

**HARLEM CONGREGATIONS FOR COMMUNITY  
IMPROVEMENT, INC**

FINANCIAL STATEMENTS,  
Other Financial Information and  
Reports Required by *Government Auditing Standards*  
and OMB Circular A-133

AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

(with comparative information as of and  
for the year ended June 30, 2014)

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**

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AGBIMSON & CO., PLLC

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### Independent Auditor's Report

The Board of Directors  
Harlem Congregations for  
Community Improvement, Inc.  
New York, NY

#### Report on the Financial Statements

We have audited the accompanying financial statements of Harlem Congregations for Community Improvement, Inc., which comprise of the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the fiscal year then ended and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these 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 representation of 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 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 financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harlem Congregations for Community Improvement, Inc. as of June 30, 2015, and the changes in its net asset and its cash flows for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures and federal awards is presented for purposes of additional analysis, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### *Report on Comparative Information*


The financial statements of Harlem Congregations for Community Improvement, Inc. as of June 30, 2014 were audited by other auditors whose report dated January 15, 2015 expressed an unqualified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2015 on our consideration of Harlem Congregations for Community Improvement, Inc.' 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 Harlem Congregations for Community Improvement, Inc.'s internal control over financial reporting and compliance.

October 30, 2015  
Hauppauge, New York

A handwritten signature in black ink that reads "Arimson & Co, PLLC". The signature is written in a cursive, flowing style and is positioned to the right of the date and location text.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2015**

(with comparative financial information for June 30, 2014)

	<b>2015</b>	<b>2014</b>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents (Note 1)	\$ 421,391	\$ 115,649
Pledges and grants receivable (Note 3)	263,746	237,741
Rent receivable, net (Note 4)	313,980	187,610
Due from subsidiaries	126,073	100,300
Other receivables	575	102,662
Prepaid expenses	49,911	75,589
Total Current Assets	1,175,676	819,551
Investments (Note 5)	1,119,394	391,745
Property and equipment, net (Note 6)	126,394	162,485
Security deposits	107,440	107,386
Noncurrent rent receivable (Note 4)	392,176	392,176
Services fees receivable, net (Note 7)	2,293,282	3,164,010
Long-term note receivable (Note 8)	1,050,000	-
<b>Total Assets</b>	<b>\$ 6,264,362</b>	<b>\$ 5,037,353</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Line of credit (Note 9)	\$ 399,437	\$ 750,000
Accounts payable and accrued expenses	1,115,359	392,838
Accrued payroll and related taxes	261,255	212,724
Due to Limited Partnerships (Note 10)	81,876	515,122
Due to affiliates (Note 11)	230,730	316,339
Other liabilities	55,337	22,652
Capital lease obligation	2,250	42,399
Total Current Liabilities	2,146,244	2,252,074
Security deposits payable	33,115	32,366
Total Liabilities	2,179,359	2,284,440
 <b>NET ASSETS</b>		
Unrestricted	3,682,659	2,407,113
Temporarily restricted	402,344	-
Permanently restricted	-	345,800
Total Net Assets	4,085,003	2,752,913
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,264,362</b>	<b>\$ 5,037,353</b>

See accompanying notes to financial statements.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(with comparative financial information for the year ended June 30, 2014)

	2015			2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Grants	\$ -	\$ 1,959,222	\$ -	\$ 1,959,222	\$ -	\$ 1,831,371	\$ -	\$ 1,831,371
Fee income	772,224	-	-	772,224	1,816,750	-	-	1,816,750
Rental income	417,262	-	-	417,262	526,772	-	-	526,772
Contributions	3,936	-	-	3,936	3,088	-	-	3,088
Fundraising	156,309	-	-	156,309	159,296	-	-	159,296
Other revenue	63,000	1,306,831	-	1,369,831	26,189	-	-	26,189
Interest and dividend income	10,683	-	-	10,683	256	-	-	256
Net assets released from restrictions	3,266,053	(3,266,053)	-	-	1,831,371	(1,831,371)	-	-
Total support and revenue	4,689,467	-	-	4,688,467	4,363,722	-	-	4,363,722
<b>EXPENSES</b>								
Program services	3,089,980	-	-	3,089,980	3,248,058	-	-	3,248,058
Management and general	1,032,631	-	-	1,032,631	806,196	-	-	806,196
Fundraising	284,766	-	-	284,766	144,223	-	-	144,223
Total expenses	4,407,377	-	-	4,407,377	4,198,477	-	-	4,198,477
<b>Change in net assets</b>	282,090	-	-	282,090	165,245	-	-	165,245
Net assets at beginning of year	2,407,113	-	345,800	2,752,913	2,241,868	-	345,800	2,587,668
Prior year adjustment (Note 8)	1,050,000	-	-	1,050,000	-	-	-	-
Reclassification	(56,544)	402,344	(345,800)	-	-	-	-	-
Net assets at end of year	\$ 3,682,659	\$ 402,344	\$ -	\$ 4,085,003	\$ 2,407,113	\$ -	\$ 345,800	\$ 2,752,913

See accompanying notes to financial statements.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(with comparative financial information for the year ended June 30, 2014)

	2015					2014						
	Scattered site housing	Other Services	Total	General and administrative	Fundraising	Total Program and Support Services	Scattered site housing	Other services	Total	General and administrative	Fundraising	Total Program and Support Services
Salaries	\$ 565,337	\$ 497,264	\$ 1,062,601	\$ 524,330	\$ 132,750	\$ 1,719,681	\$ 574,459	\$ 655,629	\$ 1,230,088	\$ 351,627	\$ -	\$ 1,581,715
Payroll taxes and related expenses	149,742	246,862	396,604	155,891	42,887	595,382	160,849	283,220	444,069	136,132	-	580,201
	715,079	744,126	1,459,205	680,221	175,637	2,315,063	735,308	938,849	1,674,157	487,759	-	2,161,916
Consultant fees	400	95,746	96,146	21,120	7,418	124,684	-	133,257	133,257	104,580	-	237,837
Professional and contractual services	14,058	22,344	36,382	83,097	21,410	140,889	6,808	64,756	71,564	40,731	-	112,295
Administrative expense	123,715	-	123,715	-	-	123,715	124,115	-	124,115	-	-	124,115
Rent expense	743,926	353,412	1,097,338	16,000	912	1,113,338	734,914	75,821	810,735	14,841	-	825,576
Advertising and marketing	81	2,600	2,681	2,370	-	5,963	-	-	-	6,588	-	6,588
Insurance	37,318	3,273	40,591	10,041	-	50,632	37,055	26,903	63,958	2,959	-	66,917
Utilities	42,635	31,225	73,860	31,554	5,692	111,106	46,373	33,963	80,336	34,321	6,191	120,848
Equipment/furnishings expense	9,303	2,050	11,353	36,226	540	48,119	34,637	22,764	57,401	186	-	57,587
Repairs and maintenance	11,981	27,487	39,468	23,168	-	62,636	15,183	19,602	35,834	15,970	-	51,803
Office expenses	8,135	19,619	27,754	18,837	3,182	49,773	16,232	19,602	35,834	20,099	-	55,933
Travel, training and conferences	9,790	6,925	16,715	5,588	2,379	24,682	5,718	31,337	37,055	9,613	-	46,668
Contributions, dues and subscriptions	-	454	454	11,182	1,012	12,648	-	-	-	15,858	-	15,858
Service fees	1,826	3,880	5,706	11,727	929	18,362	-	7,146	7,146	3,518	-	10,664
Bad debts	-	-	-	-	-	-	-	84,523	84,523	-	-	84,523
Bank and finance charges	-	974	1,016	34,179	-	35,194	-	5,472	5,472	12,357	-	17,829
Special events and fundraising	-	500	500	1,000	64,193	65,693	-	5,895	5,895	7,342	138,032	151,269
Miscellaneous	1,718,269	57,096	3,089,980	987,000	284,766	4,361,746	1,756,343	1,491,715	3,248,058	778,446	144,223	4,170,727
Depreciation and amortization	-	-	-	45,651	-	45,651	-	-	-	27,750	-	27,750
<b>Total</b>	<b>\$ 1,718,269</b>	<b>\$ 1,371,711</b>	<b>\$ 3,089,980</b>	<b>\$ 1,032,631</b>	<b>\$ 284,766</b>	<b>\$ 4,407,377</b>	<b>\$ 1,756,343</b>	<b>\$ 1,491,715</b>	<b>\$ 3,248,058</b>	<b>\$ 806,196</b>	<b>\$ 144,223</b>	<b>\$ 4,198,477</b>

See accompanying notes to financial statements.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**  
(with comparative financial information for the year ended June 30, 2014)

	2015	2014
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 282,090	\$ 165,245
Adjustments to reconcile change in net assets to cash provided by (used in) operating activities:		
Depreciation and amortization	45,631	27,750
Provision for bad debts		84,523
(Increase) decrease in operating assets:		
Pledges and grants receivable	(26,005)	11,716
Rent receivable	(126,370)	(57,964)
Due from subsidiaries	(25,773)	(31,413)
Other receivables	102,087	(81,996)
Prepaid expenses	25,678	(71,337)
Security deposits	695	
Professional fees receivable	870,728	(878,597)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	722,521	206,975
Accrued payroll and related taxes	48,531	18,984
Deferred grant/fee revenue	-	(17,917)
Other liabilities	-	(25,336)
Due to affiliates	(85,609)	(49,936)
Decrease in due from/to limited partnerships	(433,246)	76,503
Net cash provided by (used in) operating activities	<u>1,400,958</u>	<u>(622,799)</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(727,649)	(72,047)
Purchase of property and equipment	(9,540)	(131,415)
Net cash used in investing activities	<u>(737,189)</u>	<u>(203,462)</u>
<b>Cash flows from financing activities</b>		
Increase (decrease) in line of credit	(317,878)	700,000
Decrease in long-term debt	(40,149)	(47,250)
Net cash provided by (used in) financing activities	<u>(358,027)</u>	<u>652,750</u>
Net increase (decrease) in cash and cash equivalents	305,742	(173,511)
Cash and cash equivalents at beginning of year	115,649	289,160
Cash and cash equivalents at end of year	<u>\$ 421,391</u>	<u>\$ 115,649</u>
<b>Supplemental Information:</b>		
Cash paid for interest	\$ 30,067	\$ 10,619

See accompanying notes to financial statements.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 1. Organization**

Harlem Congregations for Community Improvement, Inc. ("HCCI") is a non-profit organization incorporated on April 29, 1988 under the not-for-profit Corporation Law of the State of New York. The primary purpose of HCCI is to undertake low-income housing and community development in the Harlem community of New York City. HCCI has developed numerous housing projects in the Harlem community. These Developments include various low-income housing tax credit limited partnerships. These partnerships have, as their general partners, entities which are owned by HCCI and these wholly-owned for-profit subsidiaries own from 0.01% to a 1% interest in the real estate limited partnerships that own the buildings. HCCI provides various services to these limited partnerships. Other activities of HCCI include the Scatter Site Housing Program, which provides housing and related assistance to persons with AIDS (Acquired Immune Deficiency Syndrome). HCCI is a 501 (C) (3) tax exempt organization.

**NOTE 2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared using the accrual basis of accounting and are presented in accordance with accounting requirements for not-for-profit organizations as stipulated in the Statement of Financial Accounting Standard Board FASB ASC 958-205, "Not-For-Profit Entities Presentation of Financial Statements." These require that all not-for-profit organizations provide a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows and that net assets be classified as unrestricted, temporarily restricted, or permanently restricted based on the existence or absence of donor stipulations regarding the use of such assets.

Net assets are classified and reported as follows:

Unrestricted – represents funds available for HCCI's general operations;

Temporarily restricted – represents the portion of net assets that have been restricted by donors for either specified purposes or timing of use;

Permanently restricted – represents the portion of net assets that have been restricted by donors who require the principal of the gift to be maintained in perpetuity with only the earnings to be used for a specified purpose.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 2. Summary of Significant Accounting Policies (continued)**

**Revenue Recognition**

HCCI have adopted FASB ASC 958-205-25. Contributions and unconditional grants are recognized as support and revenue when they are received or unconditionally pledged. HCCI reports such contributions and unconditional grants as restricted support and revenue if they are subject to time or donor-imposed restrictions. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions when a stipulated time restriction ends, purpose of the restriction is accomplished, or both. However, temporarily restricted contributions and grants are reported as unrestricted support and revenue if the restriction is met in the same fiscal year that the gift is received.

Fee income on various projects are recognized based on the nature and structure of various fee service arrangements. Certain service fees are recognized on percentage of completion basis and some fees are recognized based on qualifying expenses incurred for the project.

Services fee revenue are recognized as earned.

**Rental Income**

Rental income is recognized as earned and includes commercial retail space, storage and parking fees and any reimbursements from tenants for common area maintenance, insurance, and real estate tax expenses.

**Cash and Cash Equivalents**

HCCI maintains its cash in bank deposit accounts which at times may exceed federally insured limits. HCCI has not experienced any losses in such accounts. HCCI believes it is not exposed to any significant credit risk on cash. For financial statement purposes, HCCI considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 2. Summary of Significant Accounting Policies (continued)**

Pledges and Grants Receivable

Pledges and grants receivable consist of unconditional promises to give that are expected to be collected in future years and grants are classified as conditional promises to the extent that conditions have been met but payment from the grantor has not yet been received. Pledges and grants receivable are reported as either temporarily restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period. Pledges and grants receivable are reviewed for collectability and a provision for doubtful pledges and grants receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Investments

Investments in limited partnerships through HCCI's wholly-owned subsidiaries and certain real estate projects are reported at cost.

Property and Equipment

HCCI capitalizes all fixed assets at cost. Depreciation of fixed assets has been provided using the straight-line method over the estimated useful lives of the assets.

Deferred grant/fee revenue

Deferred grant/fee revenue consists of grant and contract receipts and fees received in advance of the periods to which they are to be earned, and if not earned the advance(s) will have to be returned.

Functional Allocation of Expenses

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



**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 2. Summary of Significant Accounting Policies (continued)**

Use of Estimates

The preparation of financial statements in conformity U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassification

Certain items previously reported in the 2014 financial statements have been reclassified to conform to the current year financial statement presentation.

**NOTE 3. Pledges and Grants Receivable**

Pledges and grants receivable are summarized are as follows at June 30:

	2015	2014
Government Agencies	\$ 244,156	\$ 210,451
Foundations, Corporations and Individuals	19,590	27,290
	\$ 263,746	\$ 237,741

**NOTE 4. Rent Receivable**

Current rent receivable current consists of rent due from commercial sublet tenants are as follows at June 30:

	2015	2014
Rent receivable	\$ 323,038	\$ 199,506
Less allowance for doubtful accounts	9,058	11,896
	\$ 313,980	\$ 187,610

Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 4. Rent Receivable (Continued)**

HCCI entered into a payment arrangement with one of its commercial sub-tenants for arrears due for rent in 2006. The resulting agreement was subsequently amended in 2011. The agreement provided for the sub-tenant to stay current on the rent payments due while the arrears amount of \$392,174 was deferred until October 2041, the end of the lease term. This amount is presented as noncurrent rent receivable in the financial statements as of June 30, 2015 and 2014. Furthermore, under the amended agreement:

- Tenant shall be responsible for the payment of its pro rat share (80%) of the increase in real estate taxes for the Premises over the base year beginning October 1, 2011.
- Tenant shall pay all base rent, real estate taxes, water & sewer charges and additional rent on or before the tenth day of each calendar month. Real Estate Taxes, water & sewer charges, and other municipal, or other governmental fees, fines, or assessments shall be paid when due, as determined by the respective authorities.
- Tenant covenants and agrees that it will, at sole cost and expense, sponsor and maintain a Culinary Arts Program at the Leased Premises and, as part of the consideration for the Landlord's agreements and concession, shall provide training for 100 Harlem residents to make them qualified for employment in the Culinary Arts Service Industry. If Tenant complies with provision, then in consideration of the Training Program to be established and maintained by Tenant as aforesaid, after one hundred residents have been trained, the Landlord shall waive and forgive all rent arrears accumulated prior to the date of this agreement thereby allowing for the expiration of the obligation of the balloon payment referenced in paragraph 1, of the Second Amendment dated August 5, 2011.
- The Term of the Lease was amended to thirty-five (35) years as of the original commencement date of October 11, 2006 through October 10, 2041.
- Landlord will complete, at its own expense and in a timely manner, the Landlord's work as set forth in Paragraph 53 of the Lease.

As of the statement of financial position date, HCCI had completed most of its obligations under the agreement.

**NOTE 5. Investments**

HCCI's investments in limited partnerships through its wholly-owned subsidiaries are reported at cost, representing the investee's common stock. The investments in the common stock of the wholly-owned subsidiaries areas follows at June 30:

<u>Entity</u>	<u>2015</u>	<u>2014</u>
15-21 West 137th Street Corporation	\$ 100	\$ 100
60 St. Nicholas, Inc.	100	100
Angelou of Harlem, Inc.	100	100
Eden of Harlem, Inc.	100	100
Macombs Manor of Harlem, Inc.	100	100
Parkside of Harlem, Inc.	100	100
* Creations of Harlem, Inc.	-	2,000
* Zipporah of Harlem, Inc.	-	2,500
	<u>\$ 600</u>	<u>\$ 5,100</u>

HCCI's investment in the common stock of a wholly-owned subsidiary engaged in real estate is as follows at June 30:

<u>Entity</u>	<u>2015</u>	<u>2014</u>
HCCI Homeowners Corporation	<u>\$ 100</u>	<u>\$ 100</u>

\* Projects repositioned in FY 2015. See note 15

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 5: Investments (Continued)**

HCCI's investments in various real estate projects, which are reported at cost in the financial statements, are as follows at June 30:

<u>Entity</u>	<u>2015</u>	<u>2014</u>
Northern Manhattan Equities	732,149	-
Sutton 1 HDFC	275,000	275,000
David Dinkins Apartments	72,047	72,047
Hurston Place HDFC	39,498	39,498
	<u>1,118,694</u>	<u>386,545</u>
 Total investments	 <u>\$ 1,119,394</u>	 <u>\$ 391,745</u>

**NOTE 6. Property and Equipment**

As of June 30, this consisted of:

	<u>2015</u>	<u>2014</u>
Leasehold improvements	\$ 334,642	\$ 334,642
Furniture and equipment	767,141	757,601
Less accumulated depreciation and amortization	<u>(975,389)</u>	<u>(929,758)</u>
	<u>\$ 126,394</u>	<u>\$ 162,485</u>

Depreciation and amortization expense for the year ended June 30, 2015 and 2014 amounted to \$45,631 and \$27,750, respectively.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 7. Service Fee Receivable**

HCCI renders development, management and marketing services to the limited partnerships in which its wholly-owned subsidiaries are general partners, in addition to marketing services for other entities. Services fees receivable are stated at the amount earned net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of the receivables. It is reasonably possible that management's estimate of the allowance will change.

Services fees receivable as of June 30 consisted of the following:

	<u>2015</u>	<u>2014</u>
Partnership and property management fees	\$ 1,476,440	\$ 1,920,190
Development fees	723,631	1,079,881
Asset management fees	70,594	164,614
Social service fees	72,846	70,454
Technical assistant fees	-	32,565
Others	50,000	-
	<u>2,393,511</u>	<u>3,267,704</u>
Less allowance for doubtful accounts	<u>100,229</u>	<u>103,694</u>
	<u>\$ 2,293,282</u>	<u>\$ 3,164,010</u>

**NOTE 8. Long-Term Note Receivable**

Long-term note receivable relates to a promissory note dated November 5, 2001, from Site 13 Apartment Owners LLC in the principal amount of \$1,050,000. The note is an interest only note and bears interest at one percent per annum. The note and any unpaid interest is payable at maturity on November 4, 2033. The note is paid in monthly installments of interest on the outstanding balance in the amount of \$875. At June 15, 2015, all required interest payments were made. This note has not been reported in prior year's financial statements and is being reflected in the current year as a prior year adjustment.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 9. Line of Credit**

HCCI entered into various unsecured revolving line of credit with a certain financial institution to be drawn upon as needed with an interest of 4.75% to 5.00%. The outstanding balance under the line of credit amounted to \$399,437 and \$750,000 as of June 30, 2015 and 2014, respectively.

**NOTE 10. Due to Limited Partnerships**

Due to limited partnerships represents various net transactions between HCCI and the limited partnerships, as well as, the assumed share of the wholly-owned subsidiary general partners' losses in the limited partnerships. The wholly-owned subsidiaries have a 0.001% to 1% interest in the limited partnerships. The limited partnerships provide affordable housing to persons of low income under the Low Income Housing Tax Credit program as defined by Section 42 of the Internal Revenue Code. Due to limited partnerships for the years ended June 30, 2015 and 2014 was \$81,876 and \$515,122, respectively.

**NOTE 11. Due to Affiliates**

Due to affiliates represents the net results of transactions among various non-consolidated affiliates. The total amount of due to affiliates as of June 30, 2015 and 2014 was \$230,730 and \$316,339, respectively.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 12. Commitments and Contingencies**

- 1) HCCI leases office and commercial facilities from several of its sponsored limited partnerships and leases residential apartments for its Scatter Site Program. HCCI utilizes the space for administrative and programmatic functions and has sublet some of the commercial spaces. The lease agreements expire at various times through 2021. Minimum annual rental commitments under non-cancelable leases for the next 5 years and thereafter are as follows:

Year ending June 30,	<u>Amount</u>
2015	\$ 56,050
2016	56,050
2017	56,050
2018	56,050
2019	56,050
Thereafter	<u>112,100</u>
Total	<u>\$ 392,350</u>

- 2) HCCI has provided guarantees to various limited partnerships for the obligations under partnership agreements of its wholly-owned subsidiaries' general partner interest in those partnerships. Nature of these guarantees is such that amounts of guarantees cannot be quantified.
- 3) Certain government and other grants may be subject to audit by the funding sources. No provision has been made for any liabilities which may arise from such audits since the amounts, if any, cannot be determined at this point in time. Disallowances or adjustments, if any, will be reflected in the financial statements in the years of settlement.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**NOTE 13. Permanently Restricted Net Assets**

Permanently restricted net assets as of June 30, 2015 and 2014 consist of the following:

	2015	2014
HCCI Loan Fund	\$ -	\$ 300,000
Other	-	50,000
	\$ -	\$ 350,000

The amount of \$350,000 was reclassified to temporarily restricted net assets as of June 30, 2015.

**NOTE 14. Retirement Plan**

HCCI offers a deferred annuity 403 (b) investment plan for all its full-time employees meeting certain age and service requirements. All employee contributions are voluntary and HCCI does not make any matching or contribution amounts.

**Note 15. Other Real Estate Activities**

Consistent with its commitment to the community in the area of providing affordable housing and improved living conditions in the Harlem community, HCCI in recent years entered into deals with large scale developers in conjunction with government agencies, financial institutions, private equity lenders and others to expand the scope of its real estate holdings. Most of these deals resulted when properties and projects previously under the first phase of the federally mandated low income housing tax credit compliance period under Section 42 of the Internal Revenue Code reached the year 15 milestone. At that juncture, the investor limited partner in the limited partnership projects are required to exit and sell their interest at a nominal price to the community based project sponsor and/or general partner who determines what option is most viable for repositioning the projects for the second phase of its compliance period. Owner entities can either opt to re-syndicate the projects or arrange for funds to pay off existing government agencies or other subsidized mortgages if certain preset conditions are met. Under either option the initial low income housing regulatory and operating agreements shall remain in effect during the second phase of the compliance period.



**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**  
(with comparative financial information  
as of and for the year ended June 30, 2014)

**Note 15 Other Real Estate Activities (Continued)**

**CENTRAL HARLEM ASSOCIATES LLC**

On May 9, 2011, a purchase and sale agreement was entered into between Central Harlem Associates LLC, a New York Limited Liability Company, as purchaser and six HCCI sponsored limited partnership projects with 477 units. In this deal worth over \$74 million, HCCI partnered with L&M Development Partners, Inc. to re-syndicate the projects. The deal generated a gross development fee of \$6,252,345 payable to an affiliate of the managing member for the development of the project and was payable to the developer upon stabilization of the project as defined in the operating agreement. Any amount not paid upon stabilization will be deferred and evidenced by a developer fee note which will earn interest at 5% per annum and will mature 15 years from such date.

At December 31, 2014 \$1,377,623 was the balance on the developer fee note. HCCI is a 50% member of Central Harlem Managers LLC which in turn owns .01% of Central Harlem Associates LLC and the investor member GS Central Harlem Investor LLC owns 99.99%. HCCI is entitled to 50% of the developer fee payable at December 31, 2014, as well as certain project acquisition fee.

**NORTHERN MANHATTAN EQUITIES LLC PHASES I & II**

Northern Manhattan Equities I LLC consists of 390 units of affordable housing acquired at the end of the first phase of the low income housing tax credit compliance period. Under the deal following the year 15 repositioning, HCCI, through its wholly-owned subsidiary Harlem Equitable Development Corporation (HEDC), together with Exact NME II LLC and Prestige Management, Inc. formed the Northern Manhattan Equities LLC. The deal is worth in excess of \$36 million and included Creations of Harlem, Inc. and Zipporah of Harlem, Inc. Projects. As of December 31, 2014, Northern Manhattan Equities LLC has total assets of \$36,192,135 and outstanding mortgage advances or non-recourse loans in the amount of \$33,624,494. The acquisition fee received was \$798,000. HCCI through HEDC owns 51% of Northern Manhattan Equities LLC's capital and receives 30% of its profits. Northern Manhattan Equities II LLC closed on July 2, 2015, see subsequent events Note 16 below.

**NOTE 16. Subsequent Events**

Subsequent to the statement of financial position date HCCI through its wholly-owned subsidiary HEDC closed on a deal involving 212 affordable housing units. Like the similar Phase I deal, HCCI through HEDC owns 51% of the capital of Northern Manhattan Equities II LLC, the beneficial owner of the project. HCCI also earns substantial developer fees and shall be receiving a share of the project's annual operating profit.

**SUPPLEMENTAL INFORMATION**

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development		
Pass-Through Awards		
New York City Human Resource Administration – Housing Opportunities for persons with AIDS	14.241	\$ 1,671,294
NYC Department of Small Business Services - Entitlement Grant Program	14.218	<u>23,500</u>
Total U.S. Department of Housing and Urban Development		<u>\$ 1,694,794</u>
Total Expenditures of Federal Awards		<u>\$ 1,694,794</u>

See accompanying notes to schedule of expenditures of federal awards.

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2015**

**NOTE 1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Harlem Congregations for Community Improvement, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedule presents only a selected portion of the operations of Harlem Congregations for Community Improvement, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Harlem Congregations for Community Improvement, Inc.

**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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**OTHER FINANCIAL INFORMATION**

AGBIMSON & CO., PLLC

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**Independent Auditor's Report on the Other Financial Information**

To the Board of Directors  
Harlem Congregations for  
Community Improvement, Inc.  
New York, NY

We have audited the financial statements of Harlem Congregations for Community Improvement, Inc. as of and for the year ended June 30, 2015 and have issued our report thereon dated October 30, 2015 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule on the statement of functional expenses is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the information is fairly stated in all material aspects in relation to the financial statements as a whole.

October 30, 2015  
Hauppauge, New York



**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.**  
**SUPPLEMENTAL SCHEDULE – STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Other Services		
	Real estate	Other programs	Total
Salaries	\$ 416,782	\$ 80,482	\$ 497,264
Payroll taxes and related expenses	125,911	120,951	246,862
	<u>542,693</u>	<u>201,433</u>	<u>744,126</u>
Consultant fees	47,258	48,488	95,746
Professional and contractual services	49,837	(27,493)	22,344
Administrative expense	-	-	-
Rent expense	343,198	10,214	353,412
Advertising and marketing	2,600	-	2,600
Insurance	3,273	-	3,273
Utilities	22,731	8,494	31,225
Equipment/furnishings expense	2,263	(213)	2,050
Repairs and maintenance	26,466	1,021	27,487
Office expenses	9,670	9,949	19,619
Travel, training and conferences	1,257	5,668	6,925
Contributions, dues and subscriptions	1,334	(880)	454
Service fees	-	3,880	3,880
Bad debts	-	-	-
Bank and finance charges	15	959	974
Special events and fundraising	-	500	500
Miscellaneous	44,733	12,363	57,096
Total	<u>\$ 1,097,328</u>	<u>\$ 274,383</u>	<u>\$ 1,371,711</u>

AGBIMSON & CO., PLLC

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**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors  
Harlem Congregations for  
Community Improvement, Inc.  
New York, NY

We have audited, 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, the financial statements of Harlem Congregations for Community Improvement, Inc., (the Organization) which comprise the statement of financial position as of June, 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 30, 2015.

**Internal Control over Financial Reporting**

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

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



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

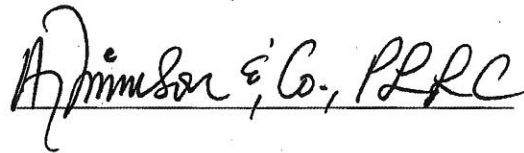
### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

October 30, 2015  
Hauppauge, New York

A handwritten signature in cursive script that reads "Auditor & Co., PLLC". The signature is written in black ink and is positioned to the right of the date and location text.

AGBIMSON & CO., PLLC

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**Independent Auditor's Report on Compliance for each  
Major Federal Program and on Internal Control over  
Compliance required by OMB Circular A-133**

To the Board of Directors  
Harlem Congregations for  
Community Improvement, Inc.  
New York, NY

**Report on Compliance for the Major Federal Programs**

We have audited the compliance of Harlem Congregations for Community Improvement, Inc's with the types of compliance requirements described in 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, 2015. Harlem Congregations for Community Improvement, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Management's Responsibility*

Management is responsible for compliance with requirements of laws, regulation, contracts, and grants applicable to Congregations for Community Improvement, Inc.'s federal programs.

*Auditor's Responsibility*

Our responsibility is to express an opinion on compliance for each of Harlem Congregations for Community Improvement, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. we conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (the standards).

The 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 could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Harlem Congregations for Community Improvement, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination on Harlem Congregations for Community Improvement, Inc.'s compliance.

#### *Opinion on Major Federal Program*

In our opinion, Harlem Congregations for Community Improvement, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2015.

#### **Report on Internal Control over Compliance**

Management of Harlem Congregations for Community Improvement, Inc. is responsible for designing, implementing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered Harlem Congregations for Community Improvement, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal programs and to test the 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 Harlem Congregations for Community Improvement, Inc.'s internal control over compliance.

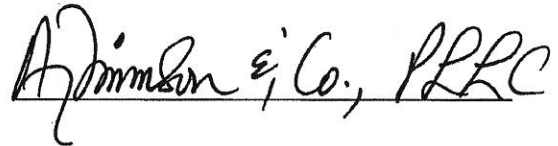
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a 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, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program that is less severe than a material weakness, 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 would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in the Harlem Congregations for Community Improvement, Inc.'s internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

October 30, 2015  
Hauppauge, New York

A. J. Dimmock & Co., PLLC

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2015**

SECTION I– Summary of Audit Results

Financial Statements

Type of Auditor’s Report issued:	<u>Unmodified</u>
Internal Control over Financial Reporting:	
Material Weakness (es) identified	<u>None</u>
Significant deficiency identified that are not considered to be material weakness	<u>None</u>
Noncompliance material to financial statements noted	<u>None</u>

Federal Awards

Internal Control over Major Programs:	
Material Weakness (es) identified	<u>None</u>
Significant deficiency identified that are not considered to be material weakness	<u>None</u>
Type of Auditor’s Report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be Reported in accordance with Section 510(a) of Circular A-133	<u>None</u>

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.241	Scattered Site Housing for Persons with AIDS and Families

Dollar threshold used to distinguish between Type A and B Programs: \$300,000

Auditee qualified as low risk auditee Yes

SECTION II – Financial Statement Findings None

SECTION III – Federal Awards Findings and Question Costs None

**HARLEM CONGREGATIONS FOR COMMUNITY IMPROVEMENT, INC.  
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION I- Summary of Audit Results**

There were no prior audit findings for the year ended June 30, 2014.