

Northern Manhattan Improvement Corporation and Affiliates

Consolidating Financial Statements

Year Ended June 30, 2023

Northern Manhattan Improvement Corporation and Affiliates

Consolidating Financial Statements

Year Ended June 30, 2023

CONTENTS

	Page
Independent Auditor's Report	1-3
Consolidating Financial Statements	
Consolidating Statement of Financial Position	4
Consolidating Statement of Activities	5
Consolidating Statement of Functional Expenses	6
Consolidating Statement of Cash Flows	7
Notes to Consolidating Financial Statements	8-24
Supplementary Information	
Supplementary Information - New York State Homes and Community Renewal Weatherization Assistance - Grant Number C095XXGG (unaudited)	
Statement of Activities (unaudited)	25
Statement of Financial Position (unaudited)	26
Schedule in Support of Program Compliance (unaudited)	27
Schedule of Ending Materials Inventory (unaudited)	28
Schedule of Allowable Program Support Costs (unaudited)	29
Schedule of Allowable Administration Costs (unaudited)	30
Schedule of Owner Investment Revenues and Expenditures (unaudited)	31
Schedule of Owner Investment (unaudited)	32-33
Reporting Under <i>Government Auditing Standards</i>	
Schedule of Expenditures of Federal Awards	34-35
Notes to Schedule of Expenditures of Federal Awards	36
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidating Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	37-38
Independent Auditor's Report on Compliance for each Major Federal Program ;and Report on Internal Control over Compliance	39-41
Schedule of Findings and Questioned Costs	42-43
Corrective Action Plan	44
Summary Schedule of Prior Year Audit Findings	45

Independent Auditor's Report

Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the "Organization"), which comprise the consolidating statement of financial position as of June 30, 2023, 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 (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidating financial position of Northern Manhattan Improvement Corporation and Affiliates as of June 30, 2023, and the related changes in their consolidating net assets and their consolidating cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the affiliated organizations: NMIC Lead Safe House HDFC, 453 West 166th Street HDFC, NMIC Arden HDFC, and 618 West 187th Street HDFC. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for NMIC Lead Safe House HDFC, 453 West 166th Street HDFC, NMIC Arden HDFC, and 618 West 187th Street HDFC, is based solely on the report of the other auditors.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("Government Auditing Standards"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS and *Government Auditing standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 12, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, 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 the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole. The information, except for that portion marked "unaudited," has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with GAAS. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it. In our opinion, except for that portion marked "unaudited", the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2024 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 solely 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 the effectiveness of the Organization's 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.

Sax CPAs LLP

New York, NY
May 10, 2024

Northern Manhattan Improvement Corporation and Affiliates

Consolidating Statement of Financial Position

As of June 30, 2023

(With comparative totals as of June 30, 2022)

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street Cooperative HDFC	Eliminations	Total 6/30/2023	Total 6/30/2022
ASSETS								
Cash and cash equivalents	\$ 1,547,006	\$ 113,637	\$ 241,753	\$ 33,292	\$ 109,702	\$ -	\$ 2,045,390	\$ 1,694,813
Cash - client escrows	8,934	-	-	-	-	-	8,934	8,934
Cash - restricted	483,498	-	-	-	-	-	483,498	562,286
Cash - reserve account	-	-	-	-	28,621	-	28,621	53,568
Government grants and contracts receivable	12,641,732	-	-	-	-	-	12,641,732	8,959,646
Maintenance and other charges receivable	-	-	-	-	94,057	-	94,057	51,612
Rent receivable	-	1,800	21,501	-	-	-	23,301	24,215
Due from NMIC Lead Safe House HDFC	31,750	-	-	-	-	(31,750)	-	-
Due from 452 West 166th Street HDFC	11,000	-	-	-	-	(11,000)	-	-
Due from NMIC Arden HDFC	217,847	-	-	-	-	(217,847)	-	-
Due from 618 West 187th HDFC	-	-	-	-	223,198	-	223,198	223,198
Inventory	3,398	-	-	-	-	-	3,398	-
Escrow account	-	-	-	-	12,288	-	12,288	7,008
Prepaid expenses and other assets	151,504	50,000	16,916	32,875	13,444	-	264,739	38,119
Operating right of use asset	27,832,344	-	-	-	-	-	27,832,344	-
Security deposits	426,004	-	-	-	-	-	426,004	416,586
Property and equipment, net	146,598	320,535	169,184	5,361,359	5,367,962	-	11,365,638	11,514,077
TOTAL ASSETS	\$ 43,501,615	\$ 485,972	\$ 449,354	\$ 5,427,526	\$ 5,849,272	\$ (260,597)	\$ 55,453,142	\$ 23,554,062
LIABILITIES AND NET ASSETS								
LIABILITIES								
Accounts payable and accrued expenses	\$ 4,207,310	\$ 32,461	\$ 19,168	\$ 103,479	\$ 21,339	\$ -	\$ 4,383,757	\$ 4,041,468
Unearned revenue	3,250,041	-	-	-	-	-	3,250,041	68,750
Client escrow payable	8,934	-	-	-	-	-	8,934	8,934
Operating lease liability	31,196,244	-	-	-	-	-	31,196,244	-
Security deposit	-	-	-	-	7,200	-	7,200	7,200
Due to NMIC	-	31,750	11,000	217,847	-	(260,597)	-	-
Deferred rent	-	-	-	-	-	-	-	3,069,364
Mortgages payable, net of closing cost of \$76,770 in 2023 and 2022	-	1,730,600	1,083,717	6,010,407	6,247,050	-	15,071,774	14,922,601
TOTAL LIABILITIES	38,662,529	1,794,811	1,113,885	6,331,733	6,275,589	(260,597)	53,917,950	22,118,317
NET ASSETS								
Capital stock - common - 2,000 shares authorized, 1,070 issued, and outstanding at \$1 par value	-	-	-	-	1,070	-	1,070	1,070
Without donor restrictions	4,664,086	(1,308,839)	(664,531)	(904,207)	(427,387)	-	1,359,122	1,259,675
With donor restrictions	175,000	-	-	-	-	-	175,000	175,000
TOTAL NET ASSETS	4,839,086	(1,308,839)	(664,531)	(904,207)	(426,317)	-	1,535,192	1,435,745
TOTAL LIABILITIES AND NET ASSETS	\$ 43,501,615	\$ 485,972	\$ 449,354	\$ 5,427,526	\$ 5,849,272	\$ (260,597)	\$ 55,453,142	\$ 23,554,062

See accompanying Notes to Consolidating Financial Statements.

Northern Manhattan Improvement Corporation and Affiliates

Consolidating Statement of Activities

For the Year Ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Northern Manhattan Improvement Corporation Without Donor Restrictions	Northern Manhattan Improvement Corporation With Donor Restrictions	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street Cooperative HDFC	Total 6/30/2023	Total 6/30/2022
SUPPORT AND REVENUE								
Government grants	\$ 21,395,682	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,395,682	\$ 19,825,735
Contributions	1,547,818	-	-	-	-	-	1,547,818	1,654,699
Program revenue	18,250	-	-	-	-	-	18,250	500
Net maintenance	-	-	-	-	-	336,958	336,958	348,288
Rental income	11,654	-	206,140	170,862	-	98,862	487,518	511,632
Other income	116,755	-	-	5,298	70,547	-	192,600	83,687
Total support and revenue	<u>23,090,159</u>	<u>-</u>	<u>206,140</u>	<u>176,160</u>	<u>70,547</u>	<u>435,820</u>	<u>23,978,826</u>	<u>22,424,541</u>
EXPENSES								
Program services	20,396,521	-	220,808	131,439	72,292	-	20,821,060	17,078,697
Administrative	2,044,177	-	9,307	61,451	13,543	-	2,128,478	3,318,710
Fundraising	348,807	-	-	-	-	-	348,807	439,870
Operating expenses	-	-	-	-	-	581,034	581,034	576,862
Total expenses	<u>22,789,505</u>	<u>-</u>	<u>230,115</u>	<u>192,890</u>	<u>85,835</u>	<u>581,034</u>	<u>23,879,379</u>	<u>21,414,139</u>
CHANGE IN NET ASSETS	300,654	-	(23,975)	(16,730)	(15,288)	(145,214)	99,447	1,010,402
NET ASSETS - without restriction, beginning of year	<u>4,363,432</u>	<u>175,000</u>	<u>(1,284,864)</u>	<u>(647,801)</u>	<u>(888,919)</u>	<u>(281,103)</u>	<u>1,435,745</u>	<u>425,343</u>
NET ASSETS, end of year	<u>\$ 4,664,086</u>	<u>\$ 175,000</u>	<u>\$ (1,308,839)</u>	<u>\$ (664,531)</u>	<u>\$ (904,207)</u>	<u>\$ (426,317)</u>	<u>\$ 1,535,192</u>	<u>\$ 1,435,745</u>

See accompanying Notes to Consolidating Financial Statements.

Northern Manhattan Improvement Corporation and Affiliates

Consolidating Statement of Functional Expenses

For the Year Ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Program Services						Administrative Expenses						Fundraising Expenses		
	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street Cooperative HDFC	Totals	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street Cooperative HDFC	Totals	Northern Manhattan Improvement Corporation	Total Expenses 6/30/2023	Total Expenses 6/30/2022
Salaries	\$ 8,649,484	\$ 22,100	\$ -	\$ -	\$ -	\$ 8,671,584	\$ 381,802	\$ -	\$ 17,400	\$ -	\$ -	\$ 399,202	\$ 244,226	\$ 9,315,012	\$ 8,878,686
Payroll taxes and fringe benefits	2,641,245	3,757	-	-	-	2,645,002	118,051	-	4,668	-	-	122,719	73,232	2,840,953	2,731,097
Professional fees and consultants	605,659	-	-	-	-	605,659	96,853	8,459	27,000	13,208	-	145,520	800	751,979	727,282
Rent emergency	133,970	-	-	-	-	133,970	-	-	-	-	-	-	-	133,970	407,128
Occupancy costs	1,493,714	-	-	66,531	-	1,560,245	511,610	-	-	-	-	511,610	-	2,071,855	2,122,767
Repairs and maintenance	117,022	51,451	43,929	-	-	212,402	71,560	-	-	-	-	71,560	-	283,962	180,839
Food, supplies and stipends	242,755	3,191	8,215	-	-	254,161	73,485	-	-	-	-	73,485	21,656	349,302	490,066
Office supplies	69,998	-	-	-	-	69,998	(1,487)	737	458	-	-	(292)	1,011	70,717	201,857
Telephone	63,060	-	-	-	-	63,060	4,829	-	-	-	-	4,829	-	67,889	54,089
Utilities	88,244	51,281	36,633	-	-	176,158	12,668	-	-	-	-	12,668	-	188,826	158,451
Subcontract	4,911,874	-	-	-	-	4,911,874	33,925	-	-	-	-	33,925	-	4,945,799	3,850,220
Insurance	226,830	23,862	20,176	5,761	-	276,629	14,216	-	-	-	-	14,216	-	290,845	256,136
Meetings, conferences, and training	10,396	-	-	-	-	10,396	10,803	-	-	-	-	10,803	-	21,199	34,621
Travel	40,211	-	-	-	-	40,211	16,427	-	-	-	-	16,427	-	56,638	6,503
Printing and publications	3,442	-	-	-	-	3,442	5,240	111	-	-	-	5,351	150	8,943	10,954
Equipment purchase and leasing	87,100	2,235	4,231	-	-	93,566	24,739	-	-	-	-	24,739	6,222	124,527	171,425
Books and subscriptions	17,979	-	-	-	-	17,979	2,406	-	-	-	-	2,406	-	20,385	22,648
Bad debt	-	-	-	-	-	-	544,550	-	-	-	-	544,550	-	544,550	187,572
Miscellaneous other costs	-	-	9,180	-	-	9,180	97,387	-	11,925	335	-	109,647	1,510	120,337	256,229
Operating costs	-	-	-	-	-	-	-	-	-	-	357,764	357,764	-	357,764	353,592
ACS program expenses	993,538	-	-	-	-	993,538	771	-	-	-	-	771	-	994,309	-
Total expenses before depreciation and amortization	20,396,521	157,877	122,364	72,292	-	20,749,054	2,019,835	9,307	61,451	13,543	357,764	2,461,900	348,807	23,559,761	21,102,162
DEPRECIATION AND AMORTIZATION	-	62,931	9,075	-	-	72,006	24,342	-	-	-	223,270	247,612	-	319,618	311,977
Total functional expenses	\$ 20,396,521	\$ 220,808	\$ 131,439	\$ 72,292	\$ -	\$ 20,821,060	\$ 2,044,177	\$ 9,307	\$ 61,451	\$ 13,543	\$ 581,034	\$ 2,709,512	\$ 348,807	\$ 23,879,379	\$ 21,414,139

See accompanying Notes to Consolidating Financial Statements.

Northern Manhattan Improvement Corporation and Affiliates

Consolidating Statement of Cash Flows

For the Year Ended June 30, 2023
(With comparative totals for the year ended June 30, 2022)

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street Cooperative HDFC	Eliminations	Total 6/30/2023	Total 6/30/2022
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES								
Change in net assets	\$ 300,654	\$ (23,975)	\$ (16,730)	\$ (15,288)	\$ (145,214)	\$ -	\$ 99,447	\$ 1,010,402
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities								
Depreciation and amortization	24,342	62,931	9,075	-	223,270	-	319,618	311,977
Net operating lease - ROU asset amortization	760,995	-	-	-	-	-	760,995	-
Bad debt expense	544,550	-	-	-	-	-	544,550	187,572
Change in assets and liabilities								
Government grants and contracts receivable	(4,226,636)	-	-	-	(42,445)	-	(4,269,081)	(2,858,398)
Rent receivable	-	(1,300)	2,214	-	-	-	914	20,179
Deferred rent	(3,069,364)	(50,000)	-	-	-	-	(3,119,364)	322,791
Prepaid expenses and other assets	(135,084)	7,048	(2,265)	(32,875)	(13,444)	-	(176,620)	77,001
Inventory	(3,398)	-	-	-	-	-	(3,398)	-
Operating lease obligation reduction	2,602,905	-	-	-	-	-	2,602,905	-
Escrow account	-	-	-	-	(5,280)	-	(5,280)	45,364
Security deposits	(9,418)	-	945	-	-	-	(8,473)	8,443
Accounts payable and accrued expenses	297,973	12,551	(1,317)	28,361	3,951	-	341,519	2,100,597
Unearned revenue	3,181,291	-	(174)	-	-	-	3,181,117	(531,287)
Net cash provided by (used for) operating activities	<u>268,810</u>	<u>7,255</u>	<u>(8,252)</u>	<u>(19,802)</u>	<u>20,838</u>	<u>-</u>	<u>268,849</u>	<u>694,641</u>
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES								
Increase in work in progress - rehabilitation	-	-	-	(159,569)	-	-	(159,569)	(521,711)
Increase in accounts payable - construction	-	-	-	-	-	-	-	(506,160)
Increase in retainage payable	-	-	-	-	-	-	-	(268,001)
Due from NMIC Arden HDFC	(1)	-	-	-	-	-	(1)	-
Due from 618 West 187th Street HDFC	-	-	-	-	-	-	-	15,397
Net cash provided by (used for) investing activities	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(159,569)</u>	<u>-</u>	<u>-</u>	<u>(159,570)</u>	<u>(1,280,475)</u>
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES								
Proceeds from loan advances	-	-	-	178,098	-	-	178,098	1,356,134
Payments on mortgage	-	-	-	-	(40,535)	-	(40,535)	(38,457)
Net cash provided by (used for) financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,098</u>	<u>(40,535)</u>	<u>-</u>	<u>137,563</u>	<u>1,317,677</u>
Net increase in cash and cash equivalents	268,809	7,255	(8,252)	(1,273)	(19,697)	-	246,842	731,843
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, <i>beginning of year</i>	1,770,629	106,382	250,005	34,565	158,020	-	2,319,601	1,587,758
CASH, CASH EQUIVALENTS, AND RESTRICTED CASH, <i>end of year</i>	<u>\$ 2,039,438</u>	<u>\$ 113,637</u>	<u>\$ 241,753</u>	<u>\$ 33,292</u>	<u>\$ 138,323</u>	<u>\$ -</u>	<u>\$ 2,566,443</u>	<u>\$ 2,319,601</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION								
Cash paid during the year for								
Interest	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,925</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,925</u>	<u>\$ 11,920</u>
RECONCILIATION OF CASH								
Cash and cash equivalents	\$ 1,547,006	\$ 113,637	\$ 241,753	\$ 33,292	\$ 109,702	\$ -	\$ 2,045,390	\$ 1,694,813
Cash - client escrows	8,934	-	-	-	-	-	8,934	8,934
Cash - restricted	483,498	-	-	-	-	-	483,498	562,286
Cash - reserve account	-	-	-	-	28,621	-	28,621	53,568
Total cash, cash equivalents, and restricted cash	<u>\$ 2,039,438</u>	<u>\$ 113,637</u>	<u>\$ 241,753</u>	<u>\$ 33,292</u>	<u>\$ 138,323</u>	<u>\$ -</u>	<u>\$ 2,566,443</u>	<u>\$ 2,319,601</u>

See accompanying Notes to Consolidating Financial Statements.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 1 - Nature of Activities

The accompanying 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 Cooperative 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 to acquire an interest in real property consisting of 12 apartments for the purpose of providing low-income housing for individuals. 11 apartments are rented as permanent residential units, and one unit is designated for use by the building's superintendent. Rental units are leased to qualified tenants for the project to qualify as a low-income housing project under Section 42(g)(l)(b) of the Internal Revenue Code. Certain members of the Board of Directors of LSH are also members of NMIC's management, and LSH obtains support from the management of NMIC.

453 is a not-for-profit organization incorporated in June 2012 under the laws of the State of New York to acquire an interest in real property consisting of 12 units for the purpose of providing low-income housing for individuals. Certain members of the Board of Directors of 453 are also members of NMIC's management, and 453 obtains support from the management of NMIC.

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, managing, and sponsoring the cooperative conversion of 21 Arden, a housing project for persons of low income. Upon completion of the property, it will consist of 15 units, and all title to property and improvements and related debt will be transferred to an Article XI apartment corporation organized as a cooperative housing corporation. Certain members of the Board of Directors of Arden are also members of NMIC's management and Arden obtains support from the management of NMIC.

618 is a not-for-profit organization that was incorporated on February 9, 2018, as a cooperative housing corporation in the State of New York. 618 commenced operations on February 4, 2021, when it took title to the land and buildings located at 618 West 187th Street, New York, New York 10033, A/K/A 273 Washington Avenue, pursuant to a cooperative conversion plan. 618 qualifies as a low-income housing development cooperative under Federal, New York State, and New York City regulations. The apartment building consists of 20 residential units, one commercial unit (not offered for sale), and one superintendent apartment. The primary purpose of 618 is to manage the land and buildings owned by 618. 618 is owned by those tenant-shareholders who reside within the building and purchased shares. 618 obtains support from the management of NMIC.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies

a. *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").

b. *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 the 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 had net assets with donor restrictions in the amount of \$175,000 at both June 30, 2023 and 2022.

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

c. *Basis of Consolidation*

The entities included in the accompanying 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.

d. *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.

e. *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.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

f. 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.

In the fiscal years ending June 30, 2023 and 2022, the Organization wrote off \$544,550 and \$187,572, respectively, as bad debt. The impact of this adjustment is reflected in the financial statements as a reduction in contracts receivables on the consolidating statement of financial position and in the consolidating statement of functional expenses in the line item, bad debt.

g. Unearned Revenue

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 statement of financial position.

h. 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 statement of financial position. The amount of funds held by the Organization for other parties was approximately \$9,000 for both June 30, 2023 and 2022.

i. Revenue and Support Recognition

Contributions, including unconditional promises to give, and grants are recognized as revenue as either without or with donor restrictions in the period verifiably committed by the donor. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the estimated future cash flows using a risk adjusted discount rate depending on the time period involved. Amortization of the discount is included in contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions. Contributions with donor-imposed restrictions that can be met through the passage of time or upon the incurring of expenses are recorded as net assets with restrictions and reclassified to net assets without donor restrictions when such time or purpose restriction has been satisfied.

Contribution revenue earned on grants is recognized as revenue without donor restrictions as related costs are incurred. Revenue on contracts is recognized as value is transferred to customers, which generally is indicated via the incurring of allowable costs under the contract.

Conditional contributions are recorded as revenue when such amounts become unconditional, which generally involves the meeting of a barrier to entitlement. This can include items like meeting a matching provision, incurring specified allowable expenses in accordance with a framework of allowable costs, or other barriers. Contributions received pending designation by the donor are considered revenue with donor restrictions, until known, at which time such contributions are reclassified if required.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

j. 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 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.

k. 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.

l. Advertising Expense

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense for the years ended June 30, 2023 and 2022 was approximately \$35,000 and \$17,000, respectively.

m. 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 consolidating 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 2020 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") are considered housing development fund companies formed pursuant to Article XI of the Private Housing Finance Law of the State of New York. Accordingly, HDFCs are exempt from New York State Franchise Tax and New York City Business Corporation Tax. As HDFCs have not applied to the Internal Revenue Service for tax-exempt status, they are subject to tax as corporations for federal purposes.

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 financial statements. There are no accruals of interest or penalty payments, nor are there any unrecognized tax benefits as of June 30, 2023. The HDFCs' returns from the year 2019 and thereafter are still subject to examination by various jurisdictions.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

n. Compensated Absences

Employees are entitled to 15 vacation days in the first year of employment and 20 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 \$27,000 and \$36,000 as of June 30, 2023 and 2022, respectively and has been included in accounts payable and accrued expenses on the consolidating statement of financial position as of June 30, 2023.

o. 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 fringe 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, payroll processing, computer consultant, and database consultant charges.

p. Recently Issued Accounting Standard

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). The new ASU replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit-loss estimates. The update requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected on the financial asset. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. For private companies and not-for-profit organizations, the update is effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the effect that this new guidance will have on the financial statements and related disclosures.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

q. Adoption of New Accounting Policies

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, *Leases* (Topic 842), which created new accounting and reporting guidelines for leasing arrangements. The new guidance requires organizations that lease assets to recognize assets and liabilities on the statement of financial position related to the rights and obligations created by those leases, regardless of whether they are classified as finance or operating leases. Consistent with current guidance, the recognition, measurement, and presentation of expenses and cash flows arising from a lease primarily will depend on its classification as a finance or operating lease. The guidance also requires new disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases.

NMIC adopted the requirements of the new standard, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. NMIC adopted the following practical expedients and elected the following accounting policies related to this standard:

- Carry forward of historical lease classifications and accounting treatment;
- Short-term lease accounting policy election allowing lessees to not recognize right-of-use (“ROU”) assets and liabilities for leases with a term of 12 months or less; and
- The option to not separate lease and non-lease components for certain equipment lease categories such as office printers and copiers.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, NMIC recognized a lease liability of \$31,662,704, that represents the present value of the remaining operating lease payments of \$47,323,856 discounted using risk free rates of 3.11% and a right-of-use asset (“ROU”) of \$28,593,340, which represents the operating lease liability of \$31,662,704, adjusted for deferred lease liability of \$3,069,364. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

For the year ended June 30, 2023, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable. If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected as a deferred rent liability in the consolidating statement of financial position as of June 30, 2023.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 3 - Liquidity and Availability

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

	June 30, 2023					
	NMIC	LSH	453	Arden	618	Total
Cash and cash equivalents	\$ 1,547,006	\$ 113,637	\$ 241,753	\$ 33,292	\$ 109,702	\$ 2,045,390
Government grants and contracts receivable	12,641,732	-	-	-	-	12,641,732
Maintenance and other charges receivable	-	-	-	-	94,057	94,057
Rent receivable	-	1,800	21,501	-	-	23,301
	<u>\$ 14,188,738</u>	<u>\$ 115,437</u>	<u>\$ 263,254</u>	<u>\$ 33,292</u>	<u>\$ 203,759</u>	<u>\$ 14,804,480</u>

	June 30, 2022					
	NMIC	LSH	453	Arden	618	Total
Cash and cash equivalents	\$ 1,199,409	\$ 106,382	\$ 250,005	\$ 34,565	\$ 104,452	\$ 1,694,813
Government grants and contracts receivable	8,959,646	-	-	-	-	8,959,646
Rent receivable	-	500	23,715	-	-	24,215
	<u>\$ 10,159,055</u>	<u>\$ 106,882</u>	<u>\$ 273,720</u>	<u>\$ 34,565</u>	<u>\$ 104,452</u>	<u>\$ 10,678,674</u>

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, NMIC has a \$1,000,000 line of credit with a financial institution available for any immediate needs.

For purposes of analyzing resources available to meet general expenditures over a 12-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 consolidating 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 consolidating statement of financial position includes 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.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 4 - Cash and Restricted Cash - Continued

The cash and restricted cash balances are as follows:

	June 30, 2023					
	NMIC	LSH	453	Arden	618	Total
Cash and cash equivalents	\$ 1,547,006	\$ 113,637	\$ 241,753	\$ 33,292	\$ 109,702	\$ 2,045,390
Cash - client escrows	8,934	-	-	-	-	8,934
Cash - reserve account	-	-	-	-	28,621	28,621
Cash - restricted	483,498	-	-	-	-	483,498
	<u>\$ 2,039,438</u>	<u>\$ 113,637</u>	<u>\$ 241,753</u>	<u>\$ 33,292</u>	<u>\$ 138,323</u>	<u>\$ 2,566,443</u>

	June 30, 2022					
	NMIC	LSH	453	Arden	618	Total
Cash and cash equivalents	\$ 1,199,409	\$ 106,382	\$ 250,005	\$ 34,565	\$ 104,452	\$ 1,694,813
Cash - client escrows	8,934	-	-	-	-	8,934
Cash - reserve account	-	-	-	-	53,568	53,568
Cash - restricted	562,286	-	-	-	-	562,286
	<u>\$ 1,770,629</u>	<u>\$ 106,382</u>	<u>\$ 250,005</u>	<u>\$ 34,565</u>	<u>\$ 158,020</u>	<u>\$ 2,319,601</u>

Note 5 - Property and Equipment

Property and equipment consists of the following:

	June 30, 2023					
	NMIC	LSH	453	Arden	618	Total
Land	\$ -	\$ -	\$ 650	\$ -	\$ 50,000	\$ 50,650
Buildings	-	1,730,601	249,542	-	5,949,515	7,929,658
Work-in-progress-rehabilitation	-	-	-	5,361,359	-	5,361,359
Vehicles	-	-	-	-	-	-
Furniture and equipment	280,385	-	-	-	-	280,385
Leasehold improvements	296,230	-	-	-	-	296,230
	576,615	1,730,601	250,192	5,361,359	5,999,515	13,918,282
Less accumulated depreciation and amortization	(430,017)	(1,410,066)	(81,008)	-	(631,553)	(2,552,644)
	<u>\$ 146,598</u>	<u>\$ 320,535</u>	<u>\$ 169,184</u>	<u>\$ 5,361,359</u>	<u>\$ 5,367,962</u>	<u>\$ 11,365,638</u>

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 5 - Property and Equipment - Continued

	June 30, 2022					Total
	NMIC	LSH	453	Arden	618	
Land	\$ -	\$ -	\$ 650	\$ -	\$ 50,000	\$ 50,650
Buildings	-	1,730,601	249,542	-	5,949,515	7,929,658
Work-in-progress-rehabilitation	-	-	-	5,201,790	-	5,201,790
Vehicles	71,451	-	-	-	-	71,451
Furniture and equipment	208,934	-	-	-	-	208,934
Leasehold improvements	296,230	-	-	-	-	296,230
	576,615	1,730,601	250,192	5,201,790	5,999,515	13,758,713
Less accumulated depreciation and amortization	(405,675)	(1,347,135)	(71,933)	-	(419,893)	(2,244,636)
	<u>\$ 170,940</u>	<u>\$ 383,466</u>	<u>\$ 178,259</u>	<u>\$ 5,201,790</u>	<u>\$ 5,579,622</u>	<u>\$ 11,514,077</u>

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 was approximately \$320,000 and \$312,000, respectively, and is included in the consolidating statement of functional expenses.

Arden property is undergoing an in-place rehabilitation and is stated at cost. Upon completion, the property will be transferred to an Article XI housing development fund organized as a cooperative housing corporation. As a result, no depreciation is taken by Arden. Arden capitalizes interest cost as a component of the cost of work-in-progress. Capitalized interest was approximately \$49,000 for both years ended June 30, 2023 and 2022.

Note 6 - Leases

The Organization leases a single office space under an operating lease agreement that has initial terms of 33 years. The lease includes two options to renew, generally at the Organization's sole discretion, with renewal terms that would extend the lease term up to 8 years for each option. In addition, the lease contains termination options, where the rights to terminate are held either by the Organization, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the Organization will exercise that option. The Organization's operating leases do not contain any material restrictive covenants or residual value guarantees.

Supplemental consolidating statement of financial position information related to leases were as follows:

Operating leases	
Operating lease ROU assets	<u>\$ 27,832,344</u>
Operating lease liabilities, current	\$ 510,481
Operating lease liabilities, non-current	30,685,763
Total operating lease liabilities	<u>\$ 31,196,244</u>

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 6 - Leases - Continued

Supplemental consolidating statement of activities information related to leases were as follows:

Operating lease cost	\$ 1,735,476
Total lease cost	<u>\$ 1,735,476</u>

Supplemental consolidating cash flow information related to leases were as follows:

Cash paid for amounts included in measurement of lease liabilities	
Operating cash outflows - payments on operating leases	<u>\$ 1,440,934</u>
ROU assets obtained in exchange for new lease obligations	
Operating leases	<u>\$ 28,593,339</u>

Average lease term and discount rate as of June 30, 2023 was as follows:

Weighted-average remaining lease term	
Operating leases	24.5 years
Weighted-average discount rate	
Operating leases	3.11%

The aggregate future lease payments for operating and finance leases as of June 30, 2023 were as follows:

	<u>Operating Leases</u>
Future lease payments	
2024	\$ 1,469,753
2025	1,499,148
2026	1,529,131
2027	1,559,714
2028	1,590,908
Thereafter	<u>38,234,268</u>
Total lease payments	45,882,922
Less imputed interest	<u>(14,686,678)</u>
Total present value of lease liabilities	<u>\$ 31,196,244</u>

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 7 - Mortgages Payable

Mortgages payable is comprised of the following:

	June 30,	
	2023	2022
LSH	\$ 1,730,600	\$ 1,730,600
Arden	6,087,177	5,909,079
453	1,083,717	1,083,717
618	6,247,050	6,275,975
	<u>15,148,544</u>	<u>14,999,371</u>
Less debt issuance costs	(76,770)	(76,770)
	<u>\$ 15,071,774</u>	<u>\$ 14,922,601</u>

LSH

Mortgage payable consists of the following:

	June 30,	
	2023	2022
City note - Article 8	\$ 1,730,600	\$ 1,730,600
Less current portion	-	-
	<u>\$ 1,730,600</u>	<u>\$ 1,730,600</u>

City Note - On June 22, 2001, LSH borrowed \$1,730,600 consisting of a Building Loan in the amount of \$1,475,100 and a Project Loan in the amount of \$255,500 to be used for the rehabilitation of the property in accordance with the Building Loan Contract. The loans are secured by the property of LSH in accordance with the Mortgage and Security Agreement. The loan bears no interest and requires no debt service payments as long as all covenants are complied with.

If on the 25th anniversary LSH has fully complied with all covenants, the unpaid principal will be considered paid in five equal annual installments, as follows:

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

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 7 - Mortgages Payable - Continued

LSH does need to 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, 2023, all regulations and covenants were adhered to.

Arden

On January 17, 2019, Arden obtained construction financing. The rehabilitation of the project was financed in part by debt of \$6,309,450, which is the total amount of initial debt. The debt consists of the following:

	June 30,	
	<u>2023</u>	<u>2022</u>
First Multifamily Construction Loan note through CPC SPE 1 LLC maturing no later than March 28, 2024. Maximum amount of \$426,341 including interest of 500 basis points over LIBOR adjusted monthly which is added to the principal.	\$ 385,226	\$ 385,327
Second Multifamily Construction Loan note through CPC SPE 1 LLC maturing no later than March 28, 2024. Maximum amount of \$4,530,036 including interest of 500 basis points over LIBOR adjusted monthly which is added to the principal.	4,324,453	4,324,453
First Multifamily Project Loan note through CPC SPE 1 LLC maturing no later than March 28, 2024. Maximum amount of \$963,400 including interest of 500 basis points over LIBOR adjusted monthly which is added to the principal.	822,420	684,108
Second Multifamily Project Loan note through CPC SPE 1 LLC maturing no later than March 28, 2024. Maximum amount of \$963,400 including interest of 500 basis points over LIBOR adjusted monthly which is added to the principal.	355,078	315,191
The City of New York acting through the Department of Housing Preservation and Development ("HPD").	<u>200,000</u>	<u>200,000</u>
	6,087,177	5,909,079
Less deferred financing costs	<u>(76,770)</u>	<u>(76,770)</u>
Total short-term debt	<u>\$ 6,010,407</u>	<u>\$ 5,832,309</u>

The mortgagee has processed a loan maturity agreement to extend the above notes through March 28, 2024.

Subsequent to year end, the First Multifamily Construction Loan and First Multifamily Project Loan were paid in full or otherwise fully satisfied. The Organization secured two gap loans through HPD, in the aggregate amount of \$507,338 to satisfy the Second Multifamily Project Loan and the HPD loan. In order to satisfy the obligation of the Second Multifamily Construction Loan, the Organization and HPD agreed to consolidate the Second Multifamily Construction Loan and the two gap loans, for a total consolidated debt obligation of \$5,427,047. The new consolidated debt has a maturity date of April 1, 2054 and bears an interest rate of 1% per year.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 7 - Mortgages Payable - Continued

In accordance with the Construction Loan Project Participation Certificate, respective interests in the total mortgage debt of \$5,909,079 shall be \$200,000 by the City of New York acting through the HPD and \$5,709,079 by CPC Funding SPE 1 LLC.

The loans are secured by a first mortgage on the property.

No principal repayments are required during the construction period. Concurrent with the conversion to permanent financing, Arden will transfer title to the property to a cooperative housing corporation which will become responsible for repayment of debt as required under the provisions of the permanent financing.

Amortization of deferred financing costs shall commence upon the conversion to permanent financing.

453

The long-term debt consists of the following:

	June 30,	
	2023	2022
City note - Article 8	\$ 952,444	\$ 952,444
Loan #1 - HPD (HDC Project Loan)	75,603	75,603
Loan #2 - HPD - Article 8A	55,670	55,670
	<u>1,083,717</u>	<u>1,083,717</u>
Less current maturities of long term debt	(952,444)	(952,444)
Mortgage payable, net of current portion	<u>\$ 131,273</u>	<u>\$ 131,273</u>

City Note - Article 8 Amount - On June 29, 2012, the Article 8 portion of the City Note made by the City of New York through its HPD in the amount of \$952,444 was assumed by 453 in connection with the transfer of the property to 453. The loan, which is secured by the property, accrues interest at 1.0% per annum beginning January 1, 2014, and a servicing fee of 0.25% commencing July 1, 2012, payable in equal monthly installments of \$992. All unpaid principal and accrued interest were originally due September 25, 2021.

At the original due date, Management requested an extension of the note. A review and response by the City of New York is still pending and in process. 453 has continued to make regular monthly interest only payments on the outstanding balance.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 7 - Mortgages Payable - Continued

618

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 \$6,219,916 has been borrowed, with interest ranging from 0.75% to the greater of 5.3% plus LIBOR or 6% (6% at June 30, 2021) . During the year ended June 30, 2021, the property was converted into Housing Development Fund Corporation co-op units, whereby the loan was converted to a permanent loan with principal due in 30 years from the conversion date. Concurrent with the conversion to permanent financing, 618 transferred title to the property and related debt to a cooperative housing corporation, which would become responsible for repayment of the debt (see Note 12) .

First Mortgage

618 entered into a first mortgage on February 4, 2021 with Community Preservation Corporation (“CPC”) in the amount of \$2,701,600. The mortgage will accrue at the rate of 5.27% per annum in the following manner: an installment of principal, and interest in the amount of \$14,952 due on the first of each month thereafter until and including March 1, 2051, when the balance will be paid in full. As of June 30, 2023 and 2022 \$2,613,305 and \$2,653,840 of principal was outstanding, respectively.

Second Mortgage

618 entered into a second mortgage on February 4, 2021, with the city of New York, acting through the HPD in the amount of \$3,307,218 for a term of 30 years with a fixed interest rate of 1.00% of which 0.60% will be payable monthly with 0.40% accruing. During the 30-year period, interest only payments will be made. On February 4, 2051, \$3,885,469 will be due and payable, including principal and accrued interest.

Third Mortgage

618 entered into a third mortgage with the state of New York Affordable Housing Corporation (“AHC”) in the amount of \$640,000. 618 has been awarded the grant from AHC. The AHC note is self-amortizing, with no interest payments, for a term of ten years. Provided no default occurs under the AHC note or mortgage, at the end of the ten-year term, it shall be deemed satisfied.

The mortgage principal and unamortized closing costs are as follows:

	June 30,	
	2023	2022
Mortgage principal payable	\$ 6,560,523	\$ 6,601,058
Less unamortized closing costs	(313,473)	(325,083)
Mortgage principal payable - net	<u>\$ 6,247,050</u>	<u>\$ 6,275,975</u>

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 7 - Mortgages Payable - Continued

Principal maturity of the mortgage notes payable is as follows:

For the years ending June 30,	
2024	\$ 42,000
2025	44,000
2026	46,500
2027	48,700
2028	51,100
Thereafter	6,014,750
	<hr/>
	\$ 6,247,050

Note 8 - Line of Credit

NMIC has a \$1,000,000 line of credit, which matures on June 11, 2024 and bears interest at prime plus 2.5% (10.25% at June 30, 2023). As of June 30, 2023 and 2022, NMIC has no outstanding balance on the line of credit.

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, 2023 are approximately as follows:

453 has net operating loss carryforwards which do not expire and may be utilized to offset taxable income in future periods. As recognition of future tax benefits are uncertain it is 453's policy to record a valuation allowance equal to 100% of any deferred tax asset. Management has determined that there were no uncertainties in tax position which would require recognition in these financial statements. 453 is no longer subject to examination for fiscal years before June 30, 2019.

LSH has federal net operating losses, which does not expire and may be utilized to offset taxable income in future periods. As recognition of future tax benefits are uncertain it is LSH's policy to record a valuation allowance equal to 100% of any deferred tax asset. Management has determined that there were no uncertainties in tax position which would require recognition in these financial statements.

Arden has net operating loss carryforwards of approximately \$889,000 which may be used to offset future taxable income, and which do not expire. As the recognition of future tax benefits is uncertain a valuation allowance for the full amount of the deferred tax asset has been provided. Management has determined that there were no uncertainties in tax position which would require recognition in these financial statements.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 10 - Concentration of Credit Risk and Major Grantors

Cash and Cash Equivalents

As of June 30, 2023 and 2022, the Organization maintains cash balances at banks which are insured by the Federal Deposit Insurance Corporation ("FDIC") 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.

Major Grantors

During the year ended June 30, 2023, two government grantors accounted for approximately 36% of total government grant revenue, and one grantor accounted for approximately 11% of NMIC's outstanding government grants and contracts receivable at June 30, 2023.

During the year ended June 30, 2022, two government grantors accounted for approximately 37% of total government grant revenue, and two grantors accounted for approximately 29% of NMIC's outstanding government grants and contracts receivable at June 30, 2022.

Note 11 - Retirement Plan

NMIC has a 401(k) profit sharing plan and trust covering all eligible employees who have attained the age of 21 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, 2023 and 2022 was approximately \$907,922 and \$937,938, respectively, and is included in payroll taxes and fringe benefits on the consolidating statement of functional expenses.

Note 12 - Commitments and Contingencies

Other Contingencies

453's principal asset is a 13-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 15-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.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Consolidating Financial Statements

Year Ended June 30, 2023

Note 12 - Commitments and Contingencies - Continued

618's management has not estimated the remaining lives and replacement costs of common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that the American Institute of Certified Public Accountants ("AICPA") has determined is required to supplement, although not required to be a part of, the basic financial statements.

Note 13 - Subsequent Events

The Organization has evaluated subsequent events through May 10, 2024, which is the date the financial statements were available to be issued.

The Organization signed a new line of credit renewal for the line of credit detailed in Footnote 8. Effective March 20, 2024, the maturity date of the line of credit is extended from June 11, 2024 to March 31, 2025. The line of credit is now modified to increase the principal amount from \$1,000,000 to \$2,000,000.

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Statement of Activities

For the Budget Period April 1, 2022 to June 30, 2023

(Unaudited)

	Budgeted Amounts	Actual Amounts	to Budget (Over)/Under
Revenue			
Grant Income	\$ 2,824,823	\$ 2,847,213	\$ (22,390)
Expenditures			
Program Operations			
Materials	\$ 10,000	\$ 1,837	\$ 8,163
Salaries and Fringe	750,854	882,936	(132,082)
Subcontracted Costs	1,142,697	1,331,352	(188,655)
Program Support (1)	328,782	426,929	(98,147)
Total Program Operations	\$ 2,232,333	\$ 2,643,054	\$ (410,721)
Health And Safety			
Materials	\$ -	\$ -	\$ -
Salaries and Fringe	-	-	-
Subcontracted Costs	234,406	-	234,406
Worksite Consumables	-	-	-
Other	-	-	-
Total Health and Safety	\$ 234,406	\$ -	\$ 234,406
Liability Insurance	\$ 111,339	\$ 152,146	\$ (40,807)
Financial Audit	\$ 15,000	\$ 26,500	\$ (11,500)
Training and Technical Assistance	\$ 20,000	\$ -	\$ 20,000
Capital Equipment	\$ -	\$ -	\$ -
Administration			
Salaries and Fringe	\$ 193,348	\$ 286,875	\$ (93,527)
Indirect Costs	-	-	-
Other Administration (2)	18,397	766	17,631
Total Administration	\$ 211,745	\$ 287,640	\$ (75,895)
Total Expenditures	\$ 2,824,823	\$ 3,109,340	\$ (284,517)
Revenue Over/(Under) Expenditures	\$ -	\$ (262,127)	\$ -

See Independent Auditor's Report.

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C0935XXGG

Statement of Financial Position

For the Budget Period Ended June 30, 2023
(Unaudited)

Assets

Cash	\$ 379,351
Grant receivable - NYS DHCR	904,679
Due from other funds	<u>64,252</u>
Total Assets	<u><u>\$ 1,348,282</u></u>

Liabilities

Accounts payable	\$ 220,288
Advance	<u>423,723</u>
Total Liabilities	<u>644,011</u>

Restricted Net Assets

Restricted net assets	<u>704,271</u>
Total Liabilities and Restricted Net Assets	<u><u>\$ 1,348,282</u></u>

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Schedule in Support of Program Compliance

For the Budget Period Ended June 30, 2023
(Unaudited)

	Weatherization Confirmation		
	Per Books	Report	Difference
Agency Materials	\$ 2,643,054	\$ 2,643,054	\$ -
Subcontracted Costs	-	-	-
Sub-total	2,643,054	2,643,054	-
Less: Obsolete/Unusable			
Total	\$ 2,643,054	\$ 2,643,054	\$ -

Ending Materials Inventory	3,398
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	Health and Safety Confirmation		
	Per Books	Report	Difference
Agency Materials	\$ -	\$ -	\$ -
Subcontracted Costs	-	-	-
Total	\$ -	\$ -	\$ -
Salaries and Fringe Benefits	\$ -	\$ -	\$ -

Unit Goal	286	Budgeted CPU	7,805
Units Completed	340	Actual CPU	7,774

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Schedule of Ending Materials Inventory

For the Budget Period Ended June 30, 2023
(Unaudited)

<u>Description</u>	<u>Quantity</u>	<u>Per Unit Cost</u>	<u>Total Cost</u>
LED	55	\$ 4.00	\$ 220.00
Bath Aerators	164	0.49	80.36
Kitchen Aerators	31	1.89	58.59
23X47X5.5 Insulation	33	45.00	1,485.00
AC Covers	37	\$ 42.00	1,554.00
		Total	<u>\$ 3,398</u>

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Schedule of Allowable Program Support Costs

For the Budget Period April 1, 2022 to June 30, 2023
(Unaudited)

<u>Description</u>	<u>Amount</u>
Building Maintenance	\$ 17,128
Office Space	237,385
Warehouse Space	7,500
Utilities/Fuel	12,483
Vehicle Maintenance and Repairs	4,738
Vehicle Insurance	12,226
Vehicle Fuel	3,443
Office Supplies	14,851
Weatherization Tools/Supplies	4,106
Travel	35,734
Staff Development	9,235
Telecommunication	14,747
Postage & Shipping	1,848
Advertising/Marketing	9,820
Outside Services	21,432
Copier and Leasing	2,970
Membership Dues	700
Payroll Processing Charge	2,197
Other Vehicle Expenses	12,515
Food and Refreshments	1,865
	<hr/>
Total	<u>\$ 426,923</u>

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Schedule of Allowable Administration Costs

For the Budget Period April 1, 2022 to June 30, 2023
(Unaudited)

	<u>Description</u>	<u>Amount</u>
Administration Services	None	\$ -
Administration Other	Program Expenses	<u>766</u>
	Total	<u>\$ 766</u>

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Schedule of Owner Investment Revenues and Expenditures

For the Budget Period April 1, 2022 to June 30, 2023
(Unaudited)

Revenue

Owner Investment	<u>\$ 1,074,117</u>
Total Revenues	<u><u>\$ 1,074,117</u></u>

Expenditures

Materials	\$ 190,551
Labor	<u>499,364</u>
Total Expenditures	<u>\$ 689,915</u>
Less: amount returned to owner	<u>(16,351)</u>
Revenues Over/Under Expenditures	<u><u>\$ 400,553</u></u>

Northern Manhattan Improvement Corporation and Affiliates

Supplementary Information - New York State Homes and Community Renewal

Weatherization Assistance - Grant Number C095XXGG

Schedule of Owner Investment

For the Budget Period April 1, 2022 to June 30, 2023

(Unaudited)

Building Address	Bldg. no.	Received	Materials	Labor	Mgt. Fee	EBOPPS	*Other	Due Owner
45 Stanton		38,863	-	-	-	-	45,577	(6,714)
71 Stanton		45,398	-	-	-	-	44,061	1,337
211 Eldridge		46,914	-	-	-	-	37,526	9,388
189 Allen St		-	1,955	-	-	-	(1,955)	-
13-15 East 97th Street		-	4,161	-	-	-	(4,161)	-
620-642 East 5th st.		194,453	-	-	-	-	195,577	(1,124)
721-745 East 5th Street		165,933	-	2,440	-	-	164,810	(1,317)
710 East 9th Street		2,000	-	-	-	-	-	2,000
45 Wadsworth		15,000	-	-	-	-	-	15,000
598 W 152 St		-	1,470	-	-	-	-	(1,470)
1749 Amsterdam Avenue, NY, NY 10031		2,000	-	-	-	-	-	2,000
1751 Amsterdam Avenue, NY, NY 10031		2,000	-	-	-	-	-	2,000
1770 Amsterdam Avenue, NY, NY 10031		2,000	-	-	-	-	-	2,000
506 W. 148th St., NY, NY 10031		2,000	-	-	-	-	-	2,000
704-732 East 6th Street		239,503	-	247,737	-	-	-	(8,234)
1 Haven Plaza		2,000	-	-	-	-	-	2,000
Totals	-	758,064	7,586	250,177	-	-	481,435	18,866

*Explain amounts in Other

The amounts in the "Other Column" represent prior fiscal year expenses paid (Shown as positive) or prior fiscal year funds received from owners (Shown as negative)

Northern Manhattan Improvement Corporation and Affiliates

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Health Center Program - Cluster			
Passed through the City of New York, Human Resource Administration			
Legal Services Initiatives	93.558	CT106920238800480	\$ 4,775,589
Community Services Block Grant - Legal Services Initiative	93.558	CT106920200002173	81,104
Passed through the New York State Office of Children and Family Services			
Settlement House	93.558	C029110	43,473
Passed through the New York State Department of Health			
Consumer Assistance for NY State of Health: Navigator Program			
	93.558	DOH01-C34591GG-3450000	253,040
Passed through the City of New York, New York City Department of Youth and Community Development			
Community Services Block Grant - Immigration	93.569	CT126020238800357	92,495
Total Health Center Program - Cluster			<u>5,245,701</u>
Passed through the New York State Homes and Community Renewal			
Low Income Home Energy Assistance	81.042	HCR01-C09541GG-1170000	2,824,823
The American Rescue Plan Act of 2021	21.027	N/A	1,019,386
Total U.S. Department of Health and Human Services			<u>9,089,910</u>
U.S. Department of Justice			
Office on Violence Against Women			
Legal Assistance for Victims	16.524	2019-WI-AX-0010	53,942
OVW Fiscal Year 2022 Legal Assistance for Victims (LAV) Grant Program Solicitation	16.524	15JOVW-22-GG-00301-LEGA	132,209
Passed through the New York State Office of Victim Services			
Victims of Crime Act ("VOCA")	16.575	OVS01-C11023GG-1080200	<u>154,763</u>
Total U.S. Department of Justice			<u>340,914</u>

See Notes to Schedule of Expenditures of Federal Awards.

Northern Manhattan Improvement Corporation and Affiliates

Schedule of Expenditures of Federal Awards - *Continued*

Year Ended June 30, 2023

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the New York State Office of Temporary & Disability Assistance			
Supplemental Nutrition Assistance Program	10.561	TDA01-C00889GG-341000	246,072
Total U.S. Department of Agriculture			246,072
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	114,890
Total U.S. Department of Homeland Security			114,890
U.S. Department of Labor			
Passed through the City of New York, New York City Department of Youth and Community Development			
WIA Youth Activities	17.259	CT126020211401669	577,940
Youth Build	17.274	N/A	349,948
Total U.S. Department of Labor			927,888
U.S. Department of Housing & Urban Development			
Eviction Protection Grant Program			
	14.537	E-P2-2N-Y0-10	934,870
Total U.S. Department of Housing & Urban Development			934,870
National Institute of Health			
Passed Through New York University			
Marya Gwadz Grant	93.310	Subaward No. 2025-01	42,811
Total National Institute of Health			42,811
Office of Temporary and Disability Assistance			
Passed Through New York State Office of Temporary and Disability Assistance			
Disability Advocacy Program	93.667	TDA01-C00965GG-3410000	229,870
Total Office of Temporary and Disability Assistance			229,870
Total Expenditure of Federal Awards			\$ 11,927,225

See Notes to Schedule of Expenditures of Federal Awards.

Northern Manhattan Improvement Corporation and Affiliates

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") presents the activities in all the federal award programs of Northern Manhattan Improvement Corporation and Affiliates. All financial awards received directly from federal agencies as well as financial awards passed through other governmental agencies or not-for-profit organizations are included on the Schedule.

Note 2 - Basis of Accounting

The Schedule includes the federal award activity of Northern Manhattan Improvement Corporation and Affiliates and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Guidance 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 positions, changes in net assets, or cash flows of Northern Manhattan Improvement Corporation and Affiliates.

Note 3 - Indirect Cost Rate

The Northern Manhattan Improvement Corporation and Affiliates have elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4 - Relationship to Basic Financial Statements

Federal award expenditures are reported on the statement of activities as functional and supporting expenses. In certain programs, the expenditures reported in the basic financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant limitations or capitalization policies required by GAAP.

**Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Consolidating Financial Statements Performed In
Accordance with *Government Auditing Standards***

Independent Auditor's Report

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 ("Government Auditing Standards"), the financial statements of Northern Manhattan Improvement Corporation and Affiliates (the "Organization"), which comprise the consolidating statement of financial position as of June 30, 2023, 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 May 10, 2024.

Our report includes a reference to other auditors who audited the financial statements of LSH, 453, Arden, and 618, as described in our report of the Organization's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of LSH, 453, Arden, and 618 were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with LSH, 453, Arden, and 618, or that are reported on separately by those auditors who audited the financial statements of LSH, 453, Arden, and 618.

Report on 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") as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 Organization'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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-001.

Northern Manhattan Improvement Corporation and Affiliates Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sax CPAs LLP

New York, NY
May 10, 2024



**Report on Compliance for each Major Federal Program;
and Report on Internal Control Over Compliance**

Independent Auditor's Report

Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northern Manhattan Improvement Corporation and Affiliates (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Organizations major federal programs for the year ended June 30, 2023. 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.

In our opinion, the Organization complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organizations compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organizations compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organizations compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organizations internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001, to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Sax CPAs LLP

New York, NY
May 10, 2024

Northern Manhattan Improvement Corporation and Affiliates

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I. Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over the program:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Type of auditor's report issued on compliance for the major federal program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? Yes

Identification of major program:

93.558 & 93.569	Temporary Assistance for Needy Families ("TANF")
21.027	The American Rescue Plan Act of 2021
14.537	Eviction Protection Grant Program

Dollar threshold to distinguish between Type A and Type B Programs: \$750,000

Auditee qualified as low-risk auditee? No

Section II. Financial Statement Findings

None

See Independent Auditor's Report.

Northern Manhattan Improvement Corporation and Affiliates

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2023

Section III. Findings and Questioned Costs

2023-001: Grant Compliance

Summary of Prior Year Audit Findings: The Organization is required to reach a minimum units of service requirement. The Organization was unable to meet the minimum deliverables required. The Organization did not have written communication waiving the requirement.

Status: The Organization is in the process of increasing capacity in order to meet the requirements.

Federal program: Awarded by the U.S. Department of Health and Human Services passed through city of New York Human Resource Administration: Temporary Assistance for Needy Families ("TANF") ALN 93.558 for the Homelessness Prevention Law Project for the period from July 1, 2021 through June 30, 2022.

Criteria: Under the Homelessness Prevention Law Project, the granting agencies requires a minimum number of units of service delivered. The Organization is required to fulfill a minimum of 1,909 units of service with a minimum of 1,432 universal access full legal representations.

Condition: The Organization is required to reach a minimum units of service requirement. The Organization was unable to meet the minimum deliverables required. The Organization did not have written communication waiving the requirement.

Cause: The Organization was unable to meet requirements due to capacity issues.

Effect: We were unable to verify that the minimum units of service were delivered or that this requirement was waived.

Context: Sax requested support to verify the minimum units of service requirement had been reached. The Organization was unable to provide support that the minimum units of service was provided.

Recommendation: We recommend that the Organization implement procedures to ensure the minimum units of service requirement is met or to obtain written communication from the granting agency waiving the requirement.

Views of Responsible Officials: See corrective action plan.



Northern Manhattan Improvement Corporation and Affiliates

Corrective Action Plan

Year Ended June 30, 2023

Identifying Number: 2023-001

Finding: The Organization is required to reach a minimum units of service requirement. The Organization was unable to meet the minimum deliverables required. The Organization did not have written communication waiving the requirement.

Contact Person Responsible for Corrective Action: Rodrigo Sanchez-Camus, Director of Legal, Organizing, and Advocacy; Maria Lizardo, Executive Director.

Corrective Actions Taken or Planned: NMIC has the necessary controls in place to ensure that all cases are properly counted toward contract deliverables. However, NMIC was again unable fulfill the deliverable requirements for this contract in FY2023. This follows a similar finding in FY2022. Despite this, the City paid out the entirety of the funding for FY2022 and 2023, and has not indicated they will attempt to claw back funds due to non-performance. NMIC leadership has been actively and regularly engaged with the Human Resources Administration (HRA), and relevant City and State agencies, regarding the challenges all right to council providers, including NMIC, face in meeting contract expectations. NMIC has also worked with other citywide providers to draft a Concept Paper outlining issues with grant structure, and offering suggestions for remediation in future renewal discussions. This was shared and discussed with HRA in March 2023. HRA has since issued a new RFP, and awarded NMIC a 3 year grant beginning FY2025. While this provides for more achievable goals, we expect to show similar findings in FY2024. And potentially, but to a lesser degree, in FY2025-2027.

Anticipated Completion Date: May 2025

Northern Manhattan Improvement Corporation and Affiliates

Summary Schedule of Prior Year Audit Findings

Year Ended June 30, 2023

2022-001: Grant Compliance

Summary of Prior Year Audit Finding: The Organization is required to reach a minimum units of service requirement. The Organization was unable to meet the minimum deliverables required. The Organization did not have written communication waiving the requirement.

Status: The Organization did not reach the minimum units of service requirement, therefore this is an audit finding for the fiscal year ended June 30, 2023. Refer to the corrective action plan for steps being taken from the Organization.

2022-002: Grant Reporting

Summary of Prior Year Audit Finding: The Organization is required to submit 4 successful case narratives twice a year, with at least 2 of which must be for a UA full legal representation case. The Organization was unable to provide the narrative reports during the audit and therefore we were unable to verify the submission of these reports.

Status: The Organization submitted the required reports, no longer an audit finding for the fiscal year ended June 30, 2023.