

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

Financial Statements and
Supplementary Information

June 30, 2018 and 2017



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

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June 30, 2018 and 2017

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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-EE287, which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities and cash flows for the years 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 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits 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 auditors' 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, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Supplementary Information

Our audits were 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* (Uniform Guidance) 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 audits were 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 14 to 20) 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 28, 2018, 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 solely 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 the effectiveness of the Corporation's 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 28, 2018

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

Statements of Financial Position
June 30, 2018 and 2017

		<u>2018</u>	<u>2017</u>
Assets			
Current Assets			
1120	Cash, operations	\$ 86,298	\$ 32,460
1130	Tenant accounts receivable	1,828	918
1200	Prepaid expenses	<u>53,662</u>	<u>10,443</u>
1100T	Total current assets	<u>141,788</u>	<u>43,821</u>
Deposits Held in Trust, Funded			
1191	Tenant deposits	<u>12,064</u>	<u>12,064</u>
Restricted Deposits and Funded Reserves			
1320	Reserve for replacements	340,969	311,279
1340	Residual receipts reserve	<u>28</u>	<u>28</u>
1300T	Total restricted deposits and funded reserves	<u>340,997</u>	<u>311,307</u>
Fixed Assets			
1410	Land and improvements	2,200,000	2,200,000
1420	Buildings	8,732,615	8,732,615
1440	Building equipment, portable	38,987	38,987
1450	Furniture for project/tenant use	<u>42,659</u>	<u>42,659</u>
1400T	Total fixed assets	11,014,261	11,014,261
1495	Less accumulated depreciation	<u>(2,587,267)</u>	<u>(2,364,398)</u>
1400N	Net fixed assets	<u>8,426,994</u>	<u>8,649,863</u>
Other Assets			
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><u>\$ 8,929,478</u></u>	<u><u>\$ 9,024,690</u></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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Liabilities and Net Assets		
Current Liabilities		
2110	\$ 192,944	\$ 148,915
2120	2,699	5,631
2121	204	431
2123	36,329	5,071
2210	129	1,807
2122T	<u>232,305</u>	<u>161,855</u>
Deposits Liabilities		
2191	<u>12,064</u>	<u>12,064</u>
Long-Term Liabilities		
2320	<u>8,186,700</u>	<u>8,186,700</u>
2300T	<u>8,186,700</u>	<u>8,186,700</u>
2000T	<u>8,431,069</u>	<u>8,360,619</u>
Net Assets		
3131	<u>498,409</u>	<u>664,071</u>
3130	<u>498,409</u>	<u>664,071</u>
2033T	<u>\$ 8,929,478</u>	<u>\$ 9,024,690</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues		
Rental Revenue		
5120 Rental revenue, gross potential	\$ 169,380	\$ 167,849
5121 Tenant assistance payments	588,826	483,269
5100T Total rental revenue	<u>758,206</u>	<u>651,118</u>
5152N Net rental revenue	<u>758,206</u>	<u>651,118</u>
Financial Revenue		
5430 Revenue from investments, residual receipts	-	110
5440 Revenue from investments, replacement reserve	714	461
5400T Total financial revenue	<u>714</u>	<u>571</u>
Other Revenue		
5990 Miscellaneous revenue	45	129
5900T Total other revenue	<u>45</u>	<u>129</u>
5000T Total revenue	<u>758,965</u>	<u>651,818</u>
Expenses		
Administrative Expenses		
6204 Management consultants	56	-
6250 Other renting expenses	8	-
6311 Office expenses	27,855	16,600
6320 Management fee	49,323	42,452
6330 Manager or superintendent salaries	37,064	41,913
6331 Administrative rent-free unit	20,556	19,248
6340 Legal expense, project	450	-
6350 Auditing expense	13,500	12,000
6351 Bookkeeping fees/accounting services	14,665	15,415
6390 Miscellaneous administrative expenses	3,461	3,106
6263T Total administrative expenses	<u>166,938</u>	<u>150,734</u>
Utilities Expenses		
6450 Electricity	20,837	24,217
6451 Water	13,719	14,835
6452 Gas	38,784	38,299
6453 Sewer	21,813	23,588
6400T Total utilities expenses	<u>95,153</u>	<u>100,939</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, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Operating and Maintenance Expenses		
6515 Supplies	\$ 9,632	\$ 4,302
6520 Contracts	63,845	56,947
6530 Security payroll/contract	162,204	123,190
6546 Heating/cooling repairs and maintenance	16,932	6,828
6500T Total operating and maintenance expenses	<u>252,613</u>	<u>191,267</u>
Taxes and Insurance		
6710 Real estate taxes	131,726	358,333
6711 Payroll taxes (project's share)	2,784	3,268
6720 Property and liability insurance (hazard)	34,864	33,259
6722 Workmen's compensation	4,185	3,718
6723 Health insurance and other employee benefits	13,369	12,058
6790 Miscellaneous taxes, licenses, permits and insurance	126	2,533
6700T Total taxes and insurance expenses	<u>187,054</u>	<u>413,169</u>
6000T Total cost of operations before depreciation	<u>701,758</u>	<u>856,109</u>
5060T Profit (loss) before depreciation	<u>57,207</u>	<u>(204,291)</u>
Depreciation		
6600 Depreciation expense	<u>222,869</u>	<u>224,528</u>
Total depreciation	<u>222,869</u>	<u>224,528</u>
Total expenses	<u>924,627</u>	<u>1,080,637</u>
5060N Operating loss after depreciation	(165,662)	(428,819)
Net Assets, Beginning of Year	<u>664,071</u>	<u>1,092,890</u>
Net Assets, End of Year	<u>\$ 498,409</u>	<u>\$ 664,071</u>

See notes to financial statements

Positively Third Street Housing Development Fund Co., Inc.
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Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
S1200-010 Rental receipts	\$ 735,062	\$ 631,678
S1200-020 Interest receipts	714	571
S1200-030 Other operating receipts	<u>45</u>	<u>129</u>
S1200-040 Total receipts	<u>735,821</u>	<u>632,378</u>
S1200-050 Administrative expenses paid	(30,669)	(18,463)
S1200-070 Management fees paid	(18,065)	(42,445)
S1200-090 Utilities paid	(92,270)	(107,240)
S1200-100 Salaries and wages paid	(188,082)	(163,788)
S1200-110 Operating and maintenance paid	(116,494)	(13,832)
S1200-120 Real estate taxes paid	(151,280)	(310,023)
S1200-140 Property insurance paid	(34,864)	(33,259)
S1200-150 Miscellaneous taxes and insurance paid	(231)	(2,543)
S1200-170 Other operating expenses paid	<u>(20,338)</u>	<u>(19,044)</u>
S1200-230 Total disbursements	<u>(652,293)</u>	<u>(710,637)</u>
S1200-240 Net cash provided by (used in) operating activities	<u>83,528</u>	<u>(78,259)</u>
Cash Flows from Investing Activities		
S1200-250 Net deposits to reserve for replacements	(29,690)	(27,114)
S1200-260 Net withdrawal from residual receipts reserve	-	74,950
S1200-330 Net purchases of fixed assets	<u>-</u>	<u>(3,222)</u>
S1200-350 Net cash (used in) provided by investing activities	<u>(29,690)</u>	<u>44,614</u>
S1200-470 Net increase (decrease) in cash	53,838	(33,645)
S1200-480 Cash, Beginning of Year	<u>32,460</u>	<u>66,105</u>
S1200T Cash, End of Year	<u>\$ 86,298</u>	<u>\$ 32,460</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, 2018 and 2017

1. Description of the Organization

Positively Third Street Housing Development Fund Co., Inc. (the "Corporation") is a nonprofit corporation created in 2002 pursuant to Article XI of the Private Housing Finance Law. Its primary purpose is to develop and to operate housing and auxiliary facilities for low income older adults under Section 202, a U.S. Department of Housing and Urban Development ("HUD") program that provides capital advances to private, non-profit sponsors to finance the development of housing for elderly residents. Such projects are regulated by 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.

JASA Corporation is the sole member of and wholly controls the Corporation. JASA Corporation also wholly controls nine other housing entities, the Jewish Association for Services for the Aged ("JASA"), JASA Housing Management Services for the Aged, Inc. ("JHM"), and One Stop Senior Services in its capacity as their sole member. The Corporation is related to JASA Corporation and the above-listed entities by this control.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Corporation prepared the financial statements on the accrual basis of accounting. Also, the Corporation presents its financial statements following the generally accepted accounting principles in the United States of America. 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 nature of any donor restrictions.

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 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.

Positively Third Street Housing Development Fund Co., Inc.

HUD Project No. 012-EE287

Notes to Financial Statements
June 30, 2018 and 2017

Accounts Receivable and Allowance for Doubtful Accounts

The Corporation reports tenant accounts receivable and accounts receivable net of an allowance for doubtful accounts. Management's basis for its 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, 2018 and 2017, management believes all tenant accounts receivable are collectible.

Fixed Assets and Depreciation

The Corporation carries fixed assets at cost. Management uses the straight-line method of depreciation and expenses depreciation equally each year over the useful lives of the assets. It is the Corporation's policy to capitalize items of \$5,000 or greater. Useful lives range from 10 to 40 years.

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 reviewing recovery, 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 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. The Corporation did not recognize any impairment loss during the years ended June 30, 2018 and 2017.

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.

The Corporation recognizes rental income as it becomes due. Rental payments received in advance of their due date are deferred until earned. Leases between the Corporation and its tenants are operating leases.

Income Taxes

The Corporation has applied for and received a tax-exemption under Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2018 or 2017. 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 Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions requiring disclosure.

Positively Third Street Housing Development Fund Co., Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

Subsequent Events

Subsequent events have been evaluated through September 28, 2018, which is the date the financial statements were available to be issued. There were no subsequent events that had a material impact of the Corporation's financial statements.

3. Mortgage Payable

On June 1, 2004, the Corporation obtained a mortgage, in the amount of \$8,186,700, from HUD under its capital advance program. The loan requires no interest and repayment is not required provided that the apartments remain available for very low-income older adults in accordance with Section 202 of the National 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, October 1, 2095, the loan shall be deemed to be paid and discharged. If the Corporation defaults on the loan 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 loan is secured by the mortgage.

4. Funded Reserves

Reserve for Replacements

Under provisions of the HUD regulatory agreement, the Corporation is required to make monthly deposits of \$2,908 to a replacement reserve escrow account which consists of restricted cash that the Corporation can use for the replacement of property and equipment. The use of these funds requires prior approval from HUD. As of June 30, 2018 and 2017, the balance in the reserve for replacements was \$340,969 and \$311,279, respectively. For the years ended June 30, 2018 and 2017, the Corporation made HUD-approved replacement withdrawals of \$248,401 and \$8,248, respectively.

Residual Receipts Reserve

The Corporation is required by HUD to deposit surplus cash, as defined by HUD, into a residual receipts reserve to be used for capital improvements. The use of these funds requires prior approval from HUD. As of June 30, 2018 and 2017, the balance in the residual receipts reserve was \$28 each year. For the year ended June 30, 2017, HUD-approved withdrawals were \$77,173. There were no HUD-approved withdrawals for the year ended June 30, 2018.

5. Related Party Transactions

Jewish Association for Services for the Aged ("JASA")

The Corporation is a participant in a general insurance plan with JASA, sponsored by the UJA-Federation, which also includes health insurance and worker's compensation. Property and liability insurance expense for the years ended June 30, 2018 and 2017 were \$34,864 and \$33,259, respectively. Worker's compensation, short-term disability, and health insurance for the years ended June 30, 2018 and 2017 were \$13,834 and \$12,698, respectively.

Positively Third Street Housing Development Fund Co., Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

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 to the plan on behalf of its employees; however, JASA made contributions to the plan for its employees and the Corporation's employees. For the years ended June 30, 2018 and 2017, the Corporation reimbursed JASA for pension costs of \$3,720 and \$3,180, respectively.

As of June 30, 2018 and 2017, \$32,139 and \$3,574, respectively, remained due to JASA and are included in "accounts payable, operations" line on the statements of financial position.

JASA Housing Management Services for the Aged, Inc. ("JHM")

JHM manages the rental property under 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, 2018 and 2017 were \$49,323 and \$42,452, respectively.

The Corporation pays a HUD-approved monthly fee to JHM for accounting and bookkeeping services. These expenses for the years ended June 30, 2018 and 2017 were \$11,808 and \$12,084, respectively.

As of June 30, 2018 and 2017, \$36,329 and \$5,071, 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 pursuant to 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, 2018 and 2017, rental assistance payments of \$588,826 and \$483,269, respectively, were earned under terms of the agreement.

7. Functional Expenses

The costs of providing various programs and other activities for the years ended June 30, 2018 and 2017 are summarized on a functional basis as follows:

	<u>2018</u>	<u>2017</u>
Program services, HUD-assisted elderly housing project	\$ 815,767	\$ 991,064
Management and general	<u>108,860</u>	<u>89,573</u>
Total	<u>\$ 924,627</u>	<u>\$ 1,080,637</u>

Positively Third Street Housing Development Fund Co., Inc.
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Notes to Financial Statements
June 30, 2018 and 2017

8. Concentrations of Credit Risk

The Corporation maintains its cash balances in several accounts in one bank. The Federal Deposit Insurance Corporation insures the cash balances up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Corporation has not experienced any losses concerning its bank balances more than government-provided insurance. Management believes that no significant concentration of credit risk exists concerning these cash balances as of June 30, 2018.

9. Commitments and Contingencies

The Corporation has entered into a Project Rental Assistance Contract agreement 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 balance in the residual receipts reserve must be remitted to HUD.

Under 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 about 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.

10. 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 multi-family real estate market. Also, 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.

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, 2018

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>\$ 34,902</u>
S1000-030	Replacement reserves, or residual receipts and releases which are included as expense items on the statement of activities.	<u>\$ 7,425</u>

See independent auditors' report

Positively Third Street Housing Development Fund Co., Inc.
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Supplementary Data Required by HUD
Reserve Accounts Data
Year Ended June 30, 2018

Reserve for Replacements

1320P	Balance, beginning of year	\$	311,279
1320DT	Total monthly deposits		34,902
1320ODT-010	Reimbursement of temporarily approved withdrawals		242,475
1320INT	Interest income		714
1320WT	Approved withdrawals		<u>(248,401)</u>
1320	Balance, end of year	\$	<u><u>340,969</u></u>

Residual Receipts Reserve

1340P	Balance, beginning of year	\$	28
1340ODT	Other deposits, Deposit, surplus cash		-
1340INT	Interest income		-
1340WT	Approved withdrawals		<u>-</u>
1340	Balance, end of year	\$	<u><u>28</u></u>

Positively Third Street Housing Development Fund Co., Inc.
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Supplementary Data Required by HUD
Surplus Cash Data
Year Ended June 30, 2018

Surplus Cash, Distributions and Residual Receipts

S1300-010	Cash	\$	<u>98,362</u>
S1300-040	Total cash		<u>98,362</u>
S1300-075	Accounts payable (due within 30 days)		192,944
S1300-100	Accrued expenses (not escrowed)		39,232
2210	Prepaid revenue		129
2191	Tenant deposits held in trust		<u>12,064</u>
S1300-140	Total current obligations		<u>244,369</u>
S1300-150	Surplus cash (deficiency)	\$	<u>(146,007)</u>
S1300-210	Deposit due residual receipts reserve	\$	<u>-</u>

See independent auditors' report

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

Supplementary Data Required by HUD

Fixed Assets Data

Year Ended June 30, 2018

		Assets			
		Balance			Balance
		July 1, 2017	Additions	Deletions	June 30, 2018
1410	Land	\$ 2,200,000	\$ -	\$ -	\$ 2,200,000
1420	Buildings	8,732,615	-	-	8,732,615
1440	Building Equipment, Portable	38,987	-	-	38,987
1450	Furniture for Project/Tenant use	42,659	-	-	42,659
1400T	Total fixed assets	<u>\$ 11,014,261</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,014,261</u>
1495	Total accumulated depreciation	<u>\$ 2,364,398</u>	<u>\$ 222,869</u>	<u>\$ -</u>	<u>\$ 2,587,267</u>
1400N	Total net book value	<u>\$ 8,649,863</u>			<u>\$ 8,426,994</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, 2018

Statement of Financial Position, Detail

2190	Miscellaneous other assets, Utility deposits	<u>\$ 7,635</u>
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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, 2018

Statement of Activities, Detail

5990-010	Description, miscellaneous other revenue, Security deposit admin fee	\$	<u>45</u>
5990-020	Total	\$	<u>45</u>
6390-010	Description, miscellaneous administrative expenses: Other sundry expenses	\$	191
	Bank, credit card and other charges		<u>3,270</u>
6390-020	Total	\$	<u>3,461</u>
6790-010	Description, miscellaneous taxes, licenses, permits and insurance, Miscellaneous taxes	\$	<u>126</u>
6790-020	Total	\$	<u>126</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, 2018

Related Party Transaction Detail

S1300-210	JHM (management fee)	\$	49,323
S1300-210	JHM (bookkeeping/accounting)		<u>11,808</u>
	Total	\$	<u><u>61,131</u></u>

See independent auditors' report

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

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development			
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>588,826</u>
Total U.S. Department of Housing and Urban Development			<u>8,775,526</u>
Total expenditures of federal awards			<u><u>\$ 8,775,526</u></u>

See notes to schedule of expenditures of federal awards

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

Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

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, 2018. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, 2018.

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, 2018 consists of:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Outstanding Balance June 30, 2018</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, 2018, 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 28, 2018.

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. 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 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*.

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 Corporation'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 28, 2018

**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, 2018. 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 the federal program.

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 (CFR) 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 the 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 the major federal program for the year ended June 30, 2018.

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 28, 2018

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

Schedule of Findings and Questioned Costs
Year Ended June 30, 2018

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? _____ Yes X 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:

CFDA Number(s)	Name of Federal Program or Cluster
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

Section II - Financial Statement Findings

None.

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
Year Ended June 30, 2018

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

Finding 2017-001 - Significant Deficiency in Internal Control

Condition: During our audit of the Corporation's June 30, 2017 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.

Current Status: Management continues to review in-kind contributions to ensure that they are appropriately recorded at fair value at the time of donation.

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

Mortgagor's Certification
June 30, 2018

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 Operating Officer

Tracy Welsh

Name of Chief Operating Officer

DATE: _____

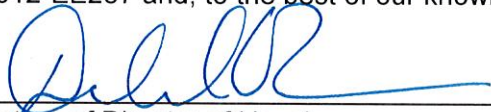
9/28/18

Employer Identification No: 30-0054211

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

Management Agent's Certification
June 30, 2018

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.

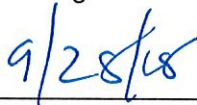


Signature of Director of Housing

Donald Manning

Name of Director of Housing

DATE: _____



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

Employer Identification No: 13-3078676