

**WOMEN'S HOUSING AND ECONOMIC
DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

C O N T E N T S

Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	6
Statements of Cash Flows	8
Notes to Financial Statements	10
Supplemental Information:	
Statement of Functional Expenses	25
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with Government Auditing Standards	27
Independent Auditor's Report on Compliance for each Major Program and on Internal Control over Compliance required by the Uniform Guidance	29
Schedule of Findings and Questioned Costs	32
Schedule of Federal Awards	33
Notes to Schedule of Federal Awards	35

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The Board of Directors
Women's Housing and Economic
Development Corporation

Independent Auditor's Report

Report on the Financial Statements

I have audited the accompanying financial statements of Women's Housing and Economic Development Corporation, which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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

The Board of Directors
Women's Housing and Economic
Development Corporation

Page 2

effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Women's Housing and Economic Development Corporation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

My 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. The accompanying schedule of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit requirements for Federal Awards*, is presented for the 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 my opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

The Board of Directors
Women's Housing and Economic
Development Corporation

Page 3

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated August 31, 2017, on my consideration of Women's Housing and Economic Development Corporation's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Women's Housing and Economic Development Corporation's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "August 31, 2017".

New York, New York
August 31, 2017

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

A S S E T S

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 315,537	\$ 1,950,775
Short-term investments	1,044,404	1,474,119
Accounts receivable	4,079,999	1,937,926
Unconditional promises to give	480,804	831,635
Developer's fee receivable, current		
- Bronx Commons	450,000	-
Due from Bronx Commons - Predevelopment costs	183,444	-
Prepaid expenses	<u>41,884</u>	<u>63,265</u>
Total Current Assets	6,596,072	6,257,720
Fixed Assets, net of accumulated		
depreciation of \$1,135,706 in 2016		
and \$941,612 in 2015	954,402	1,124,982
Other Assets		
Long-term unconditional promises to give	182,174	523,262
Investment-retirement plan	440,582	277,378
Security deposit	5,045	5,045
Investment in Urban Horizons	1,189,224	1,194,499
Developer's fee receivable		
- Urban Horizons II	1,344,592	1,380,039
Developer's fee receivable		
- Louis Nine	100,475	100,475
Developer's fee receivable - Bronx Commons	456,134	-
Loan receivable - Bronx Commons	811,483	-
Loan receivable - Urban Horizons II	608,403	608,403
Due from Bronx Commons - Predevelopment costs	-	339,768
Due from Urban Horizons	205,904	205,904
Due from affiliates	<u>840,894</u>	<u>698,910</u>
Total Other Assets	<u>6,184,910</u>	<u>5,333,683</u>
TOTAL ASSETS	<u>\$13,735,384</u>	<u>\$12,716,385</u>

The accompanying notes are an integral part of these financial statements

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015

LIABILITIES AND NET ASSETS

	<u>2016</u>	<u>2015</u>
Liabilities		
Current Liabilities		
Accounts payable	\$ 158,056	\$ 133,406
Accrued expenses	619,675	502,961
Due to providers	806,006	702,897
Contract advance	671,108	452,509
Loan payable, current	25,000	275,000
Tenants' security deposit	<u>6,285</u>	<u>6,285</u>
Total Current Liabilities	2,286,130	2,073,058
Long-Term Debt		
Deferred compensation	454,055	227,027
Loan payable, net of current portion	<u>-</u>	<u>25,000</u>
Total long-term debt	<u>454,055</u>	<u>252,027</u>
Total Liabilities	2,740,185	2,325,085
Net Assets		
Unrestricted	7,331,343	6,876,721
Temporarily restricted	732,779	1,689,710
Permanently restricted	<u>2,931,077</u>	<u>1,824,869</u>
Total Net Assets	<u>10,995,199</u>	<u>10,391,300</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$13,735,384</u>	<u>\$12,716,385</u>

The accompanying notes are an integral part of these financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
UNRESTRICTED NET ASSETS		
Unrestricted Revenues		
Foundations	\$ 900,474	\$ 1,534,462
Individuals/Special events	439,264	206,779
Contracts and grants	17,712,360	15,927,884
Rental and other income	556,140	588,563
Developer's fee	906,134	-
Donated services	107,171	245,539
Investment income (loss)	72,787	(24,505)
Total Unrestricted Revenues	20,694,330	18,478,722
Net assets released from restrictions satisfied by payments	1,030,448	977,610
Net Unrestricted Revenue	21,724,778	19,456,332
Expenses		
Program and Services		
Kitchen	233,207	182,604
Head Start	1,865,447	2,021,815
Family Support	478,881	524,477
Youth Services	3,332,587	2,803,087
Homebased Childcare	11,764,746	10,793,787
Housing development	700,604	720,985
Arts	297,426	231,875
Community development	408,028	676,555
Research and Evaluation	110,154	130,220
Management and general	1,679,968	1,237,574
Fundraising	399,108	199,096
Total Expenses	21,270,156	19,522,075
Increase (Decrease) in unrestricted Net Assets	454,622	(65,743)

The accompanying notes are an integral part of these financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

	<u>2016</u>	<u>2015</u>
TEMPORARILY RESTRICTED NET ASSETS		
Grant income for next year	373,517	1,058,083
Decrease in value of unconditional Promise to give	-	(214,438)
Reclassification to permanently restricted	(300,000)	-
Expenditure of prior year grant funds and contract income	<u>(1,030,448)</u>	<u>(977,610)</u>
Decrease in temporarily restricted assets	<u>(956,931)</u>	<u>(133,965)</u>
PERMANENTLY RESTRICTED ASSETS		
Grant income	811,483	-
Reclassification from temporarily restricted	300,000	-
Loss from Urban Horizons I	<u>(5,275)</u>	<u>(8,404)</u>
Increase (Decrease) in permanently restricted assets	<u>1,106,208</u>	<u>(8,404)</u>
Increase (Decrease) in Net Assets	603,899	(208,112)
Net Assets		
- Beginning of Year	<u>10,391,300</u>	<u>10,599,412</u>
Net Assets		
- End of Year	<u>\$10,995,199</u>	<u>\$10,391,300</u>

The accompanying notes are an integral part of these financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase (Decrease) in net assets	\$ 603,899	\$ (208,112)
Adjustments to reconcile increase (decrease) in net assets to net cash (used in) provided by operating activities:		
Depreciation	194,094	232,991
Unrealized (gain) loss on investment	(31,360)	28,615
Decrease(Increase)in operating assets:		
Accounts receivable and pledge receivable	(1,450,154)	(352,481)
Prepaid expenses	21,381	(16,397)
Security deposit	-	(2,170)
Developer's fees receivable	(870,687)	76,667
Due from affiliate	(141,984)	(108,663)
Investment in Urban Horizons I	5,275	8,404
Loan receivable- Bronx Commons	(811,483)	-
Increase (Decrease) in operating liabilities:		
Accounts payable	24,650	39,052
Accrued expenses	116,714	68,895
Due to providers	103,109	150,037
Contract advances	218,599	161,096
Deferred compensation	227,028	227,027
Due to affiliate	-	-
Total adjustments	<u>(2,394,818)</u>	<u>513,073</u>
Net cash (used in) provided by operating activities	<u>(1,790,919)</u>	<u>304,961</u>
Cash flows from investing activities:		
Decrease (Increase) in investment	461,075	(1,120,000)
Increase in investment-retirement plan	(163,204)	(152,000)
Acquisition of fixed assets	(23,514)	(142,532)
Decrease (Increase) in due from Bronx Commons predevelopment - cost	<u>156,324</u>	<u>(179,022)</u>
Net cash provided by (used in) investing activities	<u>430,681</u>	<u>(1,593,554)</u>

The accompanying notes are an integral part of these financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015
(Continued)

	<u>2016</u>	<u>2015</u>
Cash flows from financing activities:		
Decrease in notes payable	<u>(275,000)</u>	<u>(25,000)</u>
Net cash used in financing activities	<u>(275,000)</u>	<u>(25,000)</u>
Net Decrease in cash	(1,635,238)	(1,313,593)
Cash at beginning of year	<u>1,950,775</u>	<u>3,264,368</u>
CASH AT END OF YEAR	<u>\$ 315,537</u>	<u>\$1,950,775</u>

Supplemental information:

Interest paid during the year	<u>\$ 4,231</u>	<u>\$ 18,109</u>
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The accompanying notes are an integral part of these financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 - BASIS OF OPERATION

Women's Housing and Economic Development Corporation (WHEDco), not-for-profit corporation, works with families in the Bronx who struggle with the multiple challenges presented by poverty, and who, like all of us, aspire to a healthy, financially stable future. WHEDco offers interconnected, innovative, and high quality solutions - including the building of healthy, affordable homes - creating more beautiful, more equitable, and more economically vibrant places to live and raise a family. The Corporation is a tax exempt organization under Section 501(c)(3) of the Internal Revenue Code.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Corporation are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Financial Statements Presentation

The presentation of the Corporation's financial statements is in accordance with the Accounting Standards Codification Topic No. 958, "Not-for-Profit Entities", (ASC 958). Under ASC 958, the Corporation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are recorded at cost net of accumulated depreciation. Depreciation is being provided based on the estimated useful life, using the straight line and accelerated methods.

Donated Assets

In general, assets donated to the Corporation, such as stock, property and equipment are recorded as contributions at their estimated fair values at the date of donation.

Investments

Statement of Financial Accounting Standards (SFAS) No. 124, *Accounting for Certain Investments held by Not-for-Profit Organizations*, requires that investments be reported at fair value.

Promise to Give

Contributions are recognized when the donor makes a promise to give to the Corporation that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Income Taxes

The Corporation is exempt from income taxes under Section 501(C)(3) of the Internal Revenue Code. Accordingly, no provision for Federal, New York State, and New York City income taxes is included in the financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

FASB ASC 820, *Fair Value Measurement and Disclosure*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Under the standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASB 820 are described as follows:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Corporation has the ability to access.

Level 2 inputs to the valuation methodology include: quoted prices for similar assets and liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

NOTE 3 - GRANT AND OTHER INCOME

The Corporation received unrestricted donation income from foundations, individuals, and business organizations totaling \$2,370,186 in 2016 and \$2,718,851 in 2015 to help provide the funding for the organization. The Corporation also received temporarily restricted grant income of \$373,517 in 2016 and \$1,058,083 in 2015 respectively.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 - INVESTMENT IN URBAN HORIZONS I

The Corporation, and its affiliate WHEDco Development Corp., have acted as the developer of Urban Horizons I (Urban Horizons), a unique community economic development center in the South Bronx. The Urban Horizons project has transformed the former Morrisania Hospital, abandoned in 1976, into a multi-service complex which includes 132 apartments for low-income families, with 48 set aside for previously homeless families; employment training and job creation programs; a day care center; comprehensive counseling and referral services; and a playground and courtyard connecting Urban Horizons with a bilingual elementary school serving grades K-8, which shares the site. There is also a primary health care facility operated by the Institute for Family Health.

The project began construction in December 1995 and was completed in April 1997. The Corporation, through its affiliate WHEDco Development Corp., has made an investment of \$1,237,273 as the general partner of the Urban Horizons Tax Credit Partnership L.P.. The source of the investment came from fees that WHEDco received for developing the project, and from funds received from the Department of Health and Human Services (DHHS) and New York State Urban Development Corp.. The project is also being financed with equity investments by the National and New York Equity Funds and loans from the New York State Housing Trust Fund and New York State Homeless Housing Assistance Corporation.

The Corporation has classified the investment in Urban Horizons as a permanently restricted asset. The investment is being reported on the accompanying financial statement using the equity method whereby the investment is increased or decreased by WHEDco's share of the results of operations.

NOTE 5 - GOVERNMENT CONTRACTS

WHEDco entered into a contract called Early Learn with the New York City Administration for Children's Services (ACS) for the contract period starting from October 1, 2016 to September 30, 2018 to provide quality early child care and education services to children and families. This contract replaced a previous Early Learn program, which expired on September 30, 2016. Early Learn consists of two programs, a traditional Head Start and Family Child Care (FCC). During 2016 and 2015, \$3,112,036 and \$3,109,068 were received under this contract,

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 - GOVERNMENT CONTRACTS (CONTINUED)

of which \$0 was receivable as of December 31, 2016 and 2015. Advances relating to the contract totaling of \$639,595 and \$330,126 are included in liabilities at December 31, 2016 and 2015 respectively.

WHEDco has a contract with the New York State Department of Health for Child and Adult Care Food Program (CACFP) to provide meals to children participating in day care in the South Bronx. During 2016 and 2015, WHEDco received \$4,733,760 and \$3,409,437 under the contract. The funds received represent costs of meals and administrative fees. The total administrative fees earned were \$473,683 in 2016 and \$388,494 in 2015. As of December 31, 2016 and 2015, \$737,710 and \$637,062 from the state were included in accounts receivable respectively.

WHEDco has entered into various contracts with the New York City Department of Youth and Community Development to provide various services to local youth. The contracts have varying terms. During 2016 and 2015, WHEDco earned \$2,573,242 and \$2,466,534 under these contracts, of which \$1,120,723 and \$476,167 were receivable as of December 31, 2016 and 2015 respectively.

WHEDco entered into a contract with the Office of Child and Family Service (OCFS) to enroll unlicensed daycare providers into the Child Care Facility System(CCFS). The contract in effect for 2016 and 2015 expired on December 31, 2016. This contract was renewed for the periods from January 1, 2017 to December 31, 2021. During 2016 and 2015, revenue of \$6,125,000 and \$6,125,000 respectively were earned. As of December 31, 2016 and 2015, WHEDco had receivable of \$1,531,249 and \$535,883 from OCFS respectively.

The Corporation also received \$1,168,322 in 2016 and \$817,845 in 2015 respectively under various other contracts and grants. The accounts receivable from various contracts are \$592,737 in 2016 and \$241,655 in 2015 respectively.

As of December 31, 2016 and 2015, the total accounts receivable from government contracts were \$4,079,999 and \$1,937,926 respectively.

A summary of revenue earned from government contracts are as follows;

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 - GOVERNMENT CONTRACTS (CONTINUED)

	2016	2015
ACS	\$ 3,112,036	\$ 3,109,068
CACFP	4,733,760	3,409,437
DYCD	2,573,242	2,466,534
OCFS	6,125,000	6,125,000
Other grants	1,168,322	817,845
Total	\$17,712,360	\$15,927,884

NOTE 6 - DEVELOPMENT COSTS AND LOANS - URBAN HORIZONS II

The Corporation, and its affiliate Urban Horizons II GP, Inc., have acted as the developer of Intervale Green (Urban Horizons II), a unique affordable housing development for low income families in the South Bronx. The project named Urban Horizons II is a limited partnership and qualifies for low-income housing tax credits. Urban Horizons II consists of 128 residential units for low-income families with 30% of the units set aside for families coming out of the homeless shelter system. The total cost of the project was \$38,114,306 and financing was provided by tax-exempt bonds issued from the New York City Housing Development Corporation (HDC) and from private investments from Richman Housing Resources, the tax credit syndicator. A pilot program through the New York State Energy Research and Development Authority (NYSERDA) was provided technical assistance and capital costs so that the building can achieve one of the first ever Energy Star ratings for multi-family buildings. Construction began in December 2005 and was completed in February 2009.

WHEDco was expected to earn \$4,914,853 in developer's fees in connection with this project and WHEDco earned the entire developer's fee as of December 31, 2008.

Payment of the fees are in accordance with the development fee agreement. As of December 31, 2016 and 2015, WHEDco has received \$3,570,261 and \$3,534,814 respectively. As of December 31, 2016 and 2015, the balance of Developer's fee receivable was \$1,344,592 and \$1,380,039.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 - DEVELOPMENT COSTS AND LOANS - URBAN HORIZONS II (CONTINUED)

The Corporation entered into a loan agreement with Urban Horizons II for the amount of \$547,403. The sources of the funds were grants from New York State Energy Research and Development Authority (NYSERDA) for \$422,403 and the Bronx Overall Economic Development Corporation for \$125,000. The loan was evidenced by a promissory note and secured by a subordinate lien on the rental property. The loan bears no interest and matures on October 1, 2039. The Corporation entered into two loan agreement with Urban Horizons II for the amount of \$36,000 and \$25,000 in July 29, 2010. The sources of the funds were grants from Enterprise Community Partners Inc. for \$36,000 and Home Depot for \$25,000. The loans were evidenced by promissory notes and secured by a subordinate lien on the rental property. The loan bears no interest and matures on July 29, 2040. As of December 31, 2016 and 2015 the loan receivable was \$608,403.

The Corporation provides a social services to Urban Horizons II for an annual fee. The Corporation has earned social service fee of \$115,000 for 2016 and 2015. The unpaid portion of social service fees of \$469,583 in 2016 and \$354,583 in 2015 were included in due from affiliates.

NOTE 7 - DEVELOPMENT COSTS AND LOANS - LOUIS NINE

The Corporation and its affiliate Louis Nine GP, Inc., have acted as the developer of Louis Nine House, a unique affordable housing development for low income families in the South Bronx. The building was built by the same general contractor as Urban Horizons II, and is providing 46 units of supportive housing for young adults out of foster care.

The total cost of the project will be 7.6 million dollars and came from HPD's Supportive Housing Loan Program and Richman Housing Resources. The project will also provide low income housing tax credits for the limited partner.

The project began construction in May 2006 and was completed in February 2009. WHEDco was expected to earn \$224,250 of developer's fees in connection with this project and earned the entire developer's fee as of December 31, 2008. An affiliate of WHEDco is a member of the general partner. As of December 31, 2016 and 2015, the balance of developer's fee receivable for Louis Nine was \$100,475.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7 - DEVELOPMENT COSTS AND LOANS - LOUIS NINE (CONTINUED)

In 2009, the Corporation received a grant from NYSERDA in the amount of \$82,233, which was contributed to the Foyer project through the general partner that the Corporation owns. The grant is included in the statement of financial position as a permanently restricted asset.

NOTE 8 - BRONX COMMONS

WHEDco has taken part in the development of Bronx Commons, a new multi family housing project. The operating entity, Bronx Commons LLC (BCM). was formed in December 2016 with an investment by a 99.99 percent investor member, which is an affiliate of Richman Housing Resources, LLC. The .01 percent managing member is Bronx Commons MM LLC (BCMM). WHEDco thru an affiliate is a 50 percent owner of BCMM with the other 50 percent owner, BFC Bronx Commons LLC (BFC). Bronx Commons is expected to qualify for federal low income housing tax credits. The total cost of the project is approximately \$165,276,000.

WHEDco will make two loans to BCM totaling \$1,111,843. A loan of \$811,843 was made in December 2016 and the other loan of \$300,000 will be made in 2017. The source of the loan of \$811,843 was a contribution from RHR Charitable Foundation, Inc. The loan bears interest of 10 percent compounded annually. The principal sum and the accrued interest are due and payable on the 35th anniversary of the permanent conversion. The loan for \$300,000 will be made in 2017 and the source of the loan was a contribution from Chase Bank. The loan bears interest of 10 percent compounded annually. The principal sum and the accrued interest are due and payable on the 35th anniversary of the permanent conversion. Both loans are secured by a mortgage on the property of Bronx Commons. The loan will be subordinate in all respects to all loans that Bronx Commons has received from the City of New York. The accompanying 2016 financial statements indicate a loan to Bronx Commons in the amount of \$811,843.

WHEDco and BFC (collectively the "Developer") entered into a development agreement with BCM. The Developer will earn a fee in connection with assisting in the development and construction of the project. The total developer's fee is \$17,227,000. A total of \$8,390,298 ("paid fee") will be paid from the capital contributions of the investor member and the

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 8 - BRONX COMMONS (CONTINUED)

remaining total of \$8,836,702 will be paid by the issuance of a Deferred Developers fee note ("deferred fee"). The note bears interest of 2.24 percent. The deferred fee shall be paid from the net cash flow of the project under the terms of the operating agreement of Bronx Commons. Under the terms of the operating agreement of BCMM, the paid fee will be distributed 75% to WHEDco and 25% to BFC and the deferred fee will be distributed 50% to WHEDco and 50 % to BFC. The developer's fee is earned based upon reaching certain percentage of completion of the project as described in the development fee agreement.

The accompanying 2016 financial statements reflect the earned developer's fee of \$906,134. It is expected that \$450,000 will be received in 2017 and the remaining balance will be received thereafter in accordance with the terms of the operating agreement.

As of December 31, 2016 and 2015, WHEDco incurred \$500,997 and \$339,768 respectively of costs associated with Bronx Commons. Upon formation of BCM in December 2016, WHEDco was reimbursed \$317,553. As of the date of this report, the remaining balance of \$183,444 was reimbursed.

NOTE 9 - DUE TO PROVIDERS

In accordance with the contracts with ACS and NYS Department of Health, WHEDco is to pay providers, who provide child care services and meal services to children. As of December 31, 2016 and 2015, total due to providers are as follows:

	<u>2016</u>	<u>2015</u>
Early Learn - FCC	\$ 146,912	\$ 144,272
CACFP	<u>659,094</u>	<u>558,625</u>
Total due to providers	<u>\$ 806,006</u>	<u>\$ 702,897</u>

NOTE 10 - CONTRACT ADVANCE

WHEDco receives advances from various government contracts. Total advances outstanding as of December 31, 2016 and 2015 are \$671,108 and \$452,509 respectively.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 11 - LOANS PAYABLE

In September 2012, WHEDco received a loan of \$250,000 from The Contact Fund, LLC. The loan agreement also provides an additional fund of \$250,000 if needed. The proceeds of the loan are used for the development of Bronx Commons (Note 8).

The loan bears an interest at prime rate plus 1.5% on the outstanding balance. The loan is payable on the date WHEDco or its affiliate receives any construction financing in respect to the development of Bronx Commons project. The loan was paid off in December 2016.

In 2012, WHEDco received grants and loans totaling \$225,000 from Deutsche Bank of America. The grants (\$150,000) and loans (\$75,000) are to be received over a 3 year period beginning in 2012. In 2014 and 2013, WHEDco received \$50,000 of grants per year and non interest bearing loans of \$25,000 per year, which are payable in July 2015, July 2016, and July 2017.

In December 2015, WHEDco entered into the agreement for the line of credit of \$1,000,000 with JP Morgan Chase Bank, which expires in December 2017. The interest rate is Libor plus 3.714%. During 2016, JP Morgan Chase advanced funds from the line of credit. As of December 31, 2016, no balance was outstanding.

Loans payable consists of:

	2016	2015
Contact Fund, LLC	\$ -	\$ 250,000
Deutsche Bank	25,000	50,000
	25,000	300,000
Current portion	(25,000)	(275,000)
Non-Current	\$ -	\$ 25,000

NOTE 12 - UNCONDITIONAL PROMISES TO GIVE

WHEDco received unconditional promises to give from various individuals and foundations. The total unconditional promises to give outstanding as of December 31, 2016 and 2015 were \$662,978 and \$1,354,897 respectively. Included in unconditional promises to give was a pledge of \$487,700. During 2015, the value of this pledge was reduced to \$273,262, which is to be payable over a 3 year term. The decrease in value of a pledge of \$214,438 was reflected in the accompanying 2015 financial statements.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 12 - UNCONDITIONAL PROMISES TO GIVE (CONTINUED)

A pledge from W.K. Kellogg Foundation of \$770,000 was received of which \$270,000 was paid in 2014. The remaining balance of \$500,000 was paid in equal installments of \$250,000 in 2015 and in 2016. Pinkerton Foundation pledged a three year grant for \$375,000, which was paid \$150,000 in 2014, \$150,000 in 2015 and \$75,000 in 2016. WHEDco also received a pledge from J.P. Morgan Chase Foundation for \$985,000, of which \$485,000 was received in 2015. The installment of \$250,000 was received in 2016 and the remaining balance of \$250,000 will be received in 2017. WHEDco also received an unconditional promise to give in the amount of \$139,716 in 2016 and \$256,635 in 2015 respectively from various other individuals and foundations.

	2016	2015
Total	\$ 662,978	\$ 1,354,897
Non - current	(182,174)	(523,262)
Current portion	\$ 480,804	\$ 831,635

NOTE 13 - TRANSACTIONS WITH AFFILIATES AND RELATED PARTIES

The Corporation operates its social programs at Urban Horizons' facility. Urban Horizons charges WHEDco occupancy costs incurred. Also, the Corporation advances funds to Urban Horizons II and Louis Nine for various costs. As of December 31, 2016 and 2015, the total balance due from affiliates are as follows:

	2016	2015
Due from affiliates		
Urban Horizons	\$ 356,376	\$ 335,825
Urban Horizons II	471,745	350,312
Louis Nine	12,773	12,773
Total	\$ 840,894	\$ 698,910

NOTE 14 - FUNCTIONAL EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services in a reasonable ratio determined by management.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 15 - SHORT - TERM INVESTMENTS

The costs and market values of the Corporation's investments at December 31, 2016 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 2,217	\$ 2,217
Certificates of Deposit	512,000	513,850
Mutual Funds	<u>553,653</u>	<u>528,337</u>
TOTAL	<u>\$ 1,067,870</u>	<u>\$ 1,044,404</u>

The costs and market values of the Corporation's investments at December 31, 2015 are as follows:

	<u>Cost</u>	<u>Market</u>
Cash - Money Market	\$ 498,001	\$ 498,001
Certificates of Deposit	502,000	500,156
Mutual Funds	<u>532,722</u>	<u>475,962</u>
TOTAL	<u>\$ 1,532,723</u>	<u>\$ 1,474,119</u>

The mutual funds consisted of total acquisition costs of \$450,000 as of December 31, 2016 and 2015 and reinvestment of realized capital gains and dividends of \$103,653 and \$82,722 as of December 31, 2016 and 2015 respectively.

NOTE 16 - FAIR VALUE MEASUREMENT

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Level 1 Inputs		
Certificates of deposits	\$ 513,850	\$ 500,156
Mutual funds	<u>528,337</u>	<u>475,962</u>
	1,042,187	976,118
Cash alternative		
- money market	<u>2,217</u>	<u>498,001</u>
	<u>\$ 1,044,404</u>	<u>\$ 1,474,119</u>

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The Corporation entered into a thirty year lease for office space with Urban Horizons beginning December 21, 1995. A portion of this space is sublet under the lease. The sublet lease expires in May 2018. The Corporation also entered into a thirty year lease for office space with Urban Horizons II beginning February 2009. The Corporation also leases office equipment under various leases that expire in various years.

The total minimum rental payments required under these leases are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Rent</u>	<u>Sub rental income</u>
2017	\$ 352,359	195,189
2018	308,518	82,164
2019	305,193	
2020	313,159	
2021	322,857	
Thereafter	3,750,054	

NOTE 18 - CONCENTRATION OF CREDIT RISK

The Corporation maintains its cash and cash equivalents with various financial institutions. Cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each financial institution. At times, these balances may exceed the FDIC limits. At December 31, 2016 and 2015, cash exceeding the FDIC limits were \$58,427 and \$1,689,602.

Although the Corporation has various contracts with governments and other agencies, it earned significant revenues from three major contracts, OCFS, CACFP, and ACS. For the years ended December 31, 2016 and 2015, WHEDco received approximately 64% and 65% of its total support and revenue from these contracts. The accounts receivable from these contracts as of December 31, 2016 and 2015 were \$2,268,959 and \$1,172,945 respectively.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 19 - PERMANENTLY RESTRICTED NET ASSETS

A summary of permanently restricted net assets is as follows:

	2016	2015
Investment in Urban Horizons	\$1,211,191	\$1,216,466
Loan to Urban Horizons II	608,403	608,403
Bronx Commons	1,111,483	-
Total	\$2,931,077	\$1,824,869

NOTE 20 - RETIREMENT PLAN

Staff Retirement Plan

In July 2014, WHEDco started a new 403(B) ERISA retirement plan. Besides the elected employee contributions, this plan will allow discretionary employer contributions based on employee participation and eligibility. The total expense in 2016 and 2015 was \$46,082 and \$46,221 respectively.

Executive Deferred Compensation Plans

The Board of WHEDco adopted a resolution establishing a 457(b), nonqualified deferred compensation plan, effective December 15, 2014. Contributions are made into the 457(b) plan on an annual basis up to the IRS maximums and are vested at the time of contribution. The total contributions to the 457(b) Plan in 2016 and 2015 were \$18,000.

Effective January 1, 2015, WHEDco established a 457(f), nonqualified deferred compensation plan. Under this plan, WHEDco is obligated to pay \$700,000 on January 31, 2018. This total benefit amount is being amortized over a 37 month period beginning January 1, 2015 through January 31, 2018. The accompanying 2016 and 2015 financial statements includes an expense of \$227,027 and the respective liability. WHEDco has made contributions to the plan as of December 31, 2016 and 2015 in the amount of \$434,000 and \$282,000 respectively. The amount of the asset held is based on the fair market value as of December 31, 2016 and 2015, which is \$440,582 and \$277,378.

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 21 - SUBSEQUENT EVENTS

Management has evaluated subsequent events or transactions occurring through August 31, 2017, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to financial statements.

SUPPLEMENTAL INFORMATION

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2016

	Program Services										Support Services	
	Total	Bronx CookSpace	Head Start	Family Support	Youth Services	Homebased Childcare	Housing Development	Arts	Community Development	Research & Evaluation	Management General	Fundraising
Salaries	\$ 9,902,565	\$ 102,149	\$ 1,002,244	\$ 342,396	\$ 2,440,051	\$ 4,405,814	\$ 502,003	\$ 119,884	\$ 223,554	\$ 76,837	\$ 411,931	\$ 275,702
Fringes	2,490,189	10,750	290,552	77,105	393,295	1,074,382	57,250	39,642	43,239	23,775	431,102	49,097
Professional services - General	732,371	1,271	126,321	9,939	103,004	115,856	123,546	79,880	45,797	911	110,465	15,381
Professional services - Accounting	18,050	180	3,068	1,083	903	9,386	361	361	361	361	1,444	542
Professional services - Legal	102,516	-	-	-	-	-	-	-	-	-	102,516	-
Insurance	95,204	-	13,149	3,483	32,637	34,056	1,580	1,056	2,637	266	4,760	1,580
Supplies	173,950	4,586	4,416	2,946	11,981	94,982	237	956	4,643	288	40,508	8,407
Postage	134,235	167	2,574	1,236	1,085	112,507	543	45	11,462	167	2,355	2,094
Program Direct Costs	5,813,978	480	129,374	8,522	125,861	5,509,361	808	2,645	9,722	102	8,508	18,595
Occupancy	809,547	96,988	237,615	16,965	31,503	174,427	4,599	45,901	12,099	4,672	176,307	8,471
Telecommunication	132,495	802	12,606	8,548	6,056	64,192	1,580	1,506	12,520	682	21,863	2,140
Travel	54,320	35	1,041	78	2,486	38,694	24	427	4,152	-	6,832	551
Professional Development	340,177	539	22,202	2,921	124,861	39,453	3,711	2,096	7,519	1,483	127,365	8,027
Information Technology	63,566	31	-	198	4,311	17,418	91	201	4,787	15	33,170	3,344
Equipment Rental and Repair	192,443	15,229	20,285	3,461	9,632	74,218	4,271	2,404	20,721	595	39,680	1,947
Marketing	9,493	-	-	-	67	-	-	422	4,815	-	1,114	3,075
Donations	44,854	-	-	-	44,854	-	-	-	-	-	-	-
Other Expenses	1,593	-	-	-	-	-	-	-	-	-	1,438	155
Interest Expense	(35,484)	-	-	-	-	-	-	-	-	-	(35,484)	-
Depreciation Expense	194,094	-	-	-	-	-	-	-	-	-	194,094	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$21,270,156</u>	<u>\$233,207</u>	<u>\$1,865,447</u>	<u>\$478,881</u>	<u>\$3,332,587</u>	<u>\$11,764,746</u>	<u>\$700,604</u>	<u>\$297,426</u>	<u>\$408,028</u>	<u>\$110,154</u>	<u>\$1,679,968</u>	<u>\$399,108</u>

See independent auditor's report

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDING DECEMBER 31, 2015

	Program Services									Support Services		
	Total	Bronx CookSpace	Head Start	Family Support	Youth Services	Homebased Childcare	Housing Development	Arts	Community Development	Research & Evaluation	Management General	Fundraising
Salaries	9,373,068	70,128	1,083,388	365,696	2,102,775	4,579,187	512,617	35,299	264,607	96,466	209,066	53,839
Fringes	2,346,099	15,886	309,711	92,563	330,646	1,160,912	118,565	6,505	91,313	19,222	187,325	13,451
Professional services - General	791,250	-	162,585	16,531	26,919	158,767	4,800	164,396	110,074	7,392	47,232	92,554
Professional services - Accounting	27,350	-	4,923	1,368	1,641	11,760	547	-	5,197	273	1,094	547
Professional services - Legal	113,634	-	-	-	-	-	-	-	-	-	113,634	-
Insurance	106,589	-	19,029	5,286	10,343	46,344	2,114	-	19,201	1,057	1,101	2,114
Supplies	181,482	3,492	2,023	2,948	18,936	88,563	738	2,746	9,857	290	48,937	2,952
Postage	152,438	202	6,778	1,014	993	132,075	575	36	5,434	205	3,670	1,456
Program Direct Costs	4,569,839	81	135,493	913	117,785	4,257,420	1,272	3,027	13,084	197	37,154	3,413
Occupancy	790,478	46,105	224,945	18,788	4,888	143,829	42,199	11,885	95,518	2,423	191,996	7,902
Telecommunication	121,405	90	10,340	10,106	5,324	48,458	1,136	-	11,712	297	32,566	1,376
Travel	51,635	79	985	137	2,514	32,669	137	1,513	4,657	35	7,389	1,520
Professional Development	220,731	1,061	20,239	3,416	41,641	38,646	2,488	2,734	19,675	1,177	83,467	6,187
Information Technology	46,081	81	4,074	1,086	2,013	19,732	660	-	4,531	739	11,470	1,695
Equipment Rental and Repair	203,655	45,150	37,302	4,625	6,664	75,425	6,657	3,539	16,288	447	-	7,558
Marketing	27,189	249	-	-	-	-	2,689	195	5,307	-	16,217	2,532
Donations	130,100	-	-	-	130,000	-	-	-	-	-	100	-
Other Expenses	230	-	-	-	5	-	-	-	100	-	125	-
Interest Expense	12,040	-	-	-	-	-	-	-	-	-	12,040	-
Depreciation Expense	232,991	-	-	-	-	-	-	-	-	-	232,991	-
Bad Debts	23,791	-	-	-	-	-	23,791	-	-	-	-	-
	<u>\$19,522,075</u>	<u>\$182,604</u>	<u>\$2,021,815</u>	<u>\$524,477</u>	<u>\$2,803,087</u>	<u>\$10,793,787</u>	<u>\$720,985</u>	<u>\$231,875</u>	<u>\$676,555</u>	<u>\$130,220</u>	<u>\$1,237,574</u>	<u>\$199,096</u>

See independent auditor's report

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

To The Board of Directors of
Women's Housing and Economic
Development Corporation

I 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 Women's Housing and Economic Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued my report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Women's Housing and Economic Development Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Women's Housing and Economic Development Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Women's Housing and Economic Development Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)**

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Women's Housing and Economic Development Corporation's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



New York, New York
August 31, 2017

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Directors
Women's Housing and Economic
Development Corporation

Report on Compliance for Each Major Federal Program

I have audited Women's Housing and Economic Development Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Women's Housing and Economic Development Corporation's major federal programs for the year ended December 31, 2016. Women's Housing and Economic Development Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Women's Housing and Economic Development Corporation's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)**

reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Women's Housing and Economic Development Corporation's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Women's Housing and Economic Development Corporation's compliance.

Opinion on Each Major Federal Program

In my opinion, Women's Housing and Economic Development Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the years ended December 31, 2016 and 2015.

Report on Internal Control Over Compliance

Management of Women's Housing and Economic Development Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Women's Housing and Economic Development Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Women's Housing and Economic Development Corporation's internal control over compliance.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
(Continued)**

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

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

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



New York, New York
August 31, 2017

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Section I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? No

Reportable conditions identified not considered to be a material weakness? None reported

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Reportable conditions identified not considered to be a material weakness? None reported

Type of auditor's report issued on compliance for major programs: Unqualified

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

Major programs:

93.600 Head start program and Early Learn (NYC ACS)

93.575 Head start program and Early Learn (NYC ACS)

93.575 Legally-Exempt Providers (OCFS)

10.558 Child and Adult Care Food Program (NYS Dept of Health CACFP)

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

Auditee qualified as a low-risk auditee? Yes

Section II: Financial Statement Findings

There are no financial statement findings reported.

Section III: Federal Awards Findings

There are no federal award findings reported.

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Grantor</u>	<u>Federal CFDA#</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>
Department of Health and Human Services: Pass-through Program from NYC Administration for Children's Services	93.600	-	<u>\$1,047,123</u>
Department of Agriculture: Pass-through Program from NYS Department of Health Child and Adult Care Food Program	10.558	4152	<u>\$ 113,151</u>
Department of Agriculture: Pass-through Program from NYS Department of Health Child and Adult Care Food Program	10.558	4912	<u>\$4,620,609</u>
Department of Health and Human Services Pass-through program from NYS Office of Children and Family Services	93.575	-	<u>\$6,125,000</u>
Department of Housing and Urban Development Pass-through program from NYC Small Business Services	14.218	-	<u>\$ 63,620</u>
Department of Agriculture: Pass-through program from NYC Department of mental Health and Hygiene	10.579	-	<u>\$ 43,947</u>
Department of Health and Human Services Pass-through program from NYC Administration for Children's Services	93.575	-	<u>\$ 759,704</u>

**WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Grantor</u>	<u>Federal CFDA#</u>	Pass-through Entity Identifying <u>Number</u>	<u>Expenditures</u>
Department of Health and Human Services Pass-through program from NYC Department of Youth And Community Development	93.569	-	<u>\$ 121,122</u>
Department of Health and Human Services Pass-through program from NYS Office of Children and family services	93.558	-	<u>\$ 83,760</u>

WOMEN'S HOUSING AND ECONOMIC DEVELOPMENT CORPORATION
NOTES TO SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Women's Housing and Economic Development Corporation under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulation Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Women's Housing and Economic Development Corporation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Women's Housing and Economic Development Corporation.

Note 2 - Summary of Significant Accounting Policies

- (1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.
- (2) Women's Housing and Economic Development Corporation has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.