

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

Consolidating Financial Statements

and

Supplementary Information

June 30, 2017

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the “Organization”), which comprise the consolidating statements of financial position as of June 30, 2017, and the related consolidating statements of activities, functional expenses 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 consolidating 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 consolidating 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 consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidating 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 consolidating 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 consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the financial position of Northern Manhattan Improvement Corporation and Affiliates as of June 30, 2017, 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidating 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 consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating 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 consolidating financial statements as a whole. In addition, the accompanying supplementary information listed in the index on pages 17 to 22, which is the responsibility of management, is also presented for purposes of additional analysis and is not a required part of the consolidating financial statements. The information marked “unaudited” has not been subjected to the auditing procedures applied in the audit of the consolidating financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2018 on our consideration of the Organization’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization’s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Mayer Hoffman McCann CPAs". The signature is written in a cursive, flowing style.

January 18, 2018

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Financial Position
June 30, 2017

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Eliminations	Total
<u>ASSETS</u>							
Cash and cash equivalents	\$ 98,733	\$ 87,498	\$ 19,103	\$ -	\$ 42,962	\$ -	\$ 248,296
Cash - client escrows	8,626	-	-	-	-	-	8,626
Cash - restricted	121,401	-	-	-	-	-	121,401
Government grants and contracts receivable	3,432,111	1,920	10,166	-	147	-	3,444,344
Due from NMIC Lead Safe House HDFC	18,500	-	-	-	-	(18,500)	-
Due from 453 West 166th Street HDFC	15,500	-	-	-	-	(15,500)	-
Due from NMIC Arden HDFC	175,207	-	-	-	-	(175,207)	-
Due from NMIC	6,000	-	-	-	-	(6,000)	-
Prepaid expenses and other assets	154,594	-	220,962	-	46,329	-	421,885
Security deposits	400,545	-	2,420	-	58,523	-	461,488
Reserves and mortgage escrows	-	9,354	70,383	-	-	-	79,737
Property and equipment, net	309,046	698,121	228,263	-	2,345,288	-	3,580,718
Total assets	\$ 4,740,263	\$ 796,893	\$ 551,297	\$ -	\$ 2,493,249	\$ (215,207)	\$ 8,366,495
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>							
Liabilities:							
Accounts payable and accrued expenses	\$ 1,017,369	\$ 10,615	\$ 66,880	\$ 30,935	\$ 2,341	\$ -	\$ 1,128,140
Refundable advances	774,033	-	-	-	-	-	774,033
Line of credit	414,593	-	-	-	-	-	414,593
Loan payable	50,000	-	-	-	-	-	50,000
Client escrows payable	8,626	-	-	-	-	-	8,626
Due to NMIC	-	18,500	15,500	175,207	6,000	(215,207)	-
Deferred rent	1,183,790	-	-	-	-	-	1,183,790
Mortgages payable	-	1,730,600	1,083,717	-	2,985,994	-	5,800,311
Total liabilities	3,448,411	1,759,715	1,166,097	206,142	2,994,335	(215,207)	9,359,493
Commitments and contingencies (Notes 4, 8 and 9)							
Unrestricted net assets (deficit):							
Operating surplus (deficit)	391,852	(962,822)	(614,800)	(206,142)	(501,086)	-	(1,892,998)
Board designated	900,000	-	-	-	-	-	900,000
Total unrestricted net assets (deficit)	1,291,852	(962,822)	(614,800)	(206,142)	(501,086)	-	(992,998)
Total liabilities and net assets (deficit)	\$ 4,740,263	\$ 796,893	\$ 551,297	\$ -	\$ 2,493,249	\$ (215,207)	\$ 8,366,495

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Activities
For the Year Ended June 30, 2017

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Total
Support and revenue:						
Government grants and contracts	\$ 10,887,374	\$ -	\$ -	\$ -	\$ -	\$ 10,887,374
Grants	1,210,169	-	-	-	-	1,210,169
Contributions	91,125	-	-	-	-	91,125
Program revenue	96,486	-	-	-	-	96,486
Rental income	50,490	174,311	147,435	-	154,041	526,277
Other income	204	-	198,183	-	60,019	258,406
Total support and revenue	<u>12,335,848</u>	<u>174,311</u>	<u>345,618</u>	<u>-</u>	<u>214,060</u>	<u>13,069,837</u>
Expenses:						
Program services	10,109,150	162,373	77,945	-	452,538	10,802,006
Administrative	2,101,339	67,424	68,134	-	61,971	2,298,868
Fundraising	143,401	-	-	-	-	143,401
Total expenses	<u>12,353,890</u>	<u>229,797</u>	<u>146,079</u>	<u>-</u>	<u>514,509</u>	<u>13,244,275</u>
Change in net assets	(18,042)	(55,486)	199,539	-	(300,449)	(174,438)
Net assets (deficit) - beginning of year	<u>1,309,894</u>	<u>(907,336)</u>	<u>(814,339)</u>	<u>(206,142)</u>	<u>(200,637)</u>	<u>(818,560)</u>
Net assets (deficit) - end of year	<u>\$ 1,291,852</u>	<u>\$ (962,822)</u>	<u>\$ (614,800)</u>	<u>\$ (206,142)</u>	<u>\$ (501,086)</u>	<u>\$ (992,998)</u>

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Functional Expenses
For the Year Ended June 30, 2017

	Program Services						Administrative Expenses						Fundraising Expenses						Total Expenses
	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Total	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Total	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Total	
Salaries	\$ 5,008,832	\$ -	\$ -	\$ -	\$ -	\$ 5,008,832	\$ 860,501	\$ 20,300	\$ 11,550	\$ -	\$ 16,500	\$ 908,851	\$ 71,358	\$ -	\$ -	\$ -	\$ -	\$ 71,358	\$ 5,989,041
Payroll taxes and fringe benefits	1,427,145	-	-	-	-	1,427,145	249,255	3,954	3,149	-	5,287	261,645	20,694	-	-	-	-	20,694	1,709,484
Professional fees and consultants	132,680	-	-	-	-	132,680	122,269	37,959	33,468	-	27,271	220,967	1,153	-	-	-	-	1,153	354,800
Occupancy costs	1,603,705	-	-	-	328,571	1,932,276	625,793	-	-	-	625,793	16,021	-	-	-	-	-	16,021	2,574,090
Repairs and maintenance	75,649	25,048	28,941	-	21,314	150,952	11,763	-	-	-	11,763	1,110	-	-	-	-	-	1,110	163,825
Program food, supplies and stipends	98,181	63,282	31,666	-	54,183	247,312	6,975	-	-	-	6,975	13	-	-	-	-	-	13	254,300
Office supplies	103,034	-	-	-	-	103,034	27,787	4,992	7,933	-	5,172	45,884	2,093	-	-	-	-	2,093	151,011
Telephone	44,648	-	-	-	-	44,648	4,781	-	-	-	1,498	6,279	281	-	-	-	-	281	51,208
Subcontractor	1,145,155	-	-	-	-	1,145,155	-	-	-	-	-	-	-	-	-	-	-	-	1,145,155
Insurance	178,852	9,686	8,367	-	48,470	245,375	18,998	-	-	-	18,998	1,382	-	-	-	-	-	1,382	265,755
Meetings, conferences and training	33,587	-	-	-	-	33,587	2,531	-	-	-	2,531	-	-	-	-	-	-	-	36,118
Travel (including client travel)	55,204	-	-	-	-	55,204	1,625	-	-	-	1,625	44	-	-	-	-	-	44	56,873
Printing and publications	13,150	-	-	-	-	13,150	879	49	128	-	611	1,667	64	-	-	-	-	64	14,881
Equipment purchase and leasing	77,803	-	689	-	-	78,492	33,277	170	-	-	33,447	1,538	-	-	-	-	-	1,538	113,477
Books and subscriptions	15,157	-	-	-	-	15,157	-	-	-	-	-	-	-	-	-	-	-	-	15,157
Interest expense	-	-	-	-	-	-	71,310	-	11,906	-	-	83,216	-	-	-	-	-	-	83,216
Miscellaneous other costs	73,128	1,426	2,184	-	-	76,738	58,764	-	-	-	5,632	64,396	27,320	-	-	-	-	27,320	168,454
Total expenses before depreciation and amortization	10,085,910	99,442	71,847	-	452,538	10,709,737	2,096,508	67,424	68,134	-	61,971	2,294,037	143,071	-	-	-	-	143,071	13,146,845
Depreciation and amortization	23,240	62,931	6,098	-	-	92,269	4,831	-	-	-	-	4,831	330	-	-	-	-	330	97,430
Total expenses	\$ 10,109,150	\$ 162,373	\$ 77,945	\$ -	\$ 452,538	\$ 10,802,006	\$ 2,101,339	\$ 67,424	\$ 68,134	\$ -	\$ 61,971	\$ 2,298,868	\$ 143,401	\$ -	\$ -	\$ -	\$ -	\$ 143,401	\$ 13,244,275

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Cash Flows
For the Year Ended June 30, 2017

	Total	Eliminations	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC
Cash flows from operating activities:							
Change in net assets	\$ (174,438)	\$ -	\$ (18,042)	\$ (55,486)	\$ 199,539	\$ -	\$ (300,449)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	97,430	-	28,401	62,931	6,098	-	-
Gain on disposal	(197,162)	-	-	-	(197,162)	-	-
Deferred rent	455,963	-	455,963	-	-	-	-
Change in assets and liabilities:							
Cash - client escrows	10,749	-	10,749	-	-	-	-
Cash - restricted	49,335	-	49,335	-	-	-	-
Government grants and contracts receivable	(271,165)	-	(304,582)	30,548	3,016	-	(147)
Due from NMIC Lead Safe House HDFC	-	6,000	(6,000)	-	-	-	-
Due from 453 West 166th Street HDFC	-	3,000	(3,000)	-	-	-	-
Due from 618 West 187th Street HDFC	-	53,841	(53,841)	-	-	-	-
Prepaid expenses and other assets	(50,585)	-	(87,225)	-	(1,751)	-	38,391
Accounts payable and accrued expenses	(540,108)	-	(602,674)	1,380	58,845	-	2,341
Refundable advances	521,335	-	521,335	-	-	-	-
Client escrows payable	(10,749)	-	(10,749)	-	-	-	-
Due to NMIC	-	(62,841)	-	6,000	3,000	-	53,841
Net cash provided by (used in) operating activities	(109,395)	-	(20,330)	45,373	71,585	-	(206,023)
Cash used in investing activities:							
Purchase of property and equipment	(2,403,017)	-	(146)	-	(97,583)	-	(2,305,288)
Cash flows from financing activities:							
Proceeds from mortgage	2,554,273	-	-	-	-	-	2,554,273
Payments of security deposits	75	-	75	-	-	-	-
Cash provided by financing activities	2,554,348	-	75	-	-	-	2,554,273
Net increase (decrease) in cash and cash equivalents	41,936	-	(20,401)	45,373	(25,998)	-	42,962
Cash and cash equivalents, beginning of year	206,360	-	119,134	42,125	45,101	-	-
Cash and cash equivalents, end of year	\$ 248,296	\$ -	\$ 98,733	\$ 87,498	\$ 19,103	\$ -	\$ 42,962
Supplemental Disclosure of Cash Flow Information							
Cash paid during the year for:							
Interest	\$ 83,216	\$ -	\$ 71,310	\$ -	\$ 11,906	\$ -	\$ -

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 1 - Nature of Activities

The accompanying consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the “Organization”) include Northern Manhattan Improvement Corporation (“NMIC”) and its affiliated organizations, NMIC Lead Safe House HDFC (“LSH”), 453 West 166th Street HDFC (“453”), NMIC Arden HDFC (“Arden”) and 618 West 187th Street HDFC (“618”).

NMIC is a community-based, not-for-profit organization incorporated in the State of New York in March 1979. NMIC’s mission is to serve as a catalyst for positive change in the lives of the people in their community on their paths to secure prosperous futures. NMIC preserves affordable housing through legal services, community organizing and building weatherization; promotes economic self-sufficiency through education and career services; and stabilizes families through social services, health education and domestic violence intervention. All NMIC services are free and bilingual in English and Spanish.

LSH is a not-for-profit organization incorporated in February 2001 under the laws of the State of New York for the purpose of operating a building with twelve apartments. Eleven apartments are rented as permanent residential units for low-income families and one unit is designated for use by the building’s superintendent. Rental units are leased to qualified tenants in order for the project to qualify as a low-income housing project under Section 42(g)(I)(b) of the Internal Revenue Code. All members of the Board of Directors are also members of NMIC’s Board of Directors.

453 is a not-for-profit organization incorporated in June 2012 under the laws of the State of New York for the purpose of developing, owning, rehabilitating, leasing, managing and maintaining an affordable housing project for persons of low income. All members of the Board of Directors are also members of NMIC’s Board of Directors.

Arden is a not-for-profit organization incorporated in March 2013 under the laws of the State of New York for the purpose of developing, rehabilitating, leasing, licensing, managing, maintaining and sponsoring the cooperative conversion of 21 Arden, a housing project for persons of low income. All members of the Board of Directors are also members of NMIC’s Board of Directors.

618 is a not-for-profit organization incorporated in November 2013 under the laws of the State of New York for the purpose of developing and operating 618 West, a housing project for persons of low income. All members of the Board of Directors are also members of NMIC’s Board of Directors.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Basis of Presentation

Financial statement presentation follows the provisions included in Financial Accounting Standards Board Accounting Standards Codification for “Not-For-Profit Entities,” which constitutes generally accepted accounting principles in the United States of America (“GAAP”) for non-profit entities such as the Organization. GAAP requires the Organization 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. At June 30, 2017, the Organization had no permanently restricted or temporarily restricted net assets.

Unrestricted Net Assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets resulting from contributions and other inflows of assets the use of which by the recipient is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions taken pursuant to those stipulations. When stipulations terminate or are fulfilled, the amounts involved are reclassified to unrestricted net assets and reported in the consolidating statements of activities as net assets released from restrictions.

Permanently Restricted Net Assets

Net assets, generally of an endowment nature, resulting from contributions and other inflows of assets the use of which by the recipient is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the recipient.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation

The entities included in the accompanying consolidating financial statements have common control since officers of NMIC's Board of Directors sit on the Board of Directors of the affiliates. There is also an element of economic interest since the affiliates hold significant reliance on the management and resources of NMIC. All material inter-organization transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank checking accounts and cash equivalents. This may include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Restricted Cash

The Organization is required to establish and maintain an interest bearing account to hold a portion of the funds received for owners of household dwellings that are being weatherized into energy efficient dwellings. Any funds that are not used for the weatherization of the dwelling are subsequently disbursed to the owners upon completion of the project. These funds are considered to be restricted for program purposes and, therefore, are shown separate of cash and cash equivalents.

Property and Equipment

Items capitalized as property and equipment are reported at cost or, if donated, at the approximate fair value at the date of donation. The Organization uses a capitalization policy of \$5,000 or greater, depending on the type of asset. Depreciation is computed on a straight-line basis over the estimated service lives of the assets. Leasehold improvements are amortized over the shorter of the life of the asset or the term of the lease, using the straight-line method. Repairs and maintenance that do not improve or extend the lives of the property and equipment are charged to expense as incurred.

Grants and Contracts Receivable

Grants and contracts receivable represent amounts due from grantors, based on the terms of the related grant agreements. Management determines the need for an allowance based on history of uncollectible amounts, the level of past due amounts and its relationship with, and economic status of, its grantors. No provision was made for uncollectible amounts since management expects to collect the entire balance.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Refundable Advances

The Organization, from time to time, receives grant funds in advance. These amounts are recognized when earned and are recorded as a liability on the consolidating statements of financial position.

Client Escrows Payable

The Organization acts as fiscal agent for other entities. As a fiscal agent, the Organization holds cash on behalf of other entities, which is reported as a liability on the consolidating statements of financial position. As of June 30, 2017, the amount of funds held by the Organization for other parties was approximately \$9,000.

Revenue and Support Recognition

Contributions and grants received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contributions and grants are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a 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 consolidating statements of activities as net assets released from restrictions.

Contributed Services

The Board of Directors volunteers a significant amount of time to the Organization. The value of this contributed time is not reflected in the accompanying consolidating financial statements because it does not meet the criteria for recognition provided in GAAP. In addition, no objective basis is available to measure the value of such services.

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

NMIC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York State Not-for-Profit Corporation law, respectively, and qualifies for the charitable contribution deduction. Management accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management has determined that there were no tax uncertainties that met the recognition threshold at the statement of financial position date and no interest or penalties related to unrecognized tax benefits have been recognized in NMIC's financial statements. NMIC files federal Form 990 annually and New York State annual reports as required. NMIC has no open filing years prior to June 30, 2014. No returns or registrations are presently under examination by the relevant authorities.

Compensated Absences

Employees are entitled to fifteen vacation days in the first year of employment and twenty vacation days thereafter upon reaching one year of service. To preserve flexibility for new employees, in any calendar year during which employees accrued vacation time according to the rules governing new employees, they will be allowed to carry over up to ten days of unused accrued vacation time past June 30. All other employees have to use their vacation days between July 1 through June 30 and no carryover is allowed. The liability for vacations earned but not taken for new employees only has been charged to operations. Accrued vacation for this liability totaled approximately \$22,000 as of June 30, 2017 and has been included in accounts payable and accrued expenses on the consolidating statements of financial position as of June 30, 2017.

Functional Allocation of Expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the consolidating statements of activities. Accordingly, certain costs have been allocated among the program and the supporting services benefited.

Advertising Expense

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense for the year ended June 30, 2017 was approximately \$19,000.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 3 - Property and Equipment

Property and equipment as of June 30, 2017 consists of:

	<u>NMIC</u>	<u>LSH</u>	<u>453</u>	<u>618</u>	<u>Total</u>	<u>Estimated Useful Life</u>
Land	\$ -	\$ 1	\$ 650	\$ -	\$ 651	N/A
Buildings	-	1,730,600	256,882	40,000	2,027,482	27.5 years
Construction in process	-	-	-	2,305,288	2,305,288	N/A
Vehicles	71,451	-	-	-	71,451	5 years
Furniture and equipment	208,934	-	-	-	208,934	5 to 15 years
Leasehold improvements	<u>296,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,230</u>	15 years
	576,615	1,730,601	257,532	2,345,288	4,910,036	
Less: Accumulated depreciation and amortization	<u>(267,569)</u>	<u>(1,032,480)</u>	<u>(29,269)</u>	<u>-</u>	<u>(1,329,318)</u>	
	<u>\$ 309,046</u>	<u>\$ 698,121</u>	<u>\$ 228,263</u>	<u>\$ 2,345,288</u>	<u>\$ 3,580,718</u>	

Depreciation and amortization expense for the year ended June 30, 2017 was approximately \$97,000 and is included in the consolidating statements of functional expenses. The Organization capitalizes interest cost as a component of the cost of construction in process. Capitalized interest during the year ended June 30, 2017 was approximately \$54,000.

Note 4 - Mortgages Payable

Mortgages payable is comprised of the following as of June 30, 2017:

NMIC Lead Safe House HDFC	\$ 1,730,600
453 West 166th Street HDFC	1,083,717
618 West 187th Street HDFC	<u>3,334,297</u>
	6,148,614
Less: Debt issuance costs	<u>(348,303)</u>
	<u>\$ 5,800,311</u>

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 4 - Mortgages Payable (Continued)

NMIC Lead Safe House HDFC

Under the terms of the regulatory agreement, attached to the property is an enforcement lien mortgage. Should the covenants and restrictions be violated within thirty years from the commencement date (June 2001), a mortgage in the amount of \$1,730,600 would be due to the City of New York as of June 30, 2017. If on the 25th anniversary of the debt service date the property is owned by a not-for-profit organization and there has been no default under the regulatory agreement, the unpaid principal will be considered paid in five equal annual installments, as follows:

<u>Anniversary</u>	<u>Percent Deemed Paid</u>
26th	20%
27th	20
28th	20
29th	20
30th	<u>20</u>
	<u>100%</u>

LSH need not make payments on the mortgage so long as the covenants set forth in the regulatory agreement and other loan documents are adhered to. If all regulations and covenants are adhered to for the term of the loan, LSH will not be required to repay any of the loan principal. However, if there is a breach of any regulations or covenants, the City of New York can call the mortgage and repayment will commence. As of June 30, 2017, all covenants were adhered to.

453 West 166th Street HDFC

Financing for the thirteen apartments consists of a mortgage from the New York City Department of Housing Preservation and Development (“NYC HPD”) in the amount of \$952,444, with interest at 1% per annum, together with a servicing fee of 1/4% per annum, and maturing in 2021. Equal monthly installments of \$992 for interest and service are due for the life of the mortgage.

Additionally, as part of the formation of 453, two mortgage note amendments were entered into between the New York City Housing Development Corporation (“NYC HDC”), the NYC HPD and 453 for the Article VIII loan of \$952,444. New mortgages of \$75,603 and \$55,670 were received to finance additional capital improvements to the property and require no additional monthly interest and service fees to the original mortgage (see Note 9).

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 4 - Mortgages Payable (Continued)

618 West 187th Street HDFC

During the year ended June 30, 2016, 618 entered into a construction loan for a total commitment of \$6,707,218 between two lenders, of which \$3,334,297 has been borrowed and is outstanding at June 30, 2017, with interest at the greater of 5.3% plus LIBOR or 6%. The loan will mature on June 26, 2018, unless property has been converted into Housing Development Fund Corporation coop units prior to maturity, whereby the loan will convert to a permanent loan with principal due in thirty years from the conversion date.

Note 5 - Loan Payable

The loan payable as of June 30, 2017 is comprised of a non-interest bearing note for \$50,000 payable to Lemle & Wolff, repayment of which will be taken from the proceeds of financing to be obtained for the rehabilitation of 21 Arden, a housing project for persons of low income.

Note 6 - Line of Credit

NMIC has a \$414,593 line of credit, which matures August 15, 2018. Amounts borrowed under this agreement bear interest at the LIBOR rate, as defined, plus 10.966% (12.10% at June 30, 2017). At June 30, 2017, the full \$414,593 was outstanding and is secured by the assets of NMIC.

Note 7 - Concentration of Credit Risk and Major Grantors

Cash and Cash Equivalents

As of June 30, 2017, the Organization maintains cash balances at a bank which is insured by the Federal Deposit Insurance Corporation for a limit of up to \$250,000. The Organization also maintains funded escrows and reserves. All escrows and reserves are held in trust accounts in the Organization's name. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2017.

Major Grantors

During the year ended June 30, 2017, two government grantors accounted for approximately 28% of total revenue. These grantors accounted for approximately 19% of NMIC's outstanding grants receivable at June 30, 2017.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 8 - Retirement Plan

NMIC has a 401(k) profit sharing plan and trust covering all eligible employees who have attained the age of twenty-one and completed one year of service with 1,000 hours. Employer contributions include the non-elective safe harbor contribution in an amount equal to 3% of a participant's eligible compensation. Additionally, the plan allows employees to receive an allocation of a discretionary profit sharing contribution, which is determined by management. NMIC's safe harbor contribution for the year ended June 30, 2017 was approximately \$501,000, and is included in payroll taxes and fringe benefits on the consolidating statements of functional expenses.

Note 9 - Commitments and Contingencies

Operating Leases

NMIC leases office facilities under non-cancellable operating leases expiring through June 2047. Minimum aggregate annual lease payments are approximately as follows:

Fiscal Year Ending <u>June 30,</u>	
2018	\$ 1,396,600
2019	1,370,100
2020	1,357,800
2021	1,385,000
2022	1,412,700
Thereafter	<u>47,323,800</u>
	<u>\$ 54,246,000</u>

NMIC leases certain office equipment under non-cancellable operating leases expiring through January 2018. The minimum aggregate annual lease payment for 2018 is approximately \$35,000.

Occupancy expense, including real estate taxes, charged to operations for the year ended June 30, 2017 amounted to approximately \$2,143,000 and is included in occupancy costs on the consolidating statements of functional expenses, which includes a deferred rent adjustment of approximately \$456,000.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Consolidating Financial Statements

Note 9 - Commitments and Contingencies (Continued)

Other Contingencies

453's principal asset is a thirteen-unit residential property. Ownership of this property was transferred to 453 on June 29, 2012 from a limited partnership that had been allocated low income tax credits pursuant to Internal Revenue Code, Section 42. The limited partnership that previously owned the residential property passed the fifteen-year compliance period required by Section 42 and, as a result, participated in the NYC HPD "Year 15 Low Income Housing Tax Credit Preservation Program," which resulted in the limited partnership's interest being turned over to the residential property's not-for-profit sponsor (453). The purpose of this program is to ensure the future financial and physical viability and preserve the long-term affordability of city assisted tax credit properties that have reached the end of the initial tax credit compliance period. As part of this transfer, 453 was provided assistance by the NYC HDC and NYC HPD in the form of non-interest bearing loans to finance additional capital improvements to the property. The transfer of ownership interest from the limited partnership to 453, which was approved by the NYC HPD, also resulted in 453 assuming the existing mortgage, as well as operating the residential property in a heavily regulated environment that is subject to the administrative directives, rules and regulations of the NYC HPD.

Note 10 - Subsequent Events

The Organization has evaluated subsequent events through January 18, 2018, the date the consolidating financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Schedule in Support of Program Compliance
For the Year Ended June 30, 2017
(Unaudited)

Completed Units Information	Grant C092041/2016 Contract Period 4/1/2016 - 3/31/2017
Total number of units contracted for	361
Total number of units completed per client files as of June 30, 2017	324
Total number of units certified as acceptable and completed by the New York State Homes and Community Renewal as of June 30, 2017	324

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

(Supplementary Information)

New York State Homes and Community Renewal

Weatherization Assistance

Schedule of Assets, Liabilities and Net Assets

Grant Number C092041/2016

June 30, 2017

(Unaudited)

ASSETS

Inventory	\$ 5,256
Due from other funds	<u>215,383</u>
	<u>\$ 220,639</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 215,383
Net assets:	
Restricted net assets - inventory	<u>5,256</u>
	<u>\$ 220,639</u>

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

(Supplementary Information)

New York State Homes and Community Renewal

Weatherization Assistance

Grant Number C092041/2016

Schedule of Accounts Payable

June 30, 2017

(Unaudited)

Invoice Date	Vendor	Amount Due
3/28/2017	1 STOP Electronic Center	\$ 557
3/31/2017	1 STOP Electronic Center	1,729
3/31/2017	Association for Energy Affordability	1,000
3/30/2017	AMEX-Gas	254
3/31/2017	AMEX-Gas	114
3/30/2017	Apartment House Supply	9
3/30/2017	Apartment House Supply	9
3/30/2017	Apartment House Supply	9
3/30/2017	Apartment House Supply	195
3/30/2017	Apartment House Supply	9
3/30/2017	Apartment House Supply	39
3/31/2017	Apartment House Supply	27
3/30/2017	Appliance Connection	2,133
3/31/2017	Appliance Connection	557
3/30/2017	Appliance Connection	1,268
3/30/2017	Appliance Connection	1,114
12/14/2016	Brooklyn Mechanical Heating Corp.	2,500
3/31/2017	Distribution International Southwest Inc.	161
3/30/2017	EFI	2,103
3/31/2017	Marathon Energy	10,000
3/31/2017	NMIC Lead Safe House HDFC	500
3/31/2017	Real Quality Windows	9,694
3/30/2017	Remediation Specialists, Inc.	9,973
3/30/2017	Remediation Specialists, Inc.	8,645
3/31/2017	Riverdal Electrical Services, Inc.	8,485
3/31/2017	Riverdal Electrical Services, Inc.	5,543
3/31/2017	Riverdal Electrical Services, Inc.	37,156
3/31/2017	Riverdal Electrical Services, Inc.	24,369
3/31/2017	Riverdal Electrical Services, Inc.	40,452
3/31/2017	Riverdal Electrical Services, Inc.	40,522
3/31/2017	Robert Mercardo	153
3/30/2017	The ADVG Specialists Of Me Inc.	1,292
3/30/2017	The ADVG Specialists Of Me Inc.	717
3/30/2017	The ADVG Specialists Of Me Inc.	562
3/30/2017	The ADVG Specialists Of Me Inc.	503
3/30/2017	The ADVG Specialists Of Me Inc.	1,240
3/30/2017	The ADVG Specialists Of Me Inc.	1,240
2/20/2017	NASCSP	550
		\$ 215,383

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Grant Number C092041/2016
Schedule of Revenue and Expenditures
Project Period April 1, 2016 to June 30, 2017
(Unaudited)

	Budgeted Amount	Incurred Audit		Total 4/1/2016 6/30/2017	(Over) Under Budget
		Ended 6/30/2016	Ended 6/30/2017		
REVENUE - GRANT INCOME	\$ 2,445,256	\$ 276,010	\$ 1,939,888	\$ 2,215,898	\$ 229,358
EXPENDITURES MATERIAL COSTS:					
Agency	7,000	18	7,837	7,855	(855)
Subcontracted	778,593	78,754	616,168	694,922	83,671
	<u>785,593</u>	<u>78,772</u>	<u>624,005</u>	<u>702,777</u>	<u>82,816</u>
LABOR COSTS:					
Agency salaries and fringes	674,078	111,468	547,460	658,928	15,150
Subcontracted	462,991	4,350	357,713	362,063	100,928
	<u>1,137,069</u>	<u>115,818</u>	<u>905,173</u>	<u>1,020,991</u>	<u>116,078</u>
PROGRAM SUPPORT:					
Building maintenance	7,000	3,456	4,714	8,170	(1,170)
Office supplies	2,000	-	2,392	2,392	(392)
Office space	148,000	26,593	129,159	155,752	(7,752)
Insurance/bonding	1,000	-	-	-	1,000
Warehouse	12,000	2,000	9,000	11,000	1,000
Weatherization tools/supplies	2,000	1,253	3,033	4,286	(2,286)
Utilities/fuel	11,403	-	4,187	4,187	7,216
Vehicle insurance	8,534	-	6,505	6,505	2,029
Office furniture/equipment	2,000	-	-	-	2,000
Vehicle maintenance	2,000	449	2,005	2,454	(454)
Travel	3,000	384	656	1,040	1,960
Weatherization equipment	2,000	-	-	-	2,000
Health and safety	12,750	-	843	843	11,907
Telecommunications	6,000	635	4,269	4,904	1,096
Postage and shipping	2,000	388	686	1,074	926
Advertising/marketing	2,000	1,708	5,373	7,081	(5,081)
Printing and copying	3,000	-	-	-	3,000
Dues/fees	2,000	250	1,400	1,650	350
Energy audit	1,000	-	-	-	1,000
Other allowance	26,000	3,595	22,208	25,803	197
	<u>255,687</u>	<u>40,711</u>	<u>196,430</u>	<u>237,141</u>	<u>18,546</u>
LIABILITY INSURANCE	118,000	18,729	98,778	117,507	493
FINANCIAL AUDIT	12,687	-	12,687	12,687	-
TRAINING AND TECHNICAL ASSISTANCE	14,000	6,001	7,999	14,000	-
ADMINISTRATIVE COSTS:					
Salaries and fringe	122,220	15,549	78,921	94,470	27,750
Other allowances	-	1,165	15,160	16,325	(16,325)
	<u>122,220</u>	<u>16,714</u>	<u>94,081</u>	<u>110,795</u>	<u>11,425</u>
TOTAL EXPENDITURES	2,445,256	276,745	1,939,153	2,215,898	229,358
REVENUE OVER (UNDER) EXPENDITURES	\$ -	\$ (735)	\$ 735	\$ -	\$ -

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Grant Number C092041/2017
Schedule of Revenue and Expenditures
Project Period April 1, 2017 to March 31, 2018
(Unaudited)

	Budgeted Amount	Audit Ended 7/1/2016 6/30/2017	Total 7/1/2016 6/30/2017	(Over) Under Budget
REVENUE - GRANT INCOME	\$ 2,468,273	\$ 343,654	\$ 343,654	\$ 2,124,619
EXPENDITURES MATERIAL COSTS:				
Agency	14,143	24,225	24,225	(10,082)
Subcontracted	800,000	34,553	34,553	765,447
	<u>814,143</u>	<u>58,778</u>	<u>58,778</u>	<u>755,365</u>
LABOR COSTS:				
Agency salaries and fringes	647,825	168,297	168,297	479,528
Subcontracted	457,291	14,837	14,837	442,454
	<u>1,105,116</u>	<u>183,134</u>	<u>183,134</u>	<u>921,982</u>
PROGRAM SUPPORT:				
Building maintenance	7,000	1,677	1,677	5,323
Office supplies	2,000	928	928	1,072
Office space	148,000	35,657	35,657	112,343
Insurance/bonding	1,000	-	-	1,000
Warehouse	12,000	3,000	3,000	9,000
Weatherization tools/supplies	2,000	1,174	1,174	826
Utilities/fuel	12,000	3,856	3,856	8,144
Vehicle insurance	8,500	603	603	7,897
Office furniture/equipment	2,000	-	-	2,000
Vehicle maintenance	2,000	3,884	3,884	(1,884)
Travel	2,000	321	321	1,679
Weatherization equipment	2,000	-	-	2,000
Health and safety	30,000	-	-	30,000
Telecommunications	6,000	730	730	5,270
Postage and shipping	3,000	668	668	2,332
Advertising/marketing	3,000	-	-	3,000
Printing and copying	4,000	1,296	1,296	2,704
Dues/fees	2,000	250	250	1,750
Other allowance	31,600	2,583	2,583	29,017
	<u>280,100</u>	<u>56,627</u>	<u>56,627</u>	<u>223,473</u>
LIABILITY INSURANCE	<u>118,000</u>	<u>19,031</u>	<u>19,031</u>	<u>98,969</u>
FINANCIAL AUDIT	<u>13,500</u>	<u>-</u>	<u>-</u>	<u>13,500</u>
TRAINING AND TECHNICAL ASSISTANCE	<u>14,000</u>	<u>1,109</u>	<u>1,109</u>	<u>12,891</u>
ADMINISTRATIVE COSTS:				
Salaries and fringe	118,188	23,622	23,622	94,566
Other allowances	5,226	1,353	1,353	3,873
	<u>123,414</u>	<u>24,975</u>	<u>24,975</u>	<u>98,439</u>
TOTAL EXPENDITURES	<u>2,468,273</u>	<u>343,654</u>	<u>343,654</u>	<u>2,124,619</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

(Supplementary Information)

New York State Homes and Community Renewal

Weatherization Assistance

Grant Number C092041/2017

Schedule of Questioned Costs

Project Period April 1, 2016 to June 30, 2017

(Unaudited)

NONE

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the City of New York, Department of Homeless Services Temporary Assistance for Needy Families	93.558	N/A	\$ 623,234
Passed through the New York State Office of Children & Family Services Settlement House	93.558	N/A	51,604
Passed through the New York State Office of New Americas Hispanic Federation Community Services Block Grant	93.569	N/A	46,100
Passed through the New York City Community Service Society Affordable Care Act (ACA) Grants for New and Expanded Services under The Health Center Program	93.527	N/A	174,412
Passed through Columbia University Cancer Centers Support Grants	93.397	N/A	30,319
Passed through MFY Legal Services Title III-B of the Older American Act of 1965 Grants for Support Services	93.044	N/A	117,000
Passed through the New York State Homes and Community Renewal Low Income Home Energy Assistance	93.568	C091041	2,282,808
Passed through the City of New York, New York City Department of Youth and Community Development			
Community Services Block Grant - Housing	93.569	N/A	104,746
Community Services Block Grant - Immigration	93.569	N/A	98,204
Community Services Block Grant - Legal Services Immigration	93.569	N/A	130,013
Passed through the City of New York, Mayor's Fund to Advance NYC Connections to Care	94.019	15SIHNY001	<u>62,867</u>
Total U.S. Department of Health and Human Services			<u>3,721,307</u>
U.S. Department of Agriculture			
Passed through the Nutrition Consortium of New York State Food Stamp Outreach	10.561	N/A	71,825
Passed through the New York State Office of Temporary & Disability Assistance Supplemental Nutrition Assistance Program	10.561	N/A	<u>200,500</u>
Total U.S. Department of Agriculture			<u>\$ 272,325</u>

See notes to schedule of expenditures of federal awards.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended June 30, 2017

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the City of New York Department of Housing Preservation and Development			
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 42,997
Section 8 Housing Choice Vouchers	14.871	N/A	<u>126,485</u>
Total U.S. Department of Housing and Urban Development			<u>169,482</u>
U.S. Department of Energy			
Passed through the New York State Homes and Community Renewal Weatherization Assistance Program			
	81.042	C091041/2011	<u>91,526</u>
Total U.S. Department of Energy			<u>91,526</u>
U.S. Department of Homeland Security			
Passed through the United Way of New York City Emergency Food and Shelter National Board Program			
	97.024	N/A	<u>85,470</u>
Total U.S. Department of Homeland Security			<u>85,470</u>
U.S. Department of Labor			
WIA Youth Activities			
	17.259	N/A	543,728
Youthbuild	17.274	N/A	<u>363,337</u>
Total U.S. Department of Labor			<u>907,065</u>
U.S. Department of Justice			
Legal Assistance For Victims			
	16.524	N/A	<u>25,324</u>
Total U.S. Department of Justice			<u>25,324</u>
Total Expenditures of Federal Awards			<u>\$ 5,272,499</u>

See notes to schedule of expenditures of federal awards.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Northern Manhattan Improvement Corporation and Affiliates under programs of the federal government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Northern Manhattan Improvement Corporation and Affiliates, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of Northern Manhattan Improvement Corporation and Affiliates.

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, as applicable, either the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance. Wherein certain types of expenditures are not allowable or are limited as to reimbursement, Northern Manhattan Improvement Corporation and Affiliates has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

REPORTING UNDER GOVERNMENT AUDITING STANDARDS



**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
Northern Manhattan Improvement Corporation and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern Manhattan Improvement Corporation and Affiliates (the “Organization”), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization’s internal control. Accordingly, we 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.



Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Mayer Hoffman McCann CPAs". The signature is written in a cursive, flowing style.

January 18, 2018

REPORTING UNDER THE UNIFORM GUIDANCE



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Northern Manhattan Improvement Corporation and Affiliates’ (the “Organization”) compliance with the types of compliance requirements described in *the OMB Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2017. The Organization’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 the Organization’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 the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Those standards and the Uniform Guidance 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 the Organization’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 the major federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Uniform Guidance, 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 the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann CPAs

January 18, 2018

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Summary of Auditor's Results

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|---|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified? | None Reported |
| 3. Noncompliance material to financial statements noted | No |

Federal Awards

- | | |
|---|-----------------------------------|
| 1. Internal control over major program: | |
| a. Material weaknesses identified? | None |
| b. Significant deficiencies identified? | None Reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported | No |
| 4. Identification of major program: | Name of Federal Program |
| <u>CFDA Number:</u>
93.568 | Low Income Home Energy Assistance |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

Section II - Financial Statement Findings No matters were reported.

Section III - Federal Award Findings and Questioned Costs No matters were reported.