

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

**Financial Statements
(With Supplementary Information)
And Independent Auditor's Report
December 31, 2016**

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Index

	PAGE
Mortgagor’s Certification	4
Managing Agent’s Certification	5
Independent Auditor’s Report	6
Financial Statements	
Balance Sheet	9
Statement of Operations	11
Statement of Members’ Equity (Deficit)	12
Statement of Cash Flows	13
Notes to Financial Statements	15
Supplementary Information	
Balance Sheet Data	27
Statement of Operations Data	29
Statement of Members’ Equity Data	33
Statement of Cash Flows Data	34
Computation of Surplus Cash, Distributions and Residual Receipts	36
Changes in Fixed Assets Accounts	37
Detail of Accounts – Balance Sheet	38

Triborough Preservation LLC
HUD Contracts NY 360004045 et al

Index-Continued

	Page
Detail of Accounts – Statement of Operations	38
Other Information	39
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 <u>Government Auditing Standards</u>	40
Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major HUD-Assisted Program and on Internal Control over Compliance in Accordance with Consolidated Audit Guide for Audits of HUD Programs	42
Schedule of Findings and Questioned Costs and Recommendations	45

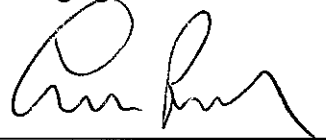
**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

December 31, 2016

Mortgagor's Certification

I hereby certify that I have examined the accompanying financial statements and supplemental data of Triborough Preservation LLC, and, to the best of my knowledge and belief, the same is complete and accurate.

Managing Member



3/15/2017

Lenny Rueben

Date

Limited Liability Company Employer

Identification Number:

47-1859803

Telephone Number: (914) 833-3000

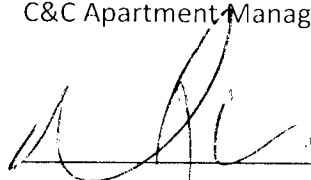
**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

December 31, 2016

Managing Agent's Certification

I hereby certify that I have examined the accompanying financial statements and supplemental data of Triborough Preservation LLC and, to the best of my knowledge and belief, the same is complete and accurate.

MANAGING AGENT
C&C Apartment Management LLC


Robert Corso

3/15/2017

Date

Robert Corso
Property Manager

Managing Agent Employer
Identification Number:
20-1636012

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INDEPENDENT AUDITOR'S REPORT

To the Members
Triborough Preservation LLC

Report on the Financial Statements

We have audited the accompanying financial statements of Triborough Preservation LLC, which comprise the balance sheet as of December 31, 2016 and the related statements of operations, members' equity (deficit) 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 Triborough Preservation LLC as of December 31, 2016 and the results of its operations 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 accompanying supplementary information on page 27 through 39 is presented for purposes of additional analysis as required by the Consolidated Audit Guide for Audits of HUD Programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, 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.

Other Reporting Required by Government Auditing Statements

In accordance with Government Auditing Standards, we have also issued our report dated March 15, 2017, on our consideration of Triborough Preservation LLC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Triborough Preservation LLC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lyschy Goals & Co P.C.". The signature is written in a cursive style with a long, sweeping underline that extends to the left.

New York, New York
March 15, 2017
Lead Auditor: William J McCarthy CPA

Taxpayer Identification Number
13-2672154

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Balance Sheet

December 31, 2016

Assets

Current assets

Cash - operations		\$ 13,543,386
Cash-construction account		1,991,774
Tenant accounts receivable	\$ 820,085	
Allowance for doubtful accounts	<u>(673,368)</u>	
Net tenants accounts receivable		146,717
Prepaid expenses		<u>995,745</u>

Total current assets 16,677,622

Deposits held in trust - funded

Tenant deposits		280,375
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Restricted deposits and funded reserves

Escrow deposits	576,221	
Other reserves	<u>1,582,519</u>	
Total deposits		2,158,740

Rental property

Land	30,000,000	
Buildings	394,637,553	
Equipment	1,634,456	
Land improvements	<u>6,145,500</u>	
Total fixed assets	432,417,509	
Less accumulated depreciation	<u>(16,619,279)</u>	
Net fixed assets		415,798,230

Other assets

Deferred charges, net of accumulated amortization of \$41,462	688,753	
Deposits	<u>31,397</u>	
		<u>720,150</u>
		<u>\$435,635,117</u>

(continued)

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Balance Sheet

December 31, 2016

Liabilities and Members' Equity (Deficit)

Current liabilities		
Accounts payable - operations	\$	801,735
Accounts payable - construction		4,331,193
Accounts payable-entity		270,000
Accrued interest payable - first mortgage		363,884
Mortgage payable-first mortgage, current maturities		3,344,167
Prepaid revenue		<u>129,550</u>
Total current liabilities		9,240,529
Deposits liability		
Tenant deposits held in trust (contra)		280,375
Long-term liabilities		
Mortgage payable-first mortgage, net of current maturities	\$	219,396,533
Other mortgages payable, net of current maturities-second mortgage		141,117,864
Accrued interest payable-other mortgages-long term		17,098,781
Miscellaneous long-term liabilities		<u>46,611,186</u>
Total long-term liabilities		<u>424,224,364</u>
Total liabilities		433,745,268
Contingency		-
Members' equity (deficit)		<u>1,889,849</u>
		<u><u>\$435,635,117</u></u>

See notes to financial statements

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Statement of Operations

For Year ended December 31, 2016

Revenue	
Rental	\$ 29,170,412
Vacancies	<u>(1,163,217)</u>
Net rental revenue	28,007,195
Financial	3,417
Other	<u>12,088</u>
Total revenue	<u>28,022,700</u>
Expenses	
Administrative	2,232,885
Utilities	1,804,340
Operating and maintenance	2,792,313
Taxes and insurance	1,597,477
Financial (including interest of \$16,877,264)	<u>19,219,166</u>
Total cost of operations before depreciation and amortization	<u>27,646,181</u>
Income before depreciation and amortization	376,519
Depreciation and amortization	<u>9,756,598</u>
Income (loss) before entity expenses	(9,380,079)
Asset management fees	<u>270,000</u>
Net Income (loss)	<u><u>\$ (9,650,079)</u></u>

See notes to financial statements

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Statement of Members' Equity (Deficit)

For Year ended December 31, 2016

	<u>Managing Member</u>	<u>Investor Member</u>	<u>Total</u>
Members' equity (deficit) January 1, 2016	\$ (634)	\$ 7,070,202	\$ 7,069,568
Capital contributions	-	4,470,360	4,470,360
Net income (loss)	<u>(965)</u>	<u>(9,649,114)</u>	<u>(9,650,079)</u>
Members' equity (deficit) December 31, 2016	<u>\$ (1,599)</u>	<u>\$ 1,891,448</u>	<u>\$ 1,889,849</u>
Members' percentage of losses	<u>0.01%</u>	<u>99.99%</u>	<u>100.00%</u>

See notes to financial statements

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Statement of Cash Flows

For Year ended December 31, 2016

Cash flows from operating activities

Rental receipts		\$ 28,282,133
Other operating receipts		<u>15,505</u>
Total receipts		<u>28,297,638</u>
Administrative expenses paid		935,681
Management fees paid		787,789
Utilities paid		1,838,838
Salaries and wages paid		1,619,821
Operating and maintenance paid		1,287,400
Real estate taxes paid		955,677
Property insurance		840,431
Miscellaneous taxes and insurance paid		354,116
Interest paid on first mortgage		8,208,614
Other mortgage servicing costs paid		<u>2,344,506</u>
Total disbursements		<u>19,172,873</u>
Net cash provided by operating activities		<u>9,124,765</u>

Cash flows from investing activities

Net deposits to mortgage escrows		(307,342)
Net deposits to other reserves		15,903,190
Net purchase of fixed assets		(19,382,725)
Utility deposits		<u>(3,882)</u>
Net cash used in investing activities		<u>(3,790,759)</u>

Cash flows from financing activities

Capital contributions		4,470,360
Mortgage principal payments - first mortgage		(3,294,167)
Other financing activities (include detail)		
Acquisition of deferred charges	<u>(528,142)</u>	<u>(528,142)</u>
Net cash provided by financing activities		<u>648,051</u>
Net increase in cash		5,982,057

Cash, beginning		<u>9,553,103</u>
Cash, ending		<u>\$ 15,535,160</u>

(continued)

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Statement of Cash Flows - Continued

For Year ended December 31, 2016

Reconciliation of net income to net cash provided by operating activities	
Net income	<u>\$ (9,650,079)</u>
Adjustments to reconcile net income to net cash provided by operating activities	
Depreciation	9,717,470
Amortization	39,128
Amortization of debt acquisition costs	202,874
Changes in asset and liability accounts	
(Increase) decrease in assets	
Tenant accounts receivable	199,031
Prepaid expenses	141,444
Increase (decrease) in liabilities	
Accounts payable	(336,786)
Accrued interest payable	8,465,775
Prepaid revenue	75,908
Accrued entity fees payable	270,000
Total adjustments	<u>18,774,844</u>
Net cash provided by operating activities	<u><u>\$ 9,124,765</u></u>

See notes to financial statements

**Triborough Preservation LLC
HUD Contract NY 360004045 et al**

Notes to Financial Statement

December 31, 2016

Note 1 – Organization and Nature of Operations

Triborough Preservation LLC (the “Company”) was formed as a limited liability company under the laws of the State of New York on September 17, 2014 for the purpose of acquiring, rehabilitating, owning and operating 875 residential apartment units (the “Project”) included in six clusters comprised of a total of ten buildings scattered throughout New York City, New York. The Project was acquired on December 23, 2014 and rental operations commenced that day. The project is operating under the name Triborough Preservation LLC, under Section 8 of the United States Housing Act of 1937. Such projects are regulated by the U.S. Department of Housing and Urban Development (HUD), as to rent charges and operating methods.

Cash distributions are limited by agreements between the Company and HUD to the extent of surplus cash as defined by HUD. Under State law, the liability of the members of the company may be limited.

On December 23, 2014 the Operating Agreement was amended to admit the Investor Member. As of December 31, 2016 the ownership of the Company is as follows:

Managing member:	Triborough Preservation Managers LLC	0.01%
Investor member:	Wells Fargo Affordable Housing Community Development Corp.	99.99%
		<u>100.00%</u>

The Project expects to qualify for an allocation of Federal low-income housing tax credits in the approximate amount of \$12,631,390 per year. The project expects to be allocated tax credits pursuant to Internal Revenue Code §42, (“Section 42”) which regulates the use of the Project as to occupant eligibility and unit gross rent, among other requirements. To qualify for the tax credits, the Project must meet and maintain certain requirements including attaining a qualified eligible basis sufficient to support the allocation. In addition, the Company has executed a Regulatory Agreement which requires the utilization of the Project pursuant to Section 42 for a minimum of 30 years even if the Company disposes of the Project.

Notes to Financial Statement - Continued

December 31, 2016

Note 2 – Significant Accounting Policies

Accounts Receivable and Bad Debts

Tenant receivables are reported net of an allowance for doubtful accounts. Management closely monitors all receivable outstanding balances and provides an allowance for uncollectible amounts through a charge to earnings and a credit to a valuation allowance upon management's assessment of the propriety of such charge. Balances that remain after management has used reasonable collection efforts will generally be written off through a charge to the valuation allowance and a credit to rent receivable. 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.

Rental Property

Rental related property is carried at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method as follows:

Buildings	40 years
Land improvements	20 years
Equipment	12 years

Impairment of Long-Lived Assets

In accordance with accounting guidance for impairment or disposal of long lived assets, the Company reviews long-lived assets and certain intangibles to determine if the carrying value exceeds the undiscounted cash flows expected to be derived from the asset. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment losses have been recognized during the period ended December 31, 2016.

Debt Issuance Costs

Debt issuance costs incurred in connection with the issuance of long-term debt are capitalized and amortized to interest expense (pursuant to Accounting Standards Update No 2015-03) over the term of the debt using the straight-line method, which approximates the effective interest method. The unamortized amount is presented as a reduction of long-term debt on the balance sheet.

Notes to Financial Statement - Continued

December 31, 2016

Note 2 – Significant Accounting Policies (continued)

Deferred Costs and Amortization

Tax abatement costs are amortized over 30 years using the straight-line method. Tax credit monitoring fees will be amortized over the 15 year compliance period using the straight-line method.

Amortization expense for the year ended December 31, 2016 was \$39,128. Estimated amortization expense for each of the next five years is as follows:

2017	\$ 45,997
2018	45,997
2019	45,997
2020	45,997
2021	45,997

Income Taxes

The Company has elected to be treated as a pass-through entity for income tax purposes and, as such, is not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by its owners on their respective income tax returns. The Company's federal tax status as a pass-through entity is based on its legal status as a limited liability company. Accordingly, the Company is not required to take any tax positions in order to qualify as a pass-through entity. The Company is required to file and does file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Company has no other tax positions which must be considered for disclosure. Income tax returns filed by the Company are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2014 remain open.

Notes to Financial Statement - Continued

December 31, 2016

Note 2 – Significant Accounting Policies (continued)

Rental Income

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the Company and the tenants of the property are operating leases.

Commercial Income

Commercial income is recognized on a straight-line basis over the term of the lease.

Advertising

The Company's policy is to expense advertising costs when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Note 3 – Mortgages Payable

The acquisition of and rehabilitation of the Project have been financed with loans from the New York State Housing Development Corporation ("HDC") through the issuance of tax exempt (\$230,000,000) and taxable bonds (\$5,000,000). The primary obligation of the Company under the notes payable is to pay principal of, premium, if any, and interest on the note in the amounts necessary to pay all principal of, premium, if any, and interest on the underlying bond issues. The loan accrues interest at the rate of 3.795828% per annum on unpaid principal; however, such interest rate can be adjusted depending on payments required for the underlying bond issue. As of December 31, 2016, the monthly payment required under the loan agreement, including servicing fees amounts and escrow deposits amounts to \$1,205,054 and is payable on the 15th of each month. As of December 31, 2016 the balance on this loan is \$228,527,500 and the unpaid balance of accrued interest is \$363,884.

**Triborough Preservation LLC
HUD Contract NY 360004045 et al**

Notes to Financial Statement - Continued

December 31, 2016

Note 3 – Mortgages Payable-continued

At acquisition closing, \$66,334,447 of loan proceeds were deposited with Wells Fargo Commercial Mortgage Services (“WFCMS”) which will distribute the funds to the Company on a “construction draw” basis. As of December 31, 2016, \$1,582,519 of such funds was held by WFCMS in escrow.

Additional financing for the acquisition of the project was provided by the seller in the form of a purchase money mortgage in the amount of \$141,117,864. This note calls for interest at the rate of 6% per annum with payments required during its term only from cash flow as defined in the Company’s Operating Agreement. This note matures December 23, 2044 at which time the full amount of unpaid principal and interest is payable. As of December 31, 2016, the balance on this note is \$141,117,864 and the amount of unpaid interest accrued on this note is \$17,098,781.

The estimated principal payments required for these loans over the next five years and thereafter and their carrying value at December 31, 2016 are as follows:

	First Mortgage	Second Mortgage	Total
2017	\$ 3,344,167	\$ -0-	\$ 3,344,167
2018	3,405,833	-0-	3,405,833
2019	3,477,500	-0-	3,477,500
2020	3,568,333	-0-	3,568,333
2021	3,661,539	-0-	3,661,539
Thereafter	211,070,128	141,117,864	352,187,992
	<u>228,527,500</u>	<u>141,117,864</u>	<u>369,645,364</u>
Less current portion	<u>(3,344,167)</u>	<u>-0-</u>	<u>(3,344,167)</u>
Long term portion	225,183,333	141,117,864	366,301,197
Unamortized acquisition costs	<u>(5,786,800)</u>	<u>-0-</u>	<u>(5,786,800)</u>
Carrying Value- long term	<u>\$ 219,396,533</u>	<u>\$ 141,117,864</u>	<u>\$ 360,514,397</u>

Notes to Financial Statement - Continued

December 31, 2016

Note 4 – Related Party Transactions

Property Acquisition

The property was acquired from the New York City Housing Authority (“NYCHA”), a public benefit corporation established under the laws of the State of New York for an aggregate purchase price of \$300,000,000. An affiliate of NYCHA is a member in Triborough Preservation Managers LLC.

Construction Contracts

Rehabilitation construction on the project is being performed by L&M Builders Group LLC and Preservation TB Builders LLC entities related to the managing member by common ownership. The contracts total \$79,148,634 at December 31, 2016.

As of December 31, 2016 a total of \$78,586,261 has been incurred on the Construction Contracts of which \$38,184,110 has been paid to L&M Builders Group LLC and \$37,768,351 has been paid to Preservation TB Builders LLC. The balance of \$2,633,800 remains payable and is included in accounts payable-construction on the balance sheet.

Developer Fee

Pursuant to a development agreement dated as of December 23, 2014, a development fee of \$46,611,186 is due to Triborough Preservation Developer LLC, an affiliate of the managing member, for the development of the Project. The fee is payable from investor member capital contributions or cash flow and will be capitalized as part of the investment in rental property. Any fee not paid from available debt and equity proceeds (the aggregate of which is presently expected to be \$12,269,683) of the Company is deferred and is due and payable, with interest at 6% per annum, in any case fifteen years from the date that tax credits commence for the building. The developer fee is deemed incurred according to a schedule in the developer fee agreement. At December 31, 2016, the developer fee has been incurred in full and was unpaid and included in miscellaneous long-term liabilities on the balance sheet.

Notes to Financial Statement - Continued

December 31, 2016

Note 4 – Related Party Transactions (continued)

Asset Management Fee

Commencing in 2016, the Company is required to pay an annual cumulative asset management fee of \$20,000 to the Investor Member, such fee to increase 3% per annum thereafter.

Also commencing in 2016, the Company is required to pay an annual cumulative asset management fee of \$250,000 to the Managing Member, such fee to increase 3% per annum thereafter, provided that such fee, when added to the fees payable for Incentive Management and Property Management do not exceed, in the aggregate, 12% of the Company's Effective Gross Income (as defined in the Operating Agreement) for the year.

During 2016 \$270,000 of asset management fees were incurred and accrued.

Incentive Management Fee

Commencing in 2016, the Company is required to pay an annual non-cumulative incentive management fee to the Managing Member equal to 90% of available Cash Flow (as defined in the Operating Agreement) subject to the 12% limitation on aggregate payments described above. No such fee was incurred during 2016.

Utilities Reimbursement Agreement

Some of the buildings acquired from NYCHA share the benefit with other buildings (not part of the acquisition) of preferential rates on utilities used but only if such usage is billed to and paid by NYCHA. As such, the Company has entered into an agreement with NYCHA which calls for a pro-rated reimbursement by the Company to NYCHA for such usage along with a monthly administrative fee of \$875. This agreement will be terminated if, and when, such preferential billing can be made directly to the Company. During the year ended December 31, 2016 \$563,072 of such reimbursements were incurred and \$ 502,120 was paid. The balance owed, \$60,952, is included in accounts payable-operations on the balance sheet at December 31, 2016.

Notes to Financial Statement - Continued

December 31, 2016

Note 5 – Property Management

The Project is managed by C&C Apartment Management, LLC, an entity affiliated with the Managing Member, pursuant to six management agreements approved by HUD. The property manager earns a management fee of 4.0% on the Bronxchester and Saratoga Square clusters, 3.77% on the East 120th Street cluster, 2.98% on the Millbank Frawley cluster, 2.14% on the East 4th Street cluster and 2.07% on the Campos cluster. The property manager is required to defer up to 40% of its management fee if the payment of such fee would cause the Company to have an operating deficit for a given year. For the period ended December 31, 2016, \$799,937 of fees were incurred under this contract and \$73,199 remained payable as of December 31, 2016 and is included in accounts payable-operations in the balance sheet.

Note 6 - Master Lease

The Company has sublet the retail, commercial, non-residential rental and licensed space at the project to Triborough Preservation Master Leasing LLC, (“Lessee”) an affiliate of the Managing Member, for a period of 30 years from December 23, 2014 through June 23, 2044. The lease calls for annual lease payments of \$10 and all increases in realty taxes during the lease period. For the period ended December 31, 2016, \$10 was earned from this lease. For each of the next five years, \$10 per year will be earned. For the 23 years subsequent to 2021, a total of \$230 will be earned from this Master Lease.

Note 7 – Restricted Deposits and Funded Reserves

Replacement Reserve

The Company is required to establish a reserve account for capital replacements (the “Replacement Reserve”), in an initial amount of \$300 per unit per year, increasing annually thereafter by 3%. As of December 31, 2016 such Reserve has not been established.

Operating Reserve

The Company is required to establish a reserve account for operating deficits (the “Operating Reserve”) in the initial amount of \$1,898,197 which will be held by HDC. Such funding is anticipated to be made from the Investor Member’s “stabilization” capital contribution. The Operating Reserve shall be maintained throughout the Compliance Period and cannot be used during the three year period following the payment of the Investor Member’s “stabilization installment.”

Notes to Financial Statement - Continued

December 31, 2016

Note 7 – Restricted Deposits and Funded Reserves (continued)

Debt Service Reserve

If, at the time the Investor Member makes its “stabilization capital contribution” the Company is unable to achieve a Debt Service Coverage Ratio as defined in the Operating Agreement, the Company will be required to establish a reserve for the computed shortfall amount.

Note 8 – Contributions and Distributions

The Investor Member is required to contribute \$150,280,962 to the Company (subject to adjustors), \$17,881,442 of which has been contributed as of December 31, 2016. The balance of the capital contributions are payable to the Company based upon a schedule in the Operating Agreement.

The operating agreement provides for distributions to be made to the Managing Member and the Investor Member as defined and subject to a prescribed priority of payments described in the operating agreement (see Note 13). Such distributions are also subject to surplus cash restrictions as defined by HUD. For the period ended December 31, 2016, no distributions have been made.

Note 9 – Real Estate Tax Exemption

The Company has received a “420-c Certificate of Eligibility” for the period from December 23, 2014 through December 23, 2044. Under the 420-c Regulatory Agreement with New York City’s Department of Housing Preservation and Development (“HPD”), the Company will make real property tax payments (“420-c PILOT”) in an amount equal to 2.34% of the annual “Shelter Rent” of the Project. Shelter Rent is generally defined as total rents received less the cost of utilities. For the year ended December 31, 2016, the Company has reported \$636,401 for real estate taxes which is subject to confirmation by HPD.

Note 10 – Rental Assistance Payment Contract Agreement

The Company, on December 22, 2014, contracted with the United States Department of Housing and Urban Development (“HUD”) under six separate contracts, to receive housing assistance payments (“HAP”) in the aggregate amount of \$23,500,000 per contract year through December 22, 2034.

**Triborough Preservation LLC
HUD Contract NY 360004045 et al**

Notes to Financial Statement - Continued

December 31, 2016

Note 10 – Rental Assistance Payment Contract Agreement (continued)

The contract information is as follows:

<u>Project Name</u>	<u>HUD Project #</u>	<u>Contract Amount</u>
Campos Plaza	NY 36H110033	\$ 12,000,000
Saratoga Square	NY 36H110032	4,500,000
Bronxchester	NY 360004045	3,000,000
East 4 th Street	NY 36E000029	1,000,000
East 120 th Street	NY 36E000030	1,000,000
Milbank-Frawley	NY 36E000031	2,000,000

For the year ended December 31, 2016, \$23,954,052 of housing assistance payments were reported by the Company.

Note 11 – Concentration of Credit risk

The company maintains its cash balances with major financial institutions. The company has not experienced any losses with respect to bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2016.

Note 12 – Contingencies

Tax Credits

The Project has applied for and received a reservation for federal low-income housing tax credits which will be contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent or to correct noncompliance within a specified time period could result in recapture of previously taken federal tax credits plus interest. Noncompliance with state requirements could also result in recapture of the Project's low-income housing tax credits. In addition, such potential noncompliance may require an adjustment to the contributed capital by the Investor Member.

Notes to Financial Statement - Continued

December 31, 2016

Note 13 – Company profits, losses and distributions

All profits and losses for any year are allocated to the members in their respective ownership percentages. All surplus cash flows from operations are to be distributed annually within 60 days after the end of the Company's accounting year, but in no event earlier than the date the audit for the Company is delivered as follows:

1. *First*, to the Investor Member for any adjustor required pursuant to the provisions of the Operating Agreement;
2. *Second*, to the Investor Member, its unpaid Asset Management Fee;
3. *Third*, to replenish the Operating Reserve to a minimum of \$1,898,197, or such lesser amount as may be permitted under the Operating Agreement;
4. *Fourth*, to the Managing Member, its unpaid Asset Management Fee;
5. *Fifth*, to pay the Deferred Developer Fee outstanding;
6. *Sixth*, to the payment of any loans made to the Company by the Investor Member;
7. *Seventh*, to the repayment of any Operating Deficit Loans then outstanding;
8. *Eighth*, to pay any Deferred Management Fee to the Managing Agent.
9. *Ninth*, to pay any interest and thereafter principal due on the NYCHA loan;
10. *Tenth*, 10% of the remainder paid to the Investor Member and 90% of such remainder paid to the Managing Member towards the Incentive Management Fee;
11. *Eleventh*, to the Managing Member, the balance.

Note 14 – Current Vulnerability Due to Certain Concentrations

The Company's primary asset is the multi-building, multifamily apartment project. The Company's operations are concentrated in the multifamily real estate market. In addition, the Company operates in a heavily regulated environment. The operations of the Company are subject to the administrative directives, rules and regulations of federal and local agencies, including, but not necessarily limited to HUD and HPD. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by HUD or HPD. Such change may occur with little notice or inadequate funding to pay for any related cost, including any additional administrative burden to comply with any change.

Notes to Financial Statement - Continued

December 31, 2016

Note 15 – Subsequent Events

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Company through March 15, 2017 (the date that 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 further disclosure in the notes to the financial statements.

Supplementary Information
Supporting Data required by HUD

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information

Balance Sheet Data

December 31, 2016

		<u>Assets</u>	
<u>Account No.</u>			
Current assets			
1120	Cash - operations		\$ 13,543,386
1121	Cash-construction account		1,991,774
1130	Tenant accounts receivable	\$ 820,085	
1131	Allowance for doubtful accounts	<u>(673,368)</u>	
1130N	Net tenants accounts receivable		146,717
1200	Prepaid expenses		<u>995,745</u>
1100T	Total current assets		16,677,622
Deposits held in trust - funded			
1191	Tenant deposits		280,375
Restricted deposits and funded reserves			
1310	Escrow deposits	576,221	
1330	Other reserves-capital reserves	<u>1,582,519</u>	
1300T	Total deposits		2,158,740
Rental property			
1410	Land	30,000,000	
1420	Buildings	394,637,553	
1440	Equipment	1,634,456	
1490	Land improvements	<u>6,145,500</u>	
1400T	Total fixed assets	432,417,509	
1495	Less accumulated depreciation	<u>(16,619,279)</u>	
1400N	Net fixed assets		415,798,230
Other assets			
1520	Deferred charges, net of accumulated amortization of \$41,462	688,753	
1590	Miscellaneous other assets	<u>31,397</u>	
1500T	Total other assets		<u>720,150</u>
1000T	Total assets		<u><u>\$ 435,635,117</u></u>

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information - Continued

Balance Sheet Data - Continued

December 31, 2016

Liabilities and Members' Equity (Deficit)

Account No.

Current liabilities

2110	Accounts payable - operations	\$ 801,735
2111	Accounts payable - construction	4,331,193
2113	Accounts payable - entity	270,000
2131	Accrued interest payable - first mortgages	363,884
2170	Mortgage payable-first mortgage-short term	3,344,167
2210	Prepaid revenue	<u>129,550</u>
2122T	Total current liabilities	9,240,529

Deposits liability

2191	Tenant deposits held in trust (contra)	280,375
------	--	---------

Long-term liabilities

2320	Mortgage payable-first mortgage, net of current maturities	\$ 219,396,533
2322	Other mortgages payable, net of current maturities-second mortgage	141,117,864
2330	Accrued interest payable-other mortgages-long term	17,098,781
2390	Miscellaneous long-term liabilities	<u>46,611,186</u>
2300T	Total long-term liabilities	<u>424,224,364</u>
2000T	Total liabilities	433,745,268
3130	Members' equity (deficit)	<u>1,889,849</u>
2033T	Total liabilities and members' equity (deficit)	<u><u>\$ 435,635,117</u></u>

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information - Continued

Statement of Operations Data

For Year ended December 31, 2016

<u>Account No.</u>		
Rental revenue		
5120	Rent revenue - gross potential	\$ 5,197,897
5121	Tenant assistance payments	23,954,052
5140	Rent revenue - stores and commercial	10
5170	Rent revenue-parking	<u>18,453</u>
5100T	Total rental revenue	\$ 29,170,412
Vacancies		
5220	Apartments	(1,124,125)
5250	Rental concessions	<u>(39,092)</u>
5200T	Total vacancies	<u>(1,163,217)</u>
5152N	Net rental revenue	28,007,195
Financial revenue		
5410	Revenue from investments- operations	<u>3,417</u>
5440T	Total financial revenue	3,417
Other revenue		
5910	Laundry and vending	3,104
5920	Tenant charges	<u>8,984</u>
5900T	Total other revenue	<u>12,088</u>
5000T	Total revenue	<u>28,022,700</u>

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information - Continued

Statement of Operations Data - Continued

For Year ended December 31, 2016

Account No.

Administrative expenses

6210	Advertising	\$ 2,965	
6310	Office salaries	474,176	
6311	Office expenses	93,373	
6320	Management fee	799,937	
6340	Legal expense- project	45,554	
6350	Auditing expense	20,210	
6370	Bad debts	378,876	
6390	Miscellaneous administrative expenses	<u>417,794</u>	
6263T	Total administrative expenses		\$ 2,232,885

Utilities expense

6450	Electricity	206,759	
6451	Water	916,928	
6452	Gas and steam	<u>680,653</u>	
6400T	Total utilities expense		1,804,340

Operating and maintenance expenses

6510	Payroll	1,145,645	
6520	Contract repairs	879,052	
6530	Security payroll/contract	533,448	
6546	Heating/cooling repairs and maintenance	115,396	
6548	Snow Removal	36,249	
6590	Miscellaneous operating and maintenance-Fire Protection	<u>82,523</u>	
6500T	Total operating and maintenance expenses		2,792,313

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information - Continued

Statement of Operations Data - Continued

For Year ended December 31, 2016

<u>Account No.</u>			
Taxes and insurance			
6710	Real estate taxes	\$ 636,401	
6711	Payroll taxes	142,822	
6720	Property and liability insurance	606,960	
6722	Workmen's compensation	60,512	
6723	Health insurance	<u>150,782</u>	
6700T	Total taxes and insurance		\$ 1,597,477
Financial expenses			
6820	Interest on first mortgage payable	8,410,192	
6825	Interest on other mortgages	8,467,072	
6890	Miscellaneous financial expenses-Servicing	<u>2,341,902</u>	
6800T	Total financial expenses		<u>19,219,166</u>
6000T	Total cost of operations before depreciation and amortization		<u>27,646,181</u>
5060T	Income before depreciation and amortization		<u>376,519</u>
Depreciation and amortization			
6600	Depreciation expense	9,717,470	
6610	Amortization expense	<u>39,128</u>	
	Total depreciation and amortization		<u>9,756,598</u>
5060N	Operating income		<u>(9,380,079)</u>
Corporate or mortgagor entity revenue and expenses			
7190	Other expenses-asset management fees	<u>270,000</u>	
7100T	Net entity expenses		<u>270,000</u>
	Total expenses		<u>37,672,779</u>
3250	Net income		<u><u>\$ (9,650,079)</u></u>

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information - Continued

Statement of Operations Data - Continued

For Year ended December 31, 2016

<u>Account No.</u>		
S 1000-010	Total first mortgage (or bond) principal payments required during the audit year (12 monthly payments). Applies to all direct loans and HUD-held and fully insured first mortgages	<u>\$3,294,167</u>
S 1000-020	Total of 12 monthly deposits in audit year made to the replacement reserve account, as required by the regulatory agreement, even if payments may be temporarily suspended or reduced	<u>\$ -</u>
S 1000-030	Replacement reserve, or residual receipts and releases which are included as expense items on the statement of operations	<u>\$ -</u>
S 1000-040	Project improvement reserve releases under the flexible subsidy program which are included as expense items on the statement of operations	<u>\$ -</u>
S 3100-120	Mortgage payable note detail (Section 236 only) Interest reduction payments from subsidy	<u>\$ -</u>

**Triborough Preservation LLC
HUD Contracts NY360004045 et al**

Supplementary Information - Continued

Statement of Members' Equity Data

For Year ended December 31, 2016

<u>Account No.</u>		<u>Total</u>
S 1100-010	Members' equity at January 1, 2016	\$ 7,069,568
S1200-430	Capital contributions	4,470,360
3250	Net income	<u>(9,650,079)</u>
3130	Members' equity (deficit) December 31, 2016	<u>\$ 1,889,849</u>
	Members' percentage of income (losses)	<u>100.00%</u>

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al
Supplemental Information - Continued**

Statement of Cash Flows Data

For Year ended December 31, 2016

<u>Account No.</u>		
	Cash flows from operating activities	
S1200-010	Rental receipts	\$ 28,282,133
S1200-030	Other operating receipts	<u>15,505</u>
S1200-040	Total receipts	<u>28,297,638</u>
S1200-050	Administrative expenses paid	935,681
S1200-070	Management fees paid	787,789
S1200-090	Utilities paid	1,838,838
S1200-100	Salaries and wages paid	1,619,821
S1200-110	Operating and maintenance paid	1,287,400
S1200-120	Real estate taxes paid	955,677
S1200-140	Property insurance	840,431
S1200-150	Miscellaneous taxes and insurance paid	354,116
S1200-180	Interest paid on first mortgage	8,208,614
S1200-220	Other servicing costs	<u>2,344,506</u>
S1200-230	Total disbursements	<u>19,172,873</u>
S1200-240	Net cash provided by operating activities	<u>9,124,765</u>
	Cash flows from investing activities	
S1200-245	Net deposits to mortgage escrows	(307,342)
S1200-255	Net receipts from other reserves	15,903,190
S1200-330	Net purchase of fixed assets	(19,382,725)
S1200-341	Utility deposits	<u>(3,882)</u>
S1200-350	Net cash used in investing activities	<u>(3,790,759)</u>
	Cash flows from financing activities	
S1200-360	Mortgage principal payments - first mortgage	(3,294,167)
S1200-430	Capital contributions	4,470,360
S1200-450	Other financing activities (include detail)	
S1200-451	Acquisition of deferred charges	<u>(528,142)</u>
		<u>(528,142)</u>
S1200-460	Net cash provided by financing activities	<u>648,051</u>
S1200-470	Net increase in cash	5,982,057
S1200-480	Cash, beginning	<u>9,553,103</u>
S1200T	Cash, end	<u><u>\$ 15,535,160</u></u>

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Supplementary Information - Continued

Statement of Cash Flows Data - Continued

For Year Ended December 31, 2016

<u>Account No.</u>		
		Reconciliation of net income to net cash provided by operating activities
3250	Net income	<u>\$ (9,650,079)</u>
	Adjustments to reconcile net income to net cash provided by operating activities	
6600	Depreciation	9,717,470
6610	Amortization	39,128
S1200-486	Amortization of debt acquisition costs	202,874
	Changes in asset and liability accounts	
	(Increase) decrease in assets	
S1200-490	Tenant accounts receivable	199,031
S1200-520	Prepaid expenses	141,444
	Increase (decrease) in liabilities	
S1200-540	Accounts payable	(336,786)
S1200-570	Accrued interest payable	8,465,775
S1200-590	Prepaid revenue	75,908
S1200-605	Entity/construction liability accounts (detail)	
S1200-606	Accrued entity fees payable	270,000
		<hr/>
	Total adjustments	<u>18,774,844</u>
S1200-610	Net cash provided by operating activities	<u><u>\$ 9,124,765</u></u>

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Supplementary Information - Continued

For Year Ended December 31, 2016

Computation of Surplus Cash, Distributions and Residual Receipts (Annual)

<u>Account No.</u>	<u>Part A - Compute Surplus Cash</u>	
S1300-010	Cash (Accounts 1120, 1170 and 1191)	\$ 13,823,761
1135	Accounts receivable - HUD	\$ -
S1300-040	Total cash	<u>13,823,761</u>
S1300-050	Accrued mortgage interest payable	363,884
S1300-060	Delinquent mortgage principal payments	-
S1300-070	Delinquent deposits to reserve for replacements	-
S1300-075	Accounts payable (due within 30 days)	801,735
S1300-080	Loans and notes payable (due within 30 days)	-
S1300-090	Deficient tax, insurance or MIP escrow deposits	-
S1300-100	Accrued expenses (not escrowed)	-
2210	Prepaid revenue (Account 2210)	129,550
2191	Tenant security deposits liability (Account 2191)	<u>280,375</u>
S1300-140	Less total current obligations	<u>1,575,544</u>
S1300-150	Surplus cash (deficiency)	<u>\$ 12,248,217</u>
S1300-200	Amount available for distribution during next period	<u><u>\$ 12,248,217</u></u>

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Supplementary Information - Continued

For Year Ended December 31, 2016

Changes in Fixed Asset Accounts

	Assets			Balance 12/31/16
	Balance 01/01/16	Additions	Deletions	
Land	\$ 30,000,000	\$ -	\$ -	\$ 30,000,000
Buildings	270,000,000	124,637,553	-	394,637,553
Land improvements	-	6,145,500	-	6,145,500
Equipment	92,724	1,541,732	-	1,634,456
	<u>\$ 300,092,724</u>	<u>\$ 132,324,785</u>	<u>\$ -</u>	<u>\$ 432,417,509</u>
Accumulated depreciation	<u>\$ 6,901,809</u>	<u>\$ 9,717,470</u>	<u>\$ -</u>	<u>\$ 16,619,279</u>
Total net book value				<u>\$ 415,798,230</u>

Fixed Asset Detail

<u>ADDITIONS</u> Item	Building	Land Improvements	Equipment
L&M Builders Group LLC	\$ 33,753,663	\$ 3,358,800	\$ 1,071,648
Preservation TB Builders LLC	37,145,366	2,786,700	470,084
Capitalized architect/engineering and related soft costs	53,738,524	-	-
	<u>\$ 124,637,553</u>	<u>\$ 6,145,500</u>	<u>\$ 1,541,732</u>

**Triborough Preservation LLC
HUD Contracts NY 360004045 et al**

Supplementary Information - Continued

For Year Ended December 31, 2016

Detail of Accounts - Balance Sheet

Miscellaneous Other Assets (Account No. 1590)

Other

Utility deposits \$ 31,397

\$ 31,397

Miscellaneous Long-Term Liabilities (Account No. 2390)

Developer fee payable

\$ 46,611,186

\$ 46,611,186

Detail of Accounts - Statement of Operations

Miscellaneous administrative expenses (Account 6390)

Telephone and answering service

\$ 63,573

Social services

105,562

Fees and registrations

11,134

Consulting

86,558

Travel

18,044

Compliance and oversight fees

66,097

Administrative fees/services

66,826

\$ 417,794

Miscellaneous operating and maintenance (Account 6590)

Fire protection

\$ 82,523

Miscellaneous financial expenses (Account 6890)

Mortgage servicing costs

\$ 2,341,902

Triborough Preservation LLC
HUD Contracts NY 360004045 et al

Supplementary Information - Continued

For Year Ended December 31, 2016

Other Information

Related party transaction detail:

<u>Account No.</u>	<u>Entity Name</u>	<u>Amount paid</u>
S3100-210	L&M Builders Group LLC (since inception)	<u>\$ 38,184,110</u>
S3100-210	Preservation TB Builders LLC (since inception)	<u>\$ 37,768,351</u>
S3100-210	NYCHA	<u>\$ 502,120</u>

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 Members

Triborough Preservation, LLC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States the financial statements of Triborough Preservation, LLC, which comprise the balance sheet as of December 31, 2016, and the related statements of operations, changes in members' equity (deficit) and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated March 15, 2017.

Internal Control over Financial Reporting

Management of Triborough Preservation LLC is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered Triborough Preservation, LLC's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Triborough Preservation, LLC's internal control. Accordingly, we do not express an opinion on the effectiveness of the Triborough Preservation, LLC's internal control.

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

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in

internal control that we considered 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 Triborough Preservation, LLC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and on compliance and other matters, and the results of the testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and other matters. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Triborough Preservation, LLC's internal control and on compliance and other matters. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lopsy Goals & Co P.C." with a long, sweeping underline.

New York, New York
March 15, 2017

Independent Auditor's Report on Compliance with Requirements that
Could Have a Direct and Material Effect on Each Major HUD-Assisted
Program and on Internal Control over Compliance in Accordance with
The Consolidated Audit Guide for Audits of HUD Programs

To the Members
Triborough Preservation, LLC

Report on Compliance for Section 8 Rent Subsidy Program

We have audited Triborough Preservation, LLC's compliance with the requirements described in the Consolidated Audit Guide for Audits of HUD Programs (the Guide), that could have a material effect on each of Triborough Preservation, LLC's major U.S. Department of Housing and Urban Development (HUD) programs for the year ended December 31, 2016. Triborough Preservation, LLC's major HUD program is the Section 8 Rent Subsidy Program and the related direct and material compliance requirements are federal financial reports, mortgage status, replacement reserve, distributions to owners, equity skimming, tenant application, eligibility and recertification, units leased to extremely low-income families, tenant security deposits, management functions, unauthorized charge of ownership/acquisition of liabilities, and unauthorized loans of project funds.

Management's Responsibility for Compliance

The management of Triborough Preservation, LLC is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to HUD programs.

Auditor's responsibility

Our responsibility is to express an opinion on compliance for each of Triborough Preservation, LLC's major HUD program based on our audit of the compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the compliance requirements referred to above that could have a direct and material effect on a major HUD program.

An audit includes examining, on a test basis, evidence about Triborough Preservation, LLC's compliance with those requirements and performing such other procedures as we considered necessary in the

circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Triborough Preservation, LLC's compliance with those requirements.

Opinion on Section 8 Rent Subsidy Program

In our opinion, Triborough Preservation, LLC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Section 8 Rent Subsidy Program for the year ended December 31, 2016.

Internal Control over Compliance

Management of Triborough Preservation, LLC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Triborough Preservation, LLC's internal control over compliance with the requirements that could have a direct and material effect on each major HUD program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major HUD program and to test and report on internal control over compliance in accordance with the guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Triborough Preservation, LLC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a HUD 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 compliance requirement of a HUD 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 compliance requirement of a HUD program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purposes 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 weaknesses and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify and deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

A handwritten signature in black ink that reads "Lysly Good & Co P.C." The signature is written in a cursive style with a long, sweeping underline that extends to the right.

New York, New York
March 15, 2017

**Triborough Preservation LLC
HUD Contract NY 360004045 et al**

**Schedule of Findings and Questioned Costs and
Recommendations**

Year ended December 31, 2016

None.