

**Positively Third Street  
Housing Development Fund Co., Inc.  
HUD Project No. 012-EE287**

Financial Statements and  
Supplementary Information

June 30, 2017 and 2016



**BAKER TILLY**

Candor. Insight. Results.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Table of Contents  
June 30, 2017 and 2016

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	6
Statements of Cash Flows	8
Notes to Financial Statements	10
<b>Supplementary Information</b>	
Supplementary Data Required by HUD	17
Schedule of Expenditures of Federal Awards	24
Notes to Schedule of Expenditures of Federal Awards	25
<b>Internal Control and Compliance Reports</b>	
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 <i>Government Auditing Standards</i>	26
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	28
Schedule of Findings and Questioned Costs	30
Summary Schedule of Prior Year's Audit Findings	32
<b>Mortgagor's Certification</b>	33
<b>Management Agent's Certification</b>	34

## **Independent Auditors' Report**

Board of Trustees  
Positively Third Street Housing Development Fund Co., Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Positively Third Street Housing Development Fund Co., Inc. (the "Corporation"), HUD Project No. 012-EE278, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities 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 the June 30, 2017 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 the Corporation as of June 30, 2017, and the changes in its net deficit and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Adjustment to Prior Period Financial Statements**

The financial statements of the Corporation as of and for the year ended June 30, 2016, were audited by other auditors whose opinion dated September 23, 2016, expressed an unmodified opinion on those financial statements. As discussed in Note 2, the Corporation has restated its 2016 financial statements during the current year to record the fair market value of land that was incorrectly recorded since inception, in accordance with accounting principles generally accepted in the United States of America. The other auditors reported on the 2016 financial statements before the restatement.

As part of our audit of the 2017 financial statements, we also audited an adjustment, discussed in Note 2, which was applied to restate the 2016 financial statements. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 financial statements of the Corporation other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the 2016 financial statements as a whole.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the 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 respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information required by HUD included in the report (shown on pages 17 to 23) is presented for purposes of additional analysis and is not a required part of the financial statements. The aforementioned information has been prepared in the prescribed format and following the instructions of the United States Department of Housing and Urban Development. 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 respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2017, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 25, 2017

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Statements of Financial Position

June 30, 2017 and 2016

		<u>2017</u>	<u>Restated 2016</u>
<b>Assets</b>			
<b>Current Assets</b>			
1120	Cash, operations	\$ 32,460	\$ 66,105
1130	Tenant accounts receivable	918	1,476
1200	Prepaid expenses	10,443	38,054
1100T	Total current assets	<u>43,821</u>	<u>105,635</u>
<b>Deposits Held in Trust, Funded</b>			
1191	Tenant deposits	<u>12,064</u>	<u>12,064</u>
<b>Restricted Deposits and Funded Reserves</b>			
1320	Reserve for replacements	311,279	284,165
1340	Residual receipts reserve	<u>28</u>	<u>74,978</u>
1300T	Total restricted deposits and funded reserves	<u>311,307</u>	<u>359,143</u>
<b>Fixed Assets</b>			
1410	Land	2,200,000	2,200,000
1420	Buildings	8,732,615	8,732,615
1440	Building equipment, portable	38,987	35,765
1450	Furniture for project/tenant use	<u>42,659</u>	<u>42,659</u>
1400T	Total fixed assets	11,014,261	11,011,039
1495	Less accumulated depreciation	<u>(2,364,398)</u>	<u>(2,139,870)</u>
1400N	Net fixed assets	<u>8,649,863</u>	<u>8,871,169</u>
<b>Other Assets</b>			
1520	Miscellaneous other assets	<u>7,635</u>	<u>7,635</u>
1500T	Total other assets	<u>7,635</u>	<u>7,635</u>
1000T	Total assets	<u>\$ 9,024,690</u>	<u>\$ 9,355,646</u>

See notes to financial statements

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Statements of Financial Position

June 30, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>	
<b>Liabilities and Net Assets</b>			
<b>Current Liabilities</b>			
2110	Accounts payable, operations	\$ 148,915	\$ 52,717
2120	Accrued wages payable	5,631	4,316
2121	Accrued payroll taxes payable	431	330
2123	Accrued management fee payable	5,071	5,064
2210	Prepaid revenue	1,807	1,565
2122T	Total current liabilities	<u>161,855</u>	<u>63,992</u>
<b>Deposits Liabilities</b>			
2191	Tenant deposits held in trust (contra)	<u>12,064</u>	<u>12,064</u>
<b>Long-Term Liabilities</b>			
2320	Mortgage payable, first mortgage	<u>8,186,700</u>	<u>8,186,700</u>
2300T	Total long-term liabilities	<u>8,186,700</u>	<u>8,186,700</u>
2000T	Total liabilities	<u>8,360,619</u>	<u>8,262,756</u>
<b>Contingencies</b>			
<b>Net Assets</b>			
3131	Unrestricted net assets	<u>664,071</u>	<u>1,092,890</u>
3130	Total net assets	<u>664,071</u>	<u>1,092,890</u>
2033T	Total liabilities and net assets	<u>\$ 9,024,690</u>	<u>\$ 9,355,646</u>

See notes to financial statements

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Statements of Activities

Years Ended June 30, 2017 and 2016

		<u>2017</u>	<u>Restated 2016</u>
<b>Revenues</b>			
<b>Rental Revenue</b>			
5120	Rent revenue, gross potential	\$ 167,849	\$ 165,078
5121	Tenant assistance payments	483,269	487,750
5100T	Total rental revenue	<u>651,118</u>	<u>652,828</u>
<b>Vacancies</b>			
5220	Apartments	-	(992)
5200T	Total vacancies	-	(992)
5152N	Net rental revenue	<u>651,118</u>	<u>651,836</u>
<b>Financial Revenue</b>			
5430	Revenue from investments - residual receipts	110	109
5440	Revenue from investments - replacement reserve	461	400
5400T	Total financial revenue	<u>571</u>	<u>509</u>
<b>Other Revenue</b>			
5990	Miscellaneous revenue	129	260
5900T	Total other revenue	<u>129</u>	<u>260</u>
5000T	Total revenue	<u>651,818</u>	<u>652,605</u>
<b>Expenses</b>			
<b>Administrative Expenses</b>			
6204	Management consultants	-	4,000
6311	Office expenses	16,600	18,807
6320	Management fee	42,452	42,426
6330	Manager or superintendent salaries	41,913	42,462
6331	Administrative rent-free unit	19,248	18,312
6340	Legal expense - project	-	2,200
6350	Auditing expense	12,000	13,490
6351	Bookkeeping fees/accounting services	15,415	19,454
6370	Bad debts	-	56
6390	Miscellaneous administrative expenses	3,106	3,324
6263T	Total administrative expenses	<u>150,734</u>	<u>164,531</u>
<b>Utilities Expenses</b>			
6450	Electricity	24,217	26,196
6451	Water	14,835	16,211
6452	Gas	38,299	40,875
6453	Sewer	23,588	25,775
6400T	Total utilities expenses	<u>100,939</u>	<u>109,057</u>

See notes to financial statements

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Statements of Activities

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
<b>Operating and Maintenance Expenses</b>		
6515	\$ 4,302	\$ 16,581
6520	56,947	62,679
6530	123,190	121,800
6546	6,828	6,492
6500T	<u>191,267</u>	<u>207,552</u>
<b>Taxes and insurance</b>		
6710	358,333	54,655
6711	3,268	3,371
6720	33,259	36,228
6722	3,718	2,619
6723	12,058	11,347
6790	2,533	25
6700T	<u>413,169</u>	<u>108,245</u>
6900T	<u>856,109</u>	<u>589,385</u>
5060T	<u>(204,291)</u>	<u>63,220</u>
<b>Depreciation</b>		
6600	224,528	226,427
	<u>224,528</u>	<u>226,427</u>
	<u>1,080,637</u>	<u>815,812</u>
3250	(428,819)	(163,207)
<b>Net Assets, Beginning of Year</b>	<u>1,092,890</u>	<u>1,256,097</u>
<b>Net Assets, End of Year</b>	<u>\$ 664,071</u>	<u>\$ 1,092,890</u>

See notes to financial statements

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
S1200-010 Rental receipts	\$ 631,678	\$ 632,132
S1200-020 Interest receipts	571	509
S1200-030 Other operating receipts	<u>129</u>	<u>260</u>
S1200-040 Total receipts	<u>632,378</u>	<u>632,901</u>
S1200-050 Administrative expenses paid	(18,463)	(57,810)
S1200-070 Management fees paid	(42,445)	(38,610)
S1200-090 Utilities paid	(107,240)	(105,942)
S1200-100 Salaries and wages paid	(163,788)	(161,083)
S1200-110 Operating and maintenance paid	(13,832)	(73,992)
S1200-120 Real estate taxes paid	(310,023)	(54,655)
S1200-140 Property insurance paid	(33,259)	(36,228)
S1200-150 Miscellaneous taxes and insurance paid	(2,543)	220
S1200-170 Other operating expenses paid	<u>(19,044)</u>	<u>(38,819)</u>
S1200-230 Total disbursements	<u>(710,637)</u>	<u>(566,919)</u>
S1200-240 Net cash (used in) provided by operating activities	<u>(78,259)</u>	<u>65,982</u>
<b>Cash Flows from Investing Activities</b>		
S1200-250 Net deposits to reserve for replacements	(27,114)	(23,865)
S1200-260 Net withdrawal from (deposits to) residual receipts reserve	74,950	(109)
S1200-330 Net purchases of fixed assets	<u>(3,222)</u>	<u>(10,846)</u>
S1200-350 Net cash provided by (used in) investing activities	<u>44,614</u>	<u>(34,820)</u>
S1200-470 Net (decrease) increase in cash	(33,645)	31,162
S1200-480 <b>Cash, Beginning of Year</b>	<u>66,105</u>	<u>34,943</u>
S1200T <b>Cash, End of Year</b>	<u>\$ 32,460</u>	<u>\$ 66,105</u>

See notes to financial statements

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Statements of Cash Flows

Years Ended June 30, 2017 and 2016

		<u>2017</u>	<u>2016</u>
<b>Reconciliation of Change in Net Assets to Net Cash (Used in)</b>			
<b>Provided by Operating Activities</b>			
3250	Change in net assets	\$ (428,819)	\$ (163,207)
	Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
6600	Depreciation	224,528	226,427
	Changes in asset and liability accounts:		
	(Increase) decrease in assets:		
S1200-490	Tenant accounts receivable	558	(988)
S1200-520	Prepaid expenses	27,611	(3,041)
S1200-530	Tenant security deposits funded	-	(45)
	Increase (decrease) in liabilities:		
S1200-540	Accounts payable	96,198	(101)
S1200-560	Accrued liabilities	1,423	7,240
S1200-580	Tenant security deposits held in trust	-	45
S1200-590	Prepaid revenue	242	(348)
	Total adjustments	<u>350,560</u>	<u>229,189</u>
S1200-610	Net cash (used in) provided by operating activities	<u>\$ (78,259)</u>	<u>\$ 65,982</u>

See notes to financial statements

# **Positively Third Street Housing Development Fund Co., Inc.**

## **HUD Project No. 012-EE287**

---

Notes to Financial Statements  
June 30, 2017 and 2016

### **1. Description of the Organization**

Positively Third Street Housing Development Fund Co., Inc. (the "Corporation") was organized in 2002 as a nonprofit corporation for the purpose of developing and operating a housing project, under Section 202 of the National Housing Act, for aged persons of low income and to promote the welfare of the elderly and handicapped. Such projects are regulated by the U.S. Department of Housing and Urban Development ("HUD") as to rent charges and operating methods. The project consists of 53 units located in New York, New York and is currently operating under the name of Harry and Jeannette Weinberg Residence (the "Project"). The Corporation receives a significant portion of its revenue from government subsidy payments.

The Corporation is wholly controlled by the JASA Corporation, its sole member. JASA Corporation also wholly controls the Jewish Association for Services for the Aged ("JASA"), JASA Housing Management Services for the Aged, Inc. ("JHM") and seven other housing entities in its capacity as their sole member. The Corporation is related to JASA, JHM and the seven other housing entities by virtue of this control.

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

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting. In addition, the Corporation presents its financial statements in accordance with the accounting principles generally accepted in the United States of America for nonprofit entities. Under this guidance, the Corporation 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. Furthermore, information is required to segregate program service expenses from management and general expenses.

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.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Notes to Financial Statements  
June 30, 2017 and 2016

**Correction of an error in previously issued financial statements**

The Corporation's financial statements as of and for the year ended June 30, 2016 have been restated to correct an error related to the opening unrestricted net assets balance relative to an amount recorded as land that was not recorded at fair market value.

The following table summarizes the corrections to unrestricted net assets and land.

	<u>Previously Reported</u>	<u>Correction</u>	<u>As Restated</u>
Unrestricted Net Assets at July 1, 2015	<u>\$ (943,900)</u>	<u>\$ 2,199,997</u>	<u>\$ 1,256,097</u>
Unrestricted Net Assets at June 30, 2016	<u>\$ (1,107,107)</u>	<u>\$ 2,199,997</u>	<u>\$ 1,092,890</u>
Land at July 1, 2015	<u>\$ 3</u>	<u>\$ 2,199,997</u>	<u>\$ 2,200,000</u>
Land at June 30, 2016	<u>\$ 3</u>	<u>\$ 2,199,997</u>	<u>\$ 2,200,000</u>

**Use of Estimates**

The preparation of 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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

For the purposes of the statements of cash flows, the Corporation considers all highly liquid investments with an original maturity of three months or less on the date of purchase to be cash equivalents.

**Accounts Receivable and Allowance for Doubtful Accounts**

Tenant accounts receivables are reported 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. As of June 30, 2017 and 2016, management believes all tenant accounts receivable are collectible.

**Fixed Assets and Depreciation**

Fixed assets are carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives by use of the straight-line method. It is the Corporation's policy to capitalize items of \$5,000 or greater and items purchased with replacement reserves that have a useful life that is greater than one year. Useful lives range from 10 to 40 years.

# Positively Third Street Housing Development Fund Co., Inc.

## HUD Project No. 012-EE287

---

Notes to Financial Statements  
June 30, 2017 and 2016

### Impairment of Long-Lived Assets

The Corporation reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended June 30, 2017 or 2016.

### Income Taxes

The Corporation has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the years ended June 30, 2017 or 2016. Due to its tax-exempt status, the Corporation is not subject to income taxes. The Corporation is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure.

### Revenue

#### Rental Income

The Corporation's revenue is derived principally from the renting of apartments to eligible, very low income individuals. Tenant rental fees are supplemented by tenant assistance payments from HUD.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Corporation and the tenants of the property are operating leases.

### Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-15, *Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*. The core principle of ASU 2014-15 is intended to define management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 defines the term substantial doubt and requires an assessment for a period of one year after the date the financial statements are issued (or available to be issued). ASU 2014-15 is effective for fiscal years ending after December 15, 2016. The adoption of ASU 2014-15 did not have a material impact on the Corporation's financial statements.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Notes to Financial Statements  
June 30, 2017 and 2016

**Reclassifications**

Certain 2016 amounts have been reclassified to conform with the 2017 presentation.

**Subsequent Events**

Subsequent events have been evaluated through September 25, 2017, which is the date the financial statements were available to be issued.

**3. Mortgage Payable**

On June 1, 2004, the Corporation obtained a capital improvement loan (the "Note") from HUD in the amount of \$8,186,700, with a maturity date of October 1, 2095. The loan requires no interest and no repayment provided that the apartments remain available for very low-income elderly persons or very low-income persons with disabilities in accordance with Section 202 of the Housing Act. The loan may not be prepaid prior to the maturity date without prior written approval by HUD. Provided that the housing has remained for use as stated above until the maturity date, the loan shall be deemed to be paid and discharged. If the Corporation defaults on the Note under its terms, at the option of HUD, the entire principal balance may at once become due and payable without advance notice, with interest accrued to the default date at 5.375% per annum. The mortgage is collateralized by the Corporation's fixed assets.

**4. Funded Reserves**

**Reserve for Replacements**

The Corporation is required by HUD to fund a replacement reserve, to be used for the replacement of property and equipment. The use of the funds requires prior approval from HUD. Required monthly deposits are \$2,908. As of June 30, 2017 and 2016, the balance in the reserve for replacements was \$311,279 and \$284,165, respectively. For the years ended June 30, 2017 and 2016, HUD approved replacement withdrawals were \$8,248 and \$11,436, respectively.

**Residual Receipts Reserve**

Deposits are made into the reserve when the Corporation has surplus cash at the end of the fiscal year. The use of these funds requires prior approval from HUD. As of June 30, 2017 and 2016, the balance in the residual receipts reserve was \$28 and \$74,978, respectively. For the years ended June 30, 2017 and 2016, HUD approved withdrawals were \$77,173 and \$-0-, respectively.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Notes to Financial Statements  
June 30, 2017 and 2016

**5. Related Party Transactions**

**JASA**

The Corporation is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and workmen's compensation. Property and liability insurance expenses for the years ended June 30, 2017 and 2016 were \$33,259 and \$36,228, respectively. Workmen's compensation, health insurance and other employee benefits for the years ended June 30, 2017 and 2016 were \$12,698 and \$11,021, respectively.

JASA is a participant in a multi-employer, defined-benefit retirement plan sponsored by the UJA-Federation. The Corporation does not make any direct contributions into the plan on behalf of its employees, instead, contributions to the plan were made by JASA for its employees and the Corporation's employees. For the years ended June 30, 2017 and 2016, the Corporation reimbursed JASA for pension costs in the amount of \$3,180 and \$3,108, respectively.

As of June 30, 2017 and 2016, \$3,574 and \$4,192, respectively, remain due to JASA and are included in accounts payable - operations on the statements of financial position.

**JHM**

The rental property is managed by JHM pursuant to a management agreement approved by HUD. The management agreement provides for a management fee of 6.71% of rental receipts. Management fees earned for the years ended June 30, 2017 and 2016 were \$42,452 and \$42,426, respectively.

The Corporation pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. These expenses for the years ended June 30, 2017 and 2016 were \$12,084 and \$13,092, respectively.

As of June 30, 2017 and 2016, \$5,071 and \$5,064, respectively, remain due to JHM and are included in accrued management fee payable on the statements of financial position.

**6. Project Rental Assistance Contract Agreement**

HUD has contracted with the Corporation under section 202 of the Housing and Community Development Act to make housing assistance payments to the Corporation on behalf of qualified tenants for 53 units. The agreement expires October 21, 2026. For the years ended June 30, 2017 and 2016, rental assistance payments of \$483,269 and \$487,750, respectively, were earned under terms of the agreement.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Notes to Financial Statements  
June 30, 2017 and 2016

**7. Concentrations of Credit Risk**

The Corporation maintains its cash balances in several accounts in one bank. The cash balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of June 30, 2017.

**8. Current Vulnerability Due to Certain Concentrations**

The Corporation's principal asset is a 53-unit apartment project comprised of one building. The Corporation's operations are concentrated in the multifamily real estate market. In addition, the Corporation operates in a heavily regulated environment. The operations of the Corporation are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

**9. Commitments and Contingencies**

The Corporation has entered into a housing assistance payments contract under the revised regulations of 24 Code of Federal Regulations ("CFR"). As such, upon termination of the contract, whether initiated by the Corporation opting out of the contract or by HUD, any unused balances in the reserve for replacements and residual receipts reserve must be remitted to HUD.

Pursuant to the Corporation's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Corporation with regard to transactions relating to these contracts. The accompanying financial statements contain no provision for possible disallowances resulting from such reviews. Although such possible disallowances could be substantial, in the opinion of management, actual disallowances resulting from such reviews, if any, would be immaterial.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Notes to Financial Statements  
June 30, 2017 and 2016

**10. Functional Expenses**

The costs of providing various programs and other activities for the years ended June 30, 2017 and 2016 are summarized on a functional basis as follows:

	<u>2017</u>	<u>2016</u>
Program services, HUD-assisted elderly housing project	\$ 991,064	\$ 714,311
Management and general	<u>89,573</u>	<u>101,501</u>
Total	<u>\$ 1,080,637</u>	<u>\$ 815,812</u>

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Supplementary Data Required by HUD  
Statement of Activities Data  
Year Ended June 30, 2017

S1000-010	Total first mortgage (or bond) principal payments required during the audit period (12 monthly payments). Applies to all direct loans and HUD-held and fully-insured first mortgages.	<u>\$ -</u>
S1000-020	Total of 12 monthly deposits in the audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced.	<u>\$ 34,901</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statements of activities.	<u>\$ 77,173</u>
S1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statements of activities.	<u>\$ -</u>

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Supplementary Data Required by HUD

Reserve Accounts Data

Year Ended June 30, 2017

**Reserve for Replacements**

1320P	Balance, beginning of year	\$	284,165
1320DT	Total monthly deposits		34,901
1320INT	Interest income		461
1320WT	Approved withdrawals		<u>(8,248)</u>
1320	Balance, end of year	\$	<u>311,279</u>

**Residual Receipts Reserve**

1340P	Balance, beginning of year	\$	74,978
1340ODT	Other Deposits		
	Deposit, surplus cash		2,113
1340INT	Interest income		110
1340WT	Approved withdrawals		<u>(77,173)</u>
1340	Balance, end of year	\$	<u>28</u>

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Supplementary Data Required by HUD

Surplus Cash Data

Year Ended June 30, 2017

**Surplus Cash, Distributions and Residual Receipts**

S1300-010	Cash	\$	44,524
1135	Accounts receivable, HUD		-
			<hr/>
S1300-040	Total cash		44,524
			<hr/>
S1300-050	Accrued mortgage interest payable		-
S1300-060	Delinquent mortgage principal payments		-
S1300-070	Delinquent deposits to reserve for replacements		-
S1300-075	Accounts payable (due within 30 days)		148,915
S1300-080	Loans and notes payable (due within 30 days)		-
S1300-090	Deficient tax, insurance or MIP escrow deposits		-
S1300-100	Accrued expenses (not escrowed)		11,133
2210	Prepaid revenue		1,807
2191	Tenant deposits held in trust		12,064
			<hr/>
S1300-140	Total current obligations		173,919
			<hr/>
S1300-150	Surplus cash (deficiency)	\$	(129,395)
			<hr/>
S1300-210	Deposit due residual receipts reserve	\$	-
			<hr/>

*See independent auditors' report*

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Supplementary Data Required by HUD  
 Fixed Asset Data  
 Year Ended June 30, 2017

		<b>Assets</b>			
		<u>Balance</u>			<u>Balance</u>
		<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
1410	<b>Land</b>	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
1420	<b>Buildings</b>	8,732,615	-	-	8,732,615
1440	<b>Building Equipment, Portable</b>	35,765	3,222	-	38,987
1450	<b>Furniture for Project/Tenant use</b>	42,659	-	-	42,659
1400T	Total fixed assets	<u>\$ 11,011,039</u>	<u>\$ 3,222</u>	<u>\$ -</u>	<u>\$ 11,014,261</u>
1495	Total accumulated depreciation	<u>\$ 2,139,870</u>	<u>\$ 224,528</u>	<u>\$ -</u>	<u>\$ 2,364,398</u>
1400N	Total net book value	<u>\$ 8,871,169</u>			<u>\$ 8,649,863</u>
		<u>Amount</u>			
1440AT	<b>Additions for 1440 Details</b>				
	Refrigerators	\$ 900			
	Stoves	1,152			
	Air conditioning units	1,170			
	Total	<u>\$ 3,222</u>			

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Supplementary Data Required by HUD  
Statement of Financial Position Data  
June 30, 2017

**Statement of Financial Position, Detail**

2190	Miscellaneous other assets	
	Utility deposits	<u>\$ 7,635</u>

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Supplementary Data Required by HUD

Statement of Activities Data

Year Ended June 30, 2017

**Statement of Activities, Detail**

5990-010	Description, miscellaneous other revenue		
	Vendor credit	\$	70
	Security deposit admin fee		<u>59</u>
5990-020	Total	\$	<u><u>129</u></u>

*See independent auditors' report*

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Supplementary Data Required by HUD

Other Information

Year Ended June 30, 2017

**Related Party Transaction Detail**

S1300-210	JHM (management fee)	\$	42,452
S1300-210	JHM (bookkeeping/accounting)		<u>12,084</u>
	Total	\$	<u><u>54,536</u></u>

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
<b>U.S. Department of Housing and Urban Development</b>			
Supportive Housing for the Elderly Section 202 Direct Loan	14.157	N/A	\$ 8,186,700
Supportive Housing for the Elderly Section 202 Project Rental Assistance Contract	14.157	N/A	<u>483,269</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>8,669,969</u>
Total expenditures of federal awards			<u>\$ 8,669,969</u>

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Notes to Schedule of Expenditures of Federal Awards  
June 30, 2017 and 2016

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Positively Third Street Housing Development Fund Co., Inc. (the "Corporation"), HUD Project No. 012-EE287, under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Corporation. The Corporation did not provide any funding to subrecipients during the year ended June 30, 2017.

**2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance.

**3. Indirect Cost Rate**

The Corporation has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**4. U.S. Department of Housing and Urban Development Loan Program**

The Corporation has received a U.S. Department of Housing and Urban Development direct loan under Section 202 of the National Housing Act. The loan balance outstanding at the beginning of the year is included in the federal expenditures presented in the Schedule. The Corporation received no additional loans during the year. The balance of the loan outstanding at June 30, 2017 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance at June 30, 2017</u>
14.157	Supportive Housing for the Elderly (Section 202 Direct Loan)	\$ 8,186,700

**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 Trustees  
Positively Third Street Housing Development Fund Co., Inc.

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 Positively Third Street Housing Development Fund Co., Inc. (the "Corporation"), HUD Project No. 012-EE287, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 25, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may 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. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

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

## **The Corporation's Response to Finding**

The Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Corporation'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 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.

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 25, 2017

**Independent Auditors' Report on Compliance  
for Each Major Federal Program  
and on Internal Control Over Compliance  
Required by the Uniform Guidance**

Board of Trustees  
Positively Third Street Housing Development Fund Co., Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Positively Third Street Housing Development Fund Co., Inc.'s (the "Corporation"), HUD Project No. 012-EE287, compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Corporation's major federal program for the year ended June 30, 2017. The Corporation's major federal program is 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 federal statutes, regulations, and the terms and conditions of federal awards applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the Corporation'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation'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 its major federal program. However, our audit does not provide a legal determination of the Corporation's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Corporation 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 program for the year ended June 30, 2017.

## Internal Control Over Compliance

Management of the Corporation 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 Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over compliance.

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

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

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

*Baker Tilly Virchow Krause, LLP*

New York, New York  
September 25, 2017

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Schedule of Findings and Questioned Costs  
 June 30, 2017

**Section I - Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?          Yes   X   No
- Significant deficiency(ies) identified?   X   Yes          None reported

Noncompliance material to financial statements noted?          Yes   X   No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?          Yes   X   No
- Significant deficiency(ies) identified?          Yes   X   None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?          Yes   X   No

Identification of major federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.157	U.S. Department of Housing and Urban Development, Supportive Housing for the Elderly

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

Auditee qualified as low-risk auditee?          Yes   X   No

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Schedule of Findings and Questioned Costs  
June 30, 2017

**Section II - Financial Statement Findings**

**2017-001 - Significant Deficiency in Internal Control**

**Criteria:** Donated land should be valued at fair market value at the time of donation.

**Condition:** During our audit of the Corporation's financial statements, we noted that land for the Corporation was recorded at its purchase price of \$3. Upon our examination of supporting documentation and inquiry of the derivation of such balance, we further noted that the parcel of land was purchased at a significantly lower value than the then fair market value of \$2,200,000. As a result, an adjustment was required to increase opening net assets and land value to reflect the then fair market value.

**Effect:** Opening net assets and land value were increased by \$2,199,997.

**Cause:** Management originally believed they had appropriately accounted for the transaction in prior periods and did not contemplate the fair value of land at the time of the transaction.

**Recommendation:** We recommend that management analyze any potential future in-kind contributions to ensure that values are appropriately recorded at fair value.

**Views of responsible officials and planned corrective actions:** Management will review future in kind contributions and ensure that the values are appropriately recorded.

**Section III - Federal Award Findings and Questioned Costs**

None.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Summary Schedule of Prior Year's Audit Findings  
June 30, 2017

**Section IV - Summary Schedule of Prior Year's Audit Findings**

**Finding 2016-001 - Federal Award Findings and Questioned Costs**

**Condition:** During the procedures applied to a sample of 6 tenant lease files, the following findings were noted:

- 1 of 6 tenant files tested did not have documentation in their files that the Enterprise Income Verification ("EIV") system was used to verify income as required by HUD Handbook 4350.3.
- The security deposit on the lease for 1 of the 6 tenants tested did not agree to the rent roll or the amount collected.
- 1 of the 6 tenants moved in during the audit period. There was no evidence of a move-in inspection in their lease file.
- 3 of 6 tenants had incomplete HUD Form 50059s, which were signed by the tenants but not by the owner.

**Current Status:** Housing Managers are now using a detailed checklist at move-in, recertification, and move-out to ensure all items are properly executed. The checklist includes but is not limited to tracking management review of signed 50059 forms, the accuracy of the security deposit properly reported in tenant documentation and the tenant accounting system, review of the EIV Income report and follow-up, and completion of unit inspection. When management completes a correction to a full certification, the tenant file is properly noted of the cause of the correction. The Housing Compliance Manager performs a monthly review of tenant files to ensure onsite staff is in compliance with HUD policies and procedures.

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Mortgagor's Certification  
June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplementary data of Positively Third Street Housing Development Fund Co., Inc., HUD Project No. 012-EE287 and, to the best of our knowledge and belief, the same are accurate and complete.

  
\_\_\_\_\_  
Signature of Chief Administrative Officer

Heidi Aronin  
\_\_\_\_\_  
Name of Chief Administrative Officer

DATE: September 25, 2017

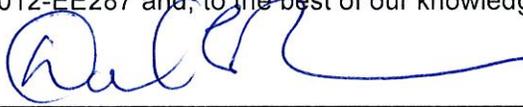
Employer Identification No: 30-0054211

**Positively Third Street Housing Development Fund Co., Inc.**  
**HUD Project No. 012-EE287**

---

Management Agent's Certification  
June 30, 2017

We hereby certify that we have examined the accompanying financial statements and supplementary data of Positively Third Street Housing Development Fund Co., Inc., HUD Project No. 012-EE287 and, to the best of our knowledge and belief, the same are accurate and complete.



---

Signature of Director of Housing

Donald Manning

Name of Director of Housing

DATE: September 25, 2017

JASA Housing Management Services for the Aged, Inc.  
Management Agent's Name

Employer Identification No: 13-3078676