THE CRENULATED COMPANY, LTD.

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

DECEMBER 31, 2015

THE CRENULATED COMPANY, LTD.

INDEX

KOCH GROUP & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
The Crenulated Company, Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of The Crenulated Company, Ltd., which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Crenulated Company, Ltd. as of December 31, 2015, and the change of its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses 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.

Kochl Group + Company, LLP
Certified Public Accountants

New York, New York
August 4, 2016

THE CRENULATED COMPANY, LTD.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

Cash	$ 341,327
Cash - tenants' security deposits	588,313
Escrows and reserves	1,274,985
Tenant receivables, net of allowance for doubtful accounts of $243,223	641,818
Grants receivable	37,826
Prepaid expenses and other assets	539,133
Due from affiliate	148,184
Fixed assets, net	4,313,250
TOTAL ASSETS	$ 7,884,836

LIABILITIES AND NET ASSETS

LIABILITIES	
Mortgage payable	$ 516,501
Line of credit	114,501
Accounts payable and accrued expenses	607,340
Tenants' security deposits	588,313
Total Liabilities	1,826,655
NET ASSETS	
Unrestricted	5,599,301
Temporarily restricted	458,880
Total Net Assets	6,058,181
TOTAL LIABILITIES AND NET ASSETS	$ 7,884,836

See notes to financial statements.

THE CRENULATED COMPANY, LTD.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND LOSSES			
Residential rent	$ 9,795,104	$ -	$ 9,795,104
Commercial rent	84,236	-	84,236
Community services grants and contributions	3,478,488	458,880	3,937,368
Other	970,187	-	970,187
Net assets released from restrictions	337,585	(337,585)	-
Total revenue, gains and losses	14,665,600	121,295	14,786,895
EXPENSES			
Program services			
Housing services	7,402,777	-	7,402,777
Community services	5,967,017	-	5,967,017
Total program services	13,369,794	-	13,369,794
Administration and general	1,415,373	-	1,415,373
Fundraising	75,890	-	75,890
Total Expenses	14,861,057	-	14,861,057
CHANGE IN NET ASSETS	(195,457)	121,295	(74,162)
NET ASSETS			
Beginning of year	5,794,758	337,585	6,132,343
End of year	$ 5,599,301	$ 458,880	$ 6,058,181

See notes to financial statements.

THE CRENULATED COMPANY, LTD.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (74,162)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	245,276
Bad debts	123,985
Changes in assets and liabilities	
Tenant receivables	(167,464)
Grants receivable	340,317
Prepaid expenses and deposits	427,413
Accounts and accrued expenses payable	25,688
Net cash provided by operating activities	921,053
CASH FLOWS FROM INVESTING ACTIVITIES	
Escrows and reserves	(721,149)
Purchase of fixed assets	(109,551)
Due from affiliate	(122,463)
Net cash used in investing activities	(953,163)
CASH FLOWS FROM FINANCING ACTIVITIES	
Mortgage payable	(26,897)
Line of credit	(115,499)
Net cash used in financing activities	(142,396)
NET DECREASE IN CASH	(174,506)
CASH	
Beginning of year	515,833
End of year	$ 341,327
SUPPLEMENTAL DISCLOSURES OF CASH FLOW ITEMS	
Interest paid	$ 12,566

See notes to financial statements.

1. Organization

The Crenulated Company, Ltd. (the Company) was incorporated in the State of New York in 1989 under Section 402 of the Not-for-Profit Corporation Law and is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. The Company purchased and renovated 14 buildings, containing 893 units, in the West Bronx from the City of New York (the City) for the purpose of operating them as low and moderate income housing and housing for the homeless. The Company owns and operates the apartment complex known as New Settlement Apartments. The Company also provides community service programs for its tenants and neighborhood residents.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities.

b) Cash and Cash Equivalents

For purposes of the statement of cash flows the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

c) Functional Allocation of Expenses

Costs and expenses of various programs and other activities have been analyzed on a functional basis. Accordingly, all costs and expenses incurred have been allocated among the programs and supporting services benefited.

d) Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated fair value at date of donation. The cost of buildings and improvements is depreciated over an estimated useful life of 40 years. The cost of furniture and equipment is depreciated over estimated useful lives of 5-10 years. When assets are disposed of, their costs and accumulated depreciation are removed from the accounts and resulting gains or losses are included in operations.

2. Summary of Significant Accounting Policies (Continued)

d) Property and Equipment (Continued)

Maintenance and repairs are charged to expense when incurred. Upon retirement or other disposition, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income. Management generally capitalizes items in excess of $500.

e) Revenue Recognition

Contributions are recognized when the donor makes a promise to give to the organization which is, in substance, unconditional. All contributions are due in one year and are recorded at their net realizable value.

Contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

f) Contributed Goods and Services

Contributed goods are recorded at the fair market value at the time of contribution. Contributed services are recognized as contributions at their estimated fair values at the date of donation if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

g) Advertising

Advertising costs are expensed as incurred. For the year ended December 31, 2015, the advertising expense was $30,310.

2. Significant Accounting Policies (Continued)

h) Use of Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

i) Rental Revenue

Rental income is recognized as rentals become due, net of provisions for uncollectible amounts. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the Project are considered to be operating leases.

j) Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management's estimate of the allowance is based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management's estimate of the allowance will change.

k) Impairment of Long-Lived Assets

The Company reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There was no impairment loss recognized in 2015.

3. Fixed Assets

Fixed assets consisted of the following at December 31, 2015:

Land	$ 15,557
Land improvements	114,621
Building and improvements	8,987,009
Furniture and equipment	2,335,898
Tot-lot playground	894,178
	12,347,263
Less accumulated depreciation	(8,034,013)
	$ 4,313,250

Depreciation expense totaled $245,276 in 2015.

4. Mortgage Payable

The Company entered into an agreement with the City of New York on September 23, 2003 for a mortgage in the amount of $831,000. The first $551,000 bears interest at 1% per annum, and the remainder of $280,000 is non-interest bearing. Monthly principal and interest payments are $2,655. $280,000 will be forgiven in September 2018. The remaining unpaid principal and interest on the mortgage is due upon maturity on September 1, 2023. As of December 31, 2015, $236,501 interest bearing and $280,000 non-interest bearing portion of the loan were outstanding. The Company incurred and paid interest expense of $2,303 for the year ended December 31, 2015.

Future mortgage principal payments are due as follows:

Year ending December 31,	
2016	$ 29,625
2017	29,922
2018	30,223
2019	30,527
2020	30,833
2021 and thereafter	85,371
	236,501
Amount expected to be forgiven	280,000
Total	$ 516,501

5. Line of Credit

The Company has a line of credit with Capital One N.A., in an amount not to exceed $400,000. The line of credit is payable interest only at 3% per annum beginning on July 11, 2014 through maturity on July 11, 2017. As of December 31, 2015, $114,501 has been advanced and remains payable. The Company incurred interest expense of $8,321 for the year ended December 31, 2015.

6. Pension Plan

The Company sponsors a 403(b) pension plan covering all employees who work a minimum of 1,000 hours per year. Employees can contribute up to the maximum amount allowable by law. The Company matches its employees' contributions up to 5% of each covered employee's salary. Pension expense was $147,133 for the year ended 2015.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets are restricted for educational programs and will be released from restriction when expended. Temporarily restricted net assets as of December 31, 2015 are available for the following purposes:

MASP	$ 39,203
CACFP	12,246
ASP@64 / TASC	63,778
Summer Camp	49,851
ASP / MS 327	113,025
Summer / PS 64	40,810
Right to Counsel	423
Change Capital Fund	133,043
LISC / HUD Section 4	6,501
	$ 458,880

8. Income Taxes

Management has determined that the Company had no uncertain tax positions that would require financial statement recognition. The Company is no longer subject to income tax examination by federal, state or local tax authorities in the United States for years before 2012, which is the standard statute of limitations look-back period.

9. Management Agreement

The Company has entered into a management agreement with Grenadier Realty Corporation in connection with the management of the rental operations of the project. The property management fee is based on 5% of monthly gross rents collected, as defined. For the year ended December 31, 2015, $513,382 has been charged to operations.

10. Related Party Transactions

The Company pays Settlement Housing Fund, Inc. supervisory fees for services rendered in connection with oversight of the property and activities. During 2015, fees of $420,200 were charged by Settlement Housing Fund, Inc.

The Company rents community services space from Newset II Housing Development Fund Corporation, on a month to month basis, for the College Access Center and Bronx Helpers programs. Rent expense of $31,500 was recorded in 2015. The company is also reimbursed for security, administrative and maintenance services provided to Newset II Housing Development Fund Corporation. The reimbursement totaled $78,259 in 2015.

The Company is reimbursed for overhead expenses from New Settlement Community Campus Corporation (NSCCC), including custodial services, supplies, property insurance and professional fees. In addition, the Company has a community center use agreement with NSCCC to run its programs, at an annual rate of $200,000, beginning in September 2012, with an annual increase of 3%. The fee was $218,545 in 2015. At December 31, 2015, $148,184 was receivable from NSCCC.

The Company provided community service programs to Marcy Baer Associates LP. In 2015, the fee for these services was $48,000. The company is also reimbursed for security and administrative services provided to Marcy Baer Associates LP. The reimbursement totaled $57,036 in 2015.

11. Escrows and Reserves

The Company maintains an operating reserve and an escrow reserve. The following shows the activities in the operating and escrow reserves in 2015.

	Operating Reserve	Escrow Reserve	Total
Beginning balance	$ 532,484	$ 21,352	$ 553,836
Deposits	361,796	1,571,961	1,933,757
Interest	4,875	1,090	5,965
Withdrawals	(18,676)	(1,199,897)	(1,218,573)
Ending balance	$ 880,479	$ 394,506	$ 1,274,985

12. Commercial Lease Agreements

The project includes 2 commercial units which are rented as follows:

1. Rent of $5,736 on a month to month basis.
2. A non-cancelable operating lease with a monthly base rent of $5,146 expiring on February 28, 2017. The annual rent increases by the change in the Consumer Price Index (CPI). The tenant moved out in February 2015 and paid a termination fee in the amount of $131,000. The unit was vacant as of December 31, 2015.

13. Guarantee

NSCCC has developed a community center utilizing New Market Tax Credits as part of the financing. In connection with this, the Company has guaranteed any New Market tax credit recapture in an amount based upon a predetermined target rate of return. Management believes the likelihood of material payments under this guarantee is remote.

14. Subsequent Events

Management has evaluated subsequent events through August 4, 2016, the date that the financial statements were available to be issued. On June 28, 2016, the Company sold all of its real estate assets for $84,500,000, receiving cash of $22,735,000 and a note receivable of $61,765,000. All real estate operations were discontinued at that time.

SUPPLEMENTARY INFORMATION

THE CRENULATED COMPANY, LTD.

SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2015

	Program Services				
	Housing Services	Community Services	Management & General	Fundraising	Total
Salaries	$ 1,257,001	$ 3,578,907	$ 429,788	$ -	$ 5,265,696
Payroll taxes	118,210	279,292	40,418		437,920
Employee benefits	625,745	497,562	213,952		1,337,259
Total salaries and related expenses	2,000,956	4,355,761	684,158	-	7,040,875
Management fee, supervisory fee and related expenses	513,382		420,200		933,582
Security services	515,420				515,420
Accounting, legal and other professional fees	290,309	237,088	105,901	75,890	709,188
Repairs and maintenance	1,013,527	5,668			1,019,195
Insurance	512,905	320			513,225
Utilities	1,018,844	56,203			1,075,047
Water and sewer	914,404				914,404
Supplies	59,892	257,575	70,933		388,400
Advertising		30,310			30,310
Postage		12,837	12,897		25,734
Stationary and printing		29,600	13,452		43,052
Interest	2,303	8,321			10,624
Real estate taxes	144,714				144,714
Conferences and meetings		17,950	1,030		18,980
Space rental		277,461			277,461
Telephone	33,077	24,812	22,865		80,754
Travel and transportation		126,730	3,223		129,953
Food and refreshments		128,525			128,525
Grants and stipends		247,457			247,457
Bad debt expense	123,985				123,985
Depreciation	245,276				245,276
Miscellaneous	13,783	150,399	80,714		244,896
	$ 7,402,777	$ 5,967,017	$ 1,415,373	$ 75,890	$ 14,861,057