

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

Consolidating Financial Statements

and

Supplementary Information

June 30, 2019

**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, 2019, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating 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, 2019, 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 21 to 27, 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 February 24, 2020 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.

February 24, 2020

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Financial Position
June 30, 2019

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Eliminations	Total
ASSETS							
Cash and cash equivalents	\$ 403,772	\$ 35,798	\$ 172,624	\$ 12,643	\$ 21,277	\$ -	\$ 646,114
Cash - client escrows	8,934	-	-	-	-	-	8,934
Cash - restricted	289,343	-	-	-	-	-	289,343
Government grants and contracts receivable	5,631,588	-	-	-	-	-	5,631,588
Rent receivable	-	1,000	441	-	62,636	-	64,077
Due from NMIC Lead Safe House HDFC	24,500	-	-	-	-	(24,500)	-
Due from 453 West 166th Street HDFC	21,500	-	-	-	-	(21,500)	-
Due from NMIC Arden HDFC	184,974	-	-	-	-	(184,974)	-
Due from 618 West 187th Street HDFC	15,000	-	-	-	-	(15,000)	-
Prepaid expenses and other assets	75,874	12,455	13,595	38,450	49,681	-	190,055
Security deposits	400,545	-	2,420	-	24,523	-	427,488
Reserves and mortgage escrows	-	9,354	82,162	54,449	52,270	-	198,235
Property and equipment, net	252,862	572,259	212,824	827,030	5,053,857	-	6,918,832
Total assets	\$ 7,308,892	\$ 630,866	\$ 484,066	\$ 932,572	\$ 5,264,244	\$ (245,974)	\$14,374,666
LIABILITIES AND NET ASSETS (DEFICIT)							
Liabilities:							
Accounts payable and accrued expenses	\$ 2,671,701	\$ 51,515	\$ 30,647	\$ 168,957	\$ 58,580	\$ -	\$ 2,981,400
Refundable advances	749,909	-	-	-	-	-	749,909
Client escrows payable	8,934	-	-	-	-	-	8,934
Due to NMIC	-	24,500	21,500	184,974	15,000	(245,974)	-
Deferred rent	2,018,435	-	-	-	-	-	2,018,435
Mortgages payable, net of closing costs of \$425,073	-	1,730,600	1,083,717	1,071,579	5,787,512	-	9,673,408
Total liabilities	5,448,979	1,806,615	1,135,864	1,425,510	5,861,092	(245,974)	15,432,086
Commitments and contingencies (Note 12)							
Net assets (deficit) without donor restrictions	1,859,913	(1,175,749)	(651,798)	(492,938)	(596,848)	-	(1,057,420)
Total liabilities and net assets (deficit)	\$ 7,308,892	\$ 630,866	\$ 484,066	\$ 932,572	\$ 5,264,244	\$ (245,974)	\$14,374,666

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Activities
For the Year Ended June 30, 2019

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Eliminations	Total
Support and revenue:							
Government grants and contracts	\$ 13,533,106	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,533,106
Contributions	1,331,026	-	-	-	-	-	1,331,026
Program revenue	310,277	-	-	-	-	(194,000)	116,277
Rental income	15,426	181,478	156,011	-	341,327	-	694,242
Other income	110,555	-	3,162	144,000	230	-	257,947
Total support and revenue	15,300,390	181,478	159,173	144,000	341,557	(194,000)	15,932,598
Expenses:							
Program services	11,841,769	251,433	111,472	38,418	72,503	(50,000)	12,265,595
Administrative	3,137,132	83,281	75,158	305,465	148,621	(144,000)	3,605,657
Fundraising	275,455	-	-	-	-	-	275,455
Total expenses	15,254,356	334,714	186,630	343,883	221,124	(194,000)	16,146,707
Change in net assets	46,034	(153,236)	(27,457)	(199,883)	120,433	-	(214,109)
Net assets (deficit) - beginning of year	1,813,879	(1,022,513)	(624,341)	(293,055)	(717,281)	-	(843,311)
Net assets (deficit) - end of year	\$ 1,859,913	\$ (1,175,749)	\$ (651,798)	\$ (492,938)	\$ (596,848)	\$ -	\$ (1,057,420)

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Functional Expenses
For the Year Ended June 30, 2019

	Program Services							Administrative Expenses							Fundraising Expenses					Total Expenses				
	Northern Manhattan Improvement Corporation		NMIC Lead Safe House	453 West 166th Street	NMIC Arden	618 West 187th Street	Eliminations	Total	Northern Manhattan Improvement Corporation		NMIC Lead Safe House	453 West 166th Street	NMIC Arden	618 West 187th Street	Eliminations	Total	Northern Manhattan Improvement Corporation		NMIC Lead Safe House		453 West 166th Street	NMIC Arden	618 West 187th Street	Total
	HDFC	HDFC	HDFC	HDFC	HDFC			HDFC	HDFC	HDFC	HDFC	HDFC	HDFC	HDFC			HDFC	HDFC	HDFC		HDFC	HDFC		
Salaries	\$ 6,050,051	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,050,051	\$ 1,246,295	\$ 19,450	\$ 11,750	\$ -	\$ 17,170	\$ -	\$ 1,294,665	\$ 139,557	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 139,557	\$ 7,484,273		
Payroll taxes and fringe benefits	1,873,110	-	-	-	-	-	1,873,110	398,853	4,676	2,791	-	1,946	-	408,266	44,658	-	-	-	-	-	44,658	2,326,034		
Professional fees and consultants	79,968	14,108	-	-	-	-	94,076	385,636	50,361	44,346	303,344	117,801	(144,000)	757,488	19,045	-	-	-	-	-	19,045	870,609		
Occupancy costs	1,376,678	-	-	24,137	-	-	1,400,815	779,821	-	-	-	-	-	779,821	25,723	-	-	-	-	-	25,723	2,206,359		
Repairs and maintenance	65,734	72,921	62,782	-	6,324	-	207,761	43,272	-	-	-	-	-	43,272	1,630	-	-	-	-	-	1,630	252,663		
Program food, supplies and stipends	91,067	50,000	-	-	-	(50,000)	91,067	14,705	-	-	-	-	-	14,705	-	-	-	-	-	-	-	105,772		
Office supplies	86,567	-	-	-	-	-	86,567	49,824	4,963	3,559	-	3,924	-	62,270	5,357	-	-	-	-	-	5,357	154,194		
Telephone	36,405	-	-	-	-	-	36,405	8,456	-	-	-	1,150	-	9,606	548	-	-	-	-	-	548	46,559		
Utilities	78,919	43,073	31,849	-	52,108	-	205,949	19,709	-	-	-	-	-	19,709	-	-	-	-	-	-	-	225,658		
Subcontractor	1,688,777	-	-	-	-	-	1,688,777	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,688,777		
Insurance	182,189	8,400	6,884	14,281	14,071	-	225,825	9,996	-	-	-	-	-	9,996	1,608	-	-	-	-	-	1,608	237,429		
Meetings, conferences and training	24,913	-	-	-	-	-	24,913	1,862	-	-	-	46	-	1,908	-	-	-	-	-	-	-	26,821		
Travel (including client travel)	27,168	-	-	-	-	-	27,168	17,186	-	-	-	-	-	17,186	-	-	-	-	-	-	-	44,354		
Printing and publications	61,403	-	-	-	-	-	61,403	1,032	577	193	-	2,912	-	4,714	1,916	-	-	-	-	-	1,916	68,033		
Equipment purchase and leasing	-	-	616	-	-	-	616	18,172	2,077	136	1,645	-	-	22,030	4,306	-	-	-	-	-	4,306	26,952		
Books and subscriptions	12,337	-	-	-	-	-	12,337	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12,337		
Interest expense	-	-	-	-	-	-	-	172	-	11,906	-	-	-	12,078	-	-	-	-	-	-	-	12,078		
Miscellaneous other costs	84,291	-	-	-	-	-	84,291	136,241	1,177	477	476	3,672	-	142,043	31,107	-	-	-	-	-	31,107	257,441		
Total expenses before depreciation and amortization	11,819,577	188,502	102,131	38,418	72,503	(50,000)	12,171,131	3,131,232	83,281	75,158	305,465	148,621	(144,000)	3,599,757	275,455	-	-	-	-	-	275,455	16,046,343		
Depreciation and amortization	22,192	62,931	9,341	-	-	-	94,464	5,900	-	-	-	-	-	5,900	-	-	-	-	-	-	-	100,364		
Total expenses	\$ 11,841,769	\$ 251,433	\$ 111,472	\$ 38,418	\$ 72,503	\$ (50,000)	\$ 12,265,595	\$ 3,137,132	\$ 83,281	\$ 75,158	\$ 305,465	\$ 148,621	\$ (144,000)	\$ 3,605,657	\$ 275,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,455	\$ 16,146,707		

See accompanying notes.

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
Consolidating Statements of Cash Flows
For the Year Ended June 30, 2019

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Eliminations	Total
Cash flows from operating activities:							
Change in net assets	\$ 46,034	\$ (153,236)	\$ (27,457)	\$ (199,883)	\$ 120,433	\$ -	\$ (214,109)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	28,092	62,931	9,341	-	-	-	100,364
Deferred rent	404,271	-	-	-	-	-	404,271
Change in assets and liabilities:							
Government grants and contracts receivable	(1,097,339)	30,549	16,403	-	9,907	-	(1,040,480)
Rent receivable	-	(1,000)	(441)	-	(62,636)	-	(64,077)
Due from NMIC Arden HDFC	77,146	-	-	-	-	(77,146)	-
Due from 618 West 187th Street HDFC	(3,000)	-	-	-	-	3,000	-
Prepaid expenses and other assets	(24,157)	(12,455)	(11,682)	(38,450)	(15,681)	-	(102,425)
Reserves and mortgage escrows	-	-	(11,779)	(54,449)	(52,270)	-	(118,498)
Accounts payable and accrued expenses	1,135,378	39,214	8,486	138,022	55,444	-	1,376,544
Refundable advances	21,694	-	-	-	-	-	21,694
Due to NMIC	-	-	-	(77,146)	3,000	74,146	-
Net cash provided by (used in) operating activities	<u>588,119</u>	<u>(33,997)</u>	<u>(17,129)</u>	<u>(231,906)</u>	<u>58,197</u>	<u>-</u>	<u>363,284</u>
Cash used in investing activities:							
Purchase of property and equipment	-	-	-	(827,030)	(395,216)	-	(1,222,246)
Cash flows from financing activities:							
Payments of bank overdraft, net	(54,177)	-	-	-	-	-	(54,177)
Proceeds from mortgage	-	-	-	1,148,349	314,362	-	1,462,711
Payment of debt issuance costs	-	-	-	(76,770)	-	-	(76,770)
Receipts of security deposits	2,000	-	-	-	-	-	2,000
Repayment of loan payable	(100,000)	-	-	-	-	-	(100,000)
Net cash provided by (used in) financing activities	<u>(152,177)</u>	<u>-</u>	<u>-</u>	<u>1,071,579</u>	<u>314,362</u>	<u>-</u>	<u>1,233,764</u>
Net increase (decrease) in cash and cash equivalents	435,942	(33,997)	(17,129)	12,643	(22,657)	-	374,802
Cash and cash equivalents and restricted cash, beginning of year	266,107	69,795	189,753	-	43,934	-	569,589
Cash and cash equivalents and restricted cash, end of year	<u>\$ 702,049</u>	<u>\$ 35,798</u>	<u>\$ 172,624</u>	<u>\$ 12,643</u>	<u>\$ 21,277</u>	<u>\$ -</u>	<u>\$ 944,391</u>
Supplemental Disclosure of Cash Flow Information							
Cash paid during the year for:							
Interest	\$ 172	\$ -	\$ 11,906	\$ 10,181	\$ 257,729	\$ -	\$ 279,988

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 in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Basis of Presentation

The classification of the Organization’s net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets - without donor restrictions and with donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These two classes are defined as follows:

Net Assets With Donor Restrictions - Net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as changes in net assets. In addition, some donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization did not have any net assets with donor restrictions at June 30, 2019.

Net Assets Without Donor Restrictions - Net assets available for general use and not subject to donor restrictions.

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.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

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.

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. Property and equipment purchases with a cost in excess of \$5,000 are capitalized; all others are expensed as incurred. 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.

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, 2019, the amount of funds held by the Organization for other parties was approximately \$9,000.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue and Support Recognition

Contributions and grants received are recorded as net assets with or without donor restrictions, 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 U.S. 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 U.S. 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.

Advertising Expense

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense for the year ended June 30, 2019 was approximately \$41,000.

**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 is subject to federal income tax examination by tax authorities for fiscal years ended in 2016 and thereafter. No returns or registrations are presently under examination by the relevant authorities.

LSH, 453, Arden and 618 (collectively referred to as the "HDFCs") have elected to be taxed at the corporate level.

Deferred taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax rates in effect in the years in which the differences are expected to affect taxable income. Valuation allowances are provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

The HDFCs classify any interest or penalty payments relating to uncertain tax positions within operating expenses on the consolidating financial statements. There are no accruals of interest or penalty payments, nor are there any unrecognized tax benefits as of June 30, 2019. The HDFCs' returns from the year 2016 and thereafter are still subject to examination by various jurisdictions.

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 \$47,000 as of June 30, 2019 and has been included in accounts payable and accrued expenses on the consolidating statements of financial position as of June 30, 2019.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage of effort based on the full-time equivalent or on the contract budget in relation to the entire agency-wide budget.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated on the basis of estimates of time and effort are salaries, payroll taxes and benefits, repairs and maintenance, occupancy, utilities and telephone. The expenses that are allocated on the basis of the contract budget in relation to the entire agency budget are office supplies, insurance, printing and publications, equipment purchase and leasing, agency audit and payroll processing charges.

Recently Issued Accounting Standards

Revenue Recognition

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing and uncertainty of revenue that is recognized. The amendments are required to be adopted for the Organization's June 30, 2020 consolidating financial statements. Early adoption is permitted. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization will adopt this standard effective July 1, 2019 using the modified retrospective approach. The Organization has identified its main revenue streams and has substantially completed reviewing contracts and other relevant documents. Based on this preliminary analysis to date, the Organization has not identified a significant impact on its consolidating financial statements, although this is subject to change as the Organization completes the process.

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards (Continued)

Leases

In February 2016, the FASB released ASU 2016-02, *Leases (Topic 842)*. This update requires that lessees and lessors should apply a right-of-use model in accounting for all leases, with certain exemptions. Under this model, the Organization would recognize an asset representing its right to use the leased property and a liability to make the lease payments. This model could have an impact on the Organization's consolidating statement of financial position and presentation of expenses in its consolidating statement of activities. The amendment is required to be adopted for the Organization's June 30, 2022 consolidating financial statements. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Presentation of Financial Statements for Not-for-Profit Entities

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*, which makes targeted improvements to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. The Organization adopted ASU 2016-14 on July 1, 2018 and has adjusted the presentation of these financial statements accordingly. Adoption did not result in any changes in net asset classifications.

Note 3 - Liquidity and Availability

The Organization's financial assets available within one year from the statement of financial position date for general expenses are as follows:

	<u>NMIC</u>	<u>LSH</u>	<u>453</u>	<u>Arden</u>	<u>618</u>	<u>Total</u>
Cash and cash equivalents	\$ 403,772	\$ 35,798	\$ 172,624	\$ 12,643	\$ 21,277	\$ 646,114
Government grants and contracts receivable	5,631,588	-	-	-	-	5,631,588
Rent receivable	-	1,000	441	-	62,636	64,077
	<u>\$ 6,035,360</u>	<u>\$ 36,798</u>	<u>\$ 173,065</u>	<u>\$ 12,643</u>	<u>\$ 83,913</u>	<u>\$ 6,341,779</u>

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

Note 3 - Liquidity and Availability (Continued)

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. In addition to the financial assets available for general expenses above, the Organization has a \$500,000 line of credit with a financial institution available for any immediate needs and a balanced budget that management reviews and follows on a regular basis to ensure the Organization operates only within approved limits.

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities of changing people's lives in the community on their paths to secure prosperous futures by providing various services to be general expenditures.

Note 4 - Cash and Restricted Cash

For purposes of the statements of financial position and cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as time deposits, certificates of deposit and others with an original maturity of three months or less when purchased. Restricted cash on the statement of financial position includes restricted cash that is required to be established and maintained 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.

	<u>June 30, 2019</u>
Cash and cash equivalents	\$ 646,114
Cash - client escrows	8,934
Cash - restricted	<u>289,343</u>
	<u>\$ 944,391</u>

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

Note 5 - Property and Equipment

Property and equipment as of June 30, 2019 consists of:

	<u>NMIC</u>	<u>LSH</u>	<u>453</u>	<u>Arden</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	-	-	-	827,030	5,013,857	5,840,887	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>-</u>	<u>296,230</u>	Shorter of life of lease or leasehold improvement
	576,615	1,730,601	257,532	827,030	5,053,857	8,445,635	
Less: Accumulated depreciation and amortization	<u>(323,753)</u>	<u>(1,158,342)</u>	<u>(44,708)</u>	<u>-</u>	<u>-</u>	<u>(1,526,803)</u>	
	<u>\$ 252,862</u>	<u>\$ 572,259</u>	<u>\$ 212,824</u>	<u>\$ 827,030</u>	<u>\$ 5,053,857</u>	<u>\$ 6,918,832</u>	

Depreciation and amortization expense for the year ended June 30, 2019 was approximately \$100,000 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, 2019 was approximately \$10,000.

Note 6 - Mortgages Payable

Mortgages payable is comprised of the following as of June 30, 2019:

NMIC Lead Safe House HDFC	\$ 1,730,600
NMIC Arden HDFC	1,148,349
453 West 166th Street HDFC	1,083,717
618 West 187th Street HDFC	<u>6,135,815</u>
	10,098,481
Less: Debt issuance costs	<u>(425,073)</u>
	<u>\$ 9,673,408</u>

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

Note 6 - 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, 2031. 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, 2019, all regulations and covenants were adhered to.

NMIC Arden HDFC

During the year ended June 30, 2019, Arden entered into several construction loans for a total commitment of \$6,309,450, of which \$1,148,349 has been borrowed and is outstanding at June 30, 2019, with interest ranging from 0.25% to the greater of 5.0% plus LIBOR or 6% (7.03150% at June 30, 2019). Included in the mortgages payable on the accompanying consolidating statements of financial position is approximately \$76,800 of debt issuance costs as of June 30, 2019. The Organization will start amortizing these costs upon conversion of the loan to a permanent loan. The loan will mature on December 17, 2021, unless the property has been converted into Housing Development Fund Corporation co-op units prior to maturity, whereby the loan will convert to a permanent loan with principal due in thirty years from the conversion date.

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

Note 6 - Mortgages Payable (Continued)

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 fees 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 12).

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 \$6,135,815 has been borrowed and is outstanding at June 30, 2019, with interest ranging from 0.75% to the greater of 5.3% plus LIBOR or 6% (7.52975% at June 30, 2019). Included in the mortgages payable on the accompanying consolidating statements of financial position is approximately \$348,000 of debt issuance costs as of June 30, 2019. The Organization will start amortizing these costs upon conversion of the loan to a permanent loan. The loan’s maturity has been extended through June 1, 2020, unless the property has been converted into Housing Development Fund Corporation co-op units prior to maturity, whereby the loan will convert to a permanent loan with principal due in thirty years from the conversion date.

Note 7 - Line of Credit

NMIC has a \$500,000 line of credit, which matures on June 11, 2020 and bears interest at 7.50% per annum. As of June 30, 2019, NMIC has not drawn on the line of credit.

Note 8 - Loan Payable

NMIC had a loan payable as of June 30, 2018 in the amount of \$100,000, which was comprised of a non-interest bearing note payable to a third party. The loan payable was repaid in full during fiscal year 2019 using the proceeds from the financing obtained for the rehabilitation of 21 Arden, a housing project for persons of low income.

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

Note 9 - Income Taxes

There is no provision for income taxes because the HDFCs have incurred operating losses since inception. The significant components of the HDFCs' net deferred tax assets at June 30, 2019 are approximately as follows:

Non-current deferred tax assets, net:	
Net operating loss carryforwards	\$ 656,000
Depreciation	<u>155,000</u>
	811,000
Less: Valuation allowance	<u>811,000</u>
	<u>\$ -</u>

The HDFCs have provided a full valuation allowance against their deferred tax asset due to the HDFCs' history of operating losses incurred to date. For the year ended June 30, 2019, the total valuation allowance increased by approximately \$143,000. As of June 30, 2019, the HDFCs had net operating losses for federal income tax purposes of approximately \$2,399,000, of which approximately \$1,890,000 will expire in years ranging from 2032 through 2037.

Note 10 - Concentration of Credit Risk and Major Grantors

Cash and Cash Equivalents

As of June 30, 2019, the Organization maintains cash balances at banks which are insured by the Federal Deposit Insurance Corporation for a limit of up to \$250,000 per financial institution. 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, 2019.

Major Grantors

During the year ended June 30, 2019, one government grantor accounted for approximately 15% of total revenue and approximately 18% of NMIC's outstanding government grants and contracts receivable at June 30, 2019.

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

Note 11 - 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 a 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 profit sharing contribution for the year ended June 30, 2019 was approximately \$863,000, and is included in payroll taxes and fringe benefits on the consolidating statements of functional expenses.

Note 12 - 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>	
2020	\$ 1,387,200
2021	1,394,800
2022	1,412,700
2023	1,440,900
2024	1,469,800
Thereafter	<u>44,413,200</u>
	<u>\$ 51,518,600</u>

NMIC leases certain office equipment under non-cancellable operating leases expiring through October 2020. The minimum aggregate annual lease payment for 2020 is approximately \$29,000.

Occupancy expense, including real estate taxes, charged to operations for the year ended June 30, 2019 amounted to approximately \$2,163,000 and is included in occupancy costs on the consolidating statements of functional expenses, which includes a deferred rent adjustment of approximately \$404,000.

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

Note 12 - 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 13 - Subsequent Events

The Organization has evaluated subsequent events through February 24, 2020, 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, 2019
(Unaudited)

Completed Units Information	Grant C092041/2018 Contract Period 4/1/2018 - 3/31/2019
Total number of units contracted for	389
Total number of units completed per client files as of June 30, 2019	389
Total number of units certified as acceptable and completed by the New York State Homes and Community Renewal as of June 30, 2019	389

**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 C092041/2018

June 30, 2019

(Unaudited)

ASSETS

Inventory	\$ 8,759
Due from other funds	<u>916,653</u>
	<u>\$ 925,412</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$ 916,653
Net assets:	
Restricted net assets - inventory	<u>8,759</u>
	<u>\$ 925,412</u>

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

(Supplementary Information)

New York State Homes and Community Renewal

Weatherization Assistance

Grant Number C092041/2018

Schedule of Accounts Payable

June 30, 2019

(Unaudited)

Invoice Date	Vendor	Amount Due
4/25/2019	1 STOP Electronic Center	\$ 2,834
4/25/2019	1 STOP Electronic Center	1,641
5/31/2019	1 STOP Electronic Center	6,174
5/31/2019	1 STOP Electronic Center	546
5/31/2019	1 STOP Electronic Center	1,092
5/31/2019	AM Conservation Group, Inc.	498
3/1/2018	Brooklyn Mechanical Htg Corp.	10,840
3/31/2019	CBIZ MHM LLC	13,500
3/28/2019	City Gas Heating Services	26,898
4/5/2019	City Gas Heating Services	26,898
4/5/2019	City Gas Heating Services	5,104
3/28/2019	City Gas Heating Services	1,818
3/28/2019	City Gas Heating Services	28,578
4/5/2019	City Gas Heating Services	28,578
4/5/2019	City Gas Heating Services	9,526
5/14/2019	Consolidated Environmental Inc.	4,778
5/16/2019	Consolidated Environmental Inc.	5,664
5/16/2019	Consolidated Environmental Inc.	5,286
5/16/2019	Consolidated Environmental Inc.	7,930
5/16/2019	Consolidated Environmental Inc.	5,664
5/16/2019	Consolidated Environmental Inc.	5,286
5/16/2019	Consolidated Environmental Inc.	7,930
5/21/2019	Consolidated Environmental Inc.	1,193
5/16/2019	Consolidated Environmental Inc.	2,693
5/16/2019	Consolidated Environmental Inc.	10,257
5/16/2019	Consolidated Environmental Inc.	11,967
5/16/2019	Consolidated Environmental Inc.	11,967
5/16/2019	Consolidated Environmental Inc.	17,082
5/16/2019	Consolidated Environmental Inc.	19,929
5/16/2019	Consolidated Environmental Inc.	10,664
5/31/2019	Consolidated Environmental Inc.	436
5/31/2019	Consolidated Environmental Inc.	1,379
5/31/2019	Consolidated Environmental Inc.	1,706
4/25/2019	Consolidated Environmental Inc.	581
5/31/2019	Consolidated Environmental Inc.	581
5/31/2019	Consolidated Environmental Inc.	290
Total carried forward		<u>\$ 297,788</u>

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

(Supplementary Information)

New York State Homes and Community Renewal

Weatherization Assistance

Grant Number C092041/2018

Schedule of Accounts Payable (Concluded)

June 30, 2019

(Unaudited)

Invoice Date	Vendor	Amount Due
	Total brought forward	\$ 297,788
5/31/2019	Consolidated Environmental Inc.	14,492
5/31/2019	Distribution International	621
5/21/2019	EFI	1,905
4/17/2019	Grainger	1,066
5/31/2019	Grainger	3,425
5/5/2019	Grainger	65
2/15/2019	Heat, Inc.	6,470
5/31/2019	Home Depot Credit Services	51
5/31/2019	Home Depot Credit Services	52
5/31/2019	Home Depot Credit Services	97
5/31/2019	Home Depot Credit Services	16
5/31/2019	Home Depot Credit Services	27
5/31/2019	Home Depot Credit Services	14
5/31/2019	Home Depot Credit Services	176
11/30/2017	Marathon Energy/Mechanical	6,400
3/31/2019	NMIC Lead Safe House HDFC	500
3/27/2019	Real Window	51,075
5/31/2019	Real Window	93,434
5/31/2019	Real Window	78,207
5/31/2019	Real Window	10,000
5/31/2019	Real Window	12,000
4/17/2019	Real Window	18,455
4/4/2019	Riverdal Electrical Services, Inc.	1,328
3/28/2019	Riverdal Electrical Services, Inc.	37,732
5/21/2019	Riverdal Electrical Services, Inc.	6,537
5/21/2019	Riverdal Electrical Services, Inc.	1,785
5/21/2019	Riverdal Electrical Services, Inc.	36,150
5/21/2019	Riverdal Electrical Services, Inc.	3,267
5/31/2019	Riverdal Electrical Services, Inc.	129,045
5/31/2019	Riverdal Electrical Services, Inc.	25,502
5/31/2019	Riverdal Electrical Services, Inc.	20,400
5/31/2019	Riverdal Electrical Services, Inc.	22,950
5/31/2019	Riverdal Electrical Services, Inc.	32,716
3/29/2019	The George Units	300
5/31/2019	Joseph Vega	219
5/31/2019	YES Contracting Inc.	2,386
		<u>\$ 916,653</u>

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**

(Supplementary Information)

New York State Homes and Community Renewal

Weatherization Assistance

Grant Number C092041/2018

Schedule of Revenue and Expenditures

Project Period April 1, 2018 to June 30, 2019

(Unaudited)

	Budgeted Amount	Period		Total 4/1/2018 to 6/30/2019	(Over) Under Budget
		Ended 6/30/2018	Ended 6/30/2019		
REVENUE - GRANT INCOME	\$ 2,482,007	\$ 330,471	\$ 2,151,536	\$ 2,482,007	\$ -
EXPENDITURES MATERIAL COSTS:					
Agency	1,123	-	1,849	1,849	(726)
Subcontracted	729,857	28,000	706,804	734,804	(4,947)
	<u>730,980</u>	<u>28,000</u>	<u>708,653</u>	<u>736,653</u>	<u>(5,673)</u>
LABOR COSTS:					
Agency salaries and fringes	690,476	161,484	559,955	721,439	(30,963)
Subcontracted	293,853	19,385	202,539	221,924	71,929
	<u>984,329</u>	<u>180,869</u>	<u>762,494</u>	<u>943,363</u>	<u>40,966</u>
PROGRAM SUPPORT:					
Building maintenance	7,000	378	4,073	4,451	2,549
Office supplies	2,000	294	3,070	3,364	(1,364)
Office space	148,000	34,391	113,609	148,000	-
Insurance/bonding	1,000	-	-	-	1,000
Warehouse	12,000	3,000	8,500	11,500	500
Weatherization tools/supplies	2,000	269	4,935	5,204	(3,204)
Utilities/fuel	12,000	1,985	3,996	5,981	6,019
Vehicle insurance	8,500	597	4,803	5,400	3,100
Office furniture/equipment	2,000	-	-	-	2,000
Vehicle maintenance	8,600	1,925	6,477	8,402	198
Travel	2,000	209	412	621	1,379
Weatherization equipment	2,000	-	-	-	2,000
Telecommunications	6,000	426	4,833	5,259	741
Postage and shipping	3,000	400	1,005	1,405	1,595
Advertising/marketing	3,000	349	(174)	175	2,825
Printing and copying	4,000	-	-	-	4,000
Dues/fees	2,000	800	480	1,280	720
Other allowance	9,500	5,182	5,552	10,734	(1,234)
	<u>234,600</u>	<u>50,205</u>	<u>161,571</u>	<u>211,776</u>	<u>22,824</u>
HEALTH & SAFETY	247,500	-	305,351	305,351	(57,851)
LIABILITY INSURANCE	118,000	28,206	90,060	118,266	(266)
FINANCIAL AUDIT	13,500	-	13,500	13,500	-
TRAINING AND TECHNICAL ASSISTANCE	14,000	8,748	5,252	14,000	-
ADMINISTRATIVE COSTS:					
Salaries and fringe	139,098	34,443	104,105	138,548	550
Other allowances	-	-	550	550	(550)
	<u>139,098</u>	<u>34,443</u>	<u>104,655</u>	<u>139,098</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,482,007</u>	<u>330,471</u>	<u>2,151,536</u>	<u>2,482,007</u>	<u>-</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<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 C092041/2019

Schedule of Revenue and Expenditures

Project Period April 1, 2019 to March 31, 2020

(Unaudited)

	Budgeted Amount	Period 7/1/2018 to 6/30/2019	Total 7/1/2018 to 6/30/2019	(Over) Under Budget
REVENUE - GRANT INCOME	\$ 2,468,273	\$ 279,723	\$ 279,723	\$ 2,188,550
EXPENDITURES MATERIAL COSTS:				
Agency	5,000	-	-	5,000
Subcontracted	769,272	-	-	769,272
	<u>774,272</u>	<u>-</u>	<u>-</u>	<u>774,272</u>
LABOR COSTS:				
Agency salaries and fringes	732,226	183,102	183,102	549,124
Subcontracted	337,473	-	-	337,473
	<u>1,069,699</u>	<u>183,102</u>	<u>183,102</u>	<u>886,597</u>
PROGRAM SUPPORT:				
Building maintenance	7,000	30	30	6,970
Office supplies	2,000	-	-	2,000
Office space	148,000	24,597	24,597	123,403
Warehouse	6,000	1,500	1,500	4,500
Weatherization tools/supplies	2,000	524	524	1,476
Utilities/fuel	12,000	1,039	1,039	10,961
Vehicle insurance	8,500	-	-	8,500
Office furniture/equipment	2,000	-	-	2,000
Vehicle maintenance	9,508	2,246	2,246	7,262
Travel	2,000	211	211	1,789
Weatherization equipment	2,000	-	-	2,000
Telecommunications	6,000	895	895	5,105
Postage and shipping	3,000	312	312	2,688
Advertising/marketing	3,000	-	-	3,000
Printing and copying	4,000	-	-	4,000
Dues/fees	2,000	850	850	1,150
Other allowance	9,500	4,716	4,716	4,784
	<u>228,508</u>	<u>36,920</u>	<u>36,920</u>	<u>191,588</u>
HEALTH & SAFETY	150,000	2,489	2,489	147,511
LIABILITY INSURANCE	96,222	25,897	25,897	70,325
FINANCIAL AUDIT	13,500	-	-	13,500
TRAINING AND TECHNICAL ASSISTANCE	11,500	4,025	4,025	7,475
ADMINISTRATIVE COSTS:				
Salaries and fringe	124,572	27,290	27,290	97,282
TOTAL EXPENDITURES	<u>2,468,273</u>	<u>279,723</u>	<u>279,723</u>	<u>2,188,550</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 C092041/2018

Schedule of Questioned Costs

Project Period April 1, 2018 to June 30, 2019

(Unaudited)

NONE

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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, Human Resource Administration Legal Services Initiatives	93.558	20161413220	\$ 253,901
Passed through the City of New York, Human Resource Administration Community Services Block Grant - Legal Services Immigration	93.569	2017142888	18,287
Passed through the New York City Community Service Society Health Advocates Services	93.778	N/A	63,303
Passed through the New York City Community Service Society Health Advocates Services	93.767	N/A	10,701
Passed through the New York State Housing and Community Renewal Low Income Home Energy Assistance	93.568	C093410-18	1,457,933
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	109,426
Community Services Block Grant - Immigration	93.569	N/A	102,717
Passed through the City of New York, Mayor's Fund to Advance NYC Connections to Care	94.019	15SIHNY001	63,253
Passed through the City of New York, Department of Mental Health NYC Connections to Care	94.019	N/A	<u>37,600</u>
Total U.S. Department of Health and Human Services			<u>2,117,121</u>
U.S. Department of Agriculture			
Passed through the New York State Office of Temporary & Disability Assistance Supplemental Nutrition Assistance Program	10.561	C00265	<u>183,875</u>
Total U.S. Department of Agriculture			<u>\$ 183,875</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, 2019

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 City Department of Youth and Community Development			
Community Development Block Grants/Entitlement Grants	14.218	N/A	\$ 85,996
Passed through the City of New York Department of Housing Preservation and Development			
Section 8 Housing Choice Vouchers	14.871	N/A	<u>123,950</u>
Total U.S. Department of Housing and Urban Development			<u>209,946</u>
U.S. Department of Justice			
Passed through the New York State Division of Criminal Justice Services			
STOP Violence Against Women Program	16.588	C652172	<u>20,400</u>
Total U.S. Department of Justice			<u>20,400</u>
U.S. Department of Energy			
Passed through the New York State Housing and Community Renewal			
Weatherization Assistance Program	81.042	C093410-19	<u>973,326</u>
Total U.S. Department of Energy			<u>973,326</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>59,907</u>
Total U.S. Department of Homeland Security			<u>59,907</u>
U.S. Department of Labor			
Passed through the City of New York, Department of Youth and Community Development			
WIA Youth Activities	17.259	N/A	656,606
Youthbuild	17.274	N/A	<u>385,000</u>
Total U.S. Department of Labor			<u>1,041,606</u>
Total Expenditures of Federal Awards			<u>\$ 4,606,181</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, 2019. 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 consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the “Organization”), which comprise the consolidating statements of financial position as of June 30, 2019, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements, and have issued our report thereon dated February 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidating 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 consolidating 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 consolidating 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.

February 24, 2020

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, 2019. 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 each of its major federal programs for the year ended June 30, 2019.

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

February 24, 2020

**NORTHERN MANHATTAN IMPROVEMENT
CORPORATION AND AFFILIATES**
(Supplementary Information)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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 | None |

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 | None |
| 4. Identification of major program: | Name of Federal Program |
| <u>CFDA Number:</u> | |
| 93.558 | Temporary Assistance for Needy Families |
| 17.259 | WIA Youth Activities |
| 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.