

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2013 AND 2012**

**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, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Loeb & Troper LLP*

February 20, 2014

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**BALANCE SHEET**

**JUNE 30, 2013 AND 2012**

	<b>2013</b>	<b>2012</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 434,068	\$ 480,681
Grants receivable	1,308,721	996,478
Accounts receivable	82,602	82,403
Contributions receivable - current	157,322	170,775
Prepaid expenses and deposits	50,490	30,608
Due from related parties (net of allowance for doubtful accounts of \$75,000 in 2013 and 2012) (Note 4)	1,388,844	1,124,806
Fixed assets - net (Note 5)	139,398	164,137
Total assets	\$ 3,561,445	\$ 3,049,888
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 458,649	\$ 653,051
Grant advances	102,200	2,684
Deferred rental income	11,556	11,356
Loans payable (Note 6)	550,000	50,000
Total liabilities	1,122,405	717,091
Net assets (Exhibit B)		
Unrestricted	1,587,349	1,605,625
Temporarily restricted (Note 3)	851,691	727,172
Total net assets	2,439,040	2,332,797
Total liabilities and net assets	\$ 3,561,445	\$ 3,049,888

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2013 AND 2012

	2013		2012	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues and other support				
Government grants	\$ 4,715,034	\$ 4,715,034	\$ 4,662,479	\$ 4,662,479
Contributions	194,958	2,681,164	247,255	2,772,553
Special events				
Less direct expense of special events	\$ 156,340			
Net revenue from special events	(21,875)			
Management and development fees (Note 4)	134,465		187,673	187,673
Sublease rental revenue	25,838		103,909	103,909
Miscellaneous income	109,948		12,476	12,476
Net assets released from restrictions (Note 3)	20,360		2,639,108	(2,639,108)
	2,556,645	(2,556,645)		
Total revenues and other support	7,757,248	124,519	7,852,900	133,445
Expenses (Exhibit C)				
Program services				
Youth and human services	5,065,211		4,748,974	4,748,974
Housing development and counseling	1,240,446		1,517,390	1,517,390
Economic development and community organizing	435,206		636,960	636,960
Total program services	6,740,863		6,903,324	6,903,324
Supporting services				
Management and general	837,353		855,678	855,678
Fund raising	197,308		186,435	186,435
Total supporting services	1,034,661		1,042,113	1,042,113
Total expenses	7,775,524		7,945,437	7,945,437
Change in net assets (Exhibit D)	(18,276)	124,519	(92,537)	40,908
Net assets - beginning of year	1,605,625	727,172	1,698,162	2,291,889
Net assets - end of year (Exhibit A)	\$ 1,587,349	\$ 851,691	\$ 1,605,625	\$ 727,172
				\$ 2,332,797

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

YEARS ENDED JUNE 30, 2013 AND 2012

	2013							2012
	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	
Salaries	\$ 3,264,924	\$ 643,816	\$ 264,654	\$ 4,173,394	\$ 515,827	\$ 132,849	\$ 4,822,070	\$ 4,683,767
Payroll taxes and employee benefits	801,910	201,263	80,416	1,083,589	180,603	42,466	1,306,658	1,296,677
Total salaries and related expenses	4,066,834	845,079	345,070	5,256,983	696,430	175,315	6,128,728	5,980,444
Development and capital assistance		3,535		3,535			3,535	20,326
Rent and utilities (Note 7)	69,724	72,956	4,587	147,267	618		147,885	151,423
Supplies	132,220	28,760	5,867	166,847	2,346	460	169,653	157,739
Professional services and consultants	254,239	214,474	42,227	510,940	52,838	21,315	585,093	875,930
Telephone and internet	33,433	7,625	5,587	46,645	678		47,323	52,334
Postage	5,122	2,184	596	7,902	2,323	24	10,249	12,424
Equipment rental/maintenance	80,384	12,929	12,287	105,600	5,064		110,664	113,252
Printing	4,058	2,872	279	7,209	396	194	7,799	12,532
Cleaning and maintenance	8,711	1,744	2,057	12,512	4,806		17,318	19,680
Insurance	36,822	12,112	5,147	54,081	5,766		59,847	58,571
Travel	52,496	3,315	2,018	57,829	2,004		59,833	71,743
Conferences and training	45,445	6,681	520	52,646	512		53,158	30,376
Interest					19,375		19,375	233
Bank charges					1,593		1,593	1,912
Advertising	1,560	2,122	95	3,777	8,265		12,042	27,516
Catering and entertainment							\$ 21,875	21,875
Youth events	155,937		616	156,553	784		157,337	84,702
Stipends	12,920			12,920	945		13,865	21,671
Dues and subscriptions	3,064	5,482		8,546	8,767		17,313	16,185
Fees	5,453	3,254	32	8,739	9,605		18,344	31,913
Refreshments	42,400	7,621	2,791	52,812	1,240		54,052	51,073
Depreciation and amortization	15,206	3,466	1,733	20,405	4,334		24,739	28,054
Bad debt					1,988		1,988	56,966
Incentives/other	39,183	4,235	3,697	47,115	6,676		53,791	68,438
Total expenses	5,065,211	1,240,446	435,206	6,740,863	837,353	197,308	7,797,399	7,945,437
Less direct cost of special events deducted from revenue on the statement of activities							(21,875)	(21,875)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 5,065,211	\$ 1,240,446	\$ 435,206	\$ 6,740,863	\$ 837,353	\$ 197,308	\$ -	\$ 7,775,524

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STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2013 AND 2012

	2012						
	Program Services			Supporting Services			
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Total	Management and General	Fund Raising	Total
Salaries	\$ 3,073,867	\$ 681,655	\$ 315,492	\$ 4,071,014	\$ 494,783	\$ 117,970	\$ 4,683,767
Payroll taxes and employee benefits	748,928	223,660	109,808	1,082,396	170,514	43,767	1,296,677
Total salaries and related expenses	3,822,795	905,315	425,300	5,153,410	665,297	161,737	5,980,444
Development and capital assistance		20,326		20,326			20,326
Rent and utilities (Note 7)	67,821	71,845	5,459	145,125	6,298		151,423
Supplies	114,366	31,665	10,089	156,120	1,119	500	157,739
Professional services and consultants	306,024	391,724	136,507	834,255	41,675		875,930
Telephone and internet	28,286	8,320	10,368	46,974	4,915	445	52,334
Postage	5,008	4,888	1,038	10,934	1,242	248	12,424
Equipment rental/maintenance	76,688	16,528	13,090	106,306	6,946		113,252
Printing	4,999	3,881	2,148	11,028	1,253	251	12,532
Cleaning and maintenance	10,787	1,116		11,903	7,383	394	19,680
Insurance	37,479	11,613	3,627	52,719	5,326	526	58,571
Travel	62,234	4,097	2,626	68,957	2,786		71,743
Conferences and training	20,546	7,972	998	29,516	860		30,376
Interest					233		233
Bank charges					1,912		1,912
Advertising	2,330	275	50	2,655	8,861	16,000	27,516
Youth events	83,637		1,065	84,702			84,702
Stipends	17,437	539	3,695	21,671			21,671
Dues and subscriptions	1,524	11,612		13,136	3,049		16,185
Fees	5,722	13,530		19,252	12,661		31,913
Refreshments	31,250	5,855	6,751	43,856	7,110	107	51,073
Depreciation and amortization	17,244	3,931	1,965	23,140	4,914		28,054
Bad debt					56,966		56,966
Incentives/other	32,797	2,358	12,184	47,339	14,872	6,227	68,438
Total expenses (Exhibit B)	\$ 4,748,974	\$ 1,517,390	\$ 636,960	\$ 6,903,324	\$ 855,678	\$ 186,435	\$ 7,945,437

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, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 106,243	\$ 40,908
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	24,739	28,054
Decrease (increase) in assets		
Grants receivable	(312,243)	102,662
Accounts receivable	(199)	15,929
Contributions receivable	13,453	(31,518)
Prepaid expenses and deposits	(19,882)	40,351
Due from related parties	(264,038)	(312,628)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(194,402)	105,318
Grant advances	99,516	(86,761)
Deferred rental income	200	706
Net cash used by operating activities	<u>(546,613)</u>	<u>(96,979)</u>
Cash flows from financing activities		
Proceeds from loans	525,000	
Principal payments on loans	(25,000)	(50,000)
Proceeds from line of credit		200,000
Principal payments on line of credit		<u>(200,000)</u>
Net cash provided (used) by financing activities	<u>500,000</u>	<u>(50,000)</u>
Net change in cash and cash equivalents	(46,613)	(146,979)
Cash and cash equivalents - beginning of year	<u>480,681</u>	<u>627,660</u>
Cash and cash equivalents - end of year	<u>\$ 434,068</u>	<u>\$ 480,681</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 13,056</u>	<u>\$ 233</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, 2013 AND 2012**

**NOTE 1 - NATURE OF ORGANIZATION**

Cypress Hills Local Development Corporation (Cypress Hills) is a not-for-profit community organization founded in May 1983 to revitalize the Cypress Hills community in northeast Brooklyn. The organization sponsors comprehensive housing preservation, economic development, community organizing and youth and human services programs that serve approximately 8,000 residents annually. Cypress Hills' programs and services include: tenant organizing, housing and homeownership counseling, mortgage foreclosure prevention, workforce development, college access and persistence counseling for young adults, summer youth employment, after-school programs, adult education classes, school-based community centers, a foster care prevention program, intergenerational services, benefits access help and free tax preparation, affordable housing development and the development of community facilities, a neighborhood-wide sustainability initiative, parent leadership and community organizing activities focused on educational reform and community building. The primary sources of revenues to Cypress Hills Local Development Corporation 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.

*Cash and cash equivalents* - Cash and cash equivalents consist of cash and highly liquid investments with maturity dates when acquired of three months or less.

*Grants receivable* - Grants receivable are recorded based on contracts for services provided. A receivable is recorded when expenses incurred exceed cash received under the terms of the contract.

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CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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

*Accounts receivable* - Accounts receivable consist of receivables related to management and development fees and sublease rental revenue. Interest is not accrued or recorded on outstanding receivables.

*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. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. 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. Cypress Hills has determined that no allowance for uncollectible accounts for grants, accounts or contributions receivable is necessary as of June 30, 2013 and 2012.

*Fixed assets* - Fixed assets are recorded at cost. Items with a cost in excess of \$1,500 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 qualifying expenses under the terms of the contract 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.

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CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

**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 of the signed agreements.

*Rent expense* - Operating lease 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.

*Reclassification* - To conform to the current year's presentation, interest income previously shown on a separate line, were reclassified to miscellaneous income.

*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, 2010 and subsequent remain subject to examination by applicable taxing authorities.

*Subsequent events* - Subsequent events have been evaluated through February 20, 2014, which is the date the financial statements were available to be issued.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Community development	\$ 190,496	\$ 191,485
Housing development and counseling	58,467	32,087
Youth and human services	592,728	493,600
Building maintenance	<u>10,000</u>	<u>10,000</u>
	<u>\$ 851,691</u>	<u>\$ 727,172</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.

	<u>2013</u>	<u>2012</u>
Community development	\$ 466,349	\$ 414,080
Housing development and counseling	147,915	284,358
Youth and human services	1,932,341	1,883,107
Economic development and community organizing	<u>10,040</u>	<u>57,563</u>
	<u>\$ 2,556,645</u>	<u>\$ 2,639,108</u>

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**NOTE 4 - RELATED PARTIES**

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

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, Inc.  
Cypress Hills Housing Corporation  
Cypress Hills Liberty, Inc.  
Cypress Hills Senior Housing HDFC  
Cypress Homes HDFC  
Cypress Mews HDFC  
Cypress Place Senior Housing Corporation  
Cypress Plaza Development Corporation  
Cypress Plaza Group LP  
Cypress Senior Housing LP  
Cypress West HDFC  
Cypress Village Housing Corporation  
Cypress Village LP  
Glenmore Gardens HDFC  
Liberty Apartments HDFC  
Pitkin-Berriman HDFC

During 2013 and 2012, Cypress Hills recorded management and development fees of \$25,838 and \$187,673, respectively, from these related parties.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**NOTE 5 - FIXED ASSETS**

	<u>2013</u>	<u>2012</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 303,054	\$ 303,054	25 years
Equipment	<u>468,332</u>	<u>468,332</u>	5 years
	771,386	771,386	
Accumulated depreciation and amortization	<u>(631,988)</u>	<u>(607,249)</u>	
	<u>\$ 139,398</u>	<u>\$ 164,137</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 2014 and are eligible for renewal at maturity. The funds are to be used for development of affordable housing. The balance as of June 30, 2013 and 2012 was \$50,000.

In October 2010, Cypress Hills obtained a \$330,000 line of credit, expiring November 1, 2014, from Capital One Bank, with an interest rate of 3%. As of June 30, 2013 and 2012, the balance due was \$0. The loan is secured by any deposits held at that bank.

On June 29, 2012, Cypress Hills entered into a \$500,000 uncollateralized loan agreement with The Contact Fund to develop affordable housing and retail shops. As of June 30, 2013 and 2012 the loan balance was \$500,000 and \$0, respectively. The annual interest rate of the loan is equal to the Prime Rate plus 1.75% on the outstanding balance and the principal is due on June 28, 2015. The interest rate at June 30, 2013 and 2012 was 5%.

Interest expense for the years ended June 30, 2013 and 2012 was \$19,375 and \$233, respectively.

Future loan payments are as follows:

2014	\$ 25,000
2015	<u>525,000</u>
	<u>\$ 550,000</u>

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**NOTE 7 - LEASE COMMITMENTS**

Office space is leased under a 25-year noncancelable operating lease expiring in 2015 at \$1 per year. Under the terms of the lease, Cypress Hills spent \$250,550 renovating the office space, which was capitalized and is being amortized over the life of the lease. The annual amortization of \$10,022 on the original renovation approximates 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.

On January 1, 2007, Cypress Hills renewed its noncancelable operating lease for a second office located at 3214 Fulton Street, Brooklyn, New York. The lease expired on December 31, 2009. Cypress Hills continues to make rental payments of \$990 on a month-to-month basis. Subsequent to year end, on January 1, 2014, Cypress Hills renewed the lease through December 2018. Under the terms of the new lease, monthly payments are \$1,143 and are not subject to any increases.

Cypress Hills entered into a noncancelable operating lease for an office located at 2836 Fulton Street, Brooklyn, New York. The lease expired on December 31, 2012 and was not renewed. Monthly payments are \$787 and are not subject to any increases. Subsequent to the lease, Cypress Hills continued to make rental payments of \$787 on a month-to-month basis. Subsequent to year end, on January 1, 2014, Cypress Hills renewed the lease through December 2018. Under the terms of the new lease, monthly payments are \$908 and are not subject to any increases.

During 2010, Cypress Hills entered into a noncancelable operating lease for office space at 832 Jamaica Avenue. Monthly payments were \$1,750. The lease expired in October 2011 and was subsequently renewed through October 2013. Under the terms of the new lease, monthly payments are \$2,000 and are not subject to any increases. Subsequent to the lease, Cypress Hills continued to make rental payments of \$2,000 on a month-to-month basis.

During 2010, 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.

On September 1, 2013, Cypress Hills entered into a noncancelable operating lease for office space at 2966 Fulton Street, Brooklyn, New York. The lease expires in August 2018. Under the terms of the lease, monthly payments are \$2,555 and are not subject to any increases.

Rent expense for the years ended June 30, 2013 and 2012 was \$125,567 and \$123,941, respectively.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

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

Future minimum payments are due as follows:

2014	\$ 128,981
2015	141,094
2016	142,810
2017	144,550
2018	146,338
Thereafter	<u>603,333</u>
Total	<u>\$ 1,307,106</u>

Cypress Hills leases office equipment under noncancelable operating lease agreements which expire at various dates through August 2017. Rental expense for the years ended June 30, 2013 and 2012 was \$40,363 and \$45,189, respectively.

The minimum annual lease payments are as follows:

2014	\$ 27,888
2015	11,303
2016	7,056
2017	6,400
2018	<u>224</u>
Total	<u>\$ 52,871</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:

2014	\$ 115,406
2015	118,937
2016	119,232
2017	119,420
2018	124,891
Thereafter	<u>138,038</u>
Total	<u>\$ 735,924</u>

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013 AND 2012**

**NOTE 9 - CONCENTRATIONS**

The majority of Cypress Hills' government grants are funded through New York State and New York City government programs. The outstanding grants receivable and revenue due from New York City and New York State as of June 30, 2013 and 2012 are as follows:

	<u>2013</u>		<u>2012</u>	
	<u>Receivables</u>	<u>Revenues</u>	<u>Receivables</u>	<u>Revenues</u>
New York City	\$ 542,966	\$ 2,837,862	\$ 366,840	\$ 2,530,101
New York State	485,977	983,734	345,121	909,245

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.

**NOTE 10 - PENSION PLAN**

In December 1999, Cypress Hills established 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 years ended June 30, 2013 and 2012 was \$45,606 and \$44,890, respectively.

**NOTE 11 - 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, 2013, the balance was \$408,087.
- B. Cypress Homes HDFC for the benefit of Low Income Investment Fund (LIIF) - The maximum value of the loan is \$2,328,378. At June 30, 2013, the balance was \$468,788.
- C. Cypress Plaza Group LP for the benefit of Capital One Bank - The maximum value of the loan is \$860,235. At June 30, 2013, the balance was \$799,585.