $280,000 is non-interest bearing. Monthly principal and interest payments are $2,655. Any unpaid principal and interest on the mortgage is due upon maturity on August 16, 2021. As of December 31, 2012, $603,619 was outstanding.

The Crenulated Company, Ltd. has an unsecured line of credit with Capital One N.A. Community Development Corporation, in an amount not to exceed $400,000. The line of credit is payable interest only at 3% per annum beginning on January 1, 2010 through maturity on June 30, 2014, when all unpaid principle and interest shall be due in full. As of December 31, 2012, $400,000 has been advanced and remains payable.

f) St John’s Place Family Center

On June 24, 2011, St. John’s executed a loan agreement with the New York City Department of Housing Preservation and Development (HPD) in the aggregate amount of $2,010,990, for building renovations at 1604 St. John’s Place, 1620 St. John’s Place, and 1630 St. John’s Place as follows:

12. Long-Term Debt (Continued)

f) St John's Place Family Center (Continued)

$1,508,242 home fund, with interest to be paid at 2% per annum on advances made during the period July 1, 2011, through July 1, 2012. Monthly interest payments in the maximum amount of $2,512 to be paid on the total advances beginning August 1, 2012, through July 1, 2022. At maturity, unpaid principal is to be reduced to $0 and deemed paid as long as all interest payments were made on a timely basis and Family Center remains as affordable housing.

$502,748 capital fund, with interest to be paid at 3% per annum on advances made during the period July 1, 2011, through July 1, 2012. Monthly payments of principal and interest in the maximum amount of $5,318 are payable from August 1, 2012, through July 1, 2022. At maturity, unpaid principal and interest is due in full.

The Department of Homeless Services has agreed to supplement the base per diem rate in an amount that is sufficient to meet all debt service payments.

St. John's entered into an unsecured agreement with TD Bank North for a line of credit not to exceed $500,000. As of December 31, 2012, there was no outstanding balance. The interest rate at December 31, 2012 was 3.25%.

g) Marcy Baer Associates Limited Partnership

A $7,308,367 loan is payable to the Housing Trust Fund Corporation, a subsidiary of the New York State Housing Finance Agency, and is secured by a mortgage on the rental property. The loan bears interest at 0.75% per annum and matures on May 16, 2093. In accordance with the terms of the loan agreement, no principal payments are due until maturity. Marcy Baer Associates Limited Partnership has paid all interest due over the life of the loan.

12. Long-Term Debt (Continued)

h) 1615 Limited Partnership

1615 Limited Partnership has a loan from the City of New York Housing Development Corporation in the principal amount of $788,000, secured by a first mortgage. The loan bears interest at a rate of 7.05% per annum. Principal and interest payments of $5,269 are due in monthly installments through maturity on November 30, 2034. As of December 31, 2012, $705,831 remains payable.

1615 Limited Partnership has also obtained a permanent loan from the Housing Trust Fund Corporation in the principal amount of $700,000, secured by a second mortgage. The loan bears interest at a rate of 1 % per annum. Interest and principal payments are due only to the extent of cash flow, as defined in 1615's Partnership agreement, through maturity on November 30, 2034. As of December 31, 2012, $700,000 is unpaid.

Aggregate annual maturities of the total mortgage loans payable over each of the next five years and thereafter as of December 31, 2012, are as follows:

2013		$20,001,813
2014		101,985
2015		104,774
2016		2,806,654
2017		110,836
2018	and subsequent years	27,084,989
		50,211,051
	Amounts to be forgiven	4,207,173
		$46,003,878

Interest expense incurred for the year ended December 31, 2012, was $895,470.

13. Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012, are related to the following purposes:

Multi-culture After School Program	$92,289
After School Program	33,298
College Access Center	289,980
On Point	38,082
	$453,649

14. In-Kind Contributions

To meet the matching requirement of the D.R.E.A.M.S. program, SHF partners with other organizations that provide teachers, counselors and administrators, as well as educational aides, classroom space and supplies to the Organization. The value of these services for the year ended December 31, 2012, was approximately $260,226.

St. John's Day Care operates programs where certain costs, including facility costs and fringe benefits for staff, are paid directly by New York City. Day Care reports these amounts as donated revenues and expenses, and recognized approximately $114,954 of contributed costs for the year ended December 31, 2012.

15. Pension

The Organization sponsors a defined contribution pension plan covering all full-time employees after two to three years of service, depending on position, who have reached the age of 21. SHF contributes 10% of each eligible employee's salary. In order to receive matching employer contributions, the employee must contribute 3%. Additional voluntary contributions by the employees are permissible subject to IRS limitations. Pension expense for 2012 was $188,619.

16. Related Party and Affiliated Entity Transactions

On February 28, 2012, Shuhab converted the building at 508 West 162nd Street to cooperative ownership. Shares were then sold in an amount to repay the existing debt. A loss of $567,071 was recognized which represents the cost of the rehabilitation funded by grants received in prior years.

17. Subsequent Events

Management has evaluated subsequent events through August 22, 2013, the date that the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

	Settlement Housing Fund, Inc.	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
Cash and cash equivalents	$ 321,990	$ 1,596,050	$ 221,029	$ 2,139,069	$ -	$ 2,139,069
Escrows and reserves	-	1,972,124	1,538,094	3,510,218	-	3,510,218
Restricted cash	-	2,500,466	-	2,500,466	-	2,500,466
Tenants' security deposits	-	670,108	75,193	745,301	-	745,301
Investments	1,606,426	75,625	1,872,692	3,554,743	(1,948,317)	1,606,426
Grants and contributions receivable	604,006	513,962	-	1,117,968	-	1,117,968
Fees receivable, net	1,630,521			1,630,521	(559,741)	1,070,780
Loans receivable	12,955,400	-	15,686	12,971,086	(12,955,400)	15,686
Accounts receivable	-	765,832	69,268	835,100	-	835,100
Other assets	89,181	507,799	40,006	636,986	-	636,986
Mortgage receivable	371,225	-	-	371,225	-	371,225
Due from affiliates	1,131,304	91,184	5,289	1,227,777	(971,412)	256,365
Property and equipment, net of accumulated depreciation of $33,275,502	170,448	56,638,570	8,683,258	65,492,276	-	65,492,276
Deferred expenses, net accumulated amortization of $33,091	-	163,174	47,633	210,807	-	210,807
Total Assets	$ 18,880,501	$ 65,494,894	$ 12,568,148	$ 96,943,543	$ (16,434,870)	$ 80,508,673

LIABILITIES AND NET ASSETS

	Settlement Housing Fund, Inc.	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
LIABILITIES						
Accounts payable and accrued expenses	$ 586,662	$ 1,632,820	$ 156,697	$ 2,376,179		$ 2,376,179
Accrued interest payable	-	111,322	284,989	396,311	-	396,311
Construction costs payable		1,664,406		1,664,406		1,664,406
Tenant security deposits payable	-	713,878	75,193	789,071	-	789,071
Deferred rent payable	128,792	-	-	128,792	-	128,792
Deferred revenue	-	507,693	-	507,693	-	507,693
Long-term debt	-	54,452,253	8,714,198	63,166,451	(12,955,400)	50,211,051
Loan payable	4,797,404	-	-	4,797,404	-	4,797,404
Line of credit	-	675,000	-	675,000		675,000
Developers fee payable	-	-	75,000	75,000	(75,000)	-
Due to affiliates	-	-	15,595	15,595		15,595
Due to affiliate of general partner	-	1,552,942	8,364	1,561,306	(1,456,153)	105,153
Total Liabilities	5,512,858	61,310,314	9,330,036	76,153,208	(14,486,553)	61,666,655
COMMITMENTS AND CONTINGENCIES						
NET ASSETS						
Unrestricted						
Operations	12,417,643	3,730,931	-	16,148,574	(2,219,399)	13,929,175
NSCC Project	-	-	-	-	-	-
Board designated for operating reserves	950,000	-	-	950,000	-	950,000
Unrestricted noncontrolling interest	-	-	-	-	3,509,194	3,509,194
Temporary restricted	-	453,649	-	453,649	-	453,649
Total net assets	13,367,643	4,184,580	-	17,552,223	1,289,795	18,842,018
STOCKHOLDERS' AND PARTNERS' EQUITY (ACCUMULATED DEFICIT)	-	-	3,238,112	3,238,112	(3,238,112)	-
TOTAL LIABILITIES, NET ASSETS AND STOCKHOLDERS' & PARTNERS' EQUITY (ACCUMULATED DEFICIT)	$ 18,880,501	$ 65,494,894	$ 12,568,148	$ 96,943,543	$ (16,434,870)	$ 80,508,673

SETTLEMENT HOUSING FUND, INC.
AND AFFILIATES

CONSOLIDATING SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted Settlement Housing Fund, Inc	Temporarily Restricted Settlement Housing Fund, Inc	Total Settlement Housing Fund, Inc	Nonprofit Affiliates	Real Estate Affiliates	Consolidating Balance	Eliminations	Consolidated Balance
PUBLIC SUPPORT AND OPERATING REVENUE								
Grants and contributions	$ 3,909,508	$ -	$ 3,909,508	$ 10,259,731	$ -	$ 14,169,239	$(1,500,000)	$ 12,669,239
Special events, net	226,795	-	226,795	-	-	226,795	-	226,795
Program and other fees	1,284,889	-	1,284,889	60,740	-	1,345,629	(655,087)	690,542
Net rental income	-	-	-	12,747,665	983,561	13,731,226	(81,475)	13,649,751
Interest and dividend income	254,606	-	254,606	2,124	9,051	265,781	-	265,781
Realized and unrealized gain (loss) on investments	53,989	-	53,989	-	(4,928)	49,061	4,929	53,990
Loss on sale of building				(567,071)		(567,071)		(567,071)
Other revenue	58,348	-	58,348	441,248	34,573	534,169	(43,380)	490,789
Bad debt recovery	-	-	-	-	-	-		-
Net assets released from restrictions	280,300	(280,300)	-	-	-	-	-	-
Total Public Support and Operating revenue	6,068,435	(280,300)	5,788,135	22,944,437	1,022,257	29,754,829	(2,275,013)	27,479,816
EXPENSES								
Program services								
Development and technical assistance	3,301,703	-	3,301,703	5,454,705	-	8,756,408	(1,500,000)	7,256,408
Housing	-	-	-	14,971,052	1,675,045	16,646,097	(284,486)	16,361,611
Supportive services								-
Management and general	619,703	-	619,703	2,538,682	18,328	3,176,713	(495,456)	2,681,257
Fundraising	255,213	-	255,213	-	-	255,213	-	255,213
								-
Total Expenses	4,176,619	-	4,176,619	22,964,439	1,693,373	28,834,431	(2,279,942)	26,554,489
CHANGE IN NET ASSETS BEFORE LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	1,891,816	(280,300)	1,611,516	(20,002)	(671,116)	920,398	4,929	925,327
LOSS ALLOCATED TO NONCONTROLLING OWNERSHIP INTEREST	-	-	-	-	-	-	176,526	176,526
CHANGE IN NET ASSETS	1,891,816	(280,300)	1,611,516	(20,002)	(671,116)	920,398	181,455	1,101,853
NET ASSETS								
Net assets or retained earnings (accumulated deficit) January 1, 2012	11,475,827	280,300	11,756,127	4,204,582	3,833,603	19,794,312	(1,877,621)	17,916,691
Capital contributions (distributions)	-	-	-	-	75,625	75,625	(75,625)	-
Net assets, December 31, 2012	$ 13,367,643	$ -	$ 13,367,643	$ 4,184,580	$ 3,238,112	$ 20,790,335	$(1,948,317)	$ 18,842,018

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FINANCIAL POSITION

DECEMBER 31, 2012

ASSETS

Cash and cash equivalents	$ 321,990
Investments-marketable securities	1,262,668
Investments-other	343,758
Grants and contributions receivable	604,006
Fees receivable, net of allowance for bad debts of $125,000	1,630,521
Loans receivable	12,955,400
Other assets	89,181
Mortgage receivable	371,225
Due from affiliates	1,131,304
Property and equipment, net of accumulated depreciation of $230,056	170,448
TOTAL ASSETS	$18,880,501

LIABILITIES AND NET ASSETS

LIABILITIES	
Loans payable	$ 4,797,404
Accounts payable and accrued expenses	586,662
Deferred rent payable	128,792
TOTAL LIABILITIES	5,512,858
NET ASSETS	
Unrestricted	
Undesignated	12,417,643
Board designated	950,000
Total Net Assets	13,367,643
TOTAL LIABILITIES AND NET ASSETS	$ 18,880,501

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2012

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND OPERATING REVENUE			
Grants and contributions	$ 1,759,508	$ -	$ 1,759,508
Special grants and contributions	2,150,000	-	2,150,000
Special events, net of direct costs of of $81,628	226,795	-	226,795
Program and other fees	1,284,889	-	1,284,889
Interest and dividend income	254,606	-	254,606
Realized and unrealized gain on investments	53,989	-	53,989
Other revenue	58,348	-	58,348
Net assets released from restrictions	280,300	(280,300)	-
Total Public Support and Operating Revenue	6,068,435	(280,300)	5,788,135
EXPENSES			
Program services			
Development and technical assistance	3,301,703	-	3,301,703
Supportive services			
Management and general	619,703	-	619,703
Fundraising	255,213	-	255,213
Total Expenses	4,176,619	-	4,176,619
CHANGE IN NET ASSETS	1,891,816	(280,300)	1,611,516
NET ASSETS			
Net assets, January 1, 2012	11,475,827	280,300	11,756,127
Net assets, December 31, 2012	$ 13,367,643	$ -	$ 13,367,643

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 1,611,516
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS	
TO NET CASH USED IN OPERATING ACTIVITIES	
Depreciation and Amortization	56,119
Realized and unrealized gain on investments	(53,989)
Changes in assets and liabilities	
Other assets	17,578
Grants and contributions receivable	(285,108)
Fees receivable	445,635
Accounts payable and accrued expenses	141,669
Deferred rent payable	1,820
Total adjustments	323,724
Net cash provided by operating activities	1,935,240
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments-marketable securities	(74,988)
Mortgage receivable	(17,677)
Due from affiliates	(272,847)
Fixed asset additions	(1,133)
Net cash used in investing activities	(366,645)
CASH FLOWS FROM FINANCING ACTIVITIES	
Long-term debt	(2,150,000)
NET DECREASE IN CASH	(581,405)
CASH	
Beginning of year	903,395
End of year	$ 321,990

See notes to financial statements.

SETTLEMENT HOUSING FUND, INC.

SELECTED NOTES TO SCHEDULES

DECEMBER 31, 2012

1. Organization

SHF has elected to present parent-only schedules as supplementary data accompanying the primary consolidated financial statements.

2. Summary of Significant Accounting Policies

Program Fees

SHF receives fees for the performance of project development. The fees are generally earned over the development period in accordance with the fee agreements. Development fees are recognized as revenue as the milestones in the development agreements are achieved.

SHF receives supervisory fees from several of its affiliated projects. In addition, SHF provides services, such as marketing, to unaffiliated projects. The fees are recognized as revenue when earned.

Fees from all other services are recognized as earned in accordance with agreements or as services are rendered.

3. Investments-Other

Investments-Other consists of an investment in Housing Partnership Insurance Exchange, which is stated at cost at December 31, 2012.

4. Fees Receivable

a) Related Parties

SHF, along with an unrelated co-developer, earned a developer fee from Two Bridgeset Associates Limited Partnership for the development of a mixed-income apartment building. The fee for these services was $5,067,500, 50% of which was earned by SHF. As of December 31, 2012, $801,570 of the fees was not paid.

4. Fees Receivable (Continued)

a. Related Parties (Continued)

SHF earned a developer fee from 1615 St. John's Place Limited Partnership (1615 SJP) to develop a mixed-income apartment building. The agreement provides for a total developer fee in the amount of $922,595, all of which has been earned and $85,000 of which is outstanding as of December 31, 2012.

SHF has earned partnership management fees for services related to reporting and monitoring operations of New Hull HDFC, formerly 1610 Associates Limited Partnership and 1610 General Partners, Inc. Fees previously earned and unpaid at December 31, 2012 were $182,924.

St. John's Place Family Center Housing Development Fund Corporation pays a supervisory fee to SHF for services performed in the supervision and development of certain operating procedures. For the year ended December 31, 2012, supervisory fees of $62,684 has been earned, of which $15,671remains unpaid.

The Organization earned fees from Semiperm Housing Development Fund Corporation in connection with oversight of the property and activities. As of December 31, 2012, $286,146 remained unpaid.

SHF earns a supervisory fee from Marcy Baer Associates Limited Partnership for services performed in the supervision and development of certain operating procedures. For the year ended December 31, 2012, supervisory fees of $50,988 were earned. As of December 31, 2012, fees of $10,008 remained unpaid.

SHF earned fees from 1615 St. John's Place, L.P. in connection with oversight of the property and activities. As of December 31, 2012, $35,835 remained unpaid.

SHF has earned various fees from other affiliated entities. The amounts due at December 31, 2012 were $238,367.

b) Other

A fee receivable in the amount of $100,000 from Omni New York LLC was fully reserved.

5. Due from Affiliates

SHF is owed various amounts for the year ended December 31, 2012 from for-profit affiliates in the amount of $378,306 and from nonprofit affiliates in the amount of $752,997. The balances are noninterest bearing, unsecured, and due on demand.

6. Loans Receivable

A Senior Fund Note in the amount of $8,827,851 dated August 11, 2011, from NSCCC Investment Fund LLC to GSUIG Real Estate Member LLC and loaned to NSCCC, was subsequently assigned to SHF. Interest only payments are to be received from borrower quarterly commencing October 5, 2011, at 1% per annum. Principal payments are to be received commencing July 1, 2018, through the maturity date of January 1, 2045.

A Junior Fund Note in the amount of $4,127,549 dated August 11, 2011, from NSCCC Investment Fund LLC to SHF and loaned to NSCCC requires interest only payments quarterly commencing October 5, 2011, at 1% per annum. The principal balance of $4,127,549 will be due on January 1, 2045.

7. Fair Value Measurements

The Organization adopted the updated provisions of the “Fair Value Measurements” topic of the FASB ASC, which establish a fair value hierarchy for disclosure of fair value measurements as follows:

Level 1 – quoted prices in active markets for identical assets or liabilities

Level 2 – quoted prices for similar assets and liabilities in active markets or inputs that are observable

Level 3 – inputs that are unobservable (for example cash flow modeling inputs based on assumptions)

The following table summarizes investment assets measured at fair value at December 31, 2012:

	Total	Level 1	Level 3
Corporate fixed income	$727,469	$727,469	$ -
Mutual funds	535,199	535,199	-
Captive insurer organization	343,758	-	343,758
Total	$1,606,426	$1,262,668	$343,758

8. Loans Payable

Notes payable of $4,000,000 from FJC requires interest payments only at prime plus 3%. The principal balance plus any unpaid interest is due on December 31, 2017.

Note payable dated August 10, 2011, to Marty and Dorothy Silverman Foundation in the original amount of $2,947,404 requires quarterly interest payments only at prime plus 3%. The balance of $797,404 plus any unpaid interest is due on October 1, 2018.

9. Net Assets

Unrestricted – Board Designated

The SHF Board of Directors has designated that $950,000 of unrestricted net assets be set aside for operating reserves.

10. Special Grants and Contributions

Special grants and contributions of $2,150,000 were received for reducing the debt incurred in the construction of the New Settlement Community Campus Corp. community center. At the current time, these contributions are not expected to be recurring grants.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2012

	Program Services	Supporting Services			
	Development and Technical Assistance	Management & General	Fundraising	Subtotal	Total
Salaries and related expenses	$ 2,062,704	$ 428,614	$ 187,519	$ 616,133	$ 2,678,837
Professional fees and contract service payments	23,128	28,735	18,222	46,957	70,085
Occupancy	270,690	47,371	20,302	67,673	338,363
Telephone	27,388	4,793	2,054	6,847	34,235
Postage	3,578	626	268	894	4,472
Supplies	23,173	4,055	1,738	5,793	28,966
Conferences, training, seminars and travel	14,684	2,810	70	2,880	17,564
Publications and printing	11,468	2,007	860	2,867	14,335
Purchase, rental and maintenance of equipment	31,677	5,544	2,376	7,920	39,597
Insurance	3,143	12,574	-	12,574	15,717
Depreciation and amortization	44,895	7,857	3,367	11,224	56,119
Contributions	244,960	42,868	18,372	61,240	306,200
DREAMS/Youthbuild expenses	131,011	-	-	-	131,011
Donated services and supplies	199,226	-	-	-	199,226
Interest expense	209,260	-	-	-	209,260
Miscellaneous	718	31,849	65	31,914	32,632
	$ 3,301,703	$ 619,703	$ 255,213	$ 874,916	$ 4,176,619

See notes to financial statements.

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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

To the Board of Directors
Settlement Housing Fund, Inc.

Report on Compliance for Each Major Federal Program

We have audited Settlement Housing Fund, 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 Settlement Housing Fund, Inc.'s major federal programs for the year ended December 31, 2012. Settlement Housing Fund, 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 Settlement Housing Fund, 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 Settlement Housing Fund, 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 Settlement Housing Fund, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Settlement Housing Fund, 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 December 31, 2012.

Report on Internal Control Over Compliance

Management of Settlement Housing Fund, 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 Settlement Housing Fund, 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 Settlement Housing Fund, 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 Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of Settlement Housing Fund, Inc. as of and for the year ended December 31, 2012, and have issued our report thereon dated August 22, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is 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 our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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Kochl Group + Company, LLP
Certified Public Accountants

New York, New York
August 22, 2013

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING DECEMBER 31, 2012

Federal Grantor	Federal CFDA Number	Federal Expenditures
United States Department of Labor Employment and Training Administration Workforce Investment Act		
Youthbuild	17.274	$243,539
WIA Pilots, Demonstrations & Research Projects	17.261	$307,213

SETTLEMENT HOUSING FUND, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDING DECEMBER 31, 2012

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Settlement Housing Fund, Inc. under programs of the federal government for the year ended December 31, 2012. 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 Settlement Housing Fund, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Settlement Housing Fund, Inc.

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.

Pass-through entity identifying numbers are presented where available.

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDING DECEMBER 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	unqualified			
Internal control over financial reporting:				
Material weakness(es) identified?	yes	__	no	X
Significant deficiencies identified that are not considered to be material weaknesses?	yes	__	none reported	X
Noncompliance material to financial statements noted?	yes	__	no	X

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	yes	__	no	X
Significant deficiencies identified that are not considered to be material weaknesses?	yes	__	none reported	X
Type of auditor's report issued on compliance for major programs:	unqualified			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	yes	__	no	X

SETTLEMENT HOUSING FUND, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDING DECEMBER 31, 2012

Identification of major programs

CFDA#	Name of Federal Program
17.274	United States Department of Labor Employment and Training Administration Workforce Investment Act - Youthbuild
17.261	United States Department of Labor Employment and Training Administration Workforce Investment Act – WIA Pilots, Demonstrations & Research Projects

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

Auditee qualified as low-risk Auditee? ___x___ yes ____ no