THE CRENULATED COMPANY, LTD.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY FINANCIAL INFORMATION

DECEMBER 31, 2016

THE CRENULATED COMPANY, LTD.

INDEX
DECEMBER 31, 2016

BERDON ACCOUNTANTS AND ADVISORS™

BERDON 100 CELEBRATING 1917-2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
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, 2016, 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.

Auditors' 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 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 auditors consider 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.

BERDON LLP | 360 Madison Avenue, New York, NY 10017 · 212.832.0400 | One Jericho Plaza, Jericho, NY 11753 · 516.931.3100 | BERDONLLP.com

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, 2016, and the results of its activities and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 8 to the financial statements, the opening unrestricted net assets as of January 1, 2016 have been restated to correct a misstatement. Our opinion is not modified with respect to these matters.

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.

Berdon LLP

Certified Public Accountants

New York, New York
November 1, 2017

EXHIBIT A

THE CRENULATED COMPANY, LTD.

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Cash	$ 465,210
Liquidity reserve	18,279,559
Notes receivable	62,658,000
Interest receivable - notes	1,127,844
Due from affiliates	4,921,550
Prepaid expense	42,815
Grants receivable	162,050
TOTAL ASSETS	$ 87,657,028

LIABILITIES AND NET ASSETS

LIABILITIES:	
Accounts payable	$ 11,414
Deferred gain on sale	80,160,877
TOTAL LIABILITIES	80,172,291
NET ASSETS:	
Unrestricted	7,484,737
TOTAL LIABILITIES AND NET ASSETS	$ 87,657,028

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT B

THE CRENULATED COMPANY, LTD.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	TOTAL
REVENUE AND SUPPORT:			
Community services grants and contributions	$ 5,444,966	$ -	$ 5,444,966
Interest income - notes	1,127,844	-	1,127,844
Interest income - other	4,196	-	4,196
Other	639,979	-	639,979
TOTAL REVENUE AND SUPPORT	7,216,985	-	7,216,985
EXPENSES:			
Program services:			
Community services	6,581,062	-	6,581,062
Fund-raising	45,860	-	45,860
TOTAL EXPENSES	6,626,922	-	6,626,922
INCREASE IN NET ASSETS BEFORE DISCONTINUED OPERATIONS	590,063	-	590,063
DISCONTINUED OPERATIONS (Note 3)	836,493	-	836,493
INCREASE IN NET ASSETS - UNRESTRICTED	1,426,556	-	1,426,556
NET ASSETS - BEGINNING OF YEAR	5,599,301	458,880	6,058,181
RESTATEMENT	458,880	(458,880)	-
NET ASSETS - UNRESTRICTED - BEGINNING OF YEAR (RESTATED)	6,058,181	-	6,058,181
NET ASSETS - UNRESTRICTED - END OF YEAR	$ 7,484,737	$ -	$ 7,484,737

The accompanying notes to financial statements are an integral part of this statement.

EXHIBIT C

THE CRENULATED COMPANY, LTD.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$	1,426,556
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation		66,577
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Tenant accounts receivable		(21,789)
Interest receivable - notes		(1,127,844)
Prepaid expense		104,899
Grants receivable		(124,224)
(Decrease) in:		
Accounts payable		(172,275)
Total adjustments		(1,274,656)
NET CASH PROVIDED BY OPERATING ACTIVITIES		151,900
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets		(30,338)
Proceeds from sale of property		22,392,888
Escrow and reserves		628,173
Liquidity reserve		(18,279,559)
Note receivable		(893,000)
Due from affiliate		(3,495,179)
NET CASH PROVIDED BY INVESTING ACTIVITIES		322,985
CASH FLOWS FROM FINANCING ACTIVITIES:		
Mortgage payable		(236,501)
Line of credit - net		(114,501)
NET CASH (USED IN) FINANCING ACTIVITIES		(351,002)
NET INCREASE IN CASH		123,883
CASH - BEGINNING OF YEAR		341,327
CASH - END OF YEAR	$	465,210
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$	6,888
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING AND FINANCING ACTIVITIES:		
Noncash transaction resulting from the sale of the property:		
Transfer of assets and assumption of liabilities is a result of the sale:		
Tenant accounts receivable	$	663,607
Prepaid expenses	$	391,419
Accounts payable	$	(423,651)
Escrow and reserves	$	646,812
Mortgage payable	$	(280,000)
Amount due from buyer and affiliates as a result of the sale:		
Note receivable	$	(61,765,000)
Due from affiliate	$	(1,278,187)

The accompanying notes to financial statements are an integral part of this statement.

NOTE 1 - ORGANIZATION

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 (the "Project") from the City of New York 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.

In June 2016, the Company ceased real estate operations when it sold its operating assets to NSA 2015 Owner LLC ("NSA") (Note 3), a company affiliated through common board control of its parent/sponsor, Settlement Housing Fund, Inc., a nonprofit organization that provides affordable housing and social service programs for low-income individuals and families in the City of New York.

The Company will continue providing various community service programs.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. "GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies, if any, at the date of the financial statements, and the reported amounts of support and revenue and expenses during the period then ended. Actual results could differ from those estimates.

(b) Presentation of Net Assets

The net assets of the Company and changes therein are classified as unrestricted, temporarily restricted and permanently restricted based on the existence or absence of donor-imposed restrictions. Unrestricted net assets are those that are not subject to donor-imposed stipulations. Temporarily restricted net assets represent contributions with donor-imposed restrictions that have not yet been satisfied or are time restricted. When a stipulated time restriction ends or a 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 restriction. Permanently restricted net assets are those which are established by donor gifts to provide a permanent endowment. There were no temporarily or permanently restricted net assets at December 31, 2016.

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Public Donations

Public donations from public and corporate donors are considered to be available for unrestricted use, unless specifically restricted by the donor.

The Company follows U.S. GAAP guidance on accounting for contributions received and contributions made. Accordingly, contributed assets are recorded at fair value at date of donation. Services are recognized as revenue and assets, or expenses at fair value, if those services (i) create or enhance nonfinancial assets, (ii) would typically need to be purchased by the Company if they had not been provided by contribution, or (iii) require specialized skills and are provided by individuals with those skills.

(d) Grants and Contracts

Revenue from grants and contracts is recognized as revenue when expenditures are incurred for such grant purposes. Cash received in excess of expenditures incurred is recorded as refundable contractual advances, and is recognized as revenue in the period the expenditure is incurred. Any unspent amounts might be returned to the granting agency, or the granting agency can approve that those amounts be applied to a future grant period.

(e) Cash

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

(f) Property and Equipment

Property and equipment was stated at cost or, if donated, at estimated fair value at date of donation. The cost of buildings and improvements was depreciated over an estimated useful life of 40 years. The cost of furniture and equipment was depreciated over estimated useful lives of five years to 10 years. During 2016, the property was sold and the resulting gain is reflected as a deferred gain in the accompanying financial statements (Note 3). The operations through the date of sale have been reported as discontinued operations on the statement of activities.

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

(g) 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.

(continued)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Recent Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-14, "Presentation of Financial Statements for Not-for-Profit Entities." Under the new guidance, the existing three-category classification of net assets will be collapsed into two categories: with donor restrictions and without donor restrictions. Endowments that have a current fair value that is less than the original gift amount (underwater) will be classified in net assets with donor restrictions and expanded disclosures will be required. Additional requirements include disclosure of board-designated net assets, expanded reporting to present expenses by function and natural classification, and eliminating the disclosure of investment expenses that are netted against investment returns. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017, and early adoption is permitted. The Company has not yet evaluated the impact this adoption will have on the financial statements.

NOTE 3 - SALE OF PROPERTY

In June 2016, the Company sold its real estate operations, consisting of 14 buildings, to NSA for $84,500,000, which consisted of a seller's note for $61,765,000, while the balance of $22,735,000 was used to pay the following: approximately $343,000 of closing taxes, fees and charges, satisfaction of the New York City Department of Housing Preservation and Development ("HPD") Article 8A loan of $225,000 (Note 5), and approximately $18,280,000 to fund a liquidity reserve account (Note 4), with the remaining balance of $3,887,000 advanced to Settlement Housing Fund, Inc. for additional rehabilitation costs of the property sold to NSA. The Company simultaneously executed a seller's reserve loan for $893,000 to fund required reserves under NSA's mortgage obligations with New York State Housing Finance Agency ("HFA"). Both notes are collectively referred to as "Seller's Notes Receivable," and terms of the Seller's Notes Receivable provide for interest to accrue at 3.6% per annum, with all principal and accrued interest maturing in October 2048. Repayment of the Seller's Notes Receivable are subordinated to NSA's Multifamily Note to Fannie Mae in the original amount of $24,640,000.

In addition to the buildings, improvements and other capital assets included in the sale, other assets and liabilities related to the properties were transferred to NSA. The net effect of these accounts were charged to due from affiliate and are noninterest bearing and payable on demand.

In conjunction with the sale, the Company is required to fund a liquidity reserve account with an initial deposit of approximately $18,280,000. Amounts in the liquidity reserve are to be released over time to the Company, as approved by HFA, including $8,600,000 at permanent financing, of which $4,000,000 shall be transferred to a reserve account to secure payment of the debt obligation of NSA.

The net sales price of approximately $84,158,000 and the assignment of the HPD loan of $280,000, less the net book value of assets sold of $4,277,000, resulted in a deferred gain on sale of approximately $80,161,000.

NOTE 4 - LIQUIDITY RESERVE

The Company is required to establish a liquidity reserve account at the time of sale, which will be released over time (Note 3). At December 31, 2016, the balance of liquidity reserve was $18,279,559.

NOTE 5 - MORTGAGE PAYABLE

In 2003, the Company received funding from HPD in the amount of $831,000, of which $551,000 was an installment loan, requiring monthly payments of $2,655 and interest at 1% per annum and maturing in September 2023, and $280,000, which would be forgiven in September 2019. The balance of the amortizing portion at the date of the closing was $224,860, which was repaid from the net proceeds, and the $280,000 portion that is to be forgiven was assigned to NSA (Note 3).

NOTE 6 - LINE OF CREDIT

The Company has a line of credit with Capital One, N.A., in the amount of $400,000. The line of credit is payable interest only at 3% per annum, with maturity on October 9, 2017. As of December 31, 2016, there is no balance outstanding.

NOTE 7 - 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, as defined.

NOTE 8 - PRIOR PERIOD ADJUSTMENT

The Company discovered an error related to temporarily restricted net assets as of December 31, 2015. The statement of financial position and statement of activities for the year ended December 31, 2016 have been restated to correct this error. The effect of the restatement was to increase net assets - unrestricted by $458,880, and decrease net assets - temporarily restricted by $458,880.

NOTE 9 - RELATED PARTY TRANSACTIONS

On June 28, 2016, the Company sold its real estate assets to NSA for $84,500,000, receiving cash of $22,735,000 and a note receivable in the amount of $61,765,000. The note bears interest at 3.6% per annum and matures on October 1, 2048. Interest income accrued on the note for the year ended December 31, 2016 was $1,111,770.

The Company also executed a note receivable in the amount of $893,000 for NSA to fund a replacement reserve. The note bears interest at 3.6% per annum and matures on October 1, 2048. Interest income accrued on the note for the year ended December 31, 2016 was $16,074.

(continued)

NOTE 9 - RELATED PARTY TRANSACTIONS (Continued)

The Company pays Settlement Housing Fund, Inc. ("SHF") supervisory fees for services rendered in connection with oversight of the property and activities. During 2016, fees of $210,100 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 $30,000 was recorded in 2016. The Company is also reimbursed for security, administrative and maintenance services provided to Newset II Housing Development Fund Corporation. The reimbursement totaled $37,552 in 2016.

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 $225,101 in 2016.

The Company provided community service programs to Marcy Baer Associates LP. In 2016, 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 $27,485 in 2016.

Amounts due from affiliates are noninterest bearing and due on demand. Amounts due from affiliates at December 31, 2016 are as follows:

SHF	$ 3,887,127
NSA	781,652
NSCCC	252,771
	$ 4,921,550

NOTE 10 - LITIGATION

The Company is involved in several personal injury lawsuits in the ordinary course of business. All of these lawsuits are covered by SHF's liability insurance policy and accordingly the Company is being defended by counsel appointed by and paid for by the SHF's liability insurance company. Therefore, management has determined that there are no matters that would have an adverse effect on its financial position, statement of activities or cash flows.

NOTE 11 - GUARANTEE

In conjunction with New Market Tax Credits transaction, NSCCC, SHF and the Company have provided guarantees related to any New Market Tax Credits recapture, a full guarantee of project completion and cost overruns, an operating guarantee for the project and ongoing management fees with respect to the New Market Tax Credits transaction, as well as guarantee all obligations of NSCCC, including all principal and interest payments.

(continued)

NOTE 11 - GUARANTEE (Continued)

There are no indications that NSCCC, SHF or the Company have any potential liability, as of the date of the report, with respect to these guarantees and no liability has been recorded in the financial statements.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through November 1, 2017, the date the financial statements were available to be issued. Based on this evaluation, management has determined that no subsequent events have occurred which require disclosure in the financial statements.

NOTE 13 - PENSION PLAN

The Company participates in the Service Employees International Union, Local 32BJ (the "Union") pension plan, health plan and other welfare plans under a collective bargaining agreement (the "Agreement") that covers certain of the Company's employees. This Agreement expires on March 14, 2019.

The pension plan is a multiemployer, noncontributory defined benefit pension plan. The pension plan is administered by a joint board of trustees and employer trustees and operates under EIN 13-1819138. The pension plan year runs on a calendar-year basis. Employers contribute to the pension plan in accordance with the Agreement, which generally provides that the employers contribute to the pension plan at a fixed rate on behalf of each covered employee. Separate actuarial information regarding such pension plans is not made available to the contributing employers by the union administrators or trustees, since the plans do not maintain separate records for each reporting unit. However, on March 31, 2017, the actuary certified that for the plan years beginning on January 1, 2017, the pension plan was in critical status under the Pension Protection Act of 2006. The pension plan trustees adopted a rehabilitation plan consistent with this requirement. No surcharges have been paid to the pension plan as of December 31, 2016.

The health plan and other welfare plans provide health and other general benefits to eligible participants under the terms of the Agreement with the Union. The health plan is administered by a board of trustees, with equal representation by the employers and the Union. The health plan and other welfare plans receive contributions in accordance with the Agreement, which generally provides that the employers contribute to the health plan and other welfare plans at fixed rates on behalf of each covered employee.

The Agreement was assigned to NSA 2015 Owner LLC as of the date of the sale of the real estate operations (Note 3).

(continued)

NOTE 13 - PENSION PLAN (Continued)

Contributions made by the Company to the multiemployer benefit plans for the year ended December 31, 2016 are as follows:

Pension plan	$	49,472
Health plan		199,913
Other welfare plans		3,581
	$	252,966

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 $100,821 for the year ended December 31, 2016.

SUPPLEMENTARY FINANCIAL INFORMATION

Schedule B-1

THE CRENULATED COMPANY, LTD.

SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	PROGRAM SERVICES	FUND-RAISING	TOTAL
Salaries	$ 3,997,540	$ -	$ 3,997,540
Payroll taxes	312,120	-	312,120
Employee benefits	584,130	-	584,130
	4,893,790	-	4,893,790
Accounting, legal and other professional fees	227,079	45,860	272,939
Repairs and maintenance	3,353	-	3,353
Insurance	4,491	-	4,491
Utilities	50,522	-	50,522
Supplies	324,656	-	324,656
Advertising	33,356	-	33,356
Postage	15,711	-	15,711
Stationery and printing	22,594	-	22,594
Interest	5,923	-	5,923
Conferences and meetings	42,484	-	42,484
Space rental	299,633	-	299,633
Telephone	32,402	-	32,402
Travel and transportation	106,369	-	106,369
Food and refreshments	141,055	-	141,055
Grants and stipends	213,048	-	213,048
Miscellaneous	164,596	-	164,596
	$ 6,581,062	$ 45,860	$ 6,626,922

The accompanying notes to financial statements and independent auditors' report should be read in conjunction with this supplementary schedule.