

**Cypress Hills Local Development Corporation, Inc.
and Subsidiaries and Affiliates**

**Consolidated and Combined Financial Statements
(With Supplementary Information)
Schedules of Expenditures and Federal Awards
and Independent Auditor's Report**

June 30, 2022 and 2021



Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

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Independent Auditor's Report

To the Board of Directors
Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Report on the Audit of the Consolidated and Combined Financial Statements

Opinion

We have audited the accompanying consolidated and combined financial statements of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates, which comprise the consolidated and combined statement of financial position as of June 30, 2022 and 2021, and the related consolidated and combined statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, based on our audits and the reports of the other auditor, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of the Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates, as of June 30, 2022 and 2021, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We did not audit the financial statements of a certain consolidated entity as of June 30, 2022 and 2021, which statement reflects total assets of \$3,524,188 and \$3,409,267, respectively, and total change in net assets of \$77,524 and \$139,464, respectively, of the related consolidated and combined financial statements total for the years then ended. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts of that consolidated entity is based solely on the reports of the other auditors. The financial statements of Cypress West Housing Development Fund Corporation, Cypress Homes Housing Development Fund Corporation, Arlington Apartments Housing Development Fund Corporation, Cypress Hills Child Care Corporation, Cypress Place Senior Housing HDFC, Cypress Hills Corporation, Pitkin Housing Corporation, Pitkin-Berriman HDFC, Cypress Hills Community School Development Corporation, Cypress Hills Senior Housing HDFC, Cypress Hills Liberty, Inc., Liberty Apartments HDFC, Cypress Mews HDFC, Cypress Corners Housing Corporation, Cypress Village Housing Corporation, Cypress Court Housing Corporation, Cypress Plaza Development Corporation, Cypress Hills Chestnut Commons, LLC, Cypress Pitkin Berriman, L.P., Cypress Corners L.P., Cypress Plaza Group, L.P., Cypress Court Associates, L.P., Cypress Hills Senior Housing LP, and Cypress Village Limited Partnership, were not audited in accordance with *Government Auditing Standards*.

Management's Responsibilities for the Consolidated and Combined Financial Statements

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

In preparing the consolidated and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' ability to continue as a going concern for one year after the date that the consolidated and combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated and Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* ("CFR") Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the consolidating and combining supplementary information on pages 35 to 38 is presented for purposes of additional analysis and is not a required part of the consolidated and combined 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 consolidated and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated and combined financial statements or to the consolidated and combined 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 consolidated and combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' 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 solely 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 effectiveness of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' 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 Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' internal control over financial reporting and compliance.



New York, New York
March 28, 2023

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statements of Financial Position
June 30, 2022 and 2021**

	<u>Assets</u>	
	<u>2022</u>	<u>2021</u>
Cash	\$ 4,702,397	\$ 4,681,065
Accounts receivable, net	719,003	403,755
Receivables from related parties	3,018,518	3,005,080
Other receivables, net	683,490	319,670
Government grant receivable, net	4,560,772	4,132,644
Prepaid expenses	233,354	263,815
Restricted deposits and funded reserves	2,543,861	2,670,122
Tenant deposits held in trust	208,518	213,713
Utility deposits	90,133	47,765
Other intangibles, net	120,016	128,225
Fixed assets, net	67,514,553	68,904,693
Other noncurrent assets	55,356	80,634
	<u>84,449,971</u>	<u>84,851,181</u>
Total assets	<u>\$ 84,449,971</u>	<u>\$ 84,851,181</u>
	<u>Liabilities and Net Assets</u>	
Liabilities		
Accounts payable	\$ 1,855,148	\$ 1,300,448
Accrued expenses	1,601,930	1,328,374
Accrued interest payable	1,900,380	1,626,927
Deferred grant revenue	1,267,089	10,000
Tenant deposits held in trust	231,343	238,083
Accrued construction costs	50,000	50,000
Asset management fees payable	57,413	48,658
Due to related parties and affiliates	4,206	43,741
Unearned and deferred rent	5,867	16,021
Mortgages and loans payable, net of unamortized debt issuance cost	46,875,015	49,167,789
	<u>53,848,391</u>	<u>53,830,041</u>
Total liabilities	<u>53,848,391</u>	<u>53,830,041</u>
Net assets		
Without donor restrictions - controlling	10,532,756	7,669,230
Without donor restrictions - noncontrolling	17,297,755	20,705,841
With donor restrictions	2,771,069	2,646,069
	<u>30,601,580</u>	<u>31,021,140</u>
Total net assets	<u>30,601,580</u>	<u>31,021,140</u>
Total liabilities and net assets	<u>\$ 84,449,971</u>	<u>\$ 84,851,181</u>

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statement of Activities
Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Tenant rent and other charges, net of vacancies	\$ 3,731,819	\$ -	\$ 3,731,819
Government contracts and grants	14,321,145	-	14,321,145
Contributions	2,338,386	2,741,898	5,080,284
Management and social service fees	20,875	-	20,875
Social service fee revenue	31,090	-	31,090
Contract service fees	105,590	-	105,590
Developer fees	814,896	-	814,896
Special events	170,494	-	170,494
Interest income	21,761	-	21,761
Investment income	3,351	-	3,351
Other income	267,660	-	267,660
Forgiveness of Paycheck Protection Loan	2,302,739	-	2,302,739
Net assets released from restrictions	2,616,898	(2,616,898)	-
	<u>26,746,704</u>	<u>125,000</u>	<u>26,871,704</u>
Total revenue			
Expenses			
Program services			
Youth and Human Services	9,321,998	-	9,321,998
Housing Development and Counseling	2,696,570	-	2,696,570
Economic Development and Community Organizing	2,517,456	-	2,517,456
Early Childhood Education	3,365,960	-	3,365,960
Affordable Housing Projects	6,598,789	-	6,598,789
	<u>24,500,773</u>	<u>-</u>	<u>24,500,773</u>
Total program services			
Supporting services			
Management and general	2,333,441	-	2,333,441
Fundraising and development	457,050	-	457,050
	<u>2,790,491</u>	<u>-</u>	<u>2,790,491</u>
Total supporting services			
Total expenses	<u>27,291,264</u>	<u>-</u>	<u>27,291,264</u>
Change in net assets	<u>\$ (544,560)</u>	<u>\$ 125,000</u>	<u>\$ (419,560)</u>

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statement of Activities
Year Ended June 30, 2021**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Tenant rent and other charges, net of vacancies	\$ 3,809,811	\$ -	\$ 3,809,811
Government contracts and grants	12,765,770	-	12,765,770
Contributions	2,310,498	1,420,000	3,730,498
Social service fee revenue	37,333	-	37,333
Contract service fees	69,512	-	69,512
Developer fees	2,385,278	-	2,385,278
Special events	5,000	-	5,000
Interest income	86,140	-	86,140
Investment income	37,409	-	37,409
Other income	113,127	-	113,127
Net assets released from restrictions	<u>1,878,984</u>	<u>(1,878,984)</u>	<u>-</u>
 Total revenue	 <u>23,498,862</u>	 <u>(458,984)</u>	 <u>23,039,878</u>
Expenses			
Program services			
Youth and Human Services	9,047,998	-	9,047,998
Housing Development and Counseling	1,617,842	-	1,617,842
Economic Development and Community Organizing	261,211	-	261,211
Early Childhood Education	2,623,669	-	2,623,669
Affordable Housing Projects	<u>6,425,018</u>	<u>-</u>	<u>6,425,018</u>
 Total program services	 19,975,738	 -	 19,975,738
Supporting services			
Management and general	2,916,951	-	2,916,951
Fundraising and development	<u>351,685</u>	<u>-</u>	<u>351,685</u>
 Total supporting services	 <u>3,268,636</u>	 <u>-</u>	 <u>3,268,636</u>
 Total expenses	 <u>23,244,374</u>	 <u>-</u>	 <u>23,244,374</u>
 Change in net assets	 <u>\$ 254,488</u>	 <u>\$ (458,984)</u>	 <u>\$ (204,496)</u>

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

**Consolidated and Combined Statements of Changes in Net Assets
Years Ended June 30, 2022 and 2021**

	Without donor restrictions		With donor	Total net assets
	Controlling	Noncontrolling	restrictions	
Balance, June 30, 2020	\$ 4,912,564	\$ 23,028,019	\$ 3,105,053	\$ 31,045,636
Contributions	-	180,000	-	180,000
Change in net assets	<u>2,756,666</u>	<u>(2,502,178)</u>	<u>(458,984)</u>	<u>(204,496)</u>
Balance, June 30, 2021	7,669,230	20,705,841	2,646,069	31,021,140
Change in net assets	<u>2,863,526</u>	<u>(3,408,086)</u>	<u>125,000</u>	<u>(419,560)</u>
Balance, June 30, 2022	<u>\$ 10,532,756</u>	<u>\$ 17,297,755</u>	<u>\$ 2,771,069</u>	<u>\$ 30,601,580</u>

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statement of Functional Expenses
Year Ended June 30, 2022**

	Program services					Supporting services			Total
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	Management and general	Fundraising and development		
Personnel costs									
Salaries	\$ 5,946,980	\$ 880,051	\$ 1,599,233	\$ 1,846,846	\$ 440,555	\$ 10,713,665	\$ 1,663,183	\$ 315,539	\$ 12,692,387
Payroll taxes and employee benefits	1,137,762	242,581	323,914	159,222	75,152	1,938,631	335,614	102,621	2,376,866
Total personnel costs	7,084,742	1,122,632	1,923,147	2,006,068	515,707	12,652,296	1,998,797	418,160	15,069,253
Other than personnel costs									
Office expense	790,246	89,778	212,106	802,395	95,833	1,990,358	24,293	4,478	2,019,129
Equipment rental and maintenance	135,875	121,744	41,911	27,777	272	327,579	669	-	328,248
Management fees	-	-	-	-	-	-	229,877	-	229,877
Rent expense	10,185	86,740	83,728	94,236	-	274,889	-	-	274,889
Utilities expense	15,037	2,918	14,478	21,196	865,777	919,406	-	723	920,129
Legal fees	-	-	-	-	-	-	132	-	132
Professional services and consultants	540,898	240,727	202,007	64,828	178,752	1,227,212	60,071	21,000	1,308,283
Building repair and maintenance	96,312	-	11,832	20,551	843,353	972,048	453	-	972,501
Real estate taxes	-	-	-	-	136,163	136,163	-	-	136,163
Insurance expense	140,885	24,214	27,424	27,148	403,745	623,416	4,536	1,018	628,970
Other taxes, licenses and insurance	2,425	144	-	-	26,145	28,714	-	-	28,714
Interest expense	-	-	-	-	676,086	676,086	9,539	-	685,625
Advertising	3,275	-	500	103,483	53,162	160,420	-	-	160,420
Youth events and activities	239,567	-	-	174,558	-	414,125	1,013	11,500	426,638
Depreciation and amortization	54,797	-	-	3,778	2,508,801	2,567,376	2,620	-	2,569,996
Bad debt	-	908,354	-	-	180,773	1,089,127	-	-	1,089,127
Miscellaneous financing fees	115,975	-	-	1,071	16,863	133,909	-	171	134,080
Other miscellaneous expense	91,779	99,319	323	18,871	97,357	307,649	1,441	-	309,090
Total expenses	\$ 9,321,998	\$ 2,696,570	\$ 2,517,456	\$ 3,365,960	\$ 6,598,789	\$ 24,500,773	\$ 2,333,441	\$ 457,050	\$ 27,291,264

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statement of Functional Expenses
Year Ended June 30, 2021**

	Program services					Supporting services			
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	Total	Management and general	Fundraising and development	Total
Personnel costs									
Salaries	\$ 5,822,542	\$ 682,238	\$ 127,372	\$ 1,438,217	\$ 459,239	\$ 8,529,608	\$ 2,150,977	\$ 252,595	\$ 10,933,180
Payroll taxes and employee benefits	1,298,942	189,662	38,962	230,640	60,622	1,818,828	458,165	81,200	2,358,193
Total personnel costs	7,121,484	871,900	166,334	1,668,857	519,861	10,348,436	2,609,142	333,795	13,291,373
Other than personnel costs									
Office expense	443,675	183,269	58,104	680,899	96,563	1,462,510	24,293	4,478	1,491,281
Equipment rental and maintenance	269,588	17,083	-	-	80	286,751	669	-	287,420
Management fees	-	-	-	-	-	-	223,093	-	223,093
Rent expense	119,424	42,573	13,024	93,989	-	269,010	-	-	269,010
Utilities expense	25,184	2,449	4,000	21,084	709,763	762,480	-	723	763,203
Professional services and consultants	542,249	175,267	14,788	57,087	213,123	1,002,514	4,430	-	1,006,944
Building repair and maintenance	47,313	77,531	1,393	132	843,013	969,382	453	-	969,835
Real estate taxes	-	-	-	-	133,063	133,063	-	-	133,063
Insurance expense	170,125	43,098	3,568	27,076	352,928	596,795	4,536	1,018	602,349
Other taxes, licenses and insurance	4,341	-	-	-	29,389	33,730	-	-	33,730
Interest expense	-	-	-	-	600,323	600,323	45,261	-	645,584
Advertising	4,086	555	-	19,412	21,930	45,983	-	-	45,983
Youth events and activities	22,681	-	-	46,465	-	69,146	1,013	11,500	81,659
Depreciation and amortization	12,292	-	-	-	2,497,503	2,509,795	2,620	-	2,512,415
Bad debt	-	-	-	-	309,391	309,391	-	-	309,391
Miscellaneous financing fees	10,117	-	-	-	36,150	46,267	-	171	46,438
Other miscellaneous expense	255,439	204,117	-	8,668	61,938	530,162	1,441	-	531,603
Total expenses	\$ 9,047,998	\$ 1,617,842	\$ 261,211	\$ 2,623,669	\$ 6,425,018	\$ 19,975,738	\$ 2,916,951	\$ 351,685	\$ 23,244,374

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Consolidated and Combined Statements of Cash Flows
Years Ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (419,560)	\$ (204,496)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,569,996	2,512,415
Amortization of debt issuance costs	29,467	9,648
Forgiveness of Paycheck Protection Loan	(2,302,739)	-
Bad debt	1,089,127	309,391
Changes in operating assets and liabilities		
Accounts receivable	(2,209,761)	(3,412,068)
Prepaid expenses and deposits	30,461	81,767
Other assets	24,719	(37,777)
Accounts payable and accrued expenses	828,256	222,398
Accrued mortgage interest payable	273,453	242,238
Deferred grant revenue	1,257,089	-
Tenants' security deposits payable	(6,740)	2,151
Deferred rent payable	(10,154)	(575,470)
Due to related party and affiliates	<u>(30,780)</u>	<u>(58,354)</u>
Net cash provided by (used in) operating activities	<u>1,122,834</u>	<u>(908,157)</u>
Cash flows from investing activities		
Purchase of fixed assets	(1,171,088)	(370,421)
Changes in restricted deposits and other reserves	126,261	(271,266)
Changes in utility deposits	<u>(42,368)</u>	<u>(47,765)</u>
Net cash used in investing activities	<u>(1,087,195)</u>	<u>(689,452)</u>
Cash flows from financing activities		
Contributions by noncontrolling interest	-	180,000
Repayments of mortgages payable	(269,502)	(31,026)
Proceeds from line of credit	<u>250,000</u>	<u>-</u>
Net cash (used in) provided by financing activities	<u>(19,502)</u>	<u>148,974</u>
Net increase (decrease) in cash and restricted cash	16,137	(1,448,635)
Cash and restricted cash, beginning of year	<u>4,894,778</u>	<u>6,343,413</u>
Cash and restricted cash, end of year	<u>\$ 4,910,915</u>	<u>\$ 4,894,778</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 367,985</u>	<u>\$ 393,698</u>

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Note 1 - Nature of operations and summary of significant accounting policies

Nature of operations

Cypress Hills Local Development Corporation ("CHLDC") runs comprehensive housing preservation, economic development, community organizing, college success and youth and human services programs that serve over 11,000 residents annually. CHLDC's programs and services include: community and youth organizing, tenant assistance, homeowner counseling, small business technical assistance and merchant organizing, workforce development initiatives, college access and persistence supports, employment and training services, after-school programs, school-based community centers, a family counseling program, benefits access help, affordable housing development and the development of community facilities and a neighborhood-wide displacement prevention initiative. CHLDC is also focused on advancing racial equity in our organization and community.

Principles of consolidation

The consolidated and combined financial statements include the accounts of CHLDC and its wholly-owned corporate subsidiaries, nonprofit entities which CHLDC and its corporate subsidiaries control through common board membership and limited partnership and limited liability corporations entities in which CHLDC and its corporate subsidiaries have general partnership interests (collectively, the "Organization"), as required by accounting principles generally accepted in the United States of America ("GAAP").

Based on the provisions of Accounting Standards Codification Topic 810, the Organization and its subsidiaries determined that the presumption of control for the entities in which the Organization and its subsidiaries are the general partner had not been overcome, and as a result, the Organization and its subsidiaries are required to consolidate the financial statements of those entities.

The accompanying consolidated and combined financial statements include the activities, for the year ended June 30, 2022 and 2021, of entities controlled by the Organization and its subsidiaries through its sponsorship in other nonprofit entities or its controlling interest in for-profit entities as follows:

Wholly-Owned Entities	Partnership Interest Entities
Cypress West Housing Development Fund Corporation	Cypress Pitkin Berriman, L.P.
Cypress Homes Housing Development Fund Corporation	Cypress Corners L.P.
Arlington Apartments Housing Development Fund	Cypress Plaza Group, L.P.
Cypress Hills Child Care Corporation	Cypress Court Associates, L.P.
Cypress Place Senior Housing Corporation	* Cypress Hills Senior Housing LP
Pitkin-Berriman HDFC	* Cypress Village Limited Partnership
Cypress Hills Community School Development Corporation	
Cypress Hills Liberty, Inc.	
Liberty Apartments HDFC	
Cypress Mews HDFC	
Cypress Corners Housing Corporation	
Cypress Village Housing Corporation	
Cypress Court Housing Corporation	
Cypress Plaza Development Corporation	
Cypress Hills Chestnut Commons, LLC	

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

*These wholly-owned entities have immaterial or no activity during the years ended June 30, 2022 and 2021 and, therefore, no amount of activity are presented for these entities individually.

The following are for-profit entities, which are wholly, or majority owned by CHLDC and act in the capacity of general partner in limited partnerships or managing member in limited liability companies. The activity of these entities is immaterial to the consolidated and combined financial statements and would be eliminated in the consolidated and combined financial statements therefore no amounts of activity is presented for these entities individually:

- Cypress Corners Housing Corporation
- Cypress Court Housing Corporation
- Pitkin Housing Corporation
- Cypress Plaza Development Corporation
- Cypress Hills Senior Housing HDFC

Net asset classification

The Organization presents its consolidated and combined financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

I. Net assets without donor restrictions

- i. Controlling - represent expendable resources that are used to carry out the operations of the Organization and its Subsidiaries and Affiliates and are not subject to donor-imposed stipulations.
- ii. Noncontrolling - represent the aggregate balance as of June 30, 2022 and 2021 of limited partner/member equity interest in the non-wholly-owned housing entities that are included in the consolidated and combined financial statements.

II. Net assets with donor restrictions

- i. Net assets - generally, net assets subject to donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates, that resources be maintained in perpetuity. As of June 30, 2022 and 2021, the donor-restricted net asset balance was \$2,771,069 and \$2,646,069, respectively.

Use of estimates

The preparation of the consolidated and combined financial statements in conformity with GAAP 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 consolidated and combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents

The Organization considers all highly-liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment income, net in the statements of activities.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales and maturities of investments are based on cost and are recorded in the statement of activities in the period in which the investments are sold or mature. Interest is recorded when earned.

Certificates of deposits and U.S. Treasury Bills with original maturities greater than three months are carried at cost, which approximates fair value, and are included in restricted deposits and funded reserves on the consolidated and combined statement of financial position.

Tenants' security deposits

The Organization obtains security deposits from all commercial and residential tenants. The funds are maintained in bank accounts separate from operating accounts. Interest earned on tenant funds is credited to the tenants' accounts.

Accounts receivable

Tenant and commercial receivables are reported net of allowances for doubtful accounts. Management's estimates of the allowances are based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimates of the allowances will change. As of June 30, 2022 and 2021, the allowance for doubtful accounts was \$401,408 and \$318,237, respectively.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Assets under leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

	<u>Method</u>	<u>Estimated life</u>
Building and improvements	Straight-line	27.5 years
Leasehold improvements	Straight-line	2 - 10 years
Furniture, fixtures and equipment	Straight-line	3 - 10 years

Impairment of long-lived assets

The Organization reviews their rental property for potential impairment on an annual basis. Impairment is generally defined as events or changes in circumstances indicate that the carrying value of an asset may not be recoverable as of the statement of functional position date. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Real Estate Entity are less than it's carrying amount, management compares the carrying amount of the rental property to its estimated fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No asset impairment was recognized during the years ended June 30, 2022 and 2021.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Deferred fees and amortization

Fees associated with obtaining real estate tax exemptions and low-income housing tax credits of certain affiliated entities are amortized over the life of the respective tax exemption and tax credit period using the straight-line method. Amortization expense for the years ended June 30, 2022 and 2021 was \$8,768 and \$4,226, respectively. Annual amortization expense relating to the real estate tax exemptions and low-income housing tax credits for each of the next five years through June 30, 2027 is estimated to be \$8,768 each year.

Predevelopment costs

The Organization incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal, architectural and design costs. These costs are capitalized and recorded as predevelopment project costs until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment project costs are charged to operations, either at the time a potential project is no longer considered desirable, feasible, or at the time the project has incurred excess development costs, which are absorbed by the Organization and charged to operations per terms of the related partnership or operating agreements. Predevelopment project costs related to projects that are ultimately developed are recorded as other receivables.

Revenue recognition

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as deferred revenue.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the consolidated and combined statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

Development fees earned are paid from a project's equity and debt proceeds at the completion of the construction of the project. These fees are recognized over the development period, beginning when the project is assured of being constructed, as evidenced by the admission of an equity partner, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected, and concluding with the application for final allocation of tax credits. Any portion of the development fee not expected to be paid using contributions from the equity partner, such as out of cash flow from operations represents variable consideration. The project estimates whether it will be entitled to variable consideration under the

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in ASC Topic 606, Revenue from Contracts with Customers, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the project's influence, including insufficient equity and debt proceeds at the completion of the construction of the project.
- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time.
- The Organization's experience with similar types of agreements.
- Whether the Organization expects to offer changes to payment terms.
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the project's estimate of the variable consideration using available information at the reporting date. Any difference between the gross amount of the project's developer fee payable and the estimate of variable consideration to which the developer expects to be entitled is eliminated in consolidation.

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

Commercial rent income is recognized on a straight-line basis where contractual rent increases are recognized equally over the lease term. Rental income recorded on the straight-line basis in excess of the rents billed is recognized as deferred commercial rents receivable. Rents collected in advance are recorded as deferred revenue. The Organization bills certain tenants proportionally for their share of utility and maintenance costs. All lease agreements are for at least a one-year term. All leases are considered to be operating leases.

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction. For purposes of determining whether a transfer of asset is a contribution, or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Functional expenses

The consolidated and combined statements of activities present expenses of the Organization's operations functionally between general and administrative, program and fundraising. Expenses are allocated based on a percentage of total salaries used in performing program services, general and administrative, and fundraising. Those expenses, which cannot be functionally categorized, are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Advertising costs

Advertising costs are charged to operations as incurred.

Investment in limited partnerships

The investment in Chestnut Commons Apartments LLC is accounted for under the equity method of accounting as Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates does not exercise control or meet the requirements for consolidation. Amounts contributed are carried at cost and adjusted for the Organization's proportionate share of undistributed earnings or losses. As of June 30, 2022 and 2021, the balance of the investment in limited partnerships was \$0 and \$0, respectively.

Income taxes

Cypress Hills Local Development Corporation, Inc., Cypress Hills Child Care Corporation, Arlington Apartments HDFC, Cypress Homes HDFC, Cypress West Housing Development Fund Corporation, Cypress Hills Community School Development Corporation, Cypress Hills Liberty, Inc., Liberty Apartments HDFC, Cypress Mews HDFC, and Pitkin Berriman HDFC (collectively, the "Nonprofit Corporations") have applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as tax-exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2022 and 2021. Due to their tax-exempt status, the Nonprofit Corporations are not subject to income taxes. The Nonprofit Corporations are required to file and do file tax returns with the IRS and other taxing authorities.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of June 30, 2022 and 2021, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated and combined financial statements.

Cypress Corners Housing Corporation, Cypress Court Housing Corporation, Cypress Plaza Development Corporation, Cypress Village Housing Corporation, Pitkin Housing Corporation and Cypress Place Senior Housing Corporation (collectively, the "C-Corps") have elected to be treated as a corporation, and all items of taxable income, deductions and tax credits are subject to federal and state income taxes. Management has not deemed there to be any significant current or deferred tax assets or liabilities related to the tax status of the C-Corps. Accordingly, these financial statements do not reflect provisions for income taxes and the C-Corps have no other tax positions which must be considered for disclosure.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

The remaining entities included in these consolidated and combined financial statements are partnerships or limited liability companies whose activities are passed through and reported directly by their partners or members. Accordingly, these consolidated and combined financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure related to these entities.

Tax years still open for IRS examination are the years ended June 30, 2019 and thereafter.

Note 2 - Liquidity

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' financial assets available within one year of the consolidated and combined statements of financial position date for general expenditure are as follows:

	2022	2021
Financial assets at year end		
Cash	\$ 4,702,397	\$ 4,681,065
Accounts receivable, net	719,003	403,755
Receivables from related parties	3,018,518	3,005,080
Other receivables, net	683,490	319,670
Government grant receivable, net	4,560,772	4,132,644
Restricted deposits and funded reserves	2,543,861	2,670,122
Tenant deposits held in trust	208,518	213,713
Total financial assets	16,436,559	15,426,049
Less amounts not available to be used within one year		
Receivables from related parties	3,018,518	3,005,080
Other receivables, net	683,490	319,670
Government grant receivable, net	4,560,772	4,132,644
Restricted deposits and funded reserves	2,543,861	2,670,122
Tenant deposits held in trust	208,518	213,713
Total financial assets not available to be used within one year	11,015,159	10,341,229
Financial assets available to meet general expenditures over the next 12 months	\$ 5,421,400	\$ 5,084,820

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged. Cypress monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current expenditure needs.

Note 3 - Restricted deposits and funded reserves

Pursuant to the respective loan, operating, partnership and/or regulatory agreements with the U.S. Department of Housing and Urban Development ("HUD"), New York State Division of Housing and Community Renewal ("HCR") and the City of New York's Department of Housing Preservation and Development ("HPD"), certain entities are required to establish various reserves to be used to fund any major repair, capital expenditures, various operating deficits, taxes and insurance, replacement of capital and other items.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

As of June 30, 2022 and 2021, the balances are as follows:

	<u>2022</u>	<u>2021</u>
Replacement reserves		
Cypress Homes Housing Development Fund Corporation	\$ 4,694	\$ 4,846
Cypress West Housing Development Fund Corporation	38,950	36,247
Cypress Village Limited Partnership	107,685	68,083
Cypress Corners L.P.	5,204	5,081
Cypress Plaza Group	68,497	62,962
Cypress Hills Senior Housing LP	339,737	260,223
Cypress Pitkin Berriman	45,767	30,313
Operating reserves		
Arlington Apartments Housing Development Fund Corporation	20,234	20,234
Cypress West Housing Development Fund Corporation	156,315	155,096
Cypress Village Limited Partnership	92,650	140,430
Cypress Court Associates L.P.	170,052	257,816
Cypress Corners L.P.	543,589	679,897
Cypress Plaza Group	2,798	3,138
Cypress Hills Senior Housing LP	298,858	298,858
Cypress Pitkin Berriman	341,790	341,790
Escrow deposits		
Cypress Village Limited Partnership	38,753	54,207
Cypress Hills Senior Housing LP	16,984	19,805
Cypress Pitkin Berriman	80,517	60,844
Other reserves		
Cypress West Housing Development Fund Corporation	77,757	77,413
Cypress Pitkin Berriman	93,030	92,839
Total restricted deposit and funded reserves	<u>\$ 2,543,861</u>	<u>\$ 2,670,122</u>

Note 4 - Related party transactions

Advances to affiliates

Cypress Hills Local Development Corporation, Inc. advanced funds to the Real Estate Entities by agreement. These advances are noninterest-bearing and payable upon demand. Related party receivables and payables are eliminated in the consolidation.

Due to related parties and affiliates

As of June 30, 2022 and 2021, the Organization had a net payable of \$4,206 and \$43,741, respectively due to related parties.

Developer fees

Cypress Hills Local Development Corporation, Inc. has entered into various development agreements with affiliated entities. The agreements provide for the fees to be paid from capital contributions and future cash flows of the respective entities. Development fees receivable presented in the consolidated and combined financial statements represent developer fees due from related entities for development services. Development fees receivable, development fee income and deferred development fees earned from affiliated entities shall be paid by the affiliated entities upon receipt of the limited partner capital contribution. Any remaining developer fee

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

receivable, and accrued interest thereon if applicable, is payable from operational cash flow of the respective projects. Development fees receivable are reported at their net realizable value. Management's estimate of any allowance is based on collectability determined by future operating cash flows of the related entities. It is reasonably possible that management's estimate of allowances will change. Cypress Hills Local Development Corporation, Inc. also provides "continuing involvement" as defined in the development projects via various guarantee agreements. Accordingly, recognition of a portion of the development fee is deferred until the expiration of those guarantee periods. Amounts payable from operational cash flow from consolidated entities have been eliminated upon consolidation.

During 2022 and 2021, the Organization recorded development fees of \$814,896 and \$2,385,278, respectively. As of June 30, 2022 and 2021, \$2,975,306 and \$2,975,306, respectively, remains receivable and is included in receivables from related parties on the accompanying consolidated and combined statement of financial position. As of July 1, 2021, the development fee receivable was \$590,028.

Due from affiliates

As of June 30, 2022 and 2021, the Organization had a net receivable of \$43,212 and 29,774 due from related parties, respectively, which is included in receivables from related parties on the accompanying consolidated and combined statement of financial position.

Note 5 - Contributions receivable

As of June 30, 2022 and 2021, contributions receivable are included in other receivables on the accompanying consolidated and combined statement of financial position and consist of the following:

	June 30, 2022		
	Without donor restrictions	With donor restrictions	Total
Due within one year	\$ -	\$ 195,297	\$ 195,297
Less			
Allowance for uncollectible contributions	-	-	-
Balance	<u>\$ -</u>	<u>\$ 195,297</u>	<u>\$ 195,297</u>
	June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 109,912	\$ 109,912
Less			
Allowance for uncollectible contributions	-	-	-
Balance	<u>\$ -</u>	<u>\$ 109,912</u>	<u>\$ 109,912</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

Note 6 - Property and equipment

Property and equipment consist of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,913,374	\$ 3,913,365
Building and improvements	81,451,343	81,250,398
Leasehold improvements	938,291	456,310
Furniture, fixtures and equipment	2,037,484	1,640,922
Construction in progress	<u>3,599,265</u>	<u>3,507,673</u>
Subtotal	91,939,757	90,768,668
Accumulated depreciation	<u>(24,425,204)</u>	<u>(21,863,975)</u>
Balance, net	<u>\$ 67,514,553</u>	<u>68,904,693</u>

Note 7 - Mortgages and notes payable

As of June 30, 2022 and 2021, the Organization had the following outstanding mortgages and notes payable:

<u>Lender</u>	<u>Project</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance at 6/30/2022</u>	<u>Balance at 6/30/2021</u>
Cypress Hills Local Development Corporation					
Deutsche Bank	Working Capital Program	various	11/30/2025	\$ 86,460	\$ 120,000
Seachange	TPT Loan	6.50%	On demand	342,578	253,422
SBA	Paycheck Protection Program Loan	1.00%	4/30/2022	-	2,263,062
HUD	Capital Advance Program	0.00%	4/1/2057	8,541,800	8,541,800
Capital One	Capital One Line of Credit	2.25%	10/1/2023	250,000	-
Cypress West Housing Development Fund Corporation					
HPD	Hills Properties	0.50%	1/1/2037	1,711,613	1,711,613
HPD	Building Improvements	0.00%	1/1/2042	205,426	205,426
HPD	Hills Properties	1.00%	9/1/2021	649,999	656,930
HPD	Building Reserves	0.00%	1/1/2042	121,005	121,005
Cypress Homes Housing Development Fund Corporation					
M&T	2966 Fulton Street Renovation	6.36%	8/1/2023	256,936	272,012
LISC/HPD	2836 Fulton Street Renovation	6% on LISC	Various dates	199,999	199,999
HPD	2966 Fulton Street Renovation	0.00%	7/24/2033	42,000	42,000
HPD	2966 Fulton Street Rehabilitation	0.00%	7/24/2033	69,568	69,568
Cypress Pitkin Berriman, L.P					
Citibank, N.A.	2501 Pitkin Avenue	5.57%	7/25/2049	4,908,031	4,990,030
Citibank, N.A.	2501 Pitkin Avenue	1.00%	10/1/2070	1,200,000	1,200,000
Deutsche Bank	2501 Pitkin Avenue	0.00%	Various dates	120,000	120,000
CHLDC OCS	2501 Pitkin Avenue	0.25%	7/1/2064	375,000	375,000
HPD	2501 Pitkin Avenue	2.70%	7/25/2049	6,500,000	6,500,000

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

<u>Lender</u>	<u>Project</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance at 6/30/2022</u>	<u>Balance at 6/30/2021</u>
	Arlington Apartments Housing Development Fund Corporation				
HTFC	New Construction	12.00%	1/5/2030	340,573	340,573
	Cypress Corners L.P.				
HPD	Article 8 Loan and CDBG Loan	1.00%	6/1/2036	1,345,114	1,345,114
HPD	HOME Loan	0.00%	6/1/2036	1,957,751	1,957,751
	Cypress Plaza Group, L.P				
Frderal OCS	Capital Improvements	10.00%	5/1/2040	162,260	162,260
HDC	Capital Improvements	0.25%	5/1/2040	2,654,127	2,654,127
Capital One	Capital Improvements	4.82%	5/1/2025	569,437	600,311
	Cypress Court Associates, L.P.				
HPD	Mortgage Agreement	0.00%	3/29/2030	1,363,310	1,363,310
HPD	HOME Loan	0.00%	3/29/2030	2,372,457	2,372,457
HPD	CDBG Loan	0.00%	3/29/2030	310,000	310,000
HPD	Article 8 Loan	1.00%	3/29/2030	1,277,477	1,277,477
	Cypress Village Limited Partnership				
CPC	Property Acquisition and Improvements	4.65%	10/1/2045	941,700	963,564
HPD	Property Acquisition and Improvements	0.00%	10/2/2045	1,500,000	1,500,000
HPD	Property Acquisition and Improvements	0.00%	10/3/2045	1,145,931	1,145,931
HPD	Property Acquisition and Improvements	0.00%	10/4/2045	1,500,000	1,500,000
HPD	Property Acquisition and Improvements	1.00%	10/1/2045	289,069	289,069
	Cypress Hills Child Care Corporation				
SBA	Paycheck Protection Program Loan	1.00%	2 yrs from disb 10/1/2021; on	256,267	369,023
LISC	Expansion of Programs and Admin Offices 3285-87 Fulton St	6.00%	demand	1,168,908	1,168,908
DCC	Expansion of Programs and Admin Offices 3285-87 Fulton St	4.72%	6/20/2024	188,618	278,696
	Cypress Hills Senior Housing LP				
HUD	Senior Housing Project	0.00%	4/1/2057	8,541,800	8,541,800
HPD	Supportive Housing Loan Program	0.00%	4/10/2074	<u>3,142,826</u>	<u>3,142,826</u>
Total loans payable				56,608,040	58,925,064
Less loans eliminated upon consolidation				(9,199,060)	(9,199,060)
Less unamortized debt issuance costs				<u>(533,965)</u>	<u>(558,215)</u>
				<u>\$ 46,875,015</u>	<u>\$ 49,167,789</u>

The mortgages and notes are secured by the respective entity's underlying properties unless otherwise noted above.

During the years ended June 30, 2022 and 2021, total interest expense was \$685,625 and \$645,584, respectively, inclusive of amortization of debt issuance costs of \$29,467 and \$9,648, respectively. As of June 30, 2022 and 2021, accrued interest of \$1,900,380 and \$1,626,927, respectively, remains payable. The liability of the Organization is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

Principal payments on the mortgages and notes payable for the next five years and thereafter are as follows:

June 30, 2023	\$	1,437,642
2024		482,698
2025		713,483
2026		130,659
2027		136,995
Thereafter		<u>44,507,503</u>
Total		47,408,980
Less: Unamortized debt issuance costs		<u>(533,965)</u>
Balance, net	\$	<u><u>46,875,015</u></u>

Note 8 - Line of credit

On October 19, 2020, CHLDC entered into a line of credit agreement for working capital needs with Capital One Bank. The \$500,000 line of credit is collateralized by CHLDC's deposits with Capital One Bank. Interest on the outstanding balance is 2.25%. The line of credit is set to mature on October 1, 2023. As of June 30, 2022 and 2021, the outstanding principal balance was \$250,000 and \$0, respectively, and is included in mortgages and loans payable, net of unamortized debt issuance cost, on the accompanying consolidated and combined statements of financial position. As of June 30, 2022 and 2021, accrued interest on the line of credit was \$47 and \$0, respectively, and is included in accrued interest payable on the accompanying consolidated and combined statements of financial position.

Note 9 - Management fees

All Real Estate Entities are managed by an unrelated third party. The property management agreements provide for a management fee in an amount equal to a percentage of monthly cash collections or a dollar amount per unit, as defined in the various agreements. For the years ended June 30, 2022 and 2021, the property management fee expense was \$229,877 and \$223,093, respectively.

Note 10 - Investments in other entities

The Organization holds an equity investment in Chestnut Commons Apartments LLC, and the investment in the project is as follows:

	Percentage owned	Investment balance, June 30, 2022	Investment balance, June 30, 2021
		<u>\$</u>	<u>\$</u>
Investment in Chestnut Commons Apartments LLC	0.004%	<u>-</u>	<u>-</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

The following is a summary of the financial position of Chestnut Commons Apartments LLC as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Assets	<u>\$ 146,773,272</u>	<u>\$ 83,015,173</u>
Liabilities	<u>\$ 137,462,168</u>	<u>\$ 79,520,432</u>
Equity	<u>\$ 9,311,104</u>	<u>\$ 3,494,741</u>

As of June 30, 2022, Chestnut Common Apartments LLC was under construction and operating activity had not commenced.

Note 11 - Fair value measurements

The accounting guidance for fair value measurements and disclosures clarifies the principle that fair value should be based on the assumption that market participants would use when pricing the asset or liability, and establishes the following hierarchy:

- Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Financial assets carried at fair value at June 30, 2022 are classified in the tables below in one of the three categories described above:

Operating Partnership	Description	Fair value at June 30, 2022	Quoted prices in active markets for identical assets/liabilities Level 1	Significant other observable inputs Level 2	Unobservable inputs Level 3
	Equity securities				
	Operating reserve				
Cypress Corners L.P.	Value equity CTF	\$ 118,499	\$ -	\$ 118,499	\$ -
	Replacement reserve				
Cypress Corners L.P.	Value equity CTF	965	-	965	-
Cypress Corners L.P.	Total equity securities	119,464	-	119,464	-
	Available-for-sale debt securities				
	Operating reserve				
Cypress Corners L.P.	Core fixed income CTF	368,410	-	368,410	-
Cypress Corners L.P.	Limited maturity bond CTF	57,330	-	57,330	-
	Replacement reserve				
Cypress Corners L.P.	Core fixed income CTF	3,109	-	3,109	-
Cypress Corners L.P.	Limited maturity bond CTF	480	-	480	-
Cypress Corners L.P.	Total available-for-sale debt securities	429,329	-	429,329	-
Cypress Corners L.P.	Total assets at fair value	\$ 548,793	\$ -	\$ 548,793	\$ -
	Equity securities				
	Operating reserve				
Cypress Court Associates, L.P.	Value equity CTF	\$ 38,108	\$ -	\$ 38,108	\$ -
Cypress Court Associates, L.P.	Total equity securities	38,108	-	38,108	-
	Available-for-sale debt securities				
	Operating reserve				
Cypress Court Associates, L.P.	Core fixed income CTF	113,966	-	113,966	-
Cypress Court Associates, L.P.	Limited maturity bond CTF	17,978	-	17,978	-
Cypress Court Associates, L.P.	Total available-for-sale debt securities	131,944	-	131,944	-
Cypress Court Associates, L.P.	Total assets at fair value	\$ 170,052	\$ -	\$ 170,052	\$ -

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

Financial assets carried at fair value at June 30, 2021 are classified in the tables below in one of the three categories described above:

Operating Partnership	Description	Fair value at June 30, 2021	Quoted prices in active markets for identical assets/liabilities Level 1	Significant other observable inputs Level 2	Unobservable inputs Level 3
	Equity securities				
	Operating reserve				
Cypress Corners L.P.	Value equity CTF	\$ 150,578	\$ -	\$ 150,578	\$ -
	Replacement reserve				
Cypress Corners L.P.	Value equity CTF	1,121	-	1,121	-
Cypress Corners L.P.	Total equity securities	<u>151,699</u>	<u>-</u>	<u>151,699</u>	<u>-</u>
	Available-for-sale debt securities				
	Operating reserve				
Cypress Corners L.P.	Core fixed income CTF	461,783	-	461,783	-
Cypress Corners L.P.	Limited maturity bond CTF	67,474	-	67,474	-
	Replacement reserve				
Cypress Corners L.P.	Core fixed income CTF	3,518	-	3,518	-
Cypress Corners L.P.	Limited maturity bond CTF	504	-	504	-
Cypress Corners L.P.	Total available-for-sale debt securities	<u>533,279</u>	<u>-</u>	<u>533,279</u>	<u>-</u>
Cypress Corners L.P.	Total assets at fair value	<u>\$ 684,978</u>	<u>\$ -</u>	<u>\$ 684,978</u>	<u>\$ -</u>
	Equity securities				
	Operating reserve				
Cypress Court Associates, L.P.	Value equity CTF	\$ 56,899	\$ -	\$ 56,899	\$ -
Cypress Court Associates, L.P.	Total equity securities	<u>56,899</u>	<u>-</u>	<u>56,899</u>	<u>-</u>
	Available-for-sale debt securities				
	Operating reserve				
Cypress Court Associates, L.P.	Core fixed income CTF	175,331	-	175,331	-
Cypress Court Associates, L.P.	Limited maturity bond CTF	25,586	-	25,586	-
Cypress Court Associates, L.P.	Total available-for-sale debt securities	<u>200,917</u>	<u>-</u>	<u>200,917</u>	<u>-</u>
Cypress Court Associates, L.P.	Total assets at fair value	<u>\$ 257,816</u>	<u>\$ -</u>	<u>\$ 257,816</u>	<u>\$ -</u>

The financial assets above are included in restricted deposits and funded reserves on the accompanying consolidated and combined statement of financial position (see Note 3).

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

Note 12 - Investments in marketable securities

At June 30, 2022, the Organization's investments in debts and equity securities consists of the following:

<u>Operating Partnership</u>		<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Fair market value</u>
Cypress Corners L.P.	Equity securities	\$ 128,353	\$ (8,889)	\$ 119,464
Cypress Corners L.P.	Available-for-sale debt securities	<u>535,648</u>	<u>(106,319)</u>	<u>429,329</u>
	Total	<u>\$ 664,001</u>	<u>\$ (115,208)</u>	<u>\$ 548,793</u>

<u>Operating Partnership</u>		<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Fair market value</u>
Cypress Court Associates, L.P.	Equity securities	\$ 40,491	\$ (2,383)	\$ 38,108
Cypress Court Associates, L.P.	Available-for-sale debt securities	<u>144,376</u>	<u>(12,432)</u>	<u>131,944</u>
	Total	<u>\$ 184,867</u>	<u>\$ (14,815)</u>	<u>\$ 170,052</u>

At June 30, 2021, the Organization's investments in debts and equity securities consists of the following:

<u>Operating Partnership</u>		<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Fair market value</u>
Cypress Corners L.P.	Equity securities	\$ 128,353	\$ 23,346	\$ 151,699
Cypress Corners L.P.	Available-for-sale debt securities	<u>535,648</u>	<u>(2,369)</u>	<u>533,279</u>
	Total	<u>\$ 664,001</u>	<u>\$ 20,977</u>	<u>\$ 684,978</u>

<u>Operating Partnership</u>		<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Fair market value</u>
Cypress Court Associates, L.P.	Equity securities	\$ 47,417	\$ 9,482	\$ 56,899
Cypress Court Associates, L.P.	Available-for-sale debt securities	<u>199,085</u>	<u>1,832</u>	<u>200,917</u>
	Total	<u>\$ 246,502</u>	<u>\$ 11,314</u>	<u>\$ 257,816</u>

At June 30, 2022 and 2021, the Organization's available-for-sale debt securities are invested through a fund created by Neuberger Berman Trust Company ("NBTC"). Investment options of the fund are limited to those provided by NBTC. Information related to the Organization's proportionate share of the cost and fair value of the underlying investments by contractual maturity is not readily available. Management has determined that these disclosures are not material to the users of the financial statements and therefore, the Partnership has omitted these disclosures.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Note 13 - Net assets

Net assets with donor restrictions

The changes in net assets with donor restrictions are as follows:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 2,646,069	\$ 3,105,053
Additions	2,741,898	1,420,000
Releases	<u>(2,616,898)</u>	<u>(1,878,984)</u>
Ending balance	<u>\$ 2,771,069</u>	<u>\$ 2,646,069</u>

Note 14 - Operating leases

CHLDC entered into a noncancelable operating lease for office space at 625 Jamaica Avenue that expires on October 31, 2025. Monthly rental payments are subject to annual increases.

CHLDC entered into a noncancelable operating lease for office space at 2930 Fulton Street that expires on October 31, 2024. Monthly rental payments are subject to annual increases.

CHLDC entered into a noncancelable operating lease for office space at 2685 Pitkin Avenue that expires on February 28, 2022. Monthly rental payments are subject to annual increases. In February 2022, CHLDC executed a 23-year renewal through February 2025.

CHLDC entered into the following leases with related parties:

- CHLDC entered into a noncancelable operating lease with Arlington Apartments HDFC for office space located at 3214 Fulton Street that expires on December 31, 2024. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Homes HDFC for office space located at 2836 Fulton Street that expires on December 31, 2024. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Homes HDFC for office space at 2966 Fulton Street that expires on August 31, 2023. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Plaza Group LP for office space at 2810 Fulton Street that expires on July 31, 2025. Monthly rental payments are subject to annual increases.
- CHLDC entered into a noncancelable operating lease agreement with Cypress Pitkin-Berriman LP for office space. The lease expires May 31, 2049. Monthly rental payments are subject to annual increases.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

- CHLDC entered into a noncancelable operating lease agreement with Cypress Plaza Group LP for office space. The lease expires on June 30, 2024. Monthly rental payments are subject to annual increases.
- Child Care has a lease for office space located at 3295 Fulton Street that expires on August 31, 2021. As of the report date, Child Care has agreed to a two-year loan extension.
- Child Care's day care center is leased under a twenty-year lease located at 108 Pine Street. The lease expires on April 30, 2024. Monthly rental payments are subject to annual increases. Child Care is discussing a lease extension as of the report date.

The Organization's rent expense for the year ended June 30, 2022 and 2021 was \$274,889 and \$269,010, respectively.

Future minimum payments for the next five years and thereafter are as follows:

2023	\$	352,107
2024		287,300
2025		160,449
2026		163,658
2027		286,762
Thereafter		<u>4,571,511</u>
Total	\$	<u>5,821,787</u>

The Organization leases office equipment under noncancelable operating lease agreements which expire at various dates through October 2024. Equipment rental expense for the years ended June 30, 2022 and 2021 was \$295,382 and \$286,671, respectively. Future minimum payments for the next two years are as follows:

2023	\$	12,313
2024		<u>1,172</u>
Total	\$	<u>13,485</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

**Notes to Consolidated and Combined Financial Statements
June 30, 2022 and 2021**

Note 15 - Rental income

The Organization receives rental income from four leases for use of their facilities. The leases expire on various dates through February 2034. Minimum rental income is due as follows:

2023	\$	265,237
2024		206,326
2025		187,031
2026		190,772
2027		194,587
Thereafter		<u>1,575,926</u>
Total	\$	<u><u>2,619,879</u></u>

Note 16 - Significant estimates and concentrations

Current vulnerability due to certain concentrations

The Organization sponsors or holds interest in multiple apartment projects. The project's operations are concentrated in the multifamily real estate market located in Brooklyn, New York. In addition, the projects operate in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Revenues and receivables

The majority of the Organization's government grants are funded through New York State and New York City government programs. The net receivables and revenues from New York City and New York State as of and for the years ended June 30, 2022 and 2021 are as follows:

		June 30, 2022
		<u>Receivables</u>
New York City	\$	3,546,540
New York State		822,167
Other		<u>192,065</u>
	\$	<u><u>4,560,772</u></u>
		June 30, 2021
		<u>Receivables</u>
New York City	\$	3,274,834
New York State		847,741
Other		<u>10,069</u>
	\$	<u><u>4,132,644</u></u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Note 17 - Pension plan

The Organization has a Section 403(b) retirement plan covering all full-time employees after one year of service. The Organization may match the employees' contribution up to a maximum limit, as determined on an annual basis. Pension expense for the years ended June 30, 2022 and 2021 was \$114,948 and \$120,143, respectively.

Note 18 - Concentration of credit risk

The Organization maintains its cash balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Organization and its subsidiaries have not experienced any losses with respect to their bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2022.

Note 19 - Commitments and contingencies

Litigation

Cypress is a defendant in various legal actions arising in the normal course of its operations. The final outcome of such actions cannot be determined at this time. Eventual liability, if any, is likely to be covered by insurance except where the applicable insurance policies expressly exclude certain coverage which arguably relates to the claims.

Coronavirus

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity, which could result in a loss of lease revenue and other material adverse effects to the Organization's financial position, results of operations, and cash flows. As of June 30, 2022, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the project.

Guarantees

The Organization has provided various guarantees to its affiliates in connection with the development of real estate. These guarantees are as follows:

CHLDC has guaranteed loans for the following related corporations, some of which have been consolidated in these financial statements:

- Cypress Homes HDFC for the benefit of M&T Bank. The maximum value of the loan is \$361,000. At June 30, 2022 and 2021, the balance was \$256,936 and 259,018, respectively.
- Cypress Hills Child Care Corporation for the benefit of Local Initiatives Support Corporation ("LISC") - the maximum value of the loan is \$1,305,000. At June 30, 2022 and 2021, the balance was \$1,168,908.
- Cypress Hills Child Care Corporation for the benefit of The New York Pooled PRI Fund, LLC and the Contact Fund, LLC - the maximum value of the loan is \$480,000. At June 30, 2022 and 2021, the balance was \$188,618 and \$278,696, respectively.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

CHLDC has entered into two joint ventures to develop affordable housing: Chestnut Commons Development Corporation ("CCDC") and New Construction Program and New In-Full Homeownership Opportunities Program ("NCP and NIHOP"). The following is the status of the two projects:

As of June 30, 2021, the CCDC was in pre-development and one of CHLDC's partners had expended funds towards this project, of which CHLDC is a guarantor of approximately \$460,000. As of June 30, 2022, CHLDC has not made any contributions towards this project. These costs are expected to be reimbursed by the limited partnership when the project is in development. CHLDC will be a 30 percent owner of CCDC. As of June 30, 2020, the CCDC has closed on construction financing and has begun construction. The CCDC closed on construction financing in late December of 2019, and construction began in January of 2020. Upon commencement of construction, all outstanding pre-development expenses were paid. As of June 30, 2022, CHLDC has not made any contributions towards this project.

As of June 30, 2022, the NCP and NIHOP was in pre-development and one of CHLDC's partners has expended funds towards this project, of which CHLDC is a guarantor for 50 percent of these costs which approximates \$620,000 and \$390,000, respectively. As of June 30, 2022 and 2021, CHLDC has funded \$250,000 and \$0, respectively, towards this project. These costs are expected to be reimbursed by the limited partnership when the project is in development. CHLDC will be a 50 percent owner of NCP and NIHOP.

The Organization has provided various guarantees to its affiliates in connection with the development of real estate. These guarantees are as follows:

Tax credit guarantees

Certain affiliated real estate entities have been awarded low-income housing tax credits which are contingent on their ability to maintain compliance with applicable sections of IRC Section 42. Failure to maintain compliance with tenant income eligibility and rent limits or to correct instances of noncompliance within a reasonable time period could result in recapture of previously claimed tax credits plus interest. In addition, any such noncompliance, if it were to occur, likely would result in an adjustment to the contributed capital by the respective investor limited partners/investor members.

Operating deficit guarantees

Certain affiliated real estate entities, pursuant to their partnership and operating agreements, have agreed to fund operating deficits, as defined, in the amount up to \$1,109,655. Generally, once the project has achieved certain benchmarks, as defined, including the period through which the general partner/managing member is required to fund operating deficits, the guaranty shall expire. As of June 30, 2022 and 2021, no operating deficits have been required to be funded.

Construction completion guarantees

Certain affiliated real estate entities, pursuant to their partnership and operating agreements, have agreed to fund any development deficits, as defined in their respective agreements. Any funding required may be repaid without interest upon development sources being available for such payment. As of June 30, 2022 and 2021, no construction completion guaranty has been required to be funded.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Notes to Consolidated and Combined Financial Statements June 30, 2022 and 2021

Note 20 - Consolidated and combined statement of cash flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated and combined statement of financial position that sum to the total of the same such amounts in the consolidated and combined statement of cash flows:

	<u>2022</u>	<u>2021</u>
Cash	\$ 4,702,397	\$ 4,681,065
Security deposits held in trust	<u>208,518</u>	<u>213,713</u>
Total cash and restricted cash on the consolidated and combined statement of cash flows	<u>\$ 4,910,915</u>	<u>\$ 4,894,778</u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by the regulatory authorities.

Note 21 - Paycheck Protection Program

In response to the coronavirus ("COVID-19") outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration (the "SBA") to provide small business loans. During 2020, CHLDC obtained a PPP loan in the amount of \$2,263,062. During 2022, the Organization received forgiveness of the PPP financing of the full amount which is recognized as revenue on the accompanying consolidated and combined statements of activities. There is a six-year period during which the SBA can review the Company's forgiveness calculation.

Note 22 - Subsequent events

Events that occur after the statement of financial position date but before the consolidated and combined 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 consolidated and combined statement of financial position date are recognized in the accompanying consolidated and combined financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated and combined statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of the Organization through March 28, 2023 (the date the consolidated and combined financial statements were available to be issued) and concluded that other than the subsequent event discussed below, no subsequent events have occurred that would require recognition in the consolidated and combined financial statements or disclosure in the notes to the financial statements.

CHLDC entered into a noncancelable financing lease for office space at Chestnut Commons, commencing July 15, 2022.

Supplementary Information

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Supplementary Information

**Consolidating Statement of Financial Position
June 30, 2022**

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Housing Entities	Eliminations	Total
<u>Assets</u>					
Cash	\$ 3,145,722	\$ 732,537	\$ 824,138	\$ -	\$ 4,702,397
Accounts receivable, net	421,303	-	395,260	(97,560)	719,003
Loans receivable	8,916,800	-	-	(8,916,800)	-
Receivables from related parties	4,461,338	-	133,384	(1,576,204)	3,018,518
Other receivables	640,000	885	116,939	(74,334)	683,490
Government grant receivable, net	4,239,629	321,143	-	-	4,560,772
Prepaid expenses	64,215	18,291	150,848	-	233,354
Restricted deposits and funded reserves	-	-	2,543,861	-	2,543,861
Tenant deposits held in trust	21,041	2,000	185,477	-	208,518
Utility deposits	57,065	-	33,068	-	90,133
Other intangibles, net	-	-	120,016	-	120,016
Fixed assets, net	845,738	2,449,332	64,219,483	-	67,514,553
Other noncurrent assets	39,521	-	15,835	-	55,356
Total assets	\$ 22,852,372	\$ 3,524,188	\$ 68,738,309	\$ (10,664,898)	\$ 84,449,971
<u>Liabilities and Net Assets</u>					
<u>Liabilities</u>					
Accounts payable	\$ 566,985	\$ 53,297	\$ 1,253,956	\$ (19,090)	\$ 1,855,148
Accrued expenses	963,417	209,457	429,056	-	1,601,930
Accrued interest payable	-	-	2,268,094	(367,714)	1,900,380
Deferred grant revenue	1,267,089	-	-	-	1,267,089
Tenant deposits held in trust	46,000	-	185,343	-	231,343
Accrued construction costs	-	-	286,624	(236,624)	50,000
Developer fee payable	-	-	1,705,108	(1,705,108)	-
Asset management fees payable	-	-	57,413	-	57,413
Due to related parties and affiliates	2,000	501,417	1,203,266	(1,702,477)	4,206
Unearned and deferred rent	143,427	-	5,867	(143,427)	5,867
Mortgages and loans payable, net of unamortized debt issuance cost	9,220,836	1,610,651	45,242,588	(9,199,060)	46,875,015
Total liabilities	12,209,754	2,374,822	52,637,315	(13,373,500)	53,848,391
<u>Net assets</u>					
Without donor restrictions - controlling	9,097,618	1,149,366	(2,422,830)	2,708,602	10,532,756
Without donor restrictions - noncontrolling	-	-	17,297,755	-	17,297,755
With donor restrictions	1,545,000	-	1,226,069	-	2,771,069
Total net assets	10,642,618	1,149,366	16,100,994	2,708,602	30,601,580
Total liabilities and net assets	\$ 22,852,372	\$ 3,524,188	\$ 68,738,309	\$ (10,664,898)	\$ 84,449,971

See Independent Auditor's Report.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Supplementary Information

Consolidating Statement of Activities Year Ended June 30, 2022

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Housing Entities	Eliminations	Total
Revenue and support					
Tenant rent and other charges, net of vacancies	\$ 308,351	\$ -	\$ 3,718,370	\$ (294,902)	\$ 3,731,819
Government contracts and grants	10,948,020	3,373,125	-	-	14,321,145
Contributions	4,775,852	304,432	-	-	5,080,284
Management and social service fees	44,281	20,875	-	(44,281)	20,875
Social service fee revenue	31,090	-	-	-	31,090
Contract service fees	-	105,590	-	-	105,590
Developer fees	814,896	-	-	-	814,896
Special events	170,494	-	-	-	170,494
Interest income	2,532	345	18,884	-	21,761
Investment income	-	-	3,351	-	3,351
Other income	441,588	16,163	52,544	(242,635)	267,660
Forgiveness of paycheck protection loan	2,263,062	39,677	-	-	2,302,739
Total revenue	19,800,166	3,860,207	3,793,149	(581,818)	26,871,704
Expenses					
Salaries	10,134,403	2,121,886	436,098	-	12,692,387
Payroll taxes and employee benefits	2,053,958	247,628	75,280	-	2,376,866
Office expense	1,092,130	831,166	95,833	-	2,019,129
Equipment rental and maintenance	295,382	28,446	4,420	-	328,248
Management fees	-	-	299,230	(69,353)	229,877
Rent expense	465,625	94,236	-	(284,972)	274,889
Utilities expense	32,433	21,919	865,777	-	920,129
Legal fees	-	-	132	-	132
Professional services and consultants	973,341	69,258	178,752	86,932	1,308,283
Building repair and maintenance	108,144	21,004	843,353	-	972,501
Real estate taxes	-	-	136,163	-	136,163
Insurance expense	192,523	32,702	403,745	-	628,970
Other taxes, licenses and insurance	2,569	-	26,145	-	28,714
Interest expense	9,539	7,360	1,157,699	(488,973)	685,625
Advertising	3,775	103,483	53,162	-	160,420
Youth events and activities	251,067	175,571	-	-	426,638
Depreciation and amortization	54,797	6,398	2,508,801	-	2,569,996
Bad debt	1,141,261	-	190,501	(242,635)	1,089,127
Miscellaneous financing fees	5,319	1,314	127,447	-	134,080
Other miscellaneous expense	118,029	20,312	170,749	-	309,090
Total expenses	16,934,295	3,782,683	7,573,287	(999,001)	27,291,264
Change in net assets	2,865,871	77,524	(3,780,138)	417,183	(419,560)
Net assets, beginning	7,776,747	1,071,842	19,881,132	2,291,419	31,021,140
Net assets, end	<u>\$ 10,642,618</u>	<u>\$ 1,149,366</u>	<u>\$ 16,100,994</u>	<u>\$ 2,708,602</u>	<u>\$ 30,601,580</u>

See Independent Auditor's Report.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Supplementary Information

**Combining Statement of Financial Position - Housing Entities
Year Ended June 30, 2022**

	Arlington Apartments Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Cypress West Housing Development Fund Corporation	Cypress Village Limited Partnership	Cypress Court Associates L.P.	Cypress Corners L.P.	Cypress Plaza Group	Cypress Hills Senior Housing LP	Cypress Pitkin Berriman	Total - Housing Entities
Assets										
Cash	\$ 48,919	\$ 7,726	\$ 57,653	\$ 14,845	\$ 96,109	\$ 40,084	\$ 400,996	\$ 92,759	\$ 65,047	\$ 824,138
Accounts receivable, net	35,094	26,132	30,040	54,688	81,946	25,651	14,169	9,787	117,753	395,260
Receivables from related parties	419	583	98,610	4,944	20,340	100	8,388	-	-	133,384
Other receivables	-	-	-	19,709	-	-	-	860	96,370	116,939
Prepaid expenses	8,420	10,137	12,814	18,907	32,088	12,836	10,813	18,705	26,128	150,848
Restricted deposits and funded reserves	20,234	4,694	273,022	239,088	170,052	548,793	71,295	655,579	561,104	2,543,861
Tenant deposits held in trust	8,939	1,159	16,755	18,488	38,073	7,176	29,358	16,583	48,946	185,477
Utility deposits	1,147	370	2,240	570	2,520	6,017	11,969	8,227	8	33,068
Other intangibles, net	-	-	-	20,477	-	3,148	-	47,186	49,205	120,016
Fixed assets, net	784,557	780,620	1,369,605	9,963,156	1,280,412	2,741,751	4,404,748	18,212,719	24,681,915	64,219,483
Other noncurrent assets	-	3,000	-	12,835	-	-	-	-	-	15,835
Total assets	\$ 907,729	\$ 834,421	\$ 1,860,739	\$ 10,367,707	\$ 1,721,540	\$ 3,385,556	\$ 4,951,736	\$ 19,062,405	\$ 25,646,476	\$ 68,738,309
Liabilities and Net Assets										
Liabilities										
Accounts payable	\$ 215,241	\$ 207,291	\$ 52,964	\$ 226,483	\$ 311,772	\$ 31,030	\$ 12,146	\$ 173,830	\$ 23,199	\$ 1,253,956
Accrued expenses	72,866	9,007	36,497	43,573	98,231	30,550	25,815	59,117	53,400	429,056
Accrued interest payable	878,682	1,449	-	3,947	-	-	195,440	85,675	1,102,901	2,268,094
Tenant deposits held in trust	8,939	1,159	18,043	18,488	38,073	7,176	29,358	16,137	47,970	185,343
Accrued construction costs	-	-	-	-	-	-	236,624	-	50,000	286,624
Developer fee payable	-	-	-	336,660	-	-	-	-	1,368,448	1,705,108
Asset management fees payable	-	-	-	31,548	-	-	25,865	-	-	57,413
Due to related parties and affiliates	12,264	413,626	84,039	180,438	272,148	236,330	2,310	1,960	151	1,203,266
Unearned and deferred rent	-	-	-	-	-	-	-	5,867	-	5,867
Mortgages and loans payable, net of unamortized debt issuance cost	340,573	568,503	2,688,043	5,309,241	5,318,964	3,202,242	3,367,820	11,659,387	12,787,815	45,242,588
Total liabilities	1,528,565	1,201,035	2,879,586	6,150,378	6,039,188	3,507,328	3,895,378	12,001,973	15,433,884	52,637,315
Net assets										
Without donor restrictions - controlling	(1,846,905)	(366,614)	(1,018,847)	332,046	(91,538)	(126)	(112)	569,597	(331)	(2,422,830)
Without donor restrictions - noncontrolling	-	-	-	3,885,283	(4,226,110)	(121,646)	1,056,470	6,490,835	10,212,923	17,297,755
With donor restrictions	1,226,069	-	-	-	-	-	-	-	-	1,226,069
Total net assets	(620,836)	(366,614)	(1,018,847)	4,217,329	(4,317,648)	(121,772)	1,056,358	7,060,432	10,212,592	16,100,994
Total liabilities and net assets	\$ 907,729	\$ 834,421	\$ 1,860,739	\$ 10,367,707	\$ 1,721,540	\$ 3,385,556	\$ 4,951,736	\$ 19,062,405	\$ 25,646,476	\$ 68,738,309

See Independent Auditor's Report.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Supplementary Information

**Combining Statement of Activities - Housing Entities
Year Ended June 30, 2022**

	Arlington Apartments Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Cypress West Housing Development Fund Corporation	Cypress Village Limited Partnership	Cypress Court Associates L.P.	Cypress Corners L.P.	Cypress Plaza Group	Cypress Hills Senior Housing LP	Cypress Pitkin Berriman	Total
Revenue and support										
Tenant rent and other charges, net of vacancies	\$ 239,945	\$ 104,133	\$ 370,000	\$ 316,109	\$ 671,897	\$ 270,033	\$ 292,047	\$ 640,005	\$ 814,201	\$ 3,718,370
Interest income	33	-	104	35	17,763	-	66	759	124	18,884
Investment income	-	-	3,206	10	-	-	135	-	-	3,351
Other income	9,064	-	325	35	22	20,476	50	9,515	13,057	52,544
Total revenue	249,042	104,133	373,635	316,189	689,682	290,509	292,298	650,279	827,382	3,793,149
Expenses										
Salaries	9,659	2,880	17,282	14,355	30,723	12,467	10,561	315,111	23,060	436,098
Payroll taxes and employee benefits	-	-	128	-	11,088	-	-	29,860	34,204	75,280
Office expense	3,405	982	16,224	7,831	20,064	8,304	7,744	19,057	12,222	95,833
Equipment rental and maintenance	48	-	144	-	80	-	-	4,148	-	4,420
Management fees	13,861	3,928	22,172	35,485	65,501	35,781	33,851	46,806	41,845	299,230
Utilities expense	63,178	24,486	136,272	96,725	183,182	80,367	59,881	110,150	111,536	865,777
Legal fees	66	33	-	-	-	33	-	-	-	132
Professional services and consultants	13,980	11,412	17,924	21,951	29,056	24,663	17,399	9,840	32,527	178,752
Building repair and maintenance	55,370	24,425	126,454	81,520	234,666	79,402	90,159	34,791	116,566	843,353
Real estate taxes	86,527	21,704	-	-	26,813	1,119	-	-	-	136,163
Insurance expense	27,062	12,682	46,307	34,407	88,007	33,247	28,780	53,332	79,921	403,745
Other taxes, licenses and insurance	267	78	3,240	1,998	4,743	1,552	2,572	1,542	10,153	26,145
Interest expense	41,364	18,636	3,313	54,927	15,615	22,642	68,829	620	931,753	1,157,699
Advertising	276	75	1,898	364	1,486	351	301	47,658	753	53,162
Depreciation and amortization	50,616	26,986	93,667	497,509	273,228	117,184	164,994	547,485	737,132	2,508,801
Bad debt	13,563	31,108	22,864	15,261	82,237	9,728	13,891	-	1,849	190,501
Miscellaneous financing fees	389	606	2,052	1,922	57,699	37,793	947	534	25,505	127,447
Other miscellaneous expense	22,030	1,105	5,794	6,473	38,893	73,392	14,420	7,126	1,516	170,749
Total expenses	401,661	181,126	515,735	870,728	1,163,081	538,025	514,329	1,228,060	2,160,542	7,573,287
Change in net assets	(152,619)	(76,993)	(142,100)	(554,539)	(473,399)	(247,516)	(222,031)	(577,781)	(1,333,160)	(3,780,138)
Net assets, beginning	(468,217)	(289,621)	(876,747)	4,771,868	(3,844,249)	125,744	1,278,389	7,638,213	11,545,752	19,881,132
Net assets, end	\$ (620,836)	\$ (366,614)	\$ (1,018,847)	\$ 4,217,329	\$ (4,317,648)	\$ (121,772)	\$ 1,056,358	\$ 7,060,432	\$ 10,212,592	\$ 16,100,994

See Independent Auditor's Report.

Cypress Hills Local Development Corporation, Inc.

**Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Federal agency grantor/pass-through grantor/program or cluster title	Assistance Listing number	Pass-through entity identifying number	Provided to subrecipients	Expenditures of federal awards
U.S. Department of Housing and Urban Development				
Passed through UnidosUS				
Housing Counseling Assistance Program	14.169	C190011001	\$ -	\$ 38,000
Total Housing Counseling Assistance Program			-	38,000
Passed through New York City Department of Youth and Community Development				
Community Development Block Grant Program for Entitlement Communities	14.218	99305A	-	549,797
Total CDBG Entitlement Grants Cluster			-	549,797
Supportive Housing for the Elderly	14.157	N/A	-	8,541,800
Total Supportive Housing for the Elderly			-	8,541,800
Total U.S. Department of Housing and Urban Development			-	9,129,597
U.S. Department of Labor				
Passed through New York City Department of Youth and Community Development				
WIA/WIOA Youth Activities	17.259	90523A	-	500,336
Total WIOA Cluster			-	500,336
Total U.S. Department of Labor			-	500,336
U.S. Department of Education				
Passed through New York State Education Department				
Twenty-First Century Community Learning Centers	84.287	C403039	-	916,416
Total Twenty-First Century Community Learning Centers			-	916,416
TRIO-Talent Search	84.044	N/A	-	305,152
Total TRIO Cluster			-	305,152
Total U.S. Department of Education			-	1,221,568
U.S. Department of Health and Human Services				
Passed through New York State Office of Children and Family Services				
Child Care and Development Block Grant	93.575	A-14791	-	19,327
Child Care and Development Block Grant	93.575	A-14790	-	30,414
Child Care and Development Block Grant	93.575	A-14783	-	8,854
Child Care and Development Block Grant	93.575	A-14786	-	17,555
Child Care and Development Block Grant	93.575	A-14777	-	8,156
Child Care and Development Block Grant	93.575	A-14781	-	20,691
Child Care and Development Block Grant	93.575	A-14788	-	26,945
Child Care and Development Block Grant	93.575	A-14775	-	33,675
Total CCDF Cluster			-	165,617
Passed through New York City Department of Youth and Community Development				
Community Service Block Grant	93.569	820508B	-	73,800
Community Service Block Grant	93.569	820509B	-	99,750
Total Community Service Block Grant			-	173,550
Total U.S. Department of Health and Human Services			-	339,167
Corporation for National and Community Service				
Passed through New York State Office of Children and Family Services				
AmeriCorps	94.006	C028550	-	144,029
Total AmeriCorps			-	144,029
Total Corporation for National and Community Service			-	144,029
Total Expenditures of Federal Awards			\$ -	\$ 11,334,697

See notes to the Schedule of Expenditures of Federal Awards

Cypress Hills Local Development Corporation, Inc.

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022**

Note 1 - Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Cypress Hills Local Development Corporation, Inc. (the "Parent", or collectively with the Subsidiaries and Affiliates, the "Organization") under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Parent, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the Parent.

Note 2 - Summary of significant accounting policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect cost rate

The Parent has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

Note 4 - Loan and loan guarantee programs

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the schedule. The balance of the loans outstanding at June 30, 2022 consists of:

<u>Assistance Living Number</u>	<u>Program Name</u>	<u>Outstanding balance at June 30, 2022</u>
14.157	Supportive Housing for the Elderly (Section 202)	<u>\$ 8,541,800</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 Board of Directors
Cypress Hills Local Development Corporation, Inc.
and Subsidiaries and Affiliates

We have audited 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, the consolidated and combined financial statements of Cypress Hills Local Development Corporation, Inc. (the "Parent", or collectively, along with the Subsidiary and Affiliates, the "Organization"), which comprise the consolidated and combined statement of financial position as of June 30, 2022, and the related consolidated and combined statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements and have issued our report thereon dated March 28, 2023. The financial statements of Cypress West Housing Development Fund Corporation, Cypress Homes Housing Development Fund Corporation, Arlington Apartments Housing Development Fund Corporation, Cypress Hills Child Care Corporation, Cypress Place Senior Housing HDFC, Pitkin Housing Corporation, Pitkin-Berriman HDFC, Cypress Hills Community School Development Corporation, Cypress Hills Senior Housing HDFC, Cypress Hills Liberty, Inc., Liberty Apartments HDFC, Cypress Mews HDFC, Cypress Corners Housing Corporation, Cypress Village Housing Corporation, Cypress Court Housing Corporation, Cypress Plaza Development Corporation, Cypress Hills Chestnut Commons, LLC, Cypress Pitkin Berriman, L.P., Cypress Corners L.P., Cypress Plaza Group, L.P., Cypress Court Associates, L.P., Cypress Hills Senior Housing LP, and Cypress Village Limited Partnership, were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Parent's internal control over financial reporting as a basis for designing 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 the Parent's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Parent's internal control over financial reporting.

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 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs as finding 2022-001, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Parent's consolidated and combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated and combined financial statements. 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*.

The Organization's Response to Finding

The Organization's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



New York, New York
March 28, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program
and Report on Internal Control over Compliance Required by the Uniform Guidance

To the Board of Directors of
Cypress Hills Local Development Corporation, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Cypress Hills Local Development Corporation, Inc. (the "Parent") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Parent's major federal program for the year ended June 30, 2022. The Parent's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Parent complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Parent and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Parent's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Parent's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on the Parent's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Parent's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Parent's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Parent's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Parent's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

CohnReznick LLP

New York, New York
March 28, 2023

Cypress Hills Local Development Corporation, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Section I - Summary of Auditor's Results

Financial Statements:

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes ___ no
- Significant deficiency(ies) identified? ___ yes X none reported

Noncompliance material to financial statements noted? ___ yes X no

Federal Awards:

Internal control over major programs:

- Material weakness(es) identified? ___ yes X no
- Significant deficiency(ies) identified? ___ yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ___ yes X no

Identification of major programs:

Federal Agency Grantor/ Pass-through Grantor/Program or Cluster Title

Assistance Listing Number

Supportive Housing for the Elderly (Section 202)

14.157

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

___ yes X no

Cypress Hills Local Development Corporation, Inc.

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section II - Financial Statement Findings

Finding 2022-001 Material Adjustments to Reconcile Balances at Year End

Criteria:

Subsidiary ledger accounts should be reconciled to the general ledger on a timely basis and in accordance with accounting principles generally accepted in the United States of America ("GAAP") to ensure timely and accurate reporting of the consolidated and combined financial statements and to investigate unreconciled variances.

Condition:

Material misstatements of multiple accounts throughout the trial balance resulted in material adjusting journal entries. As a result, revenues were adjusted by \$151,996, expenses were adjusted by \$1,541,851, and the change in net assets was adjusted to reflect the cumulative effect of these adjustments in the amount of \$1,693,716.

Cause:

Internal controls over the accurate preparation and completeness of the financial reporting process in accordance with GAAP were not operating effectively.

Effect:

An Improper and untimely financial reporting close could result in financial statements not being prepared in accordance with GAAP.

Recommendation:

Management should ensure that the year-end adjustments for subsidiary ledgers and intercompany accounts at year-end close of the financial records are completed in a timely manner. Management should ensure that their financial statement close includes all transactions during the year and their journal entries are recorded in the proper period, in accordance with the Company's relevant reporting requirements. Management should ensure that these adjustments and year-end closeout of the financial records are completed in a timely manner.

View of responsible officials:

Management is in the process of implementing financial reporting and closing procedures with all affiliated entities that are consolidated into our financial statements in accordance with GAAP. Management is working on adding more staff that will create more capacity in the team to work closely with our property management company in closeout procedures.

Section III - Federal Awards Findings and Questioned Costs

None reported.



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