

**NYC NEIGHBORHOOD CAPITAL CORPORATION  
(A COMPONENT UNIT OF THE CITY OF NEW YORK)  
110 WILLIAM STREET  
NEW YORK, NY 10038**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

NYC NEIGHBORHOOD CAPITAL CORPORATION  
(A COMPONENT UNIT OF THE CITY OF NEW YORK)

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Independent Auditor's Report

To the Board of Directors of  
NYC Neighborhood Capital Corporation

**Report on the Financial Statements**

We have audited the accompanying financial statements of NYC Neighborhood Capital Corporation, a component unit of The City of New York, which comprise the statement of net position as of June 30, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the 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 presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these 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 misstatement.

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 NYC Neighborhood Capital Corporation as of June 30, 2015 and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


### **Other Matters**

#### Management's Discussion and Analysis

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprised the Corporation's basic financial statements. The accompanying management's discussion and analysis ("MD&A") is presented for purposes of additional analysis, to supplement financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context, and although is not a required part of the basic financial statements is required by the Governmental Accounting Standards Board. We have applied certain limited procedures to the MD&A, in accordance with auditing standards generally accepted in United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2015 on our consideration of NYC Neighborhood Capital Corporation's internal control over financial reporting and 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 the 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 NYC Neighborhood Capital Corporation's internal control over financial reporting and compliance.

  
Ballo & Co.  
New York, NY  
September 24, 2015

NYC NEIGHBORHOOD CAPITAL CORPORATION  
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**Management’s Discussion and Analysis**

The intent of providing management’s discussion and analysis is to provide readers with a comprehensive overview of the NYC Neighborhood Capital Corporation’s (“NYCNCC”) financial condition as of June 30, 2015 and the result of its operations for the year then ended. Management has prepared the financial statements and related footnote disclosures in accordance with accounting principles generally accepted in the United States of America. This management’s discussion and analysis should be used in conjunction with the audited financial statements and related footnotes of NYCNCC.

**Background**

NYCNCC, a component unit of The City of New York (“the City”), is a New York not-for-profit corporation that was established in July 2014. NYCNCC was formed for the purpose of serving as a qualified community development entity in federal new markets tax credit transactions. NYCNCC’s mission is to serve, and to provide investment capital to, low-income persons and low-income communities within the City, thereby assisting in executing the community and economic development and job creation objectives of the City.

**Financial Condition**

The fiscal year ended June 30, 2015 is the first year of NYCNCC’s operation. The following table summarizes NYCNCC’s financial position as of June 30, 2015:

	June 30, 2015
Current assets	\$ 79,420
Current liabilities	<u>4,500</u>
Total unrestricted net position	<u>\$ 74,920</u>

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**Management's Discussion and Analysis**

**Operating Activities**

Until NYCNCC receives federal new markets tax credit allocation authority from the Community Development Financial Institutions Fund of the U.S. Department of the Treasury ("CDFI Fund"), NYCNCC's operations will primarily be limited to applying for such authority. CDFI Fund awards federal new markets tax credit allocation authority to successful applicants on an annual basis based upon a competitive and vigorous application process.

The following table summarizes NYCNCC's operating activities for the fiscal year ended June 30, 2015:

	<u>June 30, 2015</u>
Operating revenues	\$ 125,000
Operating expenses	<u>50,102</u>
Operating income	74,898
Non-operating income	<u>22</u>
Change in net position	<u>\$ 74,920</u>

Operating revenues consist of a \$125,000 contribution made by Build NYC Resource Corporation, a not-for-profit local development corporation that is controlled by the City.

Operating expenses consist of start-up-costs, comprised mostly of consulting fees paid to United Fund Advisors, LLC, a financial services company that provides consulting services to new markets tax credit transaction participants, for services related to applying to CDFI Fund for federal new markets tax credit allocation authority.

NYC NEIGHBORHOOD CAPITAL CORPORATION  
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STATEMENT OF NET POSITION  
AS OF JUNE 30, 2015

ASSETS	<u>Amount</u>
Current assets	
Cash and cash equivalents (Note 3)	\$ <u>79,420</u>
Total Assets	\$ <u><u>79,420</u></u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ <u>4,500</u>
Total Liabilities	<u>4,500</u>
NET POSITION	
Unrestricted (Note 7)	<u>74,920</u>
Total Net Position	<u><u>74,920</u></u>
Total Liabilities and Net Position	\$ <u><u>79,420</u></u>

See Notes to Financial Statements

NYC NEIGHBORHOOD CAPITAL CORPORATION  
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STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Amount</u>
Operating revenue	
Contribution from Build NYC Resource Corporation	\$ <u>125,000</u>
Total operating revenue	125,000
Operating expenses	
Consulting fees	45,000
Other expenses	<u>5,102</u>
Total operating expenses	<u>50,102</u>
Operating income	74,898
Non-operating revenues (expenses)	
Interest income	<u>22</u>
Non-operating revenue	<u>22</u>
Change in net position	74,920
Net position, beginning of the year	<u>-</u>
Unrestricted net position, end of the year	<u>\$ 74,920</u>

See Notes to Financial Statements



NYC NEIGHBORHOOD CAPITAL CORPORATION  
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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Amount</u>
Cash flows from operating activities:	
Contribution received from Build NYC Resource Corporation	\$ 125,000
Consultant expense paid	(45,000)
Miscellaneous expenses paid	(602)
Net cash provided by operating activities	79,398
Cash flows from investing activities	
Interest income	22
Net cash provided by investing activities	22
Net increase in cash and cash equivalents	79,420
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	\$ 79,420
Reconciliation of net operating income to net cash provided by operating activities:	
Operating income	\$ 74,898
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Increase in accounts payable and accrued expenses	4,500
Net cash provided by operating activities	\$ 79,398

See Notes to Financial Statements

NYC NEIGHBORHOOD CAPITAL CORPORATION  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

1. Organization and Nature of Business

The NYC Neighborhood Capital Corporation (“NYCNCC”) is a not-for-profit corporation incorporated in July 2014 under Section 402 of the Not-for-Profit Corporation Law of the State of New York for the following purposes: a) to make qualified low income community investments in the service area of the City of New York (“the City”), b) to operate as a qualified Community Development Entity (“CDE”) under the federal new markets tax credit program, c) to form and manage subsidiary limited liability companies which are certified as CDE’s to receive equity contributions which will be utilized primarily to make qualified low-income community investments and d) to engage in all activities consistent with the business of NYCNCC.

NYCNCC qualifies to meet the criteria established by the Governmental Accounting Standards Board (“GASB”) Statement No. 14 (“GASB No.14”) and is classified as a component unit (“CU”) of the City. CU’s are separate entities, which are incorporated into the City’s financial statements for reporting purposes.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared using the economic resource measurement focus and accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by Governmental Accounting Standards Board (“GASB”), Financial Accounting Standards Board (“FASB”) Statements and Interpretations and Accounting Principles Board Opinions, unless those pronouncements conflict with or contradict GASB pronouncements.

Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. NYCNCC has determined that it functions as an enterprise fund as defined by GASB. The significant GASB standards followed by NYCNCC are described as follows:

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

2. Summary of Significant Accounting Policies (Continued)

GASB Statement No. 34, Financial Statements and Management's Discussion and Analysis for State and Local Governments ("GASB No. 34"): This statement establishes relevant financial reporting requirements. It defines management's discussion and analysis, basic financial statements and required supplementary information ("RSI").

GASB Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus ("GASB No. 37"). This statement is implemented simultaneously with GASB No. 34.

GASB Statement No. 38, Certain Financial Statement Note Disclosures ("GASB No. 38"): This statement is implemented simultaneously with GASB No. 34.

NYCNCC's policy for operating activities in the statement of revenues, expenses and changes in net position are those that generally result from exchange transactions such as contribution and fees. Certain other transactions are reported as non-operating activities in accordance with GASB Statement No. 35. These non-operating activities include interest income.

3. Cash and Cash Equivalents

At year end, NYCNCC's bank balance was \$79,420, deposited in JP Morgan Chase Bank, which was fully covered by the Federal Depository Insurance Corporation ("FDIC"). FDIC provides deposit insurance up to \$250,000.

4. Lease Commitments

NYCNCC occupies office space located at 110 William Street, New York, NY 10038, which is leased by the New York City Economic Development Corporation ("NYCEDC"). No in-kind values have been recognized in the financial statements.

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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

5. Related Party Transaction

There are no related party transactions between NYCEDC and NYCNCC during this fiscal year. NYCNCC received administrative, financial, legal, and other services from NYCEDC free of charge with no in-kind value recognized in the financial statements.

6. Subsequent Events Evaluation by Management

Management evaluates events occurring after the date of the financial statements to consider whether or not the impact of such events needs to be reflected in the financial statements. Such evaluation is performed through the date the financial statements were available to be issued, which was September 29, 2015 for these financial statements.

7. Unrestricted Net Position

GASB No. 34 requires that resources be classified for accounting purposes into the following net position categories: (a) Invested in capital assets, (b) Restricted Non-expendable, (c) Restricted Expendable and (d) Unrestricted. NYCNCC's net position is classified as unrestricted.

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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

Independent Auditor's Report

Board of Directors of  
NYC Neighborhood Capital Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of NYC Neighborhood Capital Corporation, a component unit of The City of New York, which comprise the statement of net position as of June 30, 2015 and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYC Neighborhood Capital Corporation'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 NYC Neighborhood Capital Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of NYC Neighborhood Capital Corporation'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYC Neighborhood Capital Corporation's financial statements are free of material misstatements, 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 statements amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

#### Purpose of this Report

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



Ballo & Co.

New York, NY  
September 24, 2015