NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

Consolidating Financial Statements

and

Supplementary Information

June 30, 2018

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

Index

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

Report on the Financial Statements

We have audited the accompanying consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the "Organization"), which comprise the consolidating statements of financial position as of June 30, 2018, and the related consolidating statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidating financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidating financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidating financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidating financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidating financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidating financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the financial position of Northern Manhattan Improvement Corporation and Affiliates as of June 30, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the consolidating financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards,* is presented for purposes of additional analysis and is not a required part of the consolidating financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidating financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or to the consolidating financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidating financial statements as a whole. In addition, the accompanying supplementary information listed in the index on pages 18 to 23, which is the responsibility of management, is also presented for purposes of additional analysis and is not a required part of the consolidating financial statements. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the consolidating financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Mayer Hoffman McCann CPAs

January 18, 2019

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
Consolidating Statements of Financial Position
June 30, 2018

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Eliminations	Total
ASSETS							
Cash and cash equivalents	$ -	$ 69,795	$ 189,753	$ -	$ 43,934	$ -	$ 303,482
Cash - client escrows	8,934	-	-	-	-	-	8,934
Cash - restricted	257,173	-	-	-	-	-	257,173
Government grants and contracts receivable	4,534,249	30,549	16,403	-	9,907	-	4,591,108
Due from NMIC Lead Safe House HDFC	24,500	-	-	-	-	(24,500)	-
Due from 453 West 166th Street HDFC	21,500	-	-	-	-	(21,500)	-
Due from NMIC Arden HDFC	262,120	-	-	-	-	(262,120)	-
Due from 618 West 187th Street HDFC	12,000	-	-	-	-	(12,000)	-
Prepaid expenses and other assets	51,717	-	1,913	-	-	-	53,630
Security deposits	402,545	-	2,420	-	58,523	-	463,488
Reserves and mortgage escrows	-	9,354	70,383	-	-	-	79,737
Property and equipment, net	280,954	635,190	222,165	-	4,658,641	-	5,796,950
Total assets	$ 5,855,692	$ 744,888	$ 503,037	$ -	$ 4,771,005	$ (320,120)	$11,554,502
LIABILITIES AND NET ASSETS (DEFICIT)							
Liabilities:							
Bank overdraft	$ 54,177	$ -	$ -	$ -	$ -	$ -	$ 54,177
Accounts payable and accrued expenses	1,536,323	12,301	22,161	30,935	3,136	-	1,604,856
Refundable advances	728,215	-	-	-	-	-	728,215
Loan payable	100,000	-	-	-	-	-	100,000
Client escrows payable	8,934	-	-	-	-	-	8,934
Due to NMIC	-	24,500	21,500	262,120	12,000	(320,120)	-
Deferred rent	1,614,164	-	-	-	-	-	1,614,164
Mortgages payable, net of closing costs of $348,303	-	1,730,600	1,083,717	-	5,473,150	-	8,287,467
Total liabilities	4,041,813	1,767,401	1,127,378	293,055	5,488,286	(320,120)	12,397,813
Commitments and contingencies (Notes 9 and 10)							
Unrestricted net assets (deficit):							
Operating surplus (deficit)	913,879	(1,022,513)	(624,341)	(293,055)	(717,281)	-	(1,743,311)
Board designated	900,000	-	-	-	-	-	900,000
Total unrestricted net assets (deficit)	1,813,879	(1,022,513)	(624,341)	(293,055)	(717,281)	-	(843,311)
Total liabilities and net assets (deficit)	$ 5,855,692	$ 744,888	$ 503,037	$ -	$ 4,771,005	$ (320,120)	$11,554,502

See accompanying notes.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
Consolidating Statements of Activities
For the Year Ended June 30, 2018

	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC	Eliminations	Total
Support and revenue:							
Government grants and contracts	$ 12,802,838	$ -	$ -	$ -	$ -	$ -	$ 12,802,838
Contributions	1,233,591	-	-	-	-	-	1,233,591
Program revenue	128,575	-	-	-	-	(100,000)	28,575
Rental income	44,436	222,699	151,012	-	155,456	-	573,603
Other income	152,590	2,868	3,230	-	-	-	158,688
Total support and revenue	14,362,030	225,567	154,242	-	155,456	(100,000)	14,797,295
Expenses:							
Program services	11,154,720	231,620	92,131	86,913	256,806	(100,000)	11,722,190
Administrative	2,610,005	53,638	71,652	-	114,845	-	2,850,140
Fundraising	75,278	-	-	-	-	-	75,278
Total expenses	13,840,003	285,258	163,783	86,913	371,651	(100,000)	14,647,608
Change in net assets	522,027	(59,691)	(9,541)	(86,913)	(216,195)	-	149,687
Net assets (deficit) - beginning of year	1,291,852	(962,822)	(614,800)	(206,142)	(501,086)	-	(992,998)
Net assets (deficit) - end of year	$ 1,813,879	$ (1,022,513)	$ (624,341)	$ (293,055)	$ (717,281)	$ -	$ (843,311)

See accompanying notes.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
Consolidating Statements of Functional Expenses
For the Year Ended June 30, 2018

	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 HDFC**	**Eliminations**	**Total**	**Northern Manhattan Improvement Corporation**	**NMIC Lead Safe House HDFC**	**453 West 166th Street HDFC**	**NMIC Arden HDFC**	**618 West 187th Street HDFC**	**Total**	**Northern Manhattan Improvement Corporation**	**NMIC Lead Safe House HDFC**	**453 West 166th Street HDFC**	**NMIC Arden HDFC**	**618 West 187th Street HDFC**	**Total**	**Total Expenses**
Salaries	$ 5,579,796	$ -	$ -	$ -	$ -	$ -	$ 5,579,796	$ 1,090,348	$ 18,400	$ 11,905	$ -	$ 16,500	$ 1,137,153	$ 28,917	$ -	$ -	$ -	$ -	$ 28,917	$ 6,745,866
Payroll taxes and fringe benefits	1,545,167	-	-	-	-	-	1,545,167	314,268	2,127	2,843	-	8,319	327,557	8,386	-	-	-	-	8,386	1,881,110
Professional fees and consultants	229,996	-	-	-	-	-	229,996	266,948	27,857	28,620	-	55,383	378,808	4,200	-	-	-	-	4,200	613,004
Occupancy costs	1,567,742	40,703	31,504	-	202,926	-	1,842,875	692,013	-	-	-	-	692,013	6,849	-	-	-	-	6,849	2,541,737
Repairs and maintenance	73,438	19,411	40,856	-	1,870	-	135,575	13,645	-	-	-	-	13,645	356	-	-	-	-	356	149,576
Program food, supplies and stipends	154,720	100,000	-	-	-	(100,000)	154,720	-	-	-	-	-	-	-	-	-	-	-	-	154,720
Office supplies	105,169	-	-	-	-	-	105,169	38,768	3,491	15,053	-	4,174	61,486	1,192	-	-	-	-	1,192	167,847
Telephone	37,002	-	-	-	-	-	37,002	6,874	-	-	-	572	7,446	108	-	-	-	-	108	44,556
Subcontractor	1,462,897	-	-	-	-	-	1,462,897	-	-	-	-	-	-	-	-	-	-	-	-	1,462,897
Insurance	168,610	8,575	10,562	-	52,010	-	239,757	18,326	-	-	-	-	18,326	494	-	-	-	-	494	258,577
Meetings, conferences and training	18,493	-	-	-	-	-	18,493	3,571	-	-	-	15,500	19,071	-	-	-	-	-	-	37,564
Travel (including client travel)	45,924	-	-	-	-	-	45,924	5,109	-	-	-	-	5,109	20	-	-	-	-	20	51,053
Printing and publications	38,176	-	-	-	-	-	38,176	1,549	173	64	-	6,478	8,264	45	-	-	-	-	45	46,485
Equipment purchase and leasing	46,037	-	3,111	-	-	-	49,148	26,631	102	263	-	-	26,996	490	-	-	-	-	490	76,634
Books and subscriptions	13,882	-	-	-	-	-	13,882	493	-	-	-	-	493	1,499	-	-	-	-	1,499	15,874
Pre-development expenses	-	-	-	86,913	-	-	86,913	-	-	-	-	-	-	-	-	-	-	-	-	86,913
Interest expense	-	-	-	-	-	-	-	23,203	-	11,906	-	-	35,109	-	-	-	-	-	-	35,109
Miscellaneous other costs	45,197	-	-	-	-	-	45,197	102,641	1,488	998	-	7,919	113,046	22,722	-	-	-	-	22,722	180,965
Total expenses before depreciation and amortization	11,132,246	168,689	86,033	86,913	256,806	(100,000)	11,630,687	2,604,387	53,638	71,652	-	114,845	2,844,522	75,278	-	-	-	-	75,278	14,550,487
Depreciation and amortization	22,474	62,931	6,098	-	-	-	91,503	5,618	-	-	-	-	5,618	-	-	-	-	-	-	97,121
Total expenses	$ 11,154,720	$ 231,620	$ 92,131	$ 86,913	$ 256,806	$ (100,000)	$ 11,722,190	$ 2,610,005	$ 53,638	$ 71,652	$ -	$ 114,845	$ 2,850,140	$ 75,278	$ -	$ -	$ -	$ -	$ 75,278	$ 14,647,608

See accompanying notes.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

Consolidating Statements of Cash Flows

For the Year Ended June 30, 2018

	Total	Eliminations	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC
Cash flows from operating activities:							
Change in net assets	$ 149,687	$ -	$ 522,027	$ (59,691)	$ (9,541)	$ (86,913)	$ (216,195)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:							
Depreciation and amortization	97,121	-	28,092	62,931	6,098	-	-
Deferred rent	430,374	-	430,374	-	-	-	-
Change in assets and liabilities:							
Government grants and contracts receivable	(1,146,764)	-	(1,102,138)	(28,629)	(6,237)	-	(9,760)
Due from NMIC Lead Safe House HDFC	-	6,000	(6,000)	-	-	-	-
Due from 453 West 166th Street HDFC	-	6,000	(6,000)	-	-	-	-
Due from 618 West 187th Street HDFC	-	6,000	(6,000)	-	-	-	-
Due from NMIC Arden HDFC	-	86,913	(86,913)				
Prepaid expenses and other assets	368,255	-	102,877	-	219,049	-	46,329
Accounts payable and accrued expenses	476,716	-	518,954	1,686	(44,719)	-	795
Refundable advances	(45,818)	-	(45,818)	-	-	-	-
Client escrows payable	308	-	308	-	-	-	-
Due to NMIC	-	(104,913)	-	6,000	6,000	86,913	6,000
Net cash provided by (used in) operating activities	329,879	-	349,763	(17,703)	170,650	-	(172,831)
Cash used in investing activities:							
Purchase of property and equipment	(2,313,353)	-	-	-	-	-	(2,313,353)
Cash flows from financing activities:							
Proceeds from bank overdraft, net	54,177	-	54,177	-	-	-	-
Proceeds from mortgage	2,487,156	-	-	-	-	-	2,487,156
Payments of security deposits	(2,000)	-	(2,000)	-	-	-	-
Payments for line of credit	(414,593)	-	(414,593)	-	-	-	-
Proceeds from loan payable	50,000	-	50,000	-	-	-	-
Net cash provided by (used in) financing activities	2,174,740	-	(312,416)	-	-	-	2,487,156
Net increase (decrease) in cash and cash equivalents	191,266	-	37,347	(17,703)	170,650	-	972
Cash and cash equivalents, beginning of year	378,323	-	228,760	87,498	19,103	-	42,962
Cash and cash equivalents, end of year	$ 569,589	$ -	$ 266,107	$ 69,795	$ 189,753	$ -	$ 43,934

Supplemental Disclosure of Cash Flow Information

	Total	Eliminations	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC
Cash paid during the year for:							
Interest	$ 190,983	$ -	$ 23,203	$ -	$ 11,906	$ -	$ 155,874

See accompanying notes.

Note 1 - Nature of Activities

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

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies

Basis of Accounting

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

Basis of Presentation

Financial statement presentation follows the provisions included in Financial Accounting Standards Board ("FASB") Accounting Standards Codification for *Not-For-Profit Entities*, which constitutes generally accepted accounting principles in the United States of America ("GAAP") for non-profit entities such as the Organization. GAAP requires the Organization to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. At June 30, 2018, the Organization had no permanently restricted or temporarily restricted net assets.

Unrestricted Net Assets

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

Temporarily Restricted Net Assets

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

Permanently Restricted Net Assets

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Basis of Consolidation

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

Cash and Cash Equivalents

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

Restricted Cash

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

Property and Equipment

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

Grants and Contracts Receivable

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

Note 2 - Summary of Significant Accounting Policies (Continued)

Refundable Advances

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

Client Escrows Payable

The Organization acts as fiscal agent for other entities. As a fiscal agent, the Organization holds cash on behalf of other entities, which is reported as a liability on the consolidating statements of financial position. As of June 30, 2018, the amount of funds held by the Organization for other parties was approximately $9,000.

Revenue and Support Recognition

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

Contributed Services

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Summary of Significant Accounting Policies (Continued)

Income Taxes

NMIC is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and New York State Not-for-Profit Corporation law, respectively, and qualifies for the charitable contribution deduction. Management accounts for uncertainty in income taxes using a recognition threshold of more likely than not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management has determined that there were no tax uncertainties that met the recognition threshold at the statement of financial position date and no interest or penalties related to unrecognized tax benefits have been recognized in NMIC's financial statements. NMIC files federal Form 990 annually and New York State annual reports as required. NMIC is subject to federal income tax examination by tax authorities for fiscal years ended in 2015 and thereafter. No returns or registrations are presently under examination by the relevant authorities.

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

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

The HDFCs classify any interest or penalty payments relating to uncertain tax positions within operating expenses on the consolidating financial statements. There are no accruals of interest or penalty payments, nor are there any unrecognized tax benefits as of June 30, 2018. The HDFCs' returns from the year 2015 and thereafter are still subject to examination by various jurisdictions.

Compensated Absences

Employees are entitled to fifteen vacation days in the first year of employment and twenty vacation days thereafter upon reaching one year of service. To preserve flexibility for new employees, in any calendar year during which employees accrued vacation time according to the rules governing new employees, they will be allowed to carry over up to ten days of unused accrued vacation time past June 30. All other employees have to use their vacation days between July 1 through June 30 and no carryover is allowed. The liability for vacations earned but not taken for new employees only has been charged to operations. Accrued vacation for this liability totaled approximately $30,000 as of June 30, 2018 and has been included in accounts payable and accrued expenses on the consolidating statements of financial position as of June 30, 2018.

Note 2 - Summary of Significant Accounting Policies (Continued)

Functional Allocation of Expenses

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

Advertising Expense

Advertising expenses are charged to operations in the period in which they are incurred. Advertising expense for the year ended June 30, 2018 was approximately $17,000.

Recently Issued Accounting Standards

Revenue Recognition

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606),* that will supersede most current revenue recognition guidance, including industry-specific guidance. The core principle of the new guidance is that an entity will recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include the capitalization and amortization of certain contract costs, ensuring the time value of money is considered in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. Additionally, the guidance requires disclosures related to the nature, amount, timing and uncertainty of revenue that is recognized. The amendments are required to be adopted for the Organization's June 30, 2020 consolidating financial statements. Early adoption is permitted. Transition to the new guidance may be done using either a full or modified retrospective method. The Organization is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Leases

In February 2016, the FASB released ASU 2016-02, *Leases (Topic 842).* This update requires that lessees and lessors should apply a right-of-use model in accounting for all leases, with certain exemptions. Under this model, the Organization would recognize an asset representing its right to use the leased property and a liability to make the lease payments. This model could have an impact on the Organization's consolidating statement of financial position and presentation of expenses in its consolidating statement of activities. The amendment is required to be adopted for the Organization's June 30, 2021 consolidating financial statements. Early adoption is permitted. The Organization is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

Note 2 - Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Standards (Continued)

Presentation of Financial Statements for Not-for-Profit Entities

On August 18, 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities,* which makes targeted improvements to the not-for-profit financial reporting model. The new ASU marks the completion of the first phase of a larger project aimed at improving not-for-profit financial reporting. The ASU is effective for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted, but only for an annual fiscal period or for the first interim period within the year of adoption. The Organization is currently in the process of evaluating the impact that ASU 2016-14 will have on its financial statements and related disclosures.

Restricted Cash

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new standard requires that the statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Entities are also required to reconcile such total to amounts on the statement of financial position and disclose the nature of the restrictions. For the Organization, the amendment in this update is effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization early adopted this amendment and is presenting the balances reported as restricted on the consolidating statements of financial position in the ending balance of cash in the consolidating statements of cash flows.

Note 3 - Property and Equipment

Property and equipment as of June 30, 2018 consists of:

	NMIC	LSH	453	618	Total	Estimated Useful Life
Land	$ -	$ 1	$ 650	$ -	$ 651	N/A
Buildings	-	1,730,600	256,882	40,000	2,027,482	27.5 years
Construction in process	-	-	-	4,618,641	4,618,641	N/A
Vehicles	71,451	-	-	-	71,451	5 years
Furniture and equipment	208,934	-	-	-	208,934	5 to 15 years
Leasehold improvements	296,230	-	-	-	296,230	15 years
	576,615	1,730,601	257,532	4,658,641	7,223,389	
Less: Accumulated deprecation and amortization	(295,661)	(1,095,411)	(35,367)	-	(1,426,439)	
	$ 280,954	$ 635,190	$ 222,165	$ 4,658,641	$ 5,796,950	

Note 3 - Property and Equipment (Continued)

Depreciation and amortization expense for the year ended June 30, 2018 was approximately $97,000 and is included in the consolidating statements of functional expenses. The Organization capitalizes interest cost as a component of the cost of construction in process. Capitalized interest during the year ended June 30, 2018 was approximately $156,000.

Note 4 - Mortgages Payable

Mortgages payable is comprised of the following as of June 30, 2018:

NMIC Lead Safe House HDFC	$ 1,730,600
453 West 166th Street HDFC	1,083,717
618 West 187th Street HDFC	5,821,453
	8,635,770
Less: Debt issuance costs	(348,303)
	$ 8,287,467

NMIC Lead Safe House HDFC

Under the terms of the regulatory agreement, attached to the property is an enforcement lien mortgage. Should the covenants and restrictions be violated within thirty years from the commencement date (June 2001), a mortgage in the amount of $1,730,600 would be due to the City of New York as of June 30, 2031. If on the 25th anniversary of the debt service date the property is owned by a not-for-profit organization and there has been no default under the regulatory agreement, the unpaid principal will be considered paid in five equal annual installments, as follows:

Anniversary	Percent Deemed Paid
26th	20%
27th	20
28th	20
29th	20
30th	20
	100%

Note 4 - Mortgages Payable (Continued)

NMIC Lead Safe House HDFC (Continued)

LSH need not make payments on the mortgage so long as the covenants set forth in the regulatory agreement and other loan documents are adhered to. If all regulations and covenants are adhered to for the term of the loan, LSH will not be required to repay any of the loan principal. However, if there is a breach of any regulations or covenants, the City of New York can call the mortgage and repayment will commence. As of June 30, 2018, all covenants were adhered to.

453 West 166th Street HDFC

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

Additionally, as part of the formation of 453, two mortgage note amendments were entered into between the New York City Housing Development Corporation ("NYC HDC"), the NYC HPD and 453 for the Article VIII loan of $952,444. New mortgages of $75,603 and $55,670 were received to finance additional capital improvements to the property and require no additional monthly interest and service fees to the original mortgage (see Note 10).

618 West 187th Street HDFC

During the year ended June 30, 2016, 618 entered into a construction loan for a total commitment of $6,707,218 between two lenders, of which $8,821,453 has been borrowed and is outstanding at June 30, 2018, with interest at the greater of 5.3% plus LIBOR or 6% (7.38150% at June 30, 2018). Included in the mortgages payable on the accompanying consolidating statements of financial position is approximately $348,000 of debt issuance costs as of June 30, 2018. The Organization will start amortizing these costs upon conversion of the loan to a permanent loan. The loan will mature on December 1, 2018, unless property has been converted into Housing Development Fund Corporation co-op units prior to maturity, whereby the loan will convert to a permanent loan with principal due in thirty years from the conversion date.

Note 5 - Loan Payable

The loan payable as of June 30, 2018 is comprised of a non-interest bearing note for $100,000 payable to a third party, repayment of which will be taken from the proceeds of financing to be obtained for the rehabilitation of 21 Arden, a housing project for persons of low income. The loan's outstanding balance is due December 31, 2018.

Note 6 - Line of Credit

NMIC has a $500,000 line of credit, which matures on June 11, 2019 and bears interest at 7.750% per annum. As of June 30, 2018, NMIC has not drawn on the line of credit.

Note 7 - 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, 2018 are approximately as follows:

Non-current deferred tax assets, net:	
Net operating loss carryforwards	$ 510,000
Depreciation	157,000
	667,000
Less: Valuation allowance	667,000
	$ -

The HDFCs have provided a full valuation allowance against their deferred tax asset due to the HDFCs' history of operating losses incurred to date. For the year ended June 30, 2018, the total valuation allowance decreased by approximately $321,000. The 2018 decrease includes effects from the changes in the future federal income tax rates under the Tax Cuts and Jobs Act signed into law in December 2017. As of June 30, 2018, the HDFCs had net operating losses for federal income tax purposes of approximately $1,890,000 that will expire in years ranging from 2032 through 2037.

Note 8 - Concentration of Credit Risk and Major Grantors

Cash and Cash Equivalents

As of June 30, 2018, the Organization maintains cash balances at a bank which are insured by the Federal Deposit Insurance Corporation for a limit of up to $250,000. The Organization also maintains funded escrows and reserves. All escrows and reserves are held in trust accounts in the Organization's name. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2018.

Note 8 - Concentration of Credit Risk and Major Grantors (Continued)

Major Grantors

During the year ended June 30, 2018, one government grantor accounted for approximately 17% of total revenue. Another grantor accounted for approximately 11% of NMIC's outstanding grants receivable at June 30, 2018.

Note 9 - Retirement Plan

NMIC has a 401(k) profit sharing plan and trust covering all eligible employees who have attained the age of twenty-one and completed one year of service with 1,000 hours. Employer contributions include a non-elective safe harbor contribution in an amount equal to 3% of a participant's eligible compensation. Additionally, the plan allows employees to receive an allocation of a discretionary profit sharing contribution, which is determined by management. NMIC's safe harbor contribution for the year ended June 30, 2018 was approximately $507,000, and is included in payroll taxes and fringe benefits on the consolidating statements of functional expenses.

Note 10 - Commitments and Contingencies

Operating Leases

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

Fiscal Year Ending June 30,	
2019	$ 1,370,100
2020	1,357,800
2021	1,385,000
2022	1,412,700
2023	1,440,900
Thereafter	45,883,000
	$ 52,849,500

NMIC leases certain office equipment under non-cancellable operating leases expiring through October 2020. The minimum aggregate annual lease payment for 2019 is approximately $29,000.

Note 10 - Commitments and Contingencies (Continued)

Operating Leases (Continued)

Occupancy expense, including real estate taxes, charged to operations for the year ended June 30, 2018 amounted to approximately $2,125,000 and is included in occupancy costs on the consolidating statements of functional expenses, which includes a deferred rent adjustment of approximately $430,000.

Other Contingencies

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

Note 11 - Subsequent Events

The Organization has evaluated subsequent events through January 18, 2019, the date the consolidating financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Schedule in Support of Program Compliance
For the Year Ended June 30, 2018
(Unaudited)

Completed Units Information	**Grant C092041/2016 Contract Period 4/1/2017 - 3/31/2018**
Total number of units contracted for	337
Total number of units completed per client files as of June 30, 2018	337
Total number of units certified as acceptable and completed by the New York State Homes and Community Renewal as of June 30, 2018	337

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Schedule of Assets, Liabilities and Net Assets
Grant Number C092041/2017
June 30, 2018
(Unaudited)

ASSETS	
Inventory	$ 3,916
Due from other funds	125,937
	$ 129,853
LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable	$ 125,937
Net assets:	
Restricted net assets - inventory	3,916
	$ 129,853

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Grant Number C092041/2017
Schedule of Accounts Payable
June 30, 2018
(Unaudited)

Invoice Date	Vendor	Amount Due
3/30/2018	1 STOP Electronic Center	$ 3,342
3/30/2018	1 STOP Electronic Center	2,228
3/30/2018	1 STOP Electronic Center	2,228
3/30/2018	1 STOP Electronic Center	2,240
3/30/2018	A & C Heating Services Inc.	-
3/30/2018	Apartment House Supply	9
3/30/2018	CBIZ MHM, LLC	13,500
3/30/2018	Consolidated Environmental Inc.	10,300
3/30/2018	Consolidated Environmental Inc.	10,300
3/9/2017	Everyday Mechanical Corporation	900
3/30/2018	Real Quality Windows	585
3/28/2018	Riverdal Electrical Services, Inc.	26,550
3/28/2018	Riverdal Electrical Services, Inc.	18,134
3/30/2018	Riverdal Electrical Services, Inc.	603
3/27/2018	West River Associates LLC	500
3/30/2018	YES Contracting Inc.	311
3/30/2018	YES Contracting Inc.	311
3/30/2018	YES Contracting Inc.	648
3/19/2018	Real Quality Windows	32,748
3/30/2018	West River Associates LLC	500
		$ 125,937

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Grant Number C092041/2017
Schedule of Revenue and Expenditures
Project Period April 1, 2017 to June 30, 2018
(Unaudited)

	Budgeted Amount	Period Ended 6/30/2017	Period Ended 6/30/2018	Total 4/1/2017 to 6/30/2018	(Over) Under Budget
REVENUE - GRANT INCOME	$ 2,468,273	$ 320,997	$ 2,147,276	$ 2,468,273	$ -
EXPENDITURES MATERIAL COSTS:					
Agency	30,000	24,225	7,503	31,728	(1,728)
Subcontracted	970,000	33,553	995,048	1,028,601	(58,601)
	1,000,000	57,778	1,002,551	1,060,329	(60,329)
LABOR COSTS:					
Agency salaries and fringes	663,251	168,297	510,574	678,871	(15,620)
Subcontracted	271,434	14,837	215,996	230,833	40,601
	934,685	183,134	726,570	909,704	24,981
PROGRAM SUPPORT:					
Building maintenance	7,000	2,677	6,321	8,998	(1,998)
Office supplies	2,000	928	3,494	4,422	(2,422)
Office space	148,000	35,657	106,896	142,553	5,447
Insurance/bonding	1,000	-	-	-	1,000
Warehouse	12,000	3,000	9,000	12,000	-
Weatherization tools/supplies	2,000	1,174	939	2,113	(113)
Utilities/fuel	12,000	3,856	7,415	11,271	729
Vehicle insurance	8,500	603	6,565	7,168	1,332
Office furniture/equipment	2,000	-	-	-	2,000
Vehicle maintenance	8,600	3,884	5,612	9,496	(896)
Travel	2,000	321	493	814	1,186
Weatherization equipment	2,000	-	-	-	2,000
Health and safety	30,000	-	20,600	20,600	9,400
Telecommunications	6,000	730	4,023	4,753	1,247
Postage and shipping	3,000	668	2,589	3,257	(257)
Advertising/marketing	3,000	-	1,330	1,330	1,670
Printing and copying	4,000	1,296	(1,296)	-	4,000
Dues/fees	2,000	250	850	1,100	900
Other allowance	9,574	2,584	14,173	16,757	(7,183)
	264,674	57,628	189,004	246,632	18,042
LIABILITY INSURANCE	118,000	19,031	84,179	103,210	14,790
FINANCIAL AUDIT	13,500	-	13,500	13,500	-
TRAINING AND TECHNICAL ASSISTANCE	14,000	1,109	10,375	11,484	2,516
ADMINISTRATIVE COSTS:					
Salaries and fringe	123,414	23,622	75,433	99,055	24,359
Other allowances	-	1,353	23,006	24,359	(24,359)
	123,414	24,975	98,439	123,414	-
TOTAL EXPENDITURES	2,468,273	343,655	2,124,618	2,468,273	-
REVENUE OVER (UNDER) EXPENDITURES	$ -	$ (22,658)	$ 22,658	$ -	$ -

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Grant Number C092041/2018
Schedule of Revenue and Expenditures
Project Period April 1, 2018 to March 31, 2019
(Unaudited)

	Budgeted Amount	Period 7/1/2017 to 6/30/2018	Total 7/1/2017 to 6/30/2018	(Over) Under Budget
REVENUE - GRANT INCOME	$ 2,482,007	$ 330,471	$ 330,471	$ 2,151,536
EXPENDITURES MATERIAL COSTS:				
Agency	8,784	-	-	8,784
Subcontracted	970,000	28,000	28,000	942,000
	978,784	28,000	28,000	950,784
LABOR COSTS:				
Agency salaries and fringes	647,844	161,484	161,484	486,360
Subcontracted	286,184	19,385	19,385	266,799
	934,028	180,869	180,869	753,159
PROGRAM SUPPORT:	7,000	378	378	6,622
Building maintenance	2,000	294	294	1,706
Office supplies	148,000	34,391	34,391	113,609
Office space	1,000	-	-	1,000
Insurance/bonding	12,000	3,000	3,000	9,000
Warehouse	2,000	269	269	1,731
Weatherization tools/supplies	12,000	1,985	1,985	10,015
Utilities/fuel	8,500	597	597	7,903
Vehicle insurance	2,000	-	-	2,000
Office furniture/equipment	2,000	190	190	1,810
Vehicle maintenance	2,000	209	209	1,791
Travel	2,000	-	-	2,000
Weatherization equipment	50,000	-	-	50,000
Health and safety	6,000	426	426	5,574
Telecommunications	3,000	400	400	2,600
Postage and shipping	3,000	349	349	2,651
Advertising/marketing	4,000	-	-	4,000
Printing and copying	2,000	800	800	1,200
Dues/fees	16,100	6,918	6,918	9,182
	284,600	50,206	50,206	234,394
LIABILITY INSURANCE	118,000	28,205	28,205	89,795
FINANCIAL AUDIT	13,500	-	-	13,500
TRAINING AND TECHNICAL ASSISTANCE	14,000	8,748	8,748	5,252
ADMINISTRATIVE COSTS:				
Salaries and fringe	139,095	34,443	34,443	104,652
TOTAL EXPENDITURES	2,482,007	330,471	330,471	2,151,536
REVENUE OVER (UNDER) EXPENDITURES	$ -	$ -	$ -	$ -

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
(Supplementary Information)
New York State Homes and Community Renewal
Weatherization Assistance
Grant Number C092041/2017
Schedule of Questioned Costs
Project Period April 1, 2017 to June 30, 2018
(Unaudited)

NONE

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

(Supplementary Information)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the City of New York, Human Resource Administration Anti Eviction Legal Services	93.558	N/A	$ 1,088,843
Passed through the New York State Office of Children & Family Services Settlement House	93.558	N/A	53,401
Passed through the New York City Community Service Society Affordable Care Act (ACA) Grants for New and Expanded Services under The Health Center Program	93.527	N/A	174,846
Passed through the New York State Homes and Community Renewal Low Income Home Energy Assistance	93.568	C091041	2,455,090
Passed through the City of New York, New York City Department of Youth and Community Development			
Community Services Block Grant - Housing	93.569	N/A	108,123
Community Services Block Grant - Immigration	93.569	N/A	101,432
Community Services Block Grant - Legal Services Immigration	93.569	N/A	135,311
Passed through the City of New York, Mayor's Fund to Advance NYC Connections to Care	94.019	15SIHNY001	106,698
Total U.S. Department of Health and Human Services			**4,223,744**
U.S. Department of Agriculture			
Passed through the New York State Office of Temporary & Disability Assistance Supplemental Nutrition Assistance Program	10.561	N/A	225,875
Total U.S. Department of Agriculture			**$ 225,875**

See notes to schedule of expenditures of federal awards.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

(Supplementary Information)

Schedule of Expenditures of Federal Awards (Concluded)

For the Year Ended June 30, 2018

Federal Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Passed through the City of New York Department of Housing Preservation and Development			
Community Development Block Grants/Entitlement Grants	14.218	N/A	$ 85,996
Section 8 Housing Choice Vouchers	14.871	N/A	119,440
Total U.S. Department of Housing and Urban Development			**205,436**
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	95,817
Total U.S. Department of Homeland Security			**95,817**
U.S. Department of Labor			
WIA Youth Activities	17.259	N/A	640,505
Youthbuild	17.274	N/A	363,560
Total U.S. Department of Labor			**1,004,065**
Total Expenditures of Federal Awards			**$ 5,754,937**

See notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Northern Manhattan Improvement Corporation and Affiliates under programs of the federal government for the fiscal year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Northern Manhattan Improvement Corporation and Affiliates, it is not intended to, and does not, present the financial position, changes in net assets or cash flows of Northern Manhattan Improvement Corporation and Affiliates.

Note 2 - Summary of Significant Accounting Policies

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

REPORTING UNDER GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the "Organization"), which comprise the consolidating statements of financial position as of June 30, 2018, 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 January 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Mayer Hoffman McCann CPAs

January 18, 2019

REPORTING UNDER THE UNIFORM GUIDANCE

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

To the Board of Directors
Northern Manhattan Improvement Corporation and Affiliates

Report on Compliance for Each Major Federal Program

We have audited Northern Manhattan Improvement Corporation and Affiliates' (the "Organization") compliance with the types of compliance requirements described in *the OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Mayer Hoffman McCann CPAs

January 18, 2019

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
(Supplementary Information)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

	Summary of Auditor's Results
Section I - Summary of Auditor's Results	
Financial Statements	
1. Type of auditor's report issued:	Unmodified
2. Internal control over financial reporting:	
a. Material weaknesses identified?	None
b. Significant deficiencies identified?	None Reported
3. Noncompliance material to financial statements noted	None
Federal Awards	
1. Internal control over major program:	
a. Material weaknesses identified?	None
b. Significant deficiencies identified?	None Reported
2. Type of auditor's report issued on compliance for major programs:	Unmodified
3. Any audit findings disclosed that are required to be reported	None
4. Identification of major program:	Name of Federal Program
CFDA Number:	
93.568	Low Income Home Energy Assistance
93.569	Community Services Block Grant
5. Dollar threshold used to distinguish between type A and type B programs:	$750,000
6. Auditee qualified as low-risk auditee?	Yes
Section II - Financial Statement Findings	No matters were reported.
Section III - Federal Award Findings and Questioned Costs	No matters were reported.