

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2016**

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

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## **Independent Auditor's Report**

**Board of Directors  
Cypress Hills Local Development  
Corporation**

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Cypress Hills Local Development Corporation, which comprise the balance sheet as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cypress Hills Local Development Corporation as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited Cypress Hills Local Development Corporation's June 30, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 11, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Loeb & Troper LLP*

February 3, 2017

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**BALANCE SHEET**

**JUNE 30, 2016**

(With Summarized Financial Information for June 30, 2015)

|   | <u>2016</u>         | <u>2015</u>         |
|---|---------------------|---------------------|
| <b>ASSETS</b>   |                     |                     |
| Cash  | \$ 464,492          | \$ 419,731          |
| Grants receivable   | 2,806,090           | 1,785,317           |
| Accounts receivable   | 147,995             | 286,823             |
| Contributions receivable - current  | 599,402             | 473,898             |
| Prepaid expenses and deposits   | 169,024             | 76,805              |
| Due from related parties (net of allowance<br>for doubtful accounts of \$75,000) (Note 4) | 585,208             | 2,075,263           |
| Fixed assets - net (Note 5)   | <u>144,444</u>      | <u>173,602</u>      |
| Total assets  | <u>\$ 4,916,655</u> | <u>\$ 5,291,439</u> |
| <b>LIABILITIES AND NET ASSETS</b>   |                     |                     |
| Liabilities   |                     |                     |
| Accounts payable and accrued expenses   | \$ 1,279,582        | \$ 758,826          |
| Grant advances  | 68,734              | 121,042             |
| Deferred rental income  | 12,096              | 17,302              |
| Loans payable (Note 6)  | <u>530,000</u>      | <u>1,614,953</u>    |
| Total liabilities   | <u>1,890,412</u>    | <u>2,512,123</u>    |
| Net assets (Exhibit B)  |                     |                     |
| Unrestricted  | 1,653,224           | 1,585,124           |
| Temporarily restricted (Note 3)   | <u>1,373,019</u>    | <u>1,194,192</u>    |
| Total net assets  | <u>3,026,243</u>    | <u>2,779,316</u>    |
| Total liabilities and net assets  | <u>\$ 4,916,655</u> | <u>\$ 5,291,439</u> |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**EXHIBIT B**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2016  
(With Summarized Financial Information  
for the Year Ended June 30, 2015)**

|  | Unrestricted | Temporarily<br>Restricted | Total        |              |
|--|--------------|---------------------------|--------------|--------------|
|  |              |                           | 2016         | 2015         |
| Revenues and other support                     |              |                           |              |              |
| Government grants                              | \$ 8,482,607 |                           | \$ 8,482,607 | \$ 7,054,105 |
| Contributions                                  | 150,796      | \$ 3,167,610              | 3,318,406    | 3,244,367    |
| Special events                                 | \$ 87,587    |                           |              |              |
| Less direct cost of special events             | (11,088)     |                           |              |              |
| Net revenue from special events                | 76,499       |                           | 76,499       | 80,304       |
| Contributed services (Note 11)                 | 161,250      |                           | 161,250      | 153,750      |
| Management and development fees (Note 4)       | 188,301      |                           | 188,301      | 227,804      |
| Rental income (Note 8)                         | 119,232      |                           | 119,232      | 117,452      |
| Miscellaneous income                           | 8,302        |                           | 8,302        | 12,333       |
| Net assets released from restrictions (Note 3) | 2,988,783    | (2,988,783)               |              |              |
| Total revenues and other support               | 12,175,770   | 178,827                   | 12,354,597   | 10,890,115   |
| Expenses (Exhibit C)                           |              |                           |              |              |
| Program services                               |              |                           |              |              |
| Youth and human services                       | 8,704,724    |                           | 8,704,724    | 7,455,456    |
| Housing development and counseling             | 1,143,222    |                           | 1,143,222    | 1,410,758    |
| Economic development and community organizing  | 479,444      |                           | 479,444      | 475,899      |
| Total program services                         | 10,327,390   |                           | 10,327,390   | 9,342,113    |
| Supporting services                            |              |                           |              |              |
| Management and general                         | 1,545,643    |                           | 1,545,643    | 1,305,023    |
| Fund raising                                   | 234,637      |                           | 234,637      | 258,050      |
| Total supporting services                      | 1,780,280    |                           | 1,780,280    | 1,563,073    |
| Total expenses                                 | 12,107,670   |                           | 12,107,670   | 10,905,186   |
| Change in net assets (Exhibit D)               | 68,100       | 178,827                   | 246,927      | (15,071)     |
| Net assets - beginning of year                 | 1,585,124    | 1,194,192                 | 2,779,316    | 2,794,387    |
| Net assets - end of year (Exhibit A)           | \$ 1,653,224 | \$ 1,373,019              | \$ 3,026,243 | \$ 2,779,316 |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION**

**EXHIBIT C**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2016**  
**(With Summarized Financial Information**  
**for the Year Ended June 30, 2015)**

|   | 2016                     |                                    |   |               |                        |              |                | 2015          |               |
|---|--------------------------|------------------------------------|---|---------------|------------------------|--------------|----------------|---------------|---------------|
|   | Program Services         |                                    |   |               | Supporting Services    |              |                | Total         |               |
|   | Youth and Human Services | Housing Development and Counseling | Economic Development and Community Organizing | Total         | Management and General | Fund Raising | Special Events | Total         |               |
| Salaries  | \$ 5,545,171             | \$ 718,560                         | \$ 285,499                                    | \$ 6,549,230  | \$ 816,591             | \$ 183,418   |                | \$ 7,549,239  | \$ 7,029,512  |
| Payroll taxes and employee benefits   | 1,369,298                | 177,438                            | 70,500  | 1,617,236     | 201,645                | 45,290       |                | 1,864,171     | 1,693,001     |
| Total salaries and related expenses   | 6,914,469                | 895,998                            | 355,999                                       | 8,166,466     | 1,018,236              | 228,708      |                | 9,413,410     | 8,722,513     |
| Affordable housing development  |                          |                                    |   |               |                        |              |                |               | 17,184        |
| Rent and utilities (Note 7)   | 113,310                  | 40,445                             | 16,989  | 170,744       | 63,475                 |              |                | 234,219       | 225,245       |
| Supplies  | 256,655                  | 25,643                             | 5,182   | 287,480       | 6,148                  | 4,472        |                | 298,100       | 222,564       |
| Professional services and consultants   | 463,689                  | 79,457                             | 85,267  | 628,413       | 129,828                |              |                | 758,241       | 538,446       |
| Contributed services - professional fees (Note 11)                                      |                          |                                    |   |               | 161,250                |              |                | 161,250       | 153,750       |
| Telephone and internet  | 39,750                   | 10,165                             | 940   | 50,855        | 7,661                  |              |                | 58,516        | 48,842        |
| Postage   | 6,032                    | 3,887                              | 128   | 10,047        | 2,232                  |              |                | 12,279        | 9,477         |
| Equipment rental/maintenance  | 186,288                  | 20,697                             | 253   | 207,238       | 9,219                  |              |                | 216,457       | 141,092       |
| Printing  | 11,086                   | 8,156                              | 175   | 19,417        | 2,606                  |              |                | 22,023        | 22,971        |
| Cleaning and maintenance  | 2,551                    | 1,158                              | 275   | 3,984         | 8,020                  |              |                | 12,004        | 7,538         |
| Insurance   | 81,463                   | 23,542                             | 7,915   | 112,920       | 6,264                  |              |                | 119,184       | 86,327        |
| Travel  | 161,728                  | 6,933                              | 82  | 168,743       | 8,913                  |              |                | 177,656       | 96,195        |
| Conferences and training  | 29,205                   | 7,931                              | 45  | 37,181        | 1,059                  |              |                | 38,240        | 29,230        |
| Interest  |                          |                                    |   |               | 6,225                  |              |                | 6,225         | 7,896         |
| Bank charges  |                          |                                    |   |               | 1,878                  |              |                | 1,878         | 2,457         |
| Advertising   |                          |                                    |   |               | 26,649                 |              |                | 26,649        | 17,115        |
| Catering and entertainment  |                          |                                    |   |               |                        |              | \$ 11,088      | 11,088        | 9,184         |
| Youth events/activities   | 268,947                  |                                    |   | 268,947       |                        |              |                | 268,947       | 264,212       |
| Stipends  | 20,900                   |                                    |   | 20,900        |                        |              |                | 20,900        | 59,193        |
| Dues and subscriptions  | 1,925                    | 2,250                              |   | 4,175         | 15,734                 |              |                | 19,909        | 23,648        |
| Fees (permits, fees and other)  | 6,620                    | 2,799                              |   | 9,419         | 16,939                 |              |                | 26,358        | 31,145        |
| Participant and other refreshments  | 95,898                   | 9,799                              | 4,073   | 109,770       | 4,822                  |              |                | 114,592       | 63,383        |
| Depreciation and amortization   | 18,661                   | 4,082                              | 2,041   | 24,784        | 2,917                  | 1,457        |                | 29,158        | 28,749        |
| Bad debt  |                          |                                    |   |               | 13,432                 |              |                | 13,432        | 7,918         |
| Miscellaneous   | 25,547                   | 280                                | 80  | 25,907        | 32,136                 |              |                | 58,043        | 78,096        |
| Total expenses  | 8,704,724                | 1,143,222                          | 479,444                                       | 10,327,390    | 1,545,643              | 234,637      | 11,088         | 12,118,758    | 10,914,370    |
| Less direct cost of special events deducted from revenue on the statement of activities |                          |                                    |   |               |                        |              | (11,088)       | (11,088)      | (9,184)       |
| Total expenses reported by function on the statement of activities (Exhibit B)          | \$ 8,704,724             | \$ 1,143,222                       | \$ 479,444                                    | \$ 10,327,390 | \$ 1,545,643           | \$ 234,637   | \$ -           | \$ 12,107,670 | \$ 10,905,186 |

See independent auditor's report.

The accompanying notes are an integral part of these statements.

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**STATEMENT OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2016 AND 2015**

|   | <u>2016</u>        | <u>2015</u>       |
|---|--------------------|-------------------|
| Cash flows from operating activities  |                    |                   |
| Change in net assets (Exhibit B)  | \$ 246,927         | \$ (15,071)       |
| Adjustments to reconcile change in net assets to net cash provided (used) by operating activities |                    |                   |
| Depreciation and amortization   | 29,158             | 28,749            |
| Decrease (increase) in assets   |                    |                   |
| Grants receivable   | (1,020,773)        | 230,425           |
| Accounts receivable   | 138,828            | (189,658)         |
| Contributions receivable  | (125,504)          | 400,194           |
| Prepaid expenses and deposits   | (92,219)           | (25,011)          |
| Increase (decrease) in liabilities  |                    |                   |
| Accounts payable and accrued expenses   | 520,756            | (59,056)          |
| Due to related parties  |                    | (38,300)          |
| Grant advances  | (52,308)           | 44,275            |
| Deferred rental income  | (5,206)            | 16,128            |
| Net cash provided (used) by operating activities  | <u>(360,341)</u>   | <u>392,675</u>    |
| Cash flows from investing activities  |                    |                   |
| Loans to related parties  | (185,635)          | (963,603)         |
| Proceeds from loans to related parties  | <u>1,675,690</u>   | <u>101,049</u>    |
| Net cash provided (used) by investing activities  | <u>1,490,055</u>   | <u>(862,554)</u>  |
| Cash flows from financing activities  |                    |                   |
| Proceeds from loans   | 475,133            | 964,953           |
| Principal payments on loans   | <u>(1,560,086)</u> | <u>(200,000)</u>  |
| Net cash provided (used) by financing activities  | <u>(1,084,953)</u> | <u>764,953</u>    |
| Net change in cash  | 44,761             | 295,074           |
| Cash - beginning of year  | <u>419,731</u>     | <u>124,657</u>    |
| Cash - end of year  | <u>\$ 464,492</u>  | <u>\$ 419,731</u> |
| Supplemental disclosure of cash flow information  |                    |                   |
| Cash paid during the year for interest  | <u>\$ 6,225</u>    | <u>\$ 7,896</u>   |

See independent auditor's report.

The accompanying notes are an integral part of these statements.



**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 1 - NATURE OF ORGANIZATION**

Cypress Hills Local Development Corporation (Cypress Hills) is a not-for-profit community organization founded by local residents and small businesses in May 1983 to revitalize the Cypress Hills community in northeast Brooklyn. The organization runs comprehensive housing preservation, economic development, community organizing and youth and human services programs that serve approximately 10,000 residents annually. Cypress Hills' programs and services include: tenant organizing, housing and foreclosure prevention counseling, workforce development initiatives, college access and persistence counseling for young adults, summer youth employment, after-school programs, adult education classes, school-based community centers, a family counseling program, intergenerational services, benefits access help, affordable housing development and the development of community facilities, a neighborhood-wide sustainability initiative and community organizing activities. The primary sources of revenues to Cypress Hills are government grants and contributions.

Cypress Hills is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of accounting*** - The financial statements are prepared on the accrual basis of accounting.

***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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Grants receivable*** - Grants receivable is recorded for expense-based grants when allowable expenses are incurred and for performance-based grants when milestones are achieved.

***Accounts receivable*** - Accounts receivable consist of receivables related to management and development fees and rental income. Receivables are recorded at the time the income is earned based on the contracts or lease agreements. Interest is not accrued or recorded on outstanding receivables.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Contributions receivable*** - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

***Allowance for doubtful accounts*** - Management determines whether an allowance for doubtful accounts is necessary for grants, accounts, contributions receivable and due from related parties. Such estimate is based on management's assessments of the creditworthiness of its grantors and contributors, the aged basis of its receivables, as well as current economic conditions, subsequent receipts and historical information. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. Cypress Hills has determined that no allowance for uncollectible accounts for grants, accounts or contributions receivable is necessary as of June 30, 2016.

***Fixed assets*** - Fixed assets are recorded at cost. Items with a cost in excess of \$5,000 with an estimated useful life of greater than one year are capitalized. Depreciation of assets is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the term of the lease or the estimated useful lives of the improvements.

***Grant advances*** - Payments from government agencies in excess of expenses qualifying under the terms of the contracts are reflected on the balance sheet as grant advances.

***Deferred rental income*** - Rental income received for the next fiscal year is reported as deferred rental income.

***Unrestricted net assets*** - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

***Temporarily restricted net assets*** - Temporarily restricted net assets are those whose use by Cypress Hills has been limited by donors to a specific time period or purpose.

-continued-

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Government grants*** - Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

***Contributions*** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

***Rental income*** - Rental income is recognized based on signed rental agreements. When material, an adjustment is made to straight-line the income over the term of the lease.

***Management and development fees*** - Revenues from management and development fees are recognized based on the terms in the signed agreements.

***Contributed services*** - Contributed services are reported at fair value at the date the contribution is received.

***Rent expense*** - Rent expense has been recorded on the straight-line basis over the life of the lease. Deferred rent, when material, is recorded for the difference between the fixed payment and the rent expense.

***Advertising*** - Advertising costs are expensed when incurred.

***Functional allocation of expenses*** - The costs of providing Cypress Hills' services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

***Summarized financial information*** - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Cypress Hills' financial statements for the year ended June 30, 2015, from which the summarized information was derived.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Uncertainty in income taxes* - Cypress Hills has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2013 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through February 3, 2017, which is the date the financial statements were available to be issued.

*Reclassification* - In order to correct the prior year presentation, loans to related parties and proceeds from loans to related parties were reclassified on the Statement of Cash Flows from operating activities to investing activities.

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

|                                    |                     |
|------------------------------------|---------------------|
| Youth and human services           | \$ 1,040,641        |
| Housing development and counseling | 88,836              |
| Economic development               | 1,142               |
| Community organizing               | <u>242,400</u>      |
|                                    | <u>\$ 1,373,019</u> |

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

|                                    |                     |
|------------------------------------|---------------------|
| Youth and human services           | \$ 2,279,639        |
| Housing development and counseling | 302,787             |
| Economic development               | 153,009             |
| Community organizing               | <u>253,348</u>      |
|                                    | <u>\$ 2,988,783</u> |

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 4 - RELATED PARTIES**

Cypress Hills is related through common board members to the following organizations:

- 125 Fountain Avenue LLC
- 125 Fountain Avenue LP
- Arlington Apartment HDFC
- Cypress Corners Housing Corporation
- Cypress Corners LP
- Cypress Court Associates LP
- Cypress Court Housing Corporation
- Cypress Hills Child Care Corporation
- Cypress Hills Community School Development Corporation
- Cypress Hills Housing Corporation
- Cypress Hills Liberty, Inc.
- Cypress Hills Senior Housing HDFC
- Cypress Hills Senior Housing LP
- Cypress Homes HDFC
- Cypress Mews HDFC
- Cypress Pitkin-Berriman LP
- Cypress Place Senior Housing Corporation
- Cypress Plaza Development Corporation
- Cypress Plaza Group LP
- Cypress Village Housing Corporation
- Cypress Village LP
- Cypress West HDFC
- Glenmore Gardens HDFC
- Liberty Apartments HDFC
- Pitkin Housing Corporation
- Pitkin-Berriman HDFC

During 2016, Cypress Hills recorded management and development fees of \$188,301 from these related parties.

As discussed in Note 6, Cypress Hills entered into loans on behalf of two related parties. Both of these loans were fully paid during 2016.

As discussed in Note 7, Cypress Hills leases office space from various related parties.

As discussed in Note 12, Cypress Hills has guaranteed loans for the various related parties.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 5 - FIXED ASSETS**

|  |                   | <u>Estimated<br/>Useful Lives</u> |
|--|-------------------|-----------------------------------|
| Leasehold improvements                       | \$ 367,929        | 25 years                          |
| Equipment                                    | <u>497,094</u>    | 5 years                           |
|  | 865,023           |                                   |
| Accumulated depreciation<br>and amortization | <u>(720,579)</u>  |                                   |
|  | <u>\$ 144,444</u> |                                   |

**NOTE 6 - LOANS PAYABLE**

Cypress Hills has unsecured interest-free loans payable under Deutsche Bank's working capital program. These loans mature at various dates through 2018 and are eligible for renewal at maturity. The funds are to be used for development of affordable housing. The balance as of June 30, 2016 was \$130,000.

Cypress Hills has a \$750,000 line of credit from Capital One Bank, with an interest rate of 3%. The line of credit expires on August 1, 2017. As of June 30, 2016, the balance due was \$400,000. The loan is secured by any deposits held at that bank. Interest expense for the year ended June 30, 2016 was \$6,225.

In June 2012, Cypress Hills entered into a \$500,000 uncollateralized loan agreement with The Contact Fund on behalf of Pitkin-Berriman HDFC (Pitkin Berriman), a related entity, to develop affordable housing and retail shops. The loan was due upon closing of construction financing for the related project. The annual interest rate of the loan was equal to the Prime Rate plus 1.75% on the outstanding balance. Pitkin-Berriman was responsible for repaying Cypress Hills for principal loan payments paid on its behalf. Interest was paid by Pitkin-Berriman directly to The Contact Fund. The loan was fully paid in 2016.

In November 2015, Cypress Hills obtained a \$500,000 line of credit from Bank United N.A. Interest is accrued at the Prime Rate. At June 30, 2016, the rate was 3.5%. The line of credit expires on January 1, 2017. As of June 30, 2016, there was no balance due. The loan is secured by any deposits held at that bank.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 6 - LOANS PAYABLE (continued)**

In September 2014, Cypress Hills entered into a \$682,000 uncollateralized loan agreement with Local Initiative Support Corporation (LISC) on behalf of Cypress Hills Senior Housing HDFC (Senior Housing), a related entity, to develop affordable housing for low-income seniors. The annual interest rate of the loan is 6%. The loan was due on the earlier of the closing date of the housing project or 18 months from the original loan. Senior Housing was responsible for repaying Cypress Hills for principal loan payments paid on its behalf. Interest was paid by Senior Housing directly to LISC. The loan was fully paid in 2016.

Future loan payments are as follows:

|      |    |                   |
|------|----|-------------------|
| 2017 | \$ | 25,000            |
| 2018 |    | 465,000           |
| 2019 |    | <u>40,000</u>     |
|      |    | <u>\$ 530,000</u> |

**NOTE 7 - LEASE COMMITMENTS**

Office space was leased under a 25-year noncancelable operating lease at \$1 per year that expired in November 2015. Under the terms of the lease, Cypress Hills spent \$250,550 renovating the office space, which was capitalized and was amortized over the term of the lease. The annual amortization of \$10,022 on the original renovation approximated the fair value of the rental of the office space. Accordingly, Cypress Hills has not recorded donated rent or additional rent expense for this office space. In November 2016, Cypress Hills signed a new lease for this space that expires on October 31, 2019. Monthly rental payments are subject to annual increases.

Cypress Hills entered into a noncancelable operating lease for office space at 2930 Fulton Street. The lease expires on October 31, 2018. Monthly rental payments are subject to annual increases.

Cypress Hills entered into the following leases with related parties:

Cypress Hills entered into a noncancelable operating lease with Arlington Apartments HDFC for office space located at 3214 Fulton Street, Brooklyn, New York. The lease expires on December 31, 2018. Monthly payments are \$1,143 and are not subject to any increases.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 7 - LEASE COMMITMENTS (continued)**

Cypress Hills entered into a noncancelable operating lease with Cypress Homes HDFC for office space located at 2836 Fulton Street, Brooklyn, New York. The lease expires on December 31, 2018. Under the terms of the lease, monthly payments are \$908 and are not subject to any increases.

Cypress Hills entered into a noncancelable operating lease with Cypress Homes HDFC for office space at 2966 Fulton Street. The lease expires on August 31, 2018. Under the terms of the lease, monthly payments are \$2,555 and are not subject to any increases.

Cypress Hills entered into a noncancelable operating lease agreement with Cypress Plaza Group LP for office space. The lease expires in 2024. Monthly rental payments are subject to annual increases.

Rent expense for the year ended June 30, 2016 was \$206,930, including \$142,810 to related parties.

Future minimum payments are due as follows:

|            |                     |
|------------|---------------------|
| 2017       | \$ 217,582          |
| 2018       | 227,794             |
| 2019       | 150,989             |
| 2020       | 101,356             |
| 2021       | 96,636              |
| Thereafter | <u>301,656</u>      |
| Total      | <u>\$ 1,096,013</u> |

Cypress Hills leases office equipment under noncancelable operating lease agreements which expire at various dates through December 2021. Rental expense for the year ended June 30, 2016 was \$57,988.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 7 - LEASE COMMITMENTS (continued)**

The minimum annual lease payments are as follows:

|            |                   |
|------------|-------------------|
| 2017       | \$ 67,911         |
| 2018       | 60,229            |
| 2019       | 48,669            |
| 2020       | 31,238            |
| 2021       | 25,430            |
| Thereafter | <u>3,174</u>      |
| Total      | <u>\$ 236,651</u> |

**NOTE 8 - RENTAL INCOME**

Cypress Hills receives rental income from four leases for use of their facilities. The leases expire on various dates between May and October of 2019. Minimum rental income is due as follows:

|       |                   |
|-------|-------------------|
| 2017  | \$ 119,420        |
| 2018  | 124,891           |
| 2019  | 126,896           |
| 2020  | <u>11,142</u>     |
| Total | <u>\$ 382,349</u> |

**NOTE 9 - CONCENTRATIONS**

The majority of Cypress Hills' government grants are funded through New York State and New York City government programs. The receivables and revenues from New York City and New York State as of and for the year ended June 30, 2016 are as follows:

|                | <u>Receivables</u> | <u>Revenues</u> |
|----------------|--------------------|-----------------|
| New York City  | \$ 778,257         | \$ 5,800,979    |
| New York State | 302,143            | 1,926,168       |

Financial instruments which potentially subject Cypress Hills to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2016**

**NOTE 10 - PENSION PLAN**

Cypress Hills has a Section 403(b) retirement plan covering all full-time employees after one year of service. Cypress Hills may match the employees' contribution up to a maximum limit, as determined, on an annual basis. Pension expense for the year ended June 30, 2016 was \$107,488.

**NOTE 11 - CONTRIBUTED SERVICES**

Cypress Hills received in-kind assistance from Brooklyn Legal Services Corporation. In 2016, the total value of in-kind services was \$161,250, which has been reflected as revenues and expenses in the accompanying statement of activities.

**NOTE 12 - COMMITMENTS**

Cypress Hills has guaranteed loans for the following related corporations:

- A. Cypress Homes HDFC for the benefit of Local Initiatives Support Corporation (LISC) - The maximum value of the loan is \$2,000,000. At June 30, 2016, the balance was \$7,051.
- B. Cypress Homes HDFC for the benefit of M&T Bank - The maximum value of the loan is \$361,000. At June 30, 2016, the balance was \$333,472.
- C. Cypress Plaza Group LP for the benefit of Capital One Bank - The maximum value of the loan is \$860,235. At June 30, 2016, the balance was \$733,756.
- D. Subsequent to year end, in August 2016, Cypress Hills Child Care Corporation guaranteed a loan for the benefit of LISC - The maximum value of the loan is \$1,305,000.