



**NORTHERN MANHATTAN
IMPROVEMENT CORPORATION AND AFFILIATES
FEDERAL IDENTIFICATION
NUMBER 13-2972415**

**CONSOLIDATING FINANCIAL REPORT
JUNE 30, 2014**

**NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Northern Manhattan Improvement Corporation and Affiliates
New York, New York

Report on the Consolidating Financial Statements

We have audited the accompanying consolidating financial statements of Northern Manhattan Improvement Corporation and Affiliates (the "Organization"), which comprise the consolidating statement of financial position as of June 30, 2014 and the related consolidating statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidating financial statements.

Management's Responsibility for the Consolidating 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 the consolidating financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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.

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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, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As discussed in Note 2 to the financial statements, the Organization did not record transactions pertaining to Arden HDFC, an affiliate of Northern Manhattan Improvement Corporation that was created in March 2013, thus resulting in the restatement of the beginning net assets as of June 30, 2013. An adjustment was recorded to reduce beginning net assets by \$87,125, increase prepaid expense by \$16,200 and recognize an intercompany liability to NMIC for \$103,325.

Report on Supplementary Information

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 on pages 37 to 40, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the consolidating financial statements. In addition, the accompanying supplementary information listed in the attached table of contents on pages 26 to 32 is also presented for purposes of additional analysis and is not a required part of the consolidating financial statements. The supplementary information and accompanying schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the consolidating financial statements. The supplementary information and accompanying schedules have 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 supplementary information and accompanying schedules are fairly stated, in all material respects, in relation to the consolidating 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 8, 2015 on our consideration of Northern Manhattan Improvement Corporation and Affiliates' 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 Northern Manhattan Improvement Corporation and Affiliates' internal control over financial reporting and compliance.



WISS & COMPANY, LLP

Iselin, New Jersey
May 8, 2015

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS	Consolidated	Eliminations	Northern Manhattan Improvement Corporation	NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC
CURRENT ASSETS:							
Cash and equivalents	\$ 345,211	\$ -	\$ 275,707	\$ 54,354	\$ 15,150	\$ -	\$ -
Cash - client escrow	10,776	-	10,776	-	-	-	-
Restricted cash	329,741	-	329,741	-	-	-	-
Grants and contracts receivable	2,602,619	-	2,602,619	-	-	-	-
Due from NMIC Lead Safe House HDFC	-	(10,600)	10,600	-	-	-	-
Due from 453 West 166th Street HDFC	-	(26,196)	26,196	-	-	-	-
Due from NMIC Arden HDFC	-	(175,153)	175,153	-	-	-	-
Due from 618 West 187th Street HDFC	-	(167,687)	167,687	-	-	-	-
Prepaid expenses	223,055	-	208,170	-	14,885	-	-
Other receivables	64,027	-	58,136	5,784	107	-	-
Total Current Assets	<u>3,575,429</u>	<u>(379,636)</u>	<u>3,864,785</u>	<u>60,138</u>	<u>30,142</u>	<u>-</u>	<u>-</u>
RESTRICTED DEPOSITS AND FUNDED RESERVES:							
Tenant Security Deposits	16,089	-	-	9,335	6,754	-	-
Reserves and Mortgage Escrows	63,598	-	-	-	63,598	-	-
Total Restricted Deposits and Funded Reserves	<u>79,687</u>	<u>-</u>	<u>-</u>	<u>9,335</u>	<u>70,352</u>	<u>-</u>	<u>-</u>
PROPERTY AND EQUIPMENT, NET	1,437,776	-	394,724	886,914	156,138	-	-
SECURITY DEPOSITS AND OTHER ASSETS	389,214	-	386,794	-	2,420	-	-
	<u>\$ 5,482,106</u>	<u>\$ (379,636)</u>	<u>\$ 4,646,303</u>	<u>\$ 956,387</u>	<u>\$ 259,052</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	\$ 703,373	\$ -	\$ 641,899	\$ 12,600	\$ 3,733	\$ 30,935	14,206
Accrued expenses	909,438	-	909,438	-	-	-	-
Due to grantor	144,965	-	144,965	-	-	-	-
Line of credit	214,477	-	214,477	-	-	-	-
Loans payable	89,780	-	89,780	-	-	-	-
Client escrow payable	10,776	-	10,776	-	-	-	-
Refundable advances	775,563	-	775,563	-	-	-	-
Due to NMIC	-	(379,636)	-	10,600	26,196	175,153	167,687
Other Liabilities	16,089	-	-	9,335	6,754	-	-
Total Current Liabilities	<u>2,864,461</u>	<u>(379,636)</u>	<u>2,786,898</u>	<u>32,535</u>	<u>36,683</u>	<u>\$ 206,088</u>	<u>\$ 181,893</u>
LONG-TERM LIABILITIES:							
Mortgage payable	2,758,647	-	-	1,730,600	1,028,047	-	-
Due to grantor, net of current portion	33,549	-	33,549	-	-	-	-
Total Long-term Liabilities	<u>2,792,196</u>	<u>-</u>	<u>33,549</u>	<u>1,730,600</u>	<u>1,028,047</u>	<u>-</u>	<u>-</u>
COMMITMENT AND CONTINGENCY							
NET ASSETS:							
Unrestricted net assets							
Operations, designated by Board	900,000	-	900,000	-	-	-	-
Operations, undesignated	(1,074,551)	-	925,856	(806,748)	(805,678)	(206,088)	(181,893)
Total Unrestricted Net Assets	<u>(174,551)</u>	<u>-</u>	<u>1,825,856</u>	<u>(806,748)</u>	<u>(805,678)</u>	<u>(206,088)</u>	<u>(181,893)</u>
Temporarily restricted net assets	-	-	-	-	-	-	-
Total Net Assets	<u>(174,551)</u>	<u>-</u>	<u>1,825,856</u>	<u>(806,748)</u>	<u>(805,678)</u>	<u>(206,088)</u>	<u>(181,893)</u>
	<u>\$ 5,482,106</u>	<u>\$ (379,636)</u>	<u>\$ 4,646,303</u>	<u>\$ 956,387</u>	<u>\$ 259,052</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to consolidating financial statements.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2014

	<u>Northern Manhattan Improvement Corporation</u>					NMIC Lead Safe House HDFC	453 West 166th Street HDFC	NMIC Arden HDFC	618 West 187th Street HDFC
	Consolidated	Eliminations	Unrestricted	Temporarily Restricted	Total				
SUPPORT AND REVENUES:									
Support:									
Grants and contracts	\$ 10,355,651	\$ -	\$ 10,355,651	\$ -	\$ 10,355,651	\$ -	\$ -	\$ -	\$ -
Contributions	24,552	-	24,552	-	24,552	-	-	-	-
	<u>10,380,203</u>	<u>-</u>	<u>10,380,203</u>	<u>-</u>	<u>10,380,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues:									
Program income	76,910	(100,000)	176,910	-	176,910	-	-	-	-
Rental income	245,374	(6,000)	10,900	-	10,900	136,643	103,831	-	-
Developer fees	-	(139,991)	139,991	-	139,991	-	-	-	-
Attorney fees	23,688	-	23,688	-	23,688	-	-	-	-
Interest income	148	-	148	-	148	-	-	-	-
Other income (loss)	1,726	-	-	-	-	1,726	-	-	-
Net assets released from restrictions	-	-	396,190	(396,190)	-	-	-	-	-
	<u>347,846</u>	<u>(245,991)</u>	<u>747,827</u>	<u>(396,190)</u>	<u>351,637</u>	<u>138,369</u>	<u>103,831</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>10,728,049</u>	<u>(245,991)</u>	<u>11,128,030</u>	<u>(396,190)</u>	<u>10,731,840</u>	<u>138,369</u>	<u>103,831</u>	<u>-</u>	<u>-</u>
EXPENSES:									
Program services	9,132,257	(145,991)	8,770,291	-	8,770,291	127,237	79,864	118,963	181,893
Support services	2,363,291	(100,000)	2,251,873	-	2,251,873	168,329	43,089	-	-
Total Expenses	<u>11,495,548</u>	<u>(245,991)</u>	<u>11,022,164</u>	<u>-</u>	<u>11,022,164</u>	<u>295,566</u>	<u>122,953</u>	<u>118,963</u>	<u>181,893</u>
CHANGE IN NET ASSETS	(767,499)	-	105,866	(396,190)	(290,324)	(157,197)	(19,122)	(118,963)	(181,893)
NET ASSETS:									
BEGINNING OF YEAR AS PREVIOUSLY REPORTED	680,073	-	1,719,990	396,190	2,116,180	(649,551)	(786,556)	-	-
RESTATEMENT (NOTE 2)	(87,125)	-	-	-	-	-	-	(87,125)	-
BEGINNING OF YEAR AS RESTATED	<u>592,948</u>	<u>-</u>	<u>1,719,990</u>	<u>396,190</u>	<u>2,116,180</u>	<u>(649,551)</u>	<u>(786,556)</u>	<u>(87,125)</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ (174,551)</u>	<u>\$ -</u>	<u>\$ 1,825,856</u>	<u>\$ -</u>	<u>\$ 1,825,856</u>	<u>\$ (806,748)</u>	<u>\$ (805,678)</u>	<u>\$ (206,088)</u>	<u>\$ (181,893)</u>

See accompanying notes to consolidating financial statements.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2014

	Northern Manhattan Improvement Corporation										
	Program Services						Support Services				
	Workforce Development	Adult Education	Legal Services	Organizing	Weatherization	Social Services	Total Program Services	Management and General	Program Development	Total Support Services	Total Expenses
Salaries - Full time	\$ 1,064,401	\$ 247,374	\$ 1,478,879	\$ 326,377	\$ 511,970	\$ 503,964	\$ 4,132,965	\$ 978,744	\$ 137,997	\$ 1,116,741	\$ 5,249,706
Salaries - Part time	61,782	133,364	-	-	-	-	195,146	40,214	-	40,214	235,360
Payroll taxes and fringe benefits - Full time	276,665	64,420	385,444	84,859	133,143	130,738	1,075,269	295,472	35,879	331,351	1,406,620
Payroll taxes and fringe benefits - Part time	7,494	16,177	-	-	-	-	23,671	4,877	-	4,877	28,548
Professional fees and program consultants	5,196	-	9,048	3,788	41,133	18,346	77,511	246,599	42,205	288,804	366,315
Rent - emergency	-	-	38,619	-	-	11,400	50,019	-	-	-	50,019
Repairs and maintenance	3,382	343	12,020	-	20,036	263	36,044	3,211	1,031	4,242	40,286
Occupancy	335,263	102,038	430,386	28,904	135,574	64,106	1,096,271	78,093	26,585	104,678	1,200,949
Utilities	14,791	6,614	29,632	91	22,768	2,910	76,806	16,117	2,065	18,182	94,988
Program expenses	10,028	5,698	804	-	27,628	139	44,297	16,526	-	16,526	60,823
Stipends	74,386	5,663	-	-	-	356	80,405	2,132	-	2,132	82,537
Day care provider payments	112,983	-	-	-	-	-	112,983	-	-	-	112,983
Office expenses	10,502	6,028	21,573	2,221	6,307	3,078	49,709	10,419	1,879	12,298	62,007
Postage	3,307	2,005	11,731	777	4,163	1,593	23,576	4,262	832	5,094	28,670
Telephone	4,887	3,354	21,771	1,649	20,729	1,225	53,615	14,944	1,164	16,108	69,723
Subcontract material and labor	-	-	-	-	1,255,729	-	1,255,729	-	-	-	1,255,729
Insurance	12,673	1,806	18,761	417	96,752	3,271	133,680	5,506	2,281	7,787	141,467
Meetings, conferences and training	5,595	-	10,986	-	10,053	580	27,214	4,253	-	4,253	31,467
Travel	3,950	30	2,314	343	2,595	641	9,873	3,453	-	3,453	13,326
Client Travel	49,047	675	1,140	5	-	155	51,022	4,166	-	4,166	55,188
Printing and publications	717	17	4,507	-	2,329	1,309	8,879	1,419	1,752	3,171	12,050
Equipment purchase	2,397	-	-	-	-	2,847	5,244	117,202	-	117,202	122,446
Equipment repair and leasing	13,906	7,761	30,205	3,449	10,858	2,365	68,544	16,980	3,439	20,419	88,963
Books and subscriptions	-	58	15,257	-	279	-	15,594	2,909	995	3,904	19,498
Performance-based contract expenses	-	40,411	-	-	-	4,553	44,964	-	-	-	44,964
Bad debt	-	-	-	-	-	-	-	67,950	-	67,950	67,950
Other costs	11,190	217	950	146	8,758	-	21,261	58,079	242	58,321	79,582
Total expenses before depreciation and amortization	2,084,542	644,053	2,524,027	453,026	2,310,804	753,839	8,770,291	1,993,527	258,346	2,251,873	11,022,164
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-
Total expenses	2,084,542	644,053	2,524,027	453,026	2,310,804	753,839	8,770,291	1,993,527	258,346	2,251,873	11,022,164
Eliminations	-	-	-	40,000	(6,000)	-	34,000	20,000	-	20,000	54,000
Net of eliminations	\$ 2,084,542	\$ 644,053	\$ 2,524,027	\$ 493,026	\$ 2,304,804	\$ 753,839	\$ 8,804,291	\$ 2,013,527	\$ 258,346	\$ 2,271,873	\$11,076,164

See accompanying notes to consolidating financial statements.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

YEAR ENDED JUNE 30, 2014

	<u>NMIC Lead Safe House HDFC</u>		
	Program Services	Management and General	Total
Salaries - Full time	\$ -	\$ 19,800	\$ 19,800
Payroll taxes and fringe benefits - Full time	-	2,997	2,997
Professional fees and program consultants	-	129,963	129,963
Repairs and maintenance	10,047	-	10,047
Maintenance supplies	3,120	-	3,120
Utilities	32,266	-	32,266
Program expenses	-	-	-
Postage	-	356	356
Telephone	-	765	765
Insurance	16,809	-	16,809
Printing and publications	-	47	47
Equipment repair and leasing	-	319	319
Property management fees	-	13,101	13,101
Other costs	2,064	981	3,045
	<hr/>	<hr/>	<hr/>
Total expenses before depreciation and amortization	64,306	168,329	232,635
	<hr/>	<hr/>	<hr/>
Depreciation and amortization	62,931	-	62,931
	<hr/>	<hr/>	<hr/>
Total expenses	127,237	168,329	295,566
	<hr/>	<hr/>	<hr/>
Eliminations	-	(110,000)	(110,000)
	<hr/>	<hr/>	<hr/>
Net of Eliminations	<u>\$ 127,237</u>	<u>\$ 58,329</u>	<u>\$ 185,566</u>

See accompanying notes to consolidating financial statements.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

YEAR ENDED JUNE 30, 2014

	Program Services	<u>453 West HDFC</u> Management and General	Total
Salaries - Full time	\$ -	\$ 8,980	\$ 8,980
Salaries - Part time	-	-	-
Payroll taxes and fringe benefits - Full time	-	2,115	2,115
Payroll taxes and fringe benefits - Part time	-	-	-
Professional fees and program consultants	-	14,620	14,620
Rent - emergency	-	-	-
Repairs and maintenance	16,195	-	16,195
Maintenance supplies	8,014	-	8,014
Occupancy	-	-	-
Utilities	35,171	-	35,171
Postage	-	148	148
Telephone	-	120	120
Insurance	9,431	-	9,431
Equipment purchase	2,489	-	2,489
Equipment repair and leasing	-	368	368
Property management fees	-	9,195	9,195
Interest	-	6,546	6,546
Other costs	2,466	997	3,463
Total expenses before depreciation and amortization	73,766	43,089	116,855
Depreciation and amortization	6,098	-	6,098
Total expenses	79,864	43,089	122,953
Eliminations	-	(10,000)	(10,000)
Net of eliminations	<u>\$ 79,864</u>	<u>\$ 33,089</u>	<u>\$ 112,953</u>

See accompanying notes to consolidating financial statements

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

YEAR ENDED JUNE 30, 2014

	Program Services	
	Arden HDFC	618 WEST HDFC
Salaries - Full time	\$ -	\$ -
Salaries - Part time	-	-
Payroll taxes and fringe benefits - Full time	-	-
Payroll taxes and fringe benefits - Part time	-	-
Professional fees and program consultants	-	-
Rent - emergency	-	-
Repairs and maintenance	-	-
Maintenance supplies	-	-
Occupancy	-	-
Utilities	-	-
Program expenses	-	-
Stipends	-	-
Day care provider payments	-	-
Office expenses	-	-
Postage	-	-
Telephone	-	-
Subcontract material and labor	-	-
Insurance	-	-
Meetings, conferences and training	-	-
Travel	-	-
Client Travel	-	-
Printing and publications	-	-
Equipment purchase	-	-
Equipment repair and leasing	-	-
Books and subscriptions	-	-
Property management fees	-	-
Interest	-	-
Performance-based contract expenses	-	-
Pre-development expenses	118,963	181,893
Other costs	-	-
	<hr/>	<hr/>
Total expenses before depreciation and amortization	118,963	181,893
	<hr/>	<hr/>
Depreciation and amortization	-	-
	<hr/>	<hr/>
Total expenses	118,963	181,893
	<hr/>	<hr/>
Eliminations	(52,084)	(127,907)
	<hr/>	<hr/>
Net of eliminations	\$ 66,879	\$ 53,986

See accompanying notes to consolidating financial statements

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES - CONTINUED

YEAR ENDED JUNE 30, 2014

	Program Services					Support Services					Total Consolidated Expenses
	NMIC (Page 5)	LSH (Page 6)	453 West (Page 7)	21 Arden (Page 8)	618 WEST HDFC (Page 8) Total	NMIC (Page 5)	LSH (Page 6)	453 West (Page 7)	Total		
Salaries - Full time	\$ 4,132,965	\$ -	\$ -	\$ -	\$ -	\$ 4,132,965	\$ 1,116,741	19,800	\$ 8,980	\$ 1,145,521	\$ 5,278,486
Salaries - Part time	195,146	-	-	-	-	195,146	40,214	-	-	40,214	235,360
Payroll taxes and fringe benefits - Full time	1,075,269	-	-	-	-	1,075,269	331,351	2,997	2,115	336,463	1,411,732
Payroll taxes and fringe benefits - Part time	23,671	-	-	-	-	23,671	4,877	-	-	4,877	28,548
Professional fees and program consultants	77,511	-	-	-	-	77,511	288,804	129,963	14,620	433,387	510,898
Rent - emergency	50,019	-	-	-	-	50,019	-	-	-	-	50,019
Repairs and maintenance	36,044	10,047	16,195	-	-	62,286	4,242	-	-	4,242	66,528
Maintenance supplies	-	3,120	8,014	-	-	11,134	-	-	-	-	11,134
Occupancy	1,096,271	-	-	-	-	1,096,271	104,678	-	-	104,678	1,200,949
Utilities	76,806	32,266	35,171	-	-	144,243	18,182	-	-	18,182	162,425
Program expenses	44,297	-	-	-	-	44,297	16,526	-	-	16,526	60,823
Stipends	80,405	-	-	-	-	80,405	2,132	-	-	2,132	82,537
Day care provider payments	112,983	-	-	-	-	112,983	-	-	-	-	112,983
Office expenses	49,709	-	-	-	-	49,709	12,298	-	-	12,298	62,007
Postage	23,576	-	-	-	-	23,576	5,094	356	148	5,598	29,174
Telephone	53,615	-	-	-	-	53,615	16,108	765	120	16,993	70,608
Subcontract material and labor	1,255,729	-	-	-	-	1,255,729	-	-	-	-	1,255,729
Insurance	133,680	16,809	9,431	-	-	159,920	7,787	-	-	7,787	167,707
Meetings, conferences and training	27,214	-	-	-	-	27,214	4,253	-	-	4,253	31,467
Travel	9,873	-	-	-	-	9,873	3,453	-	-	3,453	13,326
Client Travel	51,022	-	-	-	-	51,022	4,166	-	-	4,166	55,188
Printing and publications	8,879	-	-	-	-	8,879	3,171	47	-	3,218	12,097
Equipment purchase	5,244	-	2,489	-	-	7,733	117,202	-	-	117,202	124,935
Equipment repair and leasing	68,544	-	-	-	-	68,544	20,419	319	368	21,106	89,650
Books and subscriptions	15,594	-	-	-	-	15,594	3,904	-	-	3,904	19,498
Partnership management fees	-	-	-	-	-	-	-	-	-	-	-
Property management fees	-	-	-	-	-	-	-	13,101	9,195	22,296	22,296
Interest	-	-	-	-	-	-	-	-	6,546	6,546	6,546
Performance-based contract expenses	44,964	-	-	-	-	44,964	-	-	-	-	44,964
Contributed services	-	-	-	-	-	-	-	-	-	-	-
Ownership transfer costs	-	-	-	-	-	-	-	-	-	-	-
Pre-development expenses	-	-	-	118,963	181,893	300,856	-	-	-	-	300,856
Bad debt	-	-	-	-	-	-	67,950	-	-	67,950	67,950
Other costs	21,261	2,064	2,466	-	-	25,791	58,321	981	997	60,299	86,090
Total expenses before depreciation and amortization	8,770,291	64,306	73,766	118,963	181,893	9,209,219	2,251,873	168,329	43,089	2,463,291	\$ 11,672,510
Depreciation and amortization	-	62,931	6,098	-	-	69,029	-	-	-	-	69,029
Total expenses	8,770,291	127,237	79,864	118,963	181,893	9,278,248	2,251,873	168,329	43,089	2,463,291	\$ 11,741,539
Eliminations	34,000	-	-	(52,084)	(127,907)	(145,991)	20,000	(110,000)	(10,000)	(100,000)	(245,991)
Net of eliminations	\$ 8,804,291	\$ 127,237	\$ 79,864	\$ 66,879	\$ 53,986	\$ 9,132,257	\$ 2,271,873	\$ 58,329	\$ 33,089	\$ 2,363,291	\$ 11,495,548

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

CONSOLIDATING STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2014

	Consolidated	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	\$ (767,499)	\$ -	\$ (290,324)	\$ (157,197)	\$ (19,122)	\$ (118,963)	\$ (181,893)
Adjustments to reconcile changes in net assets from operating activities:							
Bad debt	67,950	-	67,950	-	-	-	-
Depreciation and amortization	69,029	-	-	62,931	6,098	-	-
Changes in operating assets and liabilities:							
Restricted cash	5,740	-	5,740	-	-	-	-
Grants and contracts receivable	(400,256)	-	(400,256)	-	-	-	-
Prepaid expenses	(41,260)	-	(42,575)	-	(14,885)	16,200	-
Other receivables	23,091	-	21,156	1,845	90	-	-
Security deposits and other assets	21,312	-	20,592	640	80	-	-
Change in reserves and mortgage escrows	21,917	-	-	-	21,917	-	-
Accounts payable	(409,828)	26,596	(471,481)	934	(11,018)	30,935	14,206
Accrued expenses	(126,157)	-	(126,157)	-	-	-	-
Due to grantor	59,623	-	59,623	-	-	-	-
Refundable advances	104,298	-	104,298	-	-	-	-
Other Liabilities	(1,381)	-	-	(1,726)	345	-	-
Net cash from operating activities	<u>(1,373,421)</u>	<u>26,596</u>	<u>(1,051,434)</u>	<u>(92,573)</u>	<u>(16,495)</u>	<u>(71,828)</u>	<u>(167,687)</u>
CASH FLOWS FROM INVESTING ACTIVITY -							
Purchase of fixed assets	(394,724)	-	(394,724)	-	-	-	-
Net cash from investing activities	<u>(394,724)</u>	<u>-</u>	<u>(394,724)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:							
Due from NMIC Lead Safe House HDFC	-	10,000	(10,000)	-	-	-	-
Due from 453 West 166th Street HDFC	-	200	(200)	-	-	-	-
Due from NMIC Arden HDFC	-	71,828	(71,828)	-	-	-	-
Due from 618 West 187th Street HDFC	-	167,687	(167,687)	-	-	-	-
Due to NMIC	-	(276,311)	-	10,600	26,196	71,828	167,687
Line of credit proceeds	214,477	-	214,477	-	-	-	-
Loan proceeds	54,780	-	54,780	-	-	-	-
	<u>269,257</u>	<u>(26,596)</u>	<u>19,542</u>	<u>10,600</u>	<u>26,196</u>	<u>71,828</u>	<u>167,687</u>
NET CHANGE IN CASH AND EQUIVALENTS	<u>(1,498,888)</u>	<u>-</u>	<u>(1,426,616)</u>	<u>(81,973)</u>	<u>9,701</u>	<u>-</u>	<u>-</u>
CASH AND EQUIVALENTS, BEGINNING OF YEAR	<u>1,844,099</u>	<u>-</u>	<u>1,702,323</u>	<u>136,327</u>	<u>5,449</u>	<u>-</u>	<u>-</u>
CASH AND EQUIVALENTS, END OF YEAR	<u>\$ 345,211</u>	<u>\$ -</u>	<u>\$ 275,707</u>	<u>\$ 54,354</u>	<u>\$ 15,150</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to consolidating financial statements.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 1 - Nature of Organization and Summary of Significant Accounting Policies:

Principles of Consolidation - The consolidating financial statements include Northern Manhattan Improvement Corporation (“NMIC”), NMIC Lead Safe House HDFC (“LSH”), 453 West 166th Street Housing Development Fund Corporation (“453 West HDFC”), NMIC Arden HDFC (“Arden HDFC”), and 618 West 187th Street HDFC (“618 West HDFC”) (collectively referred to as the “Organization”). LSH, 453 West HDFC, Arden HDFC and 618 West HDFC are consolidated based on control and economic interest.

The financial position and results of operations presented in the accompanying consolidating financial statements do not represent those of a single legal entity. All significant intercompany transactions and accounts have been eliminated in consolidation.

Nature of the Organizations - NMIC is a community-based, not-for-profit organization incorporated in the State of New York in March of 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 violence-free and prosperous futures.

NMIC preserves affordable housing through legal services, community organizing and building weatherization; NMIC promotes economic self-sufficiency through adult education and workforce development; and stabilizes families through social services, health education and domestic violence intervention. All NMIC’s 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 12 apartments. Five apartments are furnished and dedicated as temporary residences for lead safe housing; six 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. One member of the Board of Directors is also a member of NMIC.

453 West HDFC 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. One member of the Board of Directors is also a member of NMIC.

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

618 West HDFC 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. One member of the Board of Directors is also a member of NMIC.

Basis of Accounting - The consolidating financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 1 - Nature of Organization and Summary of Significant Accounting Policies: (Continued)

Basis for Presentation - The Organization conforms with Statement of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Topic 958, Financial Statements for Not-for-Profit Organizations. Under FASB ASC Topic 958, the Organization is required 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. In addition, the Organization is required to present a consolidating statement of cash flows.

The Organization is also in conformity with FASB ASC Topic 958-605, "Accounting for Contributions Received and Contributions Made." Accordingly, contributions received, if any, are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Estimates and Uncertainties - The preparation of consolidating financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidating financial statements, and the amounts of revenues and expenses during the reporting period. Actual results, as determined at a later date, could differ from those estimates.

Support and Revenues:

Unrestricted: All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished) in the reporting period in which the support is recognized. The Organization may retain net assets at the discretion of the funding sources. Any of the funding sources may, at their discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by the Organization with the terms of the grants or contracts.

Program income, attorney fees, rental income, developer fees, interest income and other income are recognized when earned.

Temporarily Restricted: Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Changes in Net Assets as net assets released from restrictions. The Organization's temporarily restricted net assets as of June 30, 2013 of \$396,190 representing amounts that have been restricted for the initial outfitting costs of the Organization's brand new rented site was released from restrictions for the year ended June 30, 2014.

Permanently Restricted: Amounts received that are to be held in perpetuity are reported as permanently restricted support that increases that net asset class. The Organization had no permanently restricted net assets as of June 30, 2014.

Cash and Equivalents - Cash and equivalents include money market funds and all other highly liquid short-term investments purchased with maturities of three months or less.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 1 - Nature of Organization and Summary of Significant Accounting Policies: (Continued)

Concentrations of Credit Risk - The Organization maintains cash with financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 in each financial institution. The Organization also maintains funded escrows and reserves. All escrows and reserves are held in trust accounts in the Organization's name. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risks exists with respect to these cash balances at June 30, 2014.

Restricted Cash - NMIC is required to establish an interest bearing account to hold funds received from owners of household dwellings that are being weatherized by NMIC into energy efficient dwellings. Any funds not spent for the weatherization is subsequently released back to the owners upon completion of the work. These funds are considered to be restricted for weatherization purposes only and therefore, segregated from cash and equivalents.

Grants and Contracts Receivable - Grants and contracts receivable, all due within one year, represent amounts due from grantors, based on terms of the related grant agreements. NMIC determines the need for an allowance based on history of write-offs, levels of past due accounts and its relationships with, and economic status of its grantors. No provision is made for uncollectible amounts since management expects to collect the entire grants and contracts receivable balance.

Other Receivables - The Organization records other receivables at net realizable value. Management considers its other receivables to be past due when it is not settled within their stated terms. Other receivables are written-off when management deems them to be uncollectible.

Property and Equipment - Fixed assets acquired by the Organization are considered to be owned by the Organization. Funding sources may have a reversionary interest in the property as well as the determination of use of any proceeds from the sale of these assets.

Fixed assets are recorded at cost. The Organization follows the practice of capitalizing expenditures for property, furniture and office equipment in excess of \$5,000. Depreciation and amortization of all such items is computed on a straight-line basis over the estimated useful lives of the assets generally as follows:

Building	27½ years
Furniture and equipment	5 years
Vehicles	3 years
Leasehold improvements	shorter of life of lease or leasehold improvement

Long-Lived Assets - The Organization evaluates all long-lived assets for impairment. Long-lived assets and intangibles assets other than goodwill are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the carrying amount is not fully recoverable, an impairment loss is recognized to reduce the carrying amount to fair value, and is charged to expense in the period of impairment. At June 30, 2014, management has determined that these assets are not impaired.

Refundable Advances - NMIC records restricted grant/contract support as a refundable advance until it is expended for the purpose of the grant/contract, at which time it becomes unconditional and is recognized as support.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 1 - Nature of Organization and Summary of Significant Accounting Policies: (Continued)

Due to Grantor - This amount includes the unexpended portion of grant funds received or amounts owed back to the grantor based on the results of audits performed by the grantor.

Income Taxes - NMIC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and, therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, NMIC has been determined by the Internal Revenue Services not to be a "private foundation" within the meaning of Section 509(a)(I) of the Code.

Other significant tax positions include its determination of whether any amounts are subject to unrelated business income tax (UBIT). Management has determined that NMIC had no activities subject to UBIT in the year ended June 30, 2014. All significant tax positions have been considered by management and it has been determined that all tax positions would be sustained upon examination by taxing authorities.

LSH, 453 West HDFC, Arden HDFC and 618 West HDFC are type D not-for-profit corporations as defined in Section 102(a)(5) of the not-for-profit corporation law of the State of New York. LSH, 453 West HDFC, Arden HDFC and 618 West HDFC are treated as for-profit corporations for federal income tax purposes but are exempt from New York State and New York City income taxes.

Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition. NMIC, LSH and 453 West are no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2011.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidating Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Reclassification - An amount previously reported has been reclassified to conform to current year presentation. This included separating restricted cash from cash and equivalents, beginning of year on the consolidating statement of cash flow to conform to current year presentation. This change had no impact on the change in net assets.

Subsequent Events - Management has reviewed and evaluated all events and transactions from June 30, 2014 through May 8, 2015, the date the consolidating financial statements were available for issuance. The effects of those events and transactions that provide additional pertinent information about conditions that existed at the consolidating statement of financial position date have been recognized in the accompanying consolidating financial statements.

Note 2 - Restatement:

The Organization restated its financial statements for the year ended June 30, 2013 to reflect an increase in prepaid expense by \$16,200, an increase in due to NMIC by \$103,325 and a decrease in net assets by \$87,125 for transactions incurred by Arden HDFC for the year ended June 30, 2013 that were not recorded. This included developer fees incurred for \$80,000 for the year ended June 30, 2013 that are payable to NMIC.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 3 - Summary of Grant/Contract Funding:

The following summarizes NMIC's grant/contract support for the year ended June 30, 2014:

<u>Grantor/Funding Source</u>	<u>Grant/Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Recognized Support</u>
United States Department of Labor	09/01/12-12/31/15	\$ 1,080,000	\$ 418,120
United States Department of Homeland Security	10/01/12-09/30/14	160,000	80,000
New York State Homes and Community Renewal			
- Weatherization Assistance Program	04/01/13-03/31/14	2,309,398	2,108,684
- Weatherization Assistance Program	04/01/14-03/31/15	2,004,174	417,927
- Neighborhood Preservation Program	07/01/13-06/30/15	150,000	<u>67,965</u>
			<u>2,594,576</u>
The State Education Department			
- Adult Education/ALE	07/01/13-06/30/14	175,333	175,333
The Office of the Court Administration NYS			
	04/01/13-03/31/14	921,000	759,500
	04/01/14-03/31/15	921,000	<u>230,250</u>
			<u>989,750</u>
New York State Department of Health			
- Child and Adult Care Food Program	10/01/12-09/30/13		133,359
- Lead Safe House Program	07/01/13-06/30/14	32,647	<u>32,647</u>
			<u>166,006</u>
New York State Office of Temporary and Disability Assistance			
- Supplemental Nutrition Assistance Program	10/01/11-12/31/16	1,500,000	313,250
- Solutions to End Homelessness Program	10/01/12-09/30/13	258,342	64,585
- Solutions to End Homelessness Program	10/01/13-09/30/14	258,342	<u>190,988</u>
			<u>568,823</u>
Nutrition Consortium of New York State	07/01/13-06/30/14	86,912	86,912
New York State HESC			
- College Access	01/01/14-08/31/14	50,000	38,320
New York State Office of Children and Family Services	06/01/13-05/31/14	33,461	33,461

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 3 - Summary of Grant/Contract Funding: (continued)

<u>Grantor/Funding Source</u>	<u>Grant/Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Recognized Support</u>
City of New York - Department of Youth and Community Development			
-Young Adult Internship Program	07/01/13-06/30/14	\$ 423,150	\$ 423,150
-Pre-GED-Internship	07/01/13-06/30/14	175,000	158,430
- Domestic Violence	07/01/13-06/30/14	140,192	140,192
- Domestic Violence-DACA	07/01/13-06/30/14	73,376	59,475
- NDA-Housing	07/01/13-06/30/14	157,274	157,274
- NDA-Immigrants	07/01/13-06/30/14	102,129	102,129
- NDA-Immigrants-DACA	07/01/13-06/30/14	53,454	49,085
- Immigrant Opportunity Initiative	07/01/13-06/30/14	38,000	38,000
- Out of School Youth	10/01/13-06/30/14	339,750	297,370
- Out of School Youth Follow-up	10/01/13-06/30/14	71,575	68,888
- Discretionary GED	07/01/13-06/30/14	100,000	100,000
- Young Immigrant Literacy-DACA	07/01/13-06/30/14	174,900	174,488
- City Council /Descretionary	07/01/13-06/30/14	30,000	29,960
			<u>1,798,441</u>
City of New York - Department of Housing, Preservation & Development			
- Anti-Illegal Eviction and SRO Legal Services	07/01/13-06/30/14	80,409	80,409
- Neighborhood Preservation Consultant	01/01/12-06/30/14	251,928	86,000
- Family Self Sufficiency	04/01/13-03/31/15	293,210	191,365
- Housing Preservation Initiative	07/01/13-06/30/14	50,000	49,999
			<u>407,773</u>
City of New York - Criminal Justice Coordinator's Office			
	07/01/13-06/30/14	239,674	239,674
City of New York - Department of Homeless Services			
- Family Anti-Eviction	07/01/13-06/30/14	203,727	203,727
City of New York - Housing Authority			
- Workforce/Education	07/01/13-06/30/14	29,994	29,994
NYC Department of Consumer Affairs			
- Office of Financial Empowerment	09/09/13-09/30/14	45,000	32,768
United Way of New York City			
- Emergency Food and Shelter Program	09/01/13-10/31/14	66,505	38,619

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 3 - Summary of Grant/Contract Funding: (Continued)

<u>Grantor/Funding Source</u>	<u>Grant/Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Recognized Support</u>
Non-Profit Assistance Corporation - SEEDCO			
- Back to Work	07/01/12-06/30/13	\$ 270,809	\$ 4,772
- Strong Fathers/Stronger Families	09/30/12-09/29/13	348,300	92,327
- Strong Fathers/Stronger Families	09/30/13-09/29/14	326,300	240,796
- Career Pathway Program	02/01/13-01/31/14	67,519	55,092
- Facilitated Enrollment	01/01/13-12/31/13	155,719	28,133
- Children's Health Insurance Program	08/18/12-08/17/13	15,000	2,000
- SEEDCO Targeted Food Stamps Outreach	10/01/12-09/30/13	30,000	12,813
- Seedco Wage Subsidy	07/01/13-06/30/14	36,231	<u>36,231</u>
			<u>472,164</u>
Interest on Lawyer Account Fund of the State of New York			
- Legal Services	04/01/13-03/31/14	600,000	450,000
	04/01/14-03/31/15	600,000	<u>150,000</u>
			<u>600,000</u>
The Consortium for Worker Education			
	07/01/13-06/30/14	150,000	139,348
	07/01/13-06/30/14	35,000	<u>32,442</u>
			<u>171,790</u>
MFY Legal Services			
	07/01/13-06/30/14	117,000	117,000
MFY Assigned Counsel Programs			
	07/01/13-06/30/14	113,050	<u>113,050</u>
			<u>230,050</u>
DoVE Safe Horizon, Inc			
	07/01/13-06/30/14	86,542	86,542
Community Service Society of New York			
	08/24/12-08/23/13	16,523	16,523
	08/01/13-09/30/14	204,167	<u>153,324</u>
			<u>169,847</u>
Mission of Peace			
	10/01/12-09/30/13	45,000	8,928
CAMBA			
- Legal Services	04/01/13-03/31/14	39,000	39,000
Food Bank of NYC			
	2014	8,500	8,500

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 3 - Summary of Grant/Contract Funding: (Continued)

<u>Grantor/Funding Source</u>	<u>Grant/Contract Period</u>	<u>Total Grant/ Contract</u>	<u>Recognized Support</u>
<u>Other Funds:</u>			
Robinhood Foundation Single Stop, USA, Inc.	07/01/13-06/30/14	\$ 300,000	\$ 300,000
Oak Foundation	10/01/10-09/30/13	450,000	37,500
The Merck Childhood Asthma Network, Inc.	2014	146,219	146,219
Emblem Health	01/01/14-12/31/14	120,000	60,000
Avon Foundation	01/01/14-12/31/14	65,000	29,157
New York Community Trust	2014	50,000	50,000
Capital One	2014	15,000	15,000
The M&T Charitable Foundation	2014	5,000	5,000
Bank of Tokyo - Mitsubishi UFJ	2014	5,000	5,000
Columbia University Research	2014	6,682	6,682
Per Scholas, Inc.	09/03/13-01/31/14	4,500	4,500
Banco Popular	2014	4,475	4,475
Sterling Bank	2014	2,000	2,000
Ridgewood Savings Bank	2014	1,000	1,000
			<u>666,533</u>
Total All Funds			<u>\$ 10,355,651</u>

As displayed on pages 15 to 18, approximately 76% of NMIC's grant/contract funding was provided by eight funding sources: New York State Homes and Community Renewal, New York City Department of Youth and Community Development, The Office of the Court Administration NYS, Interest on Lawyer Account Fund of the State of New York, New York State Office of Temporary and Disability Assistance, SEEDCO, U.S. Department of Labor and City of New York, Department of Housing, Preservation and Development.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 4 - Grants and Contracts Receivable:

Grants and contracts receivable are deemed by management to be fully collectible and are comprised of the following as of June 30, 2014:

City of New York - Department of Homeless Services	\$ 34,638
New York State Department of Health	119,475
New York State Office of Temporary and Disability Assistance	116,365
The State Education Department	96,824
City of New York - Criminal Justice Coordinator's Office	30,477
City of New York - Department of Youth and Community Development	235,924
City of New York - Department of Housing, Preservation & Development	228,393
Interest on Lawyer Account Fund of the State of New York	150,000
Non-Profit Assistance Corporation - SEEDCO	64,658
City of New York Office of Borough President	486,000
DoVE Safe Horizon, Inc	86,542
New York State Homes and Community Renewal	417,927
The Consortium for Worker Education	66,096
MFY Legal Services	72,797
New York State Unified Court System	230,250
New York State Department of State	40,746
Others	125,507
	<u>\$ 2,602,619</u>

Note 5 - Restricted Deposits and Funded Reserves:

A regulatory agreement entered into between 453 West HDFC and the City of New York, requires 453 West HDFC to maintain certain escrow deposits and reserves for the payment of water and sewer and insurance.

Note 6 - Prepaid Expenses:

Prepaid expenses are comprised of the following as of June 30, 2014:

	<u>NMIC</u>	<u>453 West</u>	<u>Total</u>
Insurance	\$ 3,864	\$ 2,199	\$ 6,063
Rent	103,500	-	103,500
Transit Checks	27,880	-	27,880
Water and Sewer		12,686	12,686
Materials for weatherization assistance program	55,373	-	55,373
Other	17,553	-	17,553
Total	<u>\$ 208,170</u>	<u>\$ 14,885</u>	<u>\$ 223,055</u>

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 7 - Property and Equipment:

Property and equipment is comprised of the following as of June 30, 2014:

	NMIC	LSH	453 West	Total
Land	\$ -	\$ 1	\$ 650	\$ 651
Building and equipment	-	1,730,600	167,683	1,898,283
Leasehold Improvements	296,230	-	-	296,230
Furniture Equipment	205,913	-	-	205,913
Vehicles	73,380	-	-	73,380
	575,523	1,730,601	168,333	2,474,457
Less: Accumulated Depreciation	180,799	843,687	12,195	1,036,681
	\$ 394,724	\$ 886,914	\$ 156,138	\$ 1,437,776

Depreciation and amortization expenses totaled \$62,931 and \$6,098 for LSH and 453 West HDFC, respectively, for the year ended June 30, 2014.

Note 8 - Accrued Vacation Payable:

Employees are entitled to 15 vacation days in the first year of employment and 20 vacations days thereafter upon reaching one year of service. Starting July 1, 2015, employees are no longer able to carry over any unused vacation days to the following fiscal year. The liability for vacations earned but not taken has been charged to operations. Accrued vacation totaled \$32,987 and has been included under accrued expenses on the consolidating statement of financial position as of June 30, 2014.

Note 9 - Due to Grantor:

Due to grantor consisted of the following as of June 30, 2014.

Unexpended funds:	
Administration for Children's Services	\$ 83,147
New York States Homes and Community Renewal	55,109
Owed Back based on DYCD audit:	
City of New York, Department of Youth and Community Development	40,258
	\$ 178,514
Current portion	144,965
Long-term	\$ 33,549

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 9 - Due to Grantor: (continued)

NMIC entered into an agreement with the City of New York, Department of Youth and Community Development to pay the amount owed in the following installments:

	<u>Year Ending</u>	
June 30, 2015		\$ 6,709
June 30, 2016		13,419
June 30, 2017		13,419
June 30, 2018		<u>6,711</u>
		40,258
Current portion		<u>6,709</u>
Long-term		<u>\$ 33,549</u>

Note 10 - Refundable Advances:

NMIC records restricted grant/contract support as a refundable advance until it is expended for the purpose of the grant/contract. This also includes any program income earned that have not yet been expended based on grantor requirements. Refundable advances consist of the following as of June 30, 2014:

Weatherization	
- New York State Homes and Community Renewal	\$ 300,626
- Unspent program income	110,413
- Unspent construction management fees	318,450
Avon Foundation	35,843
Others	<u>10,231</u>
Total	<u>\$ 775,563</u>

Note 11 - Line of Credit:

NMIC has a \$500,000 line-of-credit with a bank which bears interest at 7.948% plus the quotient of the LIBOR rate divided by one minus the reserve requirement applicable to the interest period. The line of credit expires January 2, 2015 and has not been renewed. As of June 30, 2014, NMIC owes the bank \$214,477.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 12 - Loans Payable:

Loans payable as of June 30, 2014 is comprised of two notes. The first note is a non-interest bearing note for \$50,000 payable to Lemle & Wolff, repayment of which will be taken from the proceeds of financing to be obtained for the rehabilitation of 21 Arden, a housing project for persons of low income. As of June 30, 2014, this loan has a balance of \$50,000. The second note is for a maximum amount of \$73,332 payable to Local Initiatives Support Corporation (LISC), which bears interest based on a rate determined by the LISC for similar types of loans. The second note is payable on the earlier of the closing and initial funding of any construction for the 618 West housing project for persons of low income or two year anniversary of the first day of the first full month after the closing date as defined in the promissory note. As of June 30, 2014, this loan had a balance of \$39,780. The balance of the two loans payable as of June 30, 2014 is \$89,780.

Note 13 - Mortgage Payable:

Mortgage payable is comprised of the following as of June 30, 2014:

NMIC Lead Safe House	\$ 1,730,600
453 West HDFC	<u>1,028,047</u>
	<u>\$ 2,758,647</u>

NMIC Lead Safe House:

Under the terms of the regulatory agreement, attached to the property (LSH) is an enforcement lien mortgage. Under the terms of the agreement should the covenants and restrictions be violated within 30 years from the commencement date (June, 2001), a mortgage in the amount of \$1,730,600 will be due to the City of New York as of June 30, 2014.

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	% Deemed paid
26th	20%
27th	20%
28th	20%
29th	20%
30th	<u>20%</u>
	<u>100%</u>

LSH need not make payments on the note 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, the HDFC 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 loan and repayment will commence.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 13 - Mortgage Payable: (continued)

453 West HDFC

Financing for the 13 apartments consists of a mortgage from New York City Housing Development Corporation ("HDC") 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. The loan is payable interest and service fees only in equal monthly installments of \$992.

As part of the formation of 453 West HDFC, a mortgage note amendment was entered into between the City of New York, Department of Housing and Preservation Development and 453 West HDFC for the Article VIII loan of \$952,444. A new loan for \$75,603 was received to finance additional capital improvements to the property (see Note 18).

Note 14 - Commitment:

NMIC leases office space at 76 Wadsworth Avenue, New York, New York under an operating lease through December 31, 2014 at a monthly rent of \$80,325. In July 2012, NMIC signed a lease agreement for a new space commencing in January 2015 and terminating on December 31, 2047. Annual rent is for \$1,242,000 and increases by 2% throughout the lease term. The agreement provides for two renewal options of 8 years each. NMIC is also responsible for the payment of other expenses, including utilities and real estate taxes.

Rent commitment as of June 30, 2014 is as follows:

June 30,	
2015	\$ 621,000
2016	1,254,420
2017	1,279,509
2018	1,305,099
2019	1,331,201
2020 and thereafter	<u>51,479,341</u>
	<u>\$ 57,270,570</u>

Rent expense for the year ended June 30, 2014 totaled \$973,539 and is included in occupancy in the consolidating statement of functional expenses.

Note 15 - Unrestricted Net Assets - Designated by Board:

The Board has designated \$900,000 of unrestricted net assets for a building fund as of June 30, 2014.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 16 - Related Party Transactions:

NMIC, the Committee for the Heights-Inwood Homeless, Inc., the 502 W. 173rd Street Tenants' Association, and the 494 W. 158th Street Tenants' Association are the members of the Washington Heights HDFC. The Washington Heights HDFC is an exempt organization under section 501(c)(3) of the Internal Revenue Code (43 residential units) and was formed in May 1992. In August 1995, Washington Heights HDFC purchased 494 W. 158th Street, New York, New York, and property at 502 W. 173rd Street, New York, New York. NMIC is the sponsor of Washington Heights HDFC. As sponsor, NMIC has certain responsibilities and management duties. The tenants control Washington Heights HDFC.

NMIC each charged LSH and 453 West accounting fees of \$10,000 for the year ended June 30, 2014. NMIC also leases space for storage and apartments and is charged \$6,000 by LSH.

LSH paid NMIC \$100,000 for the year ended June 30, 2014, representing its share of the administrative expenses incurred by NMIC.

NMIC was designated as the developer of two residential properties for persons of low income. As such, NMIC recognized developers' fees totaling to \$139,991 for the year ended June 30, 2014. Such amount is payable by its affiliates Arden HDFC and 618 West HDFC for \$52,084 and \$87,909, respectively once funding in the form of loans, grants and other subsidies is obtained.

Note 17 - Profit Sharing 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 the non-elective safe harbor contribution in an amount equal to 3% of participant's eligible compensation. Additionally, the plan allows employees to receive an allocation of the discretionary profit sharing, determined by management by taking appropriate legal action. Included in payroll taxes and fringe benefits is \$133,587 and \$30,822 or a total of \$164,409 for the year ended June 30, 2014 which represents NMIC's safe harbor and discretionary contributions, respectively.

Note 18 - Current Vulnerability Due to Certain Concentrations:

453 West HDFC's principal asset is a 12-unit residential property. Ownership of this property was transferred to 453 West HDFC on June 29, 2012 from a Limited Partnership that had been allocated low-income tax credits pursuant to Internal Revenue 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 New York City Department of Housing and Preservation Development's ("NYC HPD") "Year 15 Low Income Housing Tax Credit Preservation Program" which resulted in the Limited Partner's interest being turned over to the residential property's not for profit sponsor (453 West HDFC). The purpose of this program ensures the future financial and physical viability and preserves 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 West HDFC was provided assistance by the New York City Housing Development Corporation and NYC HPD in the form of a non-interest bearing loan of \$75,603 to finance additional capital improvements to the property (see Note 13). The transfer of ownership interest from the limited partnership to 453 West HDFC which was approved by NYC HPD also resulted in 453 West HDFC assuming the existing mortgage of \$952,444 as well as operating the residential property in a heavily regulated environment that is subject to the administrative directives, rules and regulations of NYC HPD.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

NOTES TO CONSOLIDATING FINANCIAL STATEMENTS

Note 19 - LSH Contract of Sale:

In August 2014, LSH entered into a contract of sale with another entity for the sale of its land and residential building (premises) located at 2183 Amsterdam Avenue, New York for a total purchase price of \$3,200,000. The closing of the sale is contingent on the following:

- a) LSH obtaining approval from Housing and Preservation Development (HPD) and obtaining amendment of HPD documents including the deed, land disposition agreement, regulatory agreement and mortgage and any other documents required by the purchases
- b) LSH obtaining the approval of the New York State Supreme Court, if required, and Charities Bureau of the New York State Department of Law for the sale of the premises
- c) LSH being able to deliver the premises vacant and free of all tenancies, including month to month tenancies.

As of the current date, LSH is still negotiating with HPD for the approval of this contract of sale.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

NEW YORK STATE HOMES AND COMMUNITY RENEWAL
WEATHERIZATION ASSISTANCE
SCHEDULE IN SUPPORT OF PROGRAM COMPLIANCE

YEAR ENDED JUNE 30, 2014

Grant C091041/2013 Contract Period 04/01/2013 3/31/2014	Grant C092041/2014 Contract Period 04/01/2014 3/31/2015
--	--

Completed Units Information

Total number of units contracted for	366	304
Total number of units completed per client files as of June 30, 2014	419	-
Total number of units certified as acceptable and complete by the New York State Homes and Community Renewal as of June 30, 2014	419	-

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

NEW YORK STATE HOMES AND COMMUNITY RENEWAL
WEATHERIZATION ASSISTANCE
GRANT NUMBER C091041/2013
SCHEDULE OF ASSETS AND LIABILITIES

JUNE 30, 2014

ASSETS

CURRENT ASSETS:

Cash	\$ -
Grant Receivable - NYS Homes and Community Renewal	230,940
Inventory	21,294
Due from Other Funds	<u>903,203</u>
	<u>\$ 1,155,437</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITES -

Accounts payable	\$ 1,134,143
Due to Other Funds	<u>-</u>
	1,134,143

RESTRICTED NET ASSETS - INVENTORY

<u>21,294</u>
<u>\$ 1,155,437</u>

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

NEW YORK STATE HOMES AND COMMUNITY RENEWAL
WEATHERIZATION ASSISTANCE - GRANT NUMBER C091041/2013

SCHEDULE OF ACCOUNTS PAYABLE
JUNE 30, 2014

<u>Invoice Date</u>	<u>Vendor</u>	<u>Amount</u>
Various	A.S.K Construction, Inc.	\$ 47,296
Various	Apartment House Supply	361
Various	Association for Energy Affordability	360
Various	Brooklyn Mechanical Heating Corp.	318,200
Various	Distribution International Southwest	7,380
Various	Everyday Mechanical Corporation	119,459
Various	LITSCO	7,249
Various	Nextel Communications	1,383
Various	NYS Division of Housing and Community	55,109
Various	P.C. Richard	7,847
Various	Real Quality windows Corp.	476,728
Various	Riverdale Electrical Services, Inc.	39,646
Various	SNS Energy Distribution Corporation	38,125
Various	Wiss & Company, LLP	15,000
		<u>\$ 1,134,143</u>

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

NEW YORK STATE HOMES AND COMMUNITY RENEWAL
WEATHERIZATION ASSISTANCE - GRANT NUMBER C091041/2013

SCHEDULE OF REVENUES AND EXPENDITURES

PROJECT PERIOD APRIL 1, 2013 TO JUNE 30, 2014

	(Unaudited)	Incurred Audit		Total	Over
	Budgeted Amount	Ended 6/30/2013	Ended 6/30/2014	4/1/2013 6/30/2014	(Under) Budget
REVENUES - GRANT INCOME	\$ 2,309,398	\$ 200,714	\$ 2,108,684	\$ 2,309,398	\$ -
EXPENDITURES MATERIAL COSTS:					
Agency	30,000	-	27,696	27,696	2,304
Subcontracted	666,730	-	850,086	850,086	(183,356)
	<u>696,730</u>	<u>-</u>	<u>877,782</u>	<u>877,782</u>	<u>(181,052)</u>
LABOR COSTS:					
Agency Salaries and Fringes	713,948	171,398	542,495	713,893	55
Subcontracted	466,730	-	272,346	272,346	194,384
	<u>1,180,678</u>	<u>171,398</u>	<u>814,841</u>	<u>986,239</u>	<u>194,439</u>
PROGRAM SUPPORT:					
Building maintenance	9,500	1,368	8,442	9,810	(310)
Office supplies	7,500	-	6,604	6,604	896
Office space	109,000	-	117,383	117,383	(8,383)
Insurance/bonding	3,982	-	-	-	3,982
Warehouse	6,000	-	4,000	4,000	2,000
Wiring	-	-	23,133	23,133	(23,133)
Weatherization tools/supplies	5,000	-	3,782	3,782	1,218
Utilities/fuel	6,150	1,809	14,778	16,587	(10,437)
Vehicle Insurance	3,500	-	2,069	2,069	1,431
Office furniture/equipment	7,000	-	15,461	15,461	(8,461)
Vehicle maintenance	3,500	-	2,420	2,420	1,080
Travel	5,000	672	848	1,520	3,480
Weatherization equipment	35,000	-	-	-	35,000
Health and safety	2,000	-	-	-	2,000
Telecommunications	12,000	1,118	17,930	19,048	(7,048)
Postage and shipping	5,690	-	4,517	4,517	1,173
Advertising/ marketing	-	-	230	230	(230)
Printing and copying	7,500	-	2,329	2,329	5,171
Dues/fees	2,000	-	950	950	1,050
Energy audit	7,500	-	-	-	7,500
Other allowance	21,200	1,618	17,596	19,214	1,986
	<u>259,022</u>	<u>6,585</u>	<u>242,472</u>	<u>249,057</u>	<u>9,965</u>
LIABILITY INSURANCE	32,500	-	56,393	56,393	(23,893)
FINANCIAL AUDIT	15,000	-	15,000	15,000	-
TRAINING AND TECHNICAL ASSISTANCE	10,000	500	8,961	9,461	539
ADMINISTRATIVE COSTS:					
Salaries and fringe	85,518	21,204	69,761	90,965	(5,447)
Other allowance	29,950	1,027	23,474	24,501	5,449
	<u>115,468</u>	<u>22,231</u>	<u>93,235</u>	<u>115,466</u>	<u>2</u>
TOTAL EXPENDITURES	<u>2,309,398</u>	<u>200,714</u>	<u>2,108,684</u>	<u>2,309,398</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ -	\$ -	\$ -	\$ -

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

**NEW YORK STATE HOMES AND COMMUNITY RENEWAL
WEATHERIZATION ASSISTANCE - GRANT NUMBER C091041/2013**

**SCHEDULE OF QUESTIONED COSTS
PROJECT PERIOD APRIL 1, 2013 TO JUNE 30, 2014**

NONE

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUPPLEMENTARY INFORMATION

NEW YORK STATE HOMES AND COMMUNITY RENEWAL
WEATHERIZATION ASSISTANCE - GRANT NUMBER C091041/2014

SCHEDULE OF REVENUES AND EXPENDITURES

PROJECT PERIOD APRIL 1, 2014 TO MARCH 31, 2015

	(Unaudited) Budgeted Amount	Incurred audit		Over (Under) Budget
		7/1/2013 6/30/2014	Total 7/1/2013 6/30/2014	
REVENUES - GRANT INCOME	\$ 2,004,174	\$ 417,927	\$ 417,927	\$ 1,586,247
EXPENDITURES MATERIAL COSTS:				
Agency	10,000	-	-	10,000
Subcontracted	612,914	99,337	99,337	513,577
	<u>622,914</u>	<u>99,337</u>	<u>99,337</u>	<u>523,577</u>
LABOR COSTS:				
Agency Labor	660,198	166,840	166,840	493,358
Subcontracted	233,378	43,872	43,872	189,506
	<u>893,576</u>	<u>210,712</u>	<u>210,712</u>	<u>682,864</u>
PROGRAM SUPPORT:				
Building maintenance	5,511	750	750	4,761
Office supplies	15,000	552	552	14,448
Office space	143,263	35,770	35,770	107,493
Insurance/bonding	1,000	-	-	1,000
Warehouse	6,000	1,500	1,500	4,500
Weatherization tools/supplies	3,000	683	683	2,317
Utilities/fuel	8,857	514	514	8,343
Vehicle Insurance	8,534	6,571	6,571	1,963
Office furniture/equipment	7,000	-	-	7,000
Vehicle maintenance	1,000	2,198	2,198	(1,198)
Travel	3,000	580	580	2,420
Weatherization equipment	4,000	-	-	4,000
Staff development	-	-	-	-
Health and safety	20,000	101	101	19,899
Telecommunications	12,676	3,402	3,402	9,274
Postage and shipping	3,667	217	217	3,450
Advertising/ marketing	1,000	1,242	1,242	(242)
Printing and copying	3,500	-	-	3,500
Dues/fees	1,000	-	-	1,000
Energy audit	-	-	-	-
Other allowance	19,600	2,387	2,387	17,213
	<u>267,608</u>	<u>56,467</u>	<u>56,467</u>	<u>211,141</u>
LIABILITY INSURANCE	<u>100,000</u>	<u>31,716</u>	<u>31,716</u>	<u>68,284</u>
FINANCIAL AUDIT	<u>12,667</u>	<u>-</u>	<u>-</u>	<u>12,667</u>
TRAINING AND TECHNICAL ASSISTANCE	<u>7,200</u>	<u>4,732</u>	<u>4,732</u>	<u>2,468</u>
ADMINISTRATIVE COSTS:				
Salaries and fringe	94,815	14,963	14,963	79,852
Other allowance	5,394	-	-	5,394
	<u>100,209</u>	<u>14,963</u>	<u>14,963</u>	<u>85,246</u>
CAPITAL EQUIPMENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>2,004,174</u>	<u>417,927</u>	<u>417,927</u>	<u>1,586,247</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

EXIT CONFERENCE

Grantee: Northern Manhattan Improvement Corporation
Address: 45 Wadsworth Avenue New York, New York 10033
Period Audited: Year ended June 30, 2014
Where Held: Northern Manhattan Improvement Corporation
Date Held:
In Attendance For:

Northern Manhattan Improvement Corporation

Maria Lizardo - Executive Director
Rosaura Morales - CFO
John Lyons - Board Member

Wiss & Company, LLP

Michael Andriola, CPA - Partner
Stephanie Mendoza, CPA - Manager

Subjects Discussed

1. Findings and Recommendations
2. The Draft and Final Report Processing Procedures
3. Grantee's right of response to Findings and Recommendations

Grantee's Comments

NONE

INDEPENDENT AUDITORS' 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*

Board of Directors
Northern Manhattan Improvement Corporation and Affiliates
New York, New York

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 of America, 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, 2014 and the related consolidating statements of activities and changes in net assets, 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 8, 2015.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidating financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Finding 2014-001 and 2014-002)

A *significant deficiency* is a deficiency, or 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.

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 grants agreements, noncompliance with which could have a direct and material effect on the determination of consolidating 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-002.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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.



WISS & COMPANY, LLP

Iselin, New Jersey
May 8, 2015



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Directors
Northern Manhattan Improvement Corporation and Affiliates
New York, New York

Report on Compliance for Each Major Federal Program

We have audited Northern Manhattan Improvement Corporation and Affiliate's (the "Organization") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The Organization's major federal programs are identified in the summary of auditors' 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.

Auditors' 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 of America, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

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 OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wiss & Company

WISS & COMPANY, LLP

Iselin, New Jersey
May 8, 2015

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through the City of New York, Department of Homeless Services			
- Temporary Assistance for Needy Families	93.558	N/A	\$ 203,727
Passed through the Non-Profit Assistance Corporation - SEEDCO			
- Temporary Assistance for Needy Families	93.558	N/A	55,092
- Wage Subsidy	93.558	N/A	36,231
- Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program	93.558	N/A	4,772
Passed through the New York State Office of Children & Family Services			
- Settlement House	93.558	N/A	23,077
Sub-total			<u>322,899</u>
Passed through the New York City Community Service Society			
- Health Advocates Services	93.527	N/A	16,523
Passed through Columbia University			
- Cancer Centers Support Grants	93.397	N/A	6,682
Passed through MFY Legal Services			
- Title III-B of the Older American Act of 1965 Grants for Support Services	93.044	N/A	105,060
Passed through the Non-Profit Assistance Corporation - SEEDCO			
- Healthy Marriage Promotion and Responsible Fatherhood Grants	93.086	N/A	333,123
Passed through the New York State Homes and Community Renewal			
- Low Income Home Energy Assistance	93.568	C091041	1,753,154
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	157,274
- Community Services Block Grant - Immigration	93.569	N/A	102,129
- Domestic Violence	93.569	N/A	140,192
Sub-total			<u>399,595</u>
Passed through the Non-Profit Assistance Corporation - SEEDCO			
- Children's Health Insurance Program	93.767	N/A	2,000
- Children's Health Insurance Program	93.767	N/A	7,033
Passed through the Non-Profit Assistance Corporation - SEEDCO			
- Medical Assistance Program	93.778	N/A	<u>7,033</u>
Sub-total			<u>\$ 2,953,102</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed through the New York State Education Department - College Access Challenge Program	84.378	N/A	\$ <u>38,320</u>
U.S. Department of Agriculture			
Passed through the Nutrition Consortium of New York State - Food Stamp Outreach	10.561	N/A	49,244
Passed through the Non-Profit Assistance Corporation - SEEDCO - Supplemental Nutrition Assistance Program	10.561	N/A	12,813
Passed through the New York State Office of Temporary & Disability Assistance - Supplemental Nutrition Assistance Program	10.561	N/A	<u>313,250</u>
Sub-total			<u>375,307</u>
Passed through the New York State Department of Health - Child and Adult Care Food Program	10.558	N/A	133,359
U.S. Department of Housing and Urban Development			
Passed through the New York State Office of Temporary & Disability Assistance - Emergency Solutions Grant Program	14.231	N/A	255,573
Passed through the Mission of Peace National Corporation - Housing Counseling Assistance Program	14.169	N/A	8,928
Passed through the City of New York Department of Housing Preservation and Development			
- Community Development Block Grants/Entitlement Grants	14.218	N/A	86,000
- Section 8 Housing Choice Vouchers	14.871	N/A	191,365
U.S. Department of Energy			
Passed through the New York State Homes and Community Renewal - Weatherization Assistance Program	81.042	C091041/2011	<u>773,457</u>
Sub-total			<u>\$ 1,862,309</u>

See accompanying Schedule of Expenditures of Federal Awards.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity's Identifying Number	Federal Expenditures
U.S. Department of Homeland Security			
- Citizenship Grant Program	97.010	N/A	\$ 80,000
Passed through the United Way of New York City			
- Emergency Food and Shelter National Board Program	97.024	N/A	38,619
U.S. Department of Labor			
- WIA Youth Activities	17.259	N/A	366,258
- Youthbuild	17.274	N/A	<u>418,120</u>
Total Expenditures of Federal Awards			<u>\$ 5,718,408</u>

See accompanying Schedule of Expenditures of Federal Awards.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

**NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS**

YEAR ENDED JUNE 30, 2014

Note 1 – Basis of Presentation:

The accompanying schedule of expenditures of federal awards present the activity of all federal awards of Northern Manhattan Improvement Corporation and Affiliates received directly from federal agencies as well as passed through other government agencies for the year ended June 30, 2014. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedules present 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 the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

Section I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
Material weakness(es) identified?	<u>X</u> Yes	_____	No
Reportable condition(s) identified not considered to be material weaknesses?	_____ Yes	<u>X</u>	None reported
Non-compliance material to financial statements noted?	_____ Yes	<u>X</u>	No

Federal Awards

Internal Control over major programs:	<u>Unmodified</u>		
Material weakness(es) identified?	_____ Yes	<u>X</u>	No
Reportable condition(s) identified not considered to be material weaknesses?	_____ Yes	<u>X</u>	None Reported

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_____ Yes	<u>X</u>	No

Identification of major programs:

<u>Federal</u>	<u>CFDA Number</u>	<u>Amount</u>
Temporary Assistance for Needy Families	93.558	\$ 55,092
Temporary Assistance for Needy Families	93.558	203,727
Wage Subsidy	93.558	36,231
Settlement House	93.558	23,077
Emergency Contingency Fund for TANF State Program	93.558	4,772
Low Income Energy Assistance	93.568	1,753,154
WIA Youth Activities	17.259	366,258
Youthbuild	17.274	418,120

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Qualified as low-risk auditee	<u>X</u> Yes _____ No

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II. Schedule of Financial Statement Findings

Finding 2014-001: Material Weakness – Monthly Reconciliation and Financial Statement Closing Procedures:

Criteria:

There is a need for an improved, systematic method of ensuring that timely and complete monthly reconciliation and closing procedures take place.

Condition and Context:

We noted that several adjusting entries had to be recorded in order to adjust the general ledger to agree to the final audited financial statements. In addition, a complete set of accounting records was not maintained for Arden HDFC or 618 West HDFC.

Effect or Potential Effect:

For NMIC, the cumulative effect of the decrease to unrestricted net assets, undesignated was approximately \$390,000. This also resulted in the creation of certain statement of financial position accounts, in order to properly account for transactions between NMIC and Arden HDFC and 618 West HDFC. The lack of timely and systematic monthly reconciliation and closing procedures can ultimately compromise the integrity of the accounting information necessary to make well informed business decisions and may ultimately cause material errors in the financial records.

Cause:

In FY 12, NMIC started the planning process to move its operations from 76 Wadsworth Avenue, New York, NY 10033 to 45 Wadsworth Avenue, New York, NY 10033. During FY 14, there was intensive planning since the move was expected to take place at some point during FY 14. NMIC's management team was responsible for all aspects of the move including the infrastructure move related to security systems, IT, and telephone system, developing a plan to carry out the physical move with limited disruption to the day to day operations of the agency and minimal impact on our ability to provide services, and closely monitoring the expenses related to this very costly venture. NMIC's management team engaged in many meetings to discuss and develop plans while at the same time, focusing on the day to day operations. The CFO was an integral member of the team. In addition, there was a leadership transition with the Executive Director of 35 years stepping down and an Interim Executive Director being appointed. The management staff dedicated time and effort to ensure that the transition was smooth and had minimal impact on the day to day operations.

In FY 15, NMIC carried out the actual move. Program files and documents were not readily accessible since we were going through a period of transition. Between packing and unpacking, program staff spent time sorting out the files and organizing things in order to continue the operations.

Recommendation:

Recurring monthly activity should be recorded timely for a complete and accurate general ledger. This situation should be corrected as soon as possible with the establishment of a system of consistent monthly reconciliations and closing procedures and applicable controls. We also recommend that the Controller be included in meetings pertaining to any affiliates, to ensure that she is kept informed of transactions that may affect proper financial reporting.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II. Schedule of Financial Statement Findings (continued)

Finding 2014-001: Material Weakness – Monthly Reconciliation and Financial Statement Closing Procedures: (continued)

Views of Responsible Officials and Planned Corrective Action:

It is NMIC's practice to do monthly bank reconciliations for each account as soon as the bank statement is received. Financial Statement Closing Procedures include: checking of the general ledger for all programs, accounts payable, accounts receivables, and checking that all revenues and expenses are allocated to the correct contracts. Closing of the books is done by the 15th of the following month.

The Community Organizing and Housing Development staff have been informed that all activities related to the Arden HDFC and 618 West HDFC must be reported to the CFO and Executive Director. In addition, no new HDFC entities can be created without prior approval from the Board of Directors. A general ledger has been added for Arden HDFC and 618 West HDFC so all activities will be monitored on a timely basis.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2014

Section II. Schedule of Financial Statement Findings (continued)

Finding 2014-002: Material Weakness – Maintenance and Use of the Weatherization Assistance Program Owner Investment Accounts

Criteria:

The New York State Weatherization Assistance Program Policy and Procedures Manual includes a stipulation that all funds placed in the custody of the subgrantee by the owner of household dwellings shall be placed in an escrow account established by the subgrantee solely for this purpose. The subgrantee should execute an agreement with the owner governing the terms of withdrawals from the escrow account. Funds deposited in the owner investment account may not otherwise be disbursed without written authorization from the owner, unless specifically allowed in an escrow agreement.

Condition and Context:

As part of our audit, we reviewed the cash accounts that are separately maintained by NMIC, as subgrantee for funds received from Owners representing their investment towards the weatherization of their household dwellings. Based on our review, it was noted that funds were being used by NMIC for purposes other than as stipulated in the owner's agreement executed between NMIC and the owners of eligible household dwellings.

Effect or Potential Effect:

Non-compliance to the New York State Weatherization Assistance Program policy and procedures manual.

Cause:

In FY 12, NMIC started the planning process to move its operations from 76 Wadsworth Avenue, New York, NY 10033 to 45 Wadsworth Avenue, New York, NY 10033. During FY 14, there were extraordinary expenses related to the move that reduced the amount of funds in the fund balance. The reduction of the fund balance severely impacted the cash flow needed to cover expenses. At no point during these interactions, were the owners denied access to their funds.

Recommendation:

We recommend that NMIC comply with the New York State Weatherization Assistance Program policy and procedure manual as well as the agreements executed with the Owners of household dwellings that are being weatherized. We also recommend that the funds be restored immediately.

Views of Responsible Officials and Planned Corrective Action:

The payment was restored to the Owners' Account.

NORTHERN MANHATTAN IMPROVEMENT CORPORATION AND AFFILIATES

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2014

Status of Prior Year Findings

There were no prior year findings.