

New York City Neighborhood Capital Corporation
(a component unit of The City of New York)

**Financial Statements and Required
Supplementary Information**

**Years Ended June 30, 2023 and 2022
With Report of Independent Auditors**



NYC Neighborhood Capital Corporation

NYC Neighborhood Capital Corporation
(A Component Unit of the City of New York)

Financial Statements

June 30, 2023 and 2022

TABLE OF CONTENTS

	PAGE
Report of Independent Auditors	1
Management's Discussion and Analysis	4
Financial Statements	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	10
Statements of Cash Flows	11
Notes to Financial Statements	12
Supplementary Schedules	22
<u>Government Report</u>	
Report of Independent Auditors 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

Report of Independent Auditors

To the Board of Directors of
NYC Neighborhood Capital Corporation:

Opinion

We have audited the accompanying financial statements of NYC Neighborhood Capital Corporation, a component unit of the City of New York, which comprise the statements of net position as of June 30, 2023 and 2022, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of NYC Neighborhood Capital Corporation as of June 30, 2023 and 2022, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of NYC Neighborhood Capital Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NYC Neighborhood Capital Corporation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NYC Neighborhood Capital Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about NYC Neighborhood Capital Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Management's Discussion and Analysis

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Matters

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and are 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 audits 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 a report dated October 5, 2023, on our consideration of NYC Neighborhood Capital 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NYC Neighborhood Capital Corporation’s internal control over financial reporting and compliance.

Novogradac & Company LLP

San Francisco, California
October 5, 2023

NYC Neighborhood Capital Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis

June 30, 2023 and 2022

This section of the NYC Neighborhood Capital Corporation ("NYCNCC" or the "Corporation") annual financial report presents our discussion and analysis of financial performance during the years ended June 30, 2023 and 2022. Please read it in conjunction with the financial statements and accompanying notes, which follow this section.

Fiscal Year 2023 Financial Highlights

- Current assets increased by \$1,352,901 or 27%
- Non-current assets increased by \$1,896 or 14%
- Current liabilities increased by \$133,273 or >100%
- Net position increased by \$1,221,524 or 25%
- Operating revenues decreased by \$572,459 or 27%
- Operating expenses decreased by \$379,854 or 47%
- Non-operating income increased by \$126,636 or >100%

Background

This annual financial report consists of three parts: *Management's discussion and analysis* (this section), the *basic financial statements and footnote disclosures*, and *supplementary information*. NYCNCC, a component unit of the City of New York (the City), is recognized as a New York not-for-profit corporation that was formed for the purpose of serving as a qualified Community Development Entity (CDE) under the Federal New Markets Tax Credit (NMTC) Program. NYCNCC's mission is to provide investment capital to low-income persons and low-income communities, thereby assisting in advancing the community, economic development, and job creation objectives of the City.

NYCNCC was awarded a total of \$205 million in NMTC allocation authority from the Community Development Financial Institutions Fund of the U.S. Department of the Treasury (CDFI Fund). \$55 Million was awarded separately as part of Round 13 and Round 15, \$50 Million in Round 16, and \$45 Million in Round 18 of the NMTC Program (the Allocation). In compliance with NMTC Program requirements, the Corporation formed and manages subsidiary limited liability companies making qualified investments in low-income communities.

NYC Neighborhood Capital Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis

Financial Analysis of the Corporation

NYCNCC's business strategy revolves around the strategic application of the Allocation through investments in NYCNCC Sub-CDE 1, LLC (Sub-CDE 1), NYCNCC Sub-CDE 2, LLC (Sub-CDE 2), NYCNCC Sub-CDE 3, LLC (Sub-CDE 3), NYCNCC Sub-CDE 4, LLC (Sub-CDE 4), NYCNCC Sub-CDE 5, LLC (Sub-CDE 5), NYCNCC Sub-CDE 6, LLC (Sub-CDE 6), NYCNCC Sub-CDE 7, LLC (Sub-CDE 7), NYCNCC Sub-CDE 8, LLC (Sub-CDE 8), NYCNCC Sub-CDE 9, LLC (Sub-CDE 9), NYCNCC Sub-CDE 10, LLC (Sub-CDE 10), NYCNCC Sub-CDE 11 (Sub-CDE 11), NYCNCC Sub-CDE 12 (Sub-CDE 12), and NYCNCC Sub-CDE 14 (Sub-CDE 14) (collectively, the NMTC Companies). These NMTC Companies support the development of businesses located in a highly distressed census tract including manufacturing, supermarkets, community facilities, schools and healthcare enters.

The NMTC Companies are certified CDEs and New York limited liability companies formed under section 203 of the Limited Liability Company Law for making Qualified Low-Income Community Investments (QLICI) into Qualified Active Low-Income Community Businesses (QALICB) consistent with the mission of NYCNCC and the NMTC Program requirements. NYCNCC serves as the Managing Member holding 0.01% equity interest in the NMTC Companies. Subject to the limitations set forth in the NMTC Companies' limited liability company operating agreements, and subject to compliance with the NMTC Program the Managing Member has full, complete, and exclusive discretion to manage and control the business of the NMTC Companies.

Net Position

The following table summarizes NYCNCC's financial position as of June 30, 2023, 2022 and 2021, and the percentage changes between June 30, 2023, 2022, and 2021:

	2023	2022	2021	% Change	
				2023-2022	2022-2021
Current assets	\$6,300,348	\$4,947,447	\$3,671,728	27%	35%
Non-current assets	15,555	13,659	10,930	14%	25%
Total assets	6,315,903	4,961,106	3,682,658	27%	35%
Current liabilities	172,750	39,477	48,522	>100%	(19)%
Total unrestricted net position	\$6,143,153	\$4,921,629	\$3,634,136	25%	35%

NYC Neighborhood Capital Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis

Fiscal Year 2023 Activities

The Corporation sub-allocated a total of \$15,000,000 of NMTCs to Sub-CDE 14 resulting in a \$1,352,901 or 27% increase in current assets. The NMTCs contributed to the investment and development of the Urban Assembly Charter School for Computer Science located in the Bronx.

Current liabilities increased by \$133,273 or greater than 100% primarily due to an increase in deposits which reserve a portion of the allocation to be returned at the closing of NYCNCC Sub-CDE 13, LLC, NYCNCC Sub-CDE 15, LLC, NYCNCC Sub-CDE 16, LLC, and NYCNCC Sub-CDE 17, LLC.

As a result of these activities, net position increased by \$1,221,524 or 25% in fiscal year 2023.

Fiscal Year 2022 Activities

The Corporation sub-allocated a total of \$28,500,000 of NMTCs to Sub-CDE 10, Sub-CDE 11 and Sub-CDE 12 resulting in \$1,275,719 or 35% increase in current assets. The NMTCs contributed to the investment and development of Greater Jamaica Development Corporation located in Jamaica Queens (Sub-CDE 10), Greenpoint Manufacturing and Development Center located in Brownsville (Sub-CDE 11), Brooklyn and the Achievement First Linden Middle School located in the East New York section of Brooklyn (Sub-CDE 12).

Current liabilities decreased by \$9,045 or 19% primarily due to a reduction in payables and related party transactions between NYCNCC and New York City Economic Development Corporation (NYCEDC), a not-for-profit corporation which provides NYCNCC with all required professional, administrative and technical staff assistance.

As a result of these activities, net position increased by \$1,287,493 or 35% in fiscal year 2022.

Operating Activities

NYCNCC's primary goal is to provide investment capital to low-income communities by forming and managing subsidiary companies. These companies aid in furnishing eligible entities with essential financing to construct and equip developments within the five boroughs.

As the Managing Member, NYCNCC charges various fees for services rendered which include placement and services fees, sponsor fees and asset management fees.

NYC Neighborhood Capital Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis

Operating Activities (continued)

The following table summarizes NYCNCC's operating activities for the fiscal years ended June 30, 2023, 2022 and 2021, and the percentage changes between June 30, 2023, 2022, and 2021:

	2023	2022	2021	% Change	
				2023-2022	2022-2021
Operating revenues	\$1,522,993	\$2,095,452	\$2,458,984	(27)%	(15)%
Operating expenses	432,009	811,863	1,153,780	(47)%	(30)%
Operating income	1,090,984	1,283,589	1,305,204	(15)%	(2)%
Non-operating revenues	130,540	3,904	2,522	>100%	55%
Change in net position	1,221,524	1,287,493	1,307,726	(5)%	(2)%

Fiscal Year 2023 Activities

In fiscal year 2023, operating revenues decreased by \$572,459 or 27% primarily as a result of less fee revenue generated from a reduction of \$13,500,000 in Qualified Equity Investments (QEI) made into new subsidiary companies as compared to prior year.

Total operating expenses decreased by \$379,854 or 47% primarily due to the decrease in the total amount of QEIs made in 2023 as compared to 2022, resulting in a reduction of program related expenses.

Non-operating revenues increased \$126,636 or greater than 100% directly correlated to an increase of interest income due to market conditions, in addition to investment income generated from investing activities during the fiscal year.

Fiscal Year 2022 Activities

In fiscal year 2022, operating revenues decreased by \$363,532 or 15% primarily as a result of less fee revenue generated from a reduction of \$11,500,000 in Qualified Equity Investments (QEI) made into new subsidiary companies as compared to prior year.

Total operating expenses decreased by \$341,917 or 30% primarily due to the decrease in the total amount of QEIs made in 2022 as compared to 2021, resulting in a reduction of program related expenses.

Non-operating revenues increased \$1,382 or 55% directly correlated to an increase of interest income due to market conditions.

NYC Neighborhood Capital Corporation
(A Component Unit of the City of New York)

Management's Discussion and Analysis

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, clients and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for the resources at its disposal. If you have any questions about this report or need additional financial information, contact the Chief Financial Officer, NYC Neighborhood Capital Corporation, One Liberty Plaza, New York, NY 10006.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

STATEMENTS OF NET POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents (Note 3)	\$ 6,229,075	\$ 4,861,671
Other receivables	-	41,646
Due from related parties		
Due from NMTC Companies	71,273	44,130
Total current assets	6,300,348	4,947,447
Non-current assets		
Investments in limited liability companies (Note 4)	15,555	13,659
Total non-current assets	15,555	13,659
Total assets	6,315,903	4,961,106
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	172,500	37,500
Due to related party		
Due to NYCEDC	250	1,977
Total current liabilities	172,750	39,477
NET POSITION		
Net position - unrestricted	\$ 6,143,153	\$ 4,921,629

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the years ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating revenues		
NMTC placement and services fees	\$ 450,000	\$ 855,000
NMTC sponsor fees	300,000	570,000
NMTC asset management fees	719,167	627,521
NMTC incentive management fees	53,826	42,931
Total operating revenues	<u>1,522,993</u>	<u>2,095,452</u>
Operating expenses		
Consulting fees	412,500	783,750
Other expenses	19,509	28,113
Total operating expenses	<u>432,009</u>	<u>811,863</u>
Operating income	1,090,984	1,283,589
Non-operating revenues		
Interest income	127,024	3,904
Investment income	3,516	-
Total non-operating revenues	<u>130,540</u>	<u>3,904</u>
Change in unrestricted net position	1,221,524	1,287,493
Unrestricted net position, beginning of year	<u>4,921,629</u>	<u>3,634,136</u>
Unrestricted net position, end of year	<u>\$ 6,143,153</u>	<u>\$ 4,921,629</u>

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2023 and 2022

	2023	2022
OPERATING ACTIVITIES		
NMTC asset management fees received	\$ 719,167	\$ 627,521
NMTC placement and services fees received	450,000	855,000
NMTC sponsor fees received	300,000	570,000
NMTC incentive management fees received	53,826	42,931
Other operating receipts	149,503	-
Consulting fees paid	(412,500)	(783,750)
Other expenses paid	(21,236)	(23,050)
Net cash provided by operating activities	1,238,760	1,288,652
INVESTING ACTIVITIES		
Interest income	127,024	3,904
Investment income	3,516	-
Contributions to limited liability companies	(2,050)	(2,850)
Distributions from limited liability companies	154	121
Net cash provided by investing activities	128,644	1,175
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,367,404	1,289,827
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,861,671	3,571,844
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,229,075	\$ 4,861,671
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 1,090,984	\$ 1,283,589
Adjustments to reconcile operating income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Decrease (increase) in other receivables	41,646	(41,646)
(Increase) decrease in due from NMTC Companies	(27,143)	55,754
Increase (decrease) in accounts payable and accrued liabilities	135,000	(3,500)
Decrease in due to NYCEDC	(1,727)	(5,545)
Net cash provided by operating activities	\$ 1,238,760	\$ 1,288,652

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

1. Organization and Purpose

NYC Neighborhood Capital Corporation (NYCNCC or the Corporation) is a not-for-profit corporation incorporated in July 2014 under Section 402 of the Not-for-Profit Corporation Law of the State of New York for the following purposes: a) to make Qualified Low-Income Community Investments (QLICI) in the service area of the City of New York (the City), b) to operate as a qualified Community Development Entity (CDE) under the Federal New Markets Tax Credit (NMTC) Program, c) to form and manage subsidiary limited liability companies which are certified as CDEs to receive equity contributions which will be utilized primarily as QLICIs and d) to engage in all activities consistent with the business of NYCNCC thus furthering the interests of the City. On April 2, 2019, NYCNCC received its IRS 501(c)(3) tax determination, retroactive to August 10, 2018.

2. Summary of Significant Accounting Policies and Nature of Operations

Basis of Accounting and Presentation

NYCNCC has been classified as an enterprise fund as defined by the Governmental Accounting Standards Board (“GASB”) and, as such, the financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States. In its accounting and financial reporting, NYCNCC follows the pronouncements of the GASB.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Economic Concentrations

As of June 30, 2023, the Corporation has investments in NYCNCC Sub-CDE 1, LLC (“Sub-CDE 1”), NYCNCC Sub-CDE 2, LLC (“Sub-CDE 2”), NYCNCC Sub-CDE 3, LLC (“Sub-CDE 3”), NYCNCC Sub-CDE 4, LLC (“Sub-CDE 4”), NYCNCC Sub-CDE 5, LLC (“Sub-CDE 5”), NYCNCC Sub-CDE 6, LLC (“Sub-CDE 6”), NYCNCC Sub-CDE 7, LLC (“Sub-CDE 7”), NYCNCC Sub-CDE 8, LLC (“Sub-CDE 8”), NYCNCC Sub-CDE 9, LLC (“Sub-CDE 9”), NYCNCC Sub-CDE 10, LLC (“Sub-CDE 10”), NYCNCC Sub-CDE 11, LLC (“Sub-CDE 11”), NYCNCC Sub-CDE 12, LLC (“Sub-CDE 12”), and NYCNCC Sub-CDE 14, LLC (“Sub-CDE 14”) collectively, the (“NMTC Companies”). The Corporation’s primary source of revenue is

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Economic Concentrations (continued)

derived from these assets. The NMTC Companies' activities consist of making loans to various Qualified Active Low-Income Community Businesses ("QALICB") whose operations are concentrated within the service area of the Five Boroughs reliant on the commercial and industrial real estate market developed by the QALICBs for various uses.

Although no changes are anticipated in the near term, future operations could be affected by changes in the economic conditions of these entities or their parent company.

Cash and Cash Equivalents

Cash and cash equivalents include all cash balances on deposit with financial institutions and highly liquid investments with a maturity of three months or less at the date of acquisition.

Concentration of Custodial Credit Risk

NYCNCC maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. NYCNCC has not experienced any losses in such accounts. NYCNCC believes it is not exposed to any significant credit risk on these accounts.

Income Taxes

The Corporation is a publicly supported organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Investments in Limited Liability Companies

NYCNCC accounts for its investment in limited liability companies under the equity method of accounting, which requires the investment to be recorded at cost and adjusted for NYCNCC's share of income or loss of the limited liability companies, additional investments, and cash distributions from the limited liability companies. To the extent that NYCNCC has no obligation to fund liabilities of the limited liability companies beyond its investment, including loans and advances, investments in the limited liability companies should not be reduced below zero.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

2. Summary of Significant Accounting Policies and Nature of Operations (continued)

Investments in Limited Liability Companies (continued)

NYCNCC evaluates its investments in the limited liability companies for impairment in value and records a write-down if it is determined that any impairment in value is other than temporary. No such write-downs have been recorded in the accompanying financial statements as management believes that NYCNCC's proportionate share of the sum of estimated cash flows from the underlying investments is not less than NYCNCC's recorded investment in each of the limited liability companies.

NYCNCC holds managing member interests of 0.01% in each of the NMTC Companies and a managing member interest of 99.00% in NYCNCC Sub-CDE 13, LLC ("Sub-CDE 13"). NYCNCC's maximum exposure to loss is its current investments. NYCNCC does not consolidate the NMTC Companies since the investing members maintain substantive participating rights in each entity respectively.

Revenue Recognition

NYCNCC recognizes revenue from fees earned for services rendered. Placement and services fees, sponsor fees, asset management fees, and incentive management fees are earned and recognized as services are performed.

3. Cash and Cash Equivalents

As of June 30, 2023 and 2022, NYCNCC's cash balance was \$1,225,559 and \$4,861,671, respectively. Of this amount, \$250,000 was insured by the Federal Depository Insurance Corporation, and the remaining balance was uncollateralized. As of June 30, 2023 and 2022, NYCNCC's cash equivalents balance was \$5,003,516 and \$0, respectively, which was invested in U.S. government money market funds.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

4. Investments in Limited Liability Companies

NYCNCC’s investments consist of interests in limited liability companies. As of June 30, 2023 and 2022, NYCNCC has an ownership member interest in the following companies:

<u>Limited liability company</u>	<u>Ownership Percentage</u>	
	<u>2023</u>	<u>2022</u>
NYCNCC Sub-CDE 1, LLC	0.01%	0.01%
NYCNCC Sub-CDE 2, LLC	0.01%	0.01%
NYCNCC Sub-CDE 3, LLC	0.01%	0.01%
NYCNCC Sub-CDE 4, LLC	0.01%	0.01%
NYCNCC Sub-CDE 5, LLC	0.01%	0.01%
NYCNCC Sub-CDE 6, LLC	0.01%	0.01%
NYCNCC Sub-CDE 7, LLC	0.01%	0.01%
NYCNCC Sub-CDE 8, LLC	0.01%	0.01%
NYCNCC Sub-CDE 9, LLC	0.01%	0.01%
NYCNCC Sub-CDE 10, LLC	0.01%	0.01%
NYCNCC Sub-CDE 11, LLC	0.01%	0.01%
NYCNCC Sub-CDE 12, LLC	0.01%	0.01%
NYCNCC Sub-CDE 13, LLC	99.00%	-
NYCNCC Sub-CDE 14, LLC	0.01%	-

Such investments at June 30, 2023 and 2022 are summarized as follows:

	<u>2023</u>	<u>2022</u>
Cumulative equity contributions	\$ 16,050	\$ 14,000
Cumulative equity distributions	(495)	(341)
Total	<u>\$ 15,555</u>	<u>\$ 13,659</u>

The results of operations of the NMTC Companies consist primarily of interest income earned from loans on QLICIs made to QALICBs in accordance with Internal Revenue Code (“IRC”) Section 45D and the Treasury Regulations thereunder. Furthermore, the NMTC Companies are CDEs in accordance with IRC Section 45D and the Treasury Regulations thereunder.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

5. Transactions with NMTC Related Parties

Sponsor Fees

Pursuant to the operating agreements of the NMTC Companies, as compensation for services rendered and costs incurred in connection with NYCNCC's decision to make a sub-allocation of NMTC to each of the NMTC Companies, the NMTC Companies shall pay sponsor fees to NYCNCC in an amount equal to 2% of the respective sub-allocation received by each of the NMTC Companies. For the years ended June 30, 2023 and 2022, NYCNCC earned and was paid sponsor fees from the NMTC Companies in the amount of \$300,000 and \$570,000, respectively.

Asset Management Fees

Pursuant to the operating agreements of the NMTC Companies, as compensation for services rendered and for so long as the Project Loans (as defined in the operating agreements), or any replacement QLICI remain outstanding with them, the NMTC Companies each are obligated to pay NYCNCC asset management fees in an aggregate amount equal to 3.5% of the respective sub-allocation received by each of the NMTC Companies. Such fees are due and payable in quarterly installments. For the years ended June 30, 2023 and 2022, NYCNCC earned and was paid asset management fees from the NMTC Companies in the amount of \$719,167 and \$627,521, respectively.

Incentive Management Fees

Pursuant to the operating agreements of the NMTC Companies, the NMTC Companies are required to pay certain expenses from reimbursements received from each NMTC Companies' respective borrowers. If the expenses are less than the amount of reimbursement received, the NMTC Companies are required to pay the difference to NYCNCC as an incentive management fee. For the years ended June 30, 2023 and 2022, NYCNCC earned incentive management fees from the NMTC Companies in the amount of \$53,826 and \$42,931, respectively. As of June 30, 2023 and 2022, NYCNCC was owed incentive management fees of \$53,826 and \$42,931, respectively, which is included in the due from NMTC Companies balances on the accompanying Statements of Net Position.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

5. Transactions with NMTC Related Parties (continued)

New York City Economic Development Corporation

Related party transactions between New York City Economic Development Corporation (“NYCEDC”) and NYCNCC consisting of reimbursable expenses paid by NYCEDC on behalf of NYCNCC for the years ended June 30, 2023 and 2022 were \$250 and \$1,977, respectively. NYCNCC received administrative, financial, legal, and other services from NYCEDC with no in-kind value recognized in the financial statements. NYCNCC occupies office space located at One Liberty Plaza New York, NY 10006, which is leased by NYCEDC.

6. Unrestricted Net Position

Pursuant to NYCNCC’s accounting policies and procedures manual, all net position resulting from operations will remain unrestricted. As of June 30, 2023 and 2022, the unrestricted net position is \$6,143,153 and \$4,921,629, respectively.

7. Recapture Indemnities

NYCNCC along with each individual NMTC Company (both parties collectively, as the indemnitors) and its respective investor member, are party to certain indemnification agreements. As an indemnitor, NYCNCC is obligated to pay the NMTC Recapture Amount (as further defined in each of the respective indemnification agreements) in the event of any Specified NMTC Recapture Event (as further defined in each of the respective indemnification agreements). As of June 30, 2023 and 2022, no claims or payments had been made relative to the indemnities and NYCNCC is not aware of the occurrence of any recapture event. NYCNCC has determined the likelihood of a recapture event to be remote after considering the historical rate of recapture and related factors. Accordingly, no liability has been recorded relative to the indemnities.

8. New Markets Tax Credits

Pursuant to the NMTC Program Allocation Agreement between Sub-CDE 1; Sub-CDE 2; Sub-CDE 3; Sub-CDE 4; Sub-CDE 5; NYCNCC; and the Community Development Financial Institutions Fund (the “CDFI Fund”) dated February 28, 2017 (the “Round 13 Allocation”), NYCNCC was allocated the authority to issue \$55,000,000 of QEIs to the NMTC Companies.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

8. New Markets Tax Credits (continued)

The following summarizes the amount sub-allocated from the Round 13 Allocation to the NMTC Companies:

<u>NMTC Companies</u>	<u>2023</u>	<u>2022</u>
NYCNCC Sub-CDE 1, LLC	\$ 9,000,000	\$ 9,000,000
NYCNCC Sub-CDE 2, LLC	15,000,000	15,000,000
NYCNCC Sub-CDE 3, LLC	17,000,000	17,000,000
NYCNCC Sub-CDE 4, LLC	7,000,000	7,000,000
NYCNCC Sub-CDE 5, LLC	7,000,000	7,000,000
Total	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>

Pursuant to the NMTC Program Allocation Agreement between Sub-CDE 6; Sub-CDE 7; Sub-CDE 8; Sub-CDE 9; Sub-CDE 10; Sub-CDE 11; Sub-CDE 12; NYCNCC; and the CDFI Fund dated August 29, 2019 (the “Round 15 Allocation”), NYCNCC was allocated the authority to issue \$55,000,000 of QEIs to the NMTC Companies.

The following summarizes the amount sub-allocated from the Round 15 Allocation to the NMTC Companies:

<u>NMTC Companies</u>	<u>2023</u>	<u>2022</u>
NYCNCC Sub-CDE 6, LLC	\$ 10,000,000	\$ 10,000,000
NYCNCC Sub-CDE 7, LLC	10,000,000	10,000,000
NYCNCC Sub-CDE 8, LLC	6,500,000	6,500,000
NYCNCC Sub-CDE 9, LLC	17,500,000	17,500,000
NYCNCC Sub-CDE 11, LLC	9,000,000	9,000,000
NYCNCC Sub-CDE 12, LLC	2,000,000	2,000,000
Total	<u>\$ 55,000,000</u>	<u>\$ 55,000,000</u>

Pursuant to the NMTC Program Allocation Agreement between Sub-CDE 6; Sub-CDE 9; Sub-CDE 10; Sub-CDE 12; Sub-CDE 14; NYCNCC; and the CDFI Fund dated October 7, 2020 (the “Round 16 Allocation”), NYCNCC was allocated the authority to issue \$50,000,000 of QEIs to the NMTC Companies.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

8. New Markets Tax Credits (continued)

The following summarizes the amount sub-allocated from the Round 16 Allocation to the NMTC Companies:

<u>NMTC Companies</u>	<u>2023</u>	<u>2022</u>
NYCNCC Sub-CDE 9, LLC	\$ 12,500,000	\$ 12,500,000
NYCNCC Sub-CDE 10, LLC	12,500,000	12,500,000
NYCNCC Sub-CDE 12, LLC	5,000,000	5,000,000
NYCNCC Sub-CDE 14, LLC	6,000,000	-
Total	<u>\$ 36,000,000</u>	<u>\$ 30,000,000</u>

Pursuant to the NMTC Program Allocation Agreement between Sub-CDE 14; NYCNCC; and the CDFI Fund dated February 2, 2023 (the “Round 18 Allocation”), NYCNCC was allocated the authority to issue \$45,000,000 of QEIs to the NMTC Companies.

The following summarizes the amount sub-allocated from the Round 18 Allocation to the NMTC Companies:

<u>NMTC Companies</u>	<u>2023</u>	<u>2022</u>
NYCNCC Sub-CDE 14, LLC	\$ 9,000,000	\$ -

Equity investments received by the NMTC Companies are designated as QEIs if they meet the requirements of IRC Section 45D and Treasury Regulation Section 1.45D-1. NMTCs are allowed to be claimed by investors over seven periods spanning six years and a day for any equity investment that is designated a QEI by the NMTC Companies.

In order to qualify for these NMTCs, NYCNCC and the NMTC Companies must comply with the requirements of IRC Section 45D and Treasury Regulation Section 1.45D-1 during the seven-year credit period. Failure to comply with the requirements could result in the recapture of NMTCs that have been previously claimed as well as the loss of any future NMTCs. The three events that can cause recapture are: [1] NYCNCC or the NMTC Companies cease to be CDEs; [2] failing to ensure that for each annual period in the seven-year credit period, at least 85% of the QEIs received by NYCNCC or the NMTC Companies are continuously invested in QLICIs (which may include 5% of the QEIs received to be held as reserves); or [3] the QEIs are redeemed or otherwise cashed out by NYCNCC or the NMTC Companies. Since the NMTCs are subject to complying with certain requirements, there can be no assurance that the aggregate amount of NMTC will be realized and failure to meet all such requirements may result in generating a lesser amount of NMTC than the expected amount.

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)

Notes to Financial Statements
June 30, 2023 and 2022

9. Subsequent Events

Subsequent events have been evaluated through October 5, 2023, which is the date the financial statements were available to be issued.

On August 16, 2023, NYCNCC sub-allocated \$5,500,000 from the Round 16 Allocation to Sub-CDE 13 in order to contribute to the further development of the WE ACT for Environmental Justice project. As of that date, NYCNCC became the managing member of Sub-CDE 13 at 0.01%.

On July 25, 2023, NYCNCC sub-allocated \$12,700,000 from the Round 18 Allocation to NYCNCC Sub-CDE 16, LLC in order to contribute to the further development of the CitySquash project.

On September 22, 2023, NYCNCC was notified of a \$50,000,000 award in allocation authority from the CY 2022 allocation of NMTCs. As of the report date, the allocation agreement was pending execution.

On September 26, 2023, NYCNCC sub-allocated \$8,500,000 from the Round 16 Allocation and \$4,500,000 from the Round 18 Allocation to NYCNCC Sub-CDE 15, LLC in order to contribute to the further development of the Hope House on Crotona Park project.

On September 29, 2023, NYCNCC sub-allocated \$8,800,000 from the Round 18 Allocation to NYCNCC Sub-CDE 17, LLC in order to contribute to the further development of the Bogopa Gates Food Bazaar project.

SUPPLEMENTARY SCHEDULES

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)
SUPPLEMENTARY SCHEDULE 1
STATEMENT OF ACTIVITIES BY PROJECT
For the year ended June 30, 2023

	Sub-CDE 1	Sub-CDE 2	Sub-CDE 3	Sub-CDE 4	Sub-CDE 5	Sub-CDE 6	Sub-CDE 7
Operating revenues							
NMTC placement and services fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NMTC sponsor fees	-	-	-	-	-	-	-
NMTC asset management fees	45,000	75,000	85,000	35,000	35,000	50,000	50,000
NMTC incentive management fees	1,950	4,950	3,176	3,950	4,975	4,975	4,950
Total operating revenues	<u>46,950</u>	<u>79,950</u>	<u>88,176</u>	<u>38,950</u>	<u>39,975</u>	<u>54,975</u>	<u>54,950</u>
Operating expenses							
Consulting fees	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	46,950	79,950	88,176	38,950	39,975	54,975	54,950
Non-operating revenues							
Interest income	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in unrestricted net position	46,950	79,950	88,176	38,950	39,975	54,975	54,950
Unrestricted net position, beginning of year	<u>444,350</u>	<u>687,992</u>	<u>788,307</u>	<u>327,044</u>	<u>228,596</u>	<u>310,086</u>	<u>459,339</u>
Unrestricted net position, end of year	<u>\$ 491,300</u>	<u>\$ 767,942</u>	<u>\$ 876,483</u>	<u>\$ 365,994</u>	<u>\$ 268,571</u>	<u>\$ 365,061</u>	<u>\$ 514,289</u>

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)
SUPPLEMENTARY SCHEDULE 1 (CONTINUED)
STATEMENT OF ACTIVITIES BY PROJECT
For the year ended June 30, 2023

	Sub-CDE 8	Sub-CDE 9	Sub-CDE 10	Sub-CDE 11	Sub-CDE 12	Sub-CDE 14	Management & General	Total
Operating revenues								
NMTC placement and services fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 450,000	\$ -	\$ 450,000
NMTC sponsor fees	-	-	-	-	-	300,000	-	300,000
NMTC asset management fees	32,500	150,000	62,500	45,000	35,000	19,167	-	719,167
NMTC incentive management fees	4,950	4,975	4,975	5,000	5,000	-	-	53,826
Total operating revenues	<u>37,450</u>	<u>154,975</u>	<u>67,475</u>	<u>50,000</u>	<u>40,000</u>	<u>769,167</u>	<u>-</u>	<u>1,522,993</u>
Operating expenses								
Consulting fees	-	-	-	-	-	412,500	-	412,500
Other expenses	-	-	-	-	-	-	19,509	19,509
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>412,500</u>	<u>19,509</u>	<u>432,009</u>
Operating income	37,450	154,975	67,475	50,000	40,000	356,667	(19,509)	1,090,984
Non-operating revenues								
Interest income	-	-	-	-	-	-	127,024	127,024
Investment income	-	-	-	-	-	-	3,516	3,516
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>130,540</u>	<u>130,540</u>
Change in unrestricted net position	37,450	154,975	67,475	50,000	40,000	356,667	111,031	1,221,524
Unrestricted net position, beginning of year	<u>145,283</u>	<u>879,583</u>	<u>334,688</u>	<u>213,811</u>	<u>167,772</u>	<u>-</u>	<u>(65,222)</u>	<u>4,921,629</u>
Unrestricted net position, end of year	<u>\$ 182,733</u>	<u>\$ 1,034,558</u>	<u>\$ 402,163</u>	<u>\$ 263,811</u>	<u>\$ 207,772</u>	<u>\$ 356,667</u>	<u>\$ 45,809</u>	<u>\$ 6,143,153</u>

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)
SUPPLEMENTARY SCHEDULE 2
STATEMENT OF ACTIVITIES BY PROJECT
For the year ended June 30, 2022

	Sub-CDE 1	Sub-CDE 2	Sub-CDE 3	Sub-CDE 4	Sub-CDE 5	Sub-CDE 6	Sub-CDE 7
Operating revenues							
NMTC placement and services fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NMTC sponsor fees	-	-	-	-	-	-	-
NMTC asset management fees	45,000	75,000	85,000	35,000	35,000	50,000	50,000
NMTC incentive management fees	1,950	4,950	3,181	2,950	4,975	4,975	4,975
Total operating revenues	<u>46,950</u>	<u>79,950</u>	<u>88,181</u>	<u>37,950</u>	<u>39,975</u>	<u>54,975</u>	<u>54,975</u>
Operating expenses							
Consulting fees	-	-	-	-	-	-	-
Other expenses	-	-	-	-	-	-	-
Total operating expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating income	46,950	79,950	88,181	37,950	39,975	54,975	54,975
Non-operating revenues							
Interest income	-	-	-	-	-	-	-
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in unrestricted net position	46,950	79,950	88,181	37,950	39,975	54,975	54,975
Unrestricted net position, beginning of year	<u>397,400</u>	<u>608,042</u>	<u>700,126</u>	<u>289,094</u>	<u>188,621</u>	<u>255,111</u>	<u>404,364</u>
Unrestricted net position, end of year	<u>\$ 444,350</u>	<u>\$ 687,992</u>	<u>\$ 788,307</u>	<u>\$ 327,044</u>	<u>\$ 228,596</u>	<u>\$ 310,086</u>	<u>\$ 459,339</u>

NYC Neighborhood Capital Corporation
(A Component Unit of The City of New York)
SUPPLEMENTARY SCHEDULE 2 (CONTINUED)
STATEMENT OF ACTIVITIES BY PROJECT
For the year ended June 30, 2022

	Sub-CDE 8	Sub-CDE 9	Sub-CDE 10	Sub-CDE 11	Sub-CDE 12	Management & General	Total
Operating revenues							
NMTC placement and services fees	\$ -	\$ -	\$ 375,000	\$ 270,000	\$ 210,000	\$ -	\$ 855,000
NMTC sponsor fees	-	-	250,000	180,000	140,000	-	570,000
NMTC asset management fees	32,500	150,000	48,438	11,311	10,272	-	627,521
NMTC incentive management fees	4,975	5,000	5,000	-	-	-	42,931
Total operating revenues	<u>37,475</u>	<u>155,000</u>	<u>678,438</u>	<u>461,311</u>	<u>360,272</u>	<u>-</u>	<u>2,095,452</u>
Operating expenses							
Consulting fees	-	-	343,750	247,500	192,500	-	783,750
Other expenses	-	-	-	-	-	28,113	28,113
Total operating expenses	<u>-</u>	<u>-</u>	<u>343,750</u>	<u>247,500</u>	<u>192,500</u>	<u>28,113</u>	<u>811,863</u>
Operating income	37,475	155,000	334,688	213,811	167,772	(28,113)	1,283,589
Non-operating revenues							
Interest income	-	-	-	-	-	3,904	3,904
Total non-operating revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,904</u>	<u>3,904</u>
Change in unrestricted net position	37,475	155,000	334,688	213,811	167,772	(24,209)	1,287,493
Unrestricted net position, beginning of year	<u>107,808</u>	<u>724,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(41,013)</u>	<u>3,634,136</u>
Unrestricted net position, end of year	<u>\$ 145,283</u>	<u>\$ 879,583</u>	<u>\$ 334,688</u>	<u>\$ 213,811</u>	<u>\$ 167,772</u>	<u>\$ (65,222)</u>	<u>\$ 4,921,629</u>



NOVOGRADAC
& COMPANY LLP®

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
NYC Neighborhood Capital Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of NYC Neighborhood Capital Corporation, which comprise the statement of net position as of June 30, 2023, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NYC Neighborhood Capital Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NYC Neighborhood Capital Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the organization's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether NYC Neighborhood Capital Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Novogradac & Company LLP

San Francisco, California

October 5, 2023